

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, March 8, 2012

REGULAR MEETING

President John Nielsen called the regular PERB Meeting to order at 8:35 a.m. on Thursday, March 8, 2012. Roll call was taken. Seven Board members present. Board members and staff present were:

John Nielsen, President
Terry Smith, Vice President
Bob Bugni, Member
Darcy Halpin, Member
Scott Moore, Member
Dianna Porter, Member
Timm Twardoski, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Chief Legal Counsel
Flora Sebens, Executive Assistant

Others present: Jerry Williams, MPPA; Don Kinman and Jill Hindoien, AFSCME; Mike O'Connor, AMPRE; Doug Neil, George Richards, Ed Cleary, Kevin Benz, Rick Hansen, MSFA; Tom Schneider, MPEA; *MPEA staff*: Barbara Quinn, Fiscal Services Bureau Chief; Patricia Davis, Member Services Bureau Chief; June Dosier, Information Systems Manager, Kate Talley, Legal Counsel; Jenny Weigand, Education Supervisor; Renae Justice, Internal Auditor, and Diann Levandowski, Assistant Fiscal Services Bureau Chief joined the meeting.

OPEN MEETING

I. Roll Call

II. Public/Member Comment – No public comment.

Action items

III. Approval of Meeting Minutes

A. February 9, 2012, PERB Regular Meeting

The minutes of the February 9, 2012, PERB Regular Meeting were presented.

Motion: Member Dianna Porter moved to approve the minutes of the February 9, 2012, PERB Regular Meeting.

Second: Member Darcy Halpin

No public comment.

Vote: 6/0 Member Tim Twardoski was absent from the room during this vote.

B. February 9, 2012, PERB Audit Committee Meeting

The minutes of the February 9, 2012, PERB Audit Committee Meeting were presented.

Motion: Member Bob Bugni moved to approve the minutes of the February 9, 2012, PERB Audit Committee Meeting.

Second: Vice President Terrence Smith

No public comment.

Vote: 2/0 Member Timm Twardoski was absent from the meeting during this vote.

Action Items

IV. Executive Director's Report – Roxanne Minnehan, Executive Director

A. Actuary Contract – (Melanie Symons)

Cheiron and the Board entered into a five-year contract for actuarial services, commencing July 1, 2009, and ending June 30, 2014. Cheiron is requesting an increase in their hourly rates. The contract allows for a cost increase after the first two years.

Motion: President John Nielsen moved to approve the Cheiron rate increases starting January 1, 2012, and July 1, 2012.

Second: Member Diana Porter

No public comment.

Vote: 6/0 Member Timm Twardoski was absent from the meeting during this vote.

B. Board Conceptual Legislation (Staff)

The Board's conceptual legislation is due to the Budget Office in April. Based on past meetings, staff recommends the Board approve the following conceptual legislation for submission to the Budget Office:

1. General Revisions – Each session we propose a “housekeeping” bill, also known as the general revisions bill. During the session and interim, staff keeps track of statutes that may have caused some confusion. We take those statutes determine if there is a need to clarify and begin drafting. This bill has no fiscal impact.

Motion: President John Nielsen moved to address statutes that may need clarification in the General Revisions Bill.

Second: Vice President Terrence Smith

No public comment.

Vote: 7/0

2. Qualifications – From time-to-time we have to amend our statutes to align with Internal Revenue Code to maintain our qualification status. At this time, we may have qualification issues concerning normal retirement age and the definition of a governmental entity. This bill is critical to our plans qualification.

Motion: President John Nielsen moved to address statutes that may impact our qualification status.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

3. Disability Revisions – Staff has been working on creating efficiencies in the disability process and will have some recommended changes.

Member Scott Moore stated the Board should only consider changes to the systems that are in trouble. Member Dianna Porter stated that the legislation is “conceptual” place holders.

Motion: Member Darcy Halpin moved to postpone further discussion on the Disability Revisions proposal until the April Board meeting.

Second: Member Scott Moore

Public comment: Mr. Doug Neil requested more information. If the proposal is just to create efficiencies in the process then he is okay with the proposal.

Vote: 7/0

4. Working Retirees – We will be proposing the same bill from the last two sessions, requiring employer contributions on working retirees.

Motion: Member Dianna Porter moved to propose the legislation that require employer contributions on working retirees.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

5. Increase Employer Contributions and/or seek additional funding – PERS, SRS, GWPORS, HPORS all are actuarially unsound. These systems are not receiving their annual required contributions (ARC). Due to the contract right issue, we will be requesting additional funding to bridge the shortfall through a combination of employer contribution increases and additional funding sources.

Motion: President John Nielsen moved to seek additional funding through increased employer contributions and additional funding sources.

Second: Member Dianna Porter

No public comment.

Vote: 7/0

6. Increase HAC Period – Last session we increased the Highest Average Compensation (HAC) Period from 36 months to 60 months in PERS, SRS and GWPORS for new hires. For long-term plan sustainability and consistency, staff is recommending we increase the period in the remaining systems.

Member Bob Bugni stated that increasing the HAC from three to five years is a cut in benefits. Perhaps the Board should not be taking the lead. HE is more concerned with salary spiking. The systems are not designed for that. It is the Board's fiduciary duty to protect the systems from salary spiking.

Motion: Member Darcy Halpin moved to postpone further discussion on the Increase HAC Period proposal until the April Board meeting.

Second: Member Scott Moore

Public comment: Tom Schneider stated that in 1956 the system had a 60 month average and felt we are going backwards. Rick Ryan mentioned the firefighters have had a multi-tiered system. They have worked to have a single system for all members, working side-by-side. The actuary has stated FURS is not in trouble and will have a surplus in 2025.

Vote: 7/0

7. Cap HAC – The Board has been discussing capping the HAC to address potential salary spiking prior to retirement. Staff recommends for long term plan sustainability and consistency that we request this change for new hires in all systems.

Motion: Vice President Terrence Smith moved to move forward with this legislation, including all systems in this consideration.

Second: Member Dianna Porter

Public comment: Ed Cleary stated that the systems should be comparable, but not mirror-images. This is a tough math problem that should not be simplified. FURS is in good shape and it should not be used as a good faith gesture to the legislature.

Vote: 5/2

8. Revise Compensation Definition – 125 Plan premiums increase at an alarming rate, much more than the actuarially assumed salary increases. For long term plan sustainability and consistency, the Board has discussed addressing excluding 125 Plan premiums from the compensation definition.

Motion: President John Nielsen moved to postpone further discussion on the Revise Compensation Definition proposal until the April Board meeting.

Second: Member Bob Bugni

Public comment: Jerry Williams stated that the individual cities should be made to make the systems whole if they want to include 125 Plan premiums. The Board should consider charging that cost instead of excluding from the compensation definition. Kevin Benz mentioned that the vast majority of these are through labor-management contracts. Promotions are not handed out.

Vote: 7/0

9. 457 Plan Provisions – The Board has entertained adding ROTHs and auto-enrollment in the deferred compensation plan. We will create a place-holder and bring more information to the Board and EIAC on these topics.

Motion: Vice President Terrence Scott moved to add additional provisions (i.e. ROTHs and auto-enrollment).

Second: Member Scott Moore

Public comment: Tom Schneider stated that EIAC has not been included in this decision.

Vote: 7/0

C. Request for Actuary Study

The Association of Montana Troopers (AMT) would like to propose an option for addressing the unfunded actuarial liability (UAL) in the HPORS. Their proposal would increase current and future member contribution rates while also increasing the multiplier in the benefit formula. They are requesting the Board allow a study by Cheiron. They will pay the cost estimated at \$2500.

AMT is considering two scenarios:

1. Increasing employee contributions by .50% annually and increasing the multiplier from 2.5% to 2.75% for all current members; and
2. Increasing employee contributions by 1.00% annually and increasing the multiplier from 2.5% to 2.75% for all current members.

Ms. Jessie Luther stated they would like to use the actuary if the estimate is approved by the AMT. They hope to have the study by their May Board meeting.

The proposal is to address the actuarial soundness through increased contributions, offset with a benefit formula increase. Ms. Luther clarified the proposal is an increase in employers contributions – not an increase each year.

Staff recommended approval of AMT's proposal.

Motion: Member Darcy Halpin moved to uphold staff recommendation with the clarification that the increase in employee contributions is a one-time increase.

Second: Member Dianna Porter

No public comment.

Vote: 7/0

D. Interest Rate Determination (Barbara Quinn)

The Board sets the interest rate credited to member accounts annually, based on short-term interest rates. Staff is recommending that we maintain the current rate of 0.25% for FY2013.

Motion: Vice President Terrence Smith moved to approve staff recommendation to maintain the interest rate credited to member accounts be at 0.25% for FY2013, the period of July 1, 2012, through June 30, 2013.

Second: Member Bob Bugni

Vote: 7/0

E. 457 Plan/DCRP – EIAC Appointment (Patricia Davis)

Kevin McRae has resigned from the Employee Investment Advisory Council (EIAC). He has recommended Ron Muffick as his replacement. Staff has contacted Mr. Muffick. Staff recommends the Board appoint Mr. Muffick to complete Mr. McRae's three year term which expires July 31, 2012 and appoint him for the three year term beginning August 1, 2012 and ending July 31, 2015.

Motion: President John Nielsen moved to approve EIAC's appointment and also approve Ron Muffick's re-appointment to EIAC for the three year term beginning August 1, 2012 and ending July 31, 2015.

Second: Member Scott Moore

Vote: 7/0

F. 457 Plan Adoption Agreement & Resolution (Jenny Weigand)

Local government entities may choose to participate in the State's Deferred Compensation Plan. Billings Housing Authority has completed a resolution and adoption agreement to offer the deferred compensation plan to their employees. The effective date is April 8, 2012.

Ms. Jenny Weigand stated the agency has approximately 26 employees eligible to participate. Ms. Melanie Symons stated they investigated and determined the Housing Authority is a “public agency”.

Motion: Vice President Terrence Smith moved to approve the 457 Plan Adoption Agreement with The Housing Authority of Billings.

Second: Member Dianna Porter

No public comment.

Vote: 7/0

G. *Confirmation of Settlement (Patricia Davis)*

Mr. David Nielsen, a retired member, has requested reimbursement for travel expenses due to his reliance on misinformation regarding his ability to continue as a retiree and accept a city manager position.

Motion: Member Scott Moore moved to approve the recommendation to reimburse mileage expenses for retired member, David Nielsen, in the amount of \$170.94.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

Education Items

H. *Board Education*

- Board of Investments – David Ewer, Executive Director provided basic information on the Board of Investments responsibilities.
- 125 Plans – Melanie Symons provided Board requested education on the definition of 125 plans, how they work and how they impact the retirement plans. Please see attached handout.

Discussion Items

I. *MPERAtiv Program Update (June Dossier)*

Current Status

The MPERAtiv Project is moving ahead as scheduled. The Imaging project status was moved to yellow while MPERA and Informatix worked to define the scope and finalize the project schedule. The imaging status does not impact the overall MPERAtiv schedule, cost or scope and, thus, the MPERAtiv status remains green.

Activities completed since last status report

Line of Business – We received responses from Sagitec and Levi, Ray and Shoup, Inc (LRS) to our Line of Business RFP. The evaluation committee is comprised of Barbara Quinn, Melanie Symons, Patty Davis, June Dosier, Denise Nielsen, Shelly Pardis, Marjorie Rowley, John Barbagello and Donna Coman. The proposals were evaluated for minimum qualifications on February 13 and both proposals passed and moved to the next step.

Data Cleansing –Data Analysis Results Report (DARR) reviews were held and the Knowledge Transfer Plan was approved. Dan Fite from Ventera was on site in mid February. He facilitated the DARR review sessions and reviewed the schedule for the next 6 weeks with the project team.

Imaging – Informatix installed the Laserfiche software and conducted work sessions with the project team. Project initiation documents were reviewed. The Project Charter and Project Plan were not accepted and were returned to Informatix for changes.

Activities to be completed in next month

Line of Business – Tentative schedule

- Selection Group Consensus Meeting - Finalists..... 03/05/12*
- Notification of Offeror Interviews/Product Demonstrations (Optional)03/06/12*
- Offeror Interviews/Product Demonstrations (Optional) 03/19/12 –03/21/12*
- Selection Group Consensus Meeting - Winner..... 03/27/12*
- Intended Date for Contract Award (Optional)..... 03/27/12*
- Estimated Project Start Date..... 04/09/12*

Data Cleansing – Data Analysis Results Report (DARR) reviews will continue. This task is scheduled to be completed by April 2, 2012.

Imaging – The changes to the Project Charter and Project Plan will be completed and MPERA will review and accept these documents. Training sessions will be held.

Awareness Items

Imaging – The status of this project was moved to yellow while MPERA and Informatix worked to define the scope and finalize the Project Charter and the Project Plan. This does not impact cost or the MPERAtiv schedule

Scope/Schedule/Cost Updates

- Cost: No cost impacts.
- Scope: All requirements within scope.
- Schedule: No changes.

Issues/Risks

(26) Imaging: Automated routing required by MPERA for day forward processing has not been defined. Mitigation: Finalize and approve the project scope.

(27) Imaging: Proposed imaging project schedule is aggressive and is not attainable. Mitigation: Create a project schedule that is attainable and meets contract requirements.

J. *BOI Report (Bob Bugni)*

The Board of Investments asked the staff to report at the April meeting if there are way to cut costs and enhance returns.

K. *Conference Report – Winter NAPPA Seminar (Kate Talley)*

Kate Talley, Legal Counsel, attended the National Association of Public Pension Attorneys (NAPPA) Legal Education Conference in Washington, DC, on February 8-9, 2012. Items discussed at this conference were: Fiduciary and Plan Governance, Benefits, and Taxes. Please refer to the attached report.

L. *Committee Reports (Committee Chairs)*

Policy Committee (Scott Moore) – staff is working on some revisions to policy. Chairman Moore requested a Policy meeting conference call be scheduled on Thursday, March 29, 2012, at 9:00 a.m.

Personnel Committee (Darcy Halpin) – nothing new to report.

Legislative Committee (Dianna Porter) – Chairwoman Porter requested a Legislative Meeting be scheduled for March 21, 2012, at 8:30 a.m. to discuss postponed conceptual legislation, the LFC meeting, and strategies going forward.

Audit Committee (Chairman Terrence Smith) – Renae Justice, Auditor, completed the audit of the 125 plan and is continuing to work onsite. The internal audits have to be done by the end of Fiscal Year and she has assured us she will get that done. Next meeting is scheduled for May 10, 2012.

M. *Executive Director Update (Roxanne Minnehan)*

Staffing Update

- Paralegal – This position has been reclassified and two internal staff have indicated their intent to apply. The internal applications are due today and screening will take place March 19, 2012. Interviews will follow.
- Retiree Audit Position – applications are being reviewed.
- File Clerk position – filled by Ms. Jodi Hogart. She started Wednesday, February 29, 2012.
- Pay Benefit Technician (Education Unit) – job profile being classified by Department of Administration Human Resource Division.
- Part-time LAN Administrator – filled internally with the current full-time LAN, Linda Miller
- Full-time LAN Administrator – posted externally and closes March 19, 2012.

MACo Conference – January 27, 2012 – went well

- Armanda Oropeza attended the conference
 - Manned an information booth
 - Visited the Women’s Prison
 - Armando and all our trainers are very adept at building rapport
- Amy Carlson, Legislative Fiscal Division
 - Provided an overview of the pension funding issue

- Provided a brief overview of the information provided to Legislative Finance Committee
- State Funding Options – ER contributions, split between ER contributions, EE (benefit changes and increased contributions, General Fund, GABA, DC Plan or combination of above
- Executive Director Message
 - Retirement plans are part of the Employers Benefit package
 - Helps with recruitment & retention of qualified employees
 - We need to work together to ensure retirement for all
 - GASB will be requiring employers to book their individual portion of the retirement liabilities
 - Need to be aware that some of their decisions have a long-term impact on the retirement plans, such as:
 - Arbitration agreements
 - Offers of excessive overtime or salaries during the HAC period
 - 125 Plan premiums

Legislative Finance Committee (LFC), meeting March 8-9, 2012

- IT Projects – Thursday afternoon
 - The state Project Management Office (PMO) presents information on all IT projects
 - June Dosier & Barbara Quinn will attend to address any questions on MPERAtiv
- Pensions – Friday Morning
 - Amy will provide more information on the funding issues
 - Discussing interest rates
 - David Niss will present the contract issue report he gave to SAVA
 - Megan Moore will present the “green sheets”
 - Dave Senn & I will present information on the retirement funding, the Board’s plans, etc.

LMC Training – February 16, 2012

Members:

- Union
 - Armand Oropeza
 - Ann Reber
 - Kris Vlastic
 - Alternate?
- Management
 - Jenny Weigand
 - Diann Levandowski
 - Roxanne Minnehan
 - Melanie Symons, alternate
- Raymond Berg, Union Representative (for initial meetings)
- Timm Twardoski, Board Representative (for initial meetings)
- Discussed Expectations
- Determined working styles – most are “collaborative” which may result in longer discussions to reach decisions

- Created a start to by-laws
- Appointed Chair, Co-chair, Facilitator, Minute Taker
- **First Meeting – Wednesday, March 14, 2014, 9:00 a.m.**

N. *Litigation Update (Melanie Symons)*

Erene Briese - Received the Appellant's Opening Brief and our response is due Friday, March 16, 2012.

Crossman and Butori – We received a Proposed Decision but it still has some outstanding issues that the hearing officer directed the attorneys to deal with.

Center for Mental Health – We're still working on discovery. We have received a copy of the Center's Discovery and it is still under review.

Informational Items

O. MT Watchdog Request Update

They have received the agreed upon data. A copy of the cover letter is included in the Information Items for review.

P. SAVA Meeting – *April 19, June 12-13, August 8-9 and September 6*

Q. LFC – *March 8-9, June 11-12, Mid-September*

R. Next Board Meeting – *April 12-13, May 10 and June 14*

S. Joint Board/EIAC Meeting – *April 12*

T. Stakeholder Legislative Concepts Meeting – *April 13*

U. Board Retreat – FWP Communication/Education Center – *September 12*

CLOSED MEETING SUMMARY

The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceeded the merits of public disclosure. As such, this portion of the meeting was closed as of 12:45 p.m.

Meeting Minutes

Motion: Member Dianna Porter moved to approve the minutes of the February 9, 2011, PERB Closed Meeting with corrections.

Second: Member Darcy Halpin

Vote: 7/0

Disability Report (*Julie Reardon*)

- *Initial Claims* – The Board approved two disability claims with annual reviews, and approved two disability request claims without annual reviews.

- *Disability Reviews* – The Board moved to continue one disability without further review and one disability was denied.

Contested Cases (*Kate Talley/Patricia Davis*)

- *Informal Consideration – Disability, PERS* – The Board moved to postpone making a decision until May 10, 2010.
- *Informal Consideration – Member, PERS* – The Board moved to deny service credit for a member for one month.
- *Informal Consideration – Retiree, PERS* – The Board moved to require that \$4,031 be repaid by the retiree and that staff will come up with a repayment plan and waive the interest.

Finalized Service Retirements/Death Benefits (Patricia Davis)

Motion: Vice President Terrence Smith moved to approve the finalized service retirements/death benefits.

Second: Member Scott Moore

Vote: 7/0

ADJOURNMENT

There being no further business before the Board, President John Nielsen adjourned the regular meeting at approximately 3:40 p.m. The next regular meeting will be Thursday, April 12, 2012, at 8:30 am.

John Nielsen, President

ATTEST:

Roxanne M. Minnehan, Executive Director