

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, May 10, 2012

BOARD MEETING

President Scott Moore called the regular PERB Meeting to order at 8:30 a.m. on Thursday, May 10, 2012. Roll call was taken. Six Board members present. Vice President Terrence Smith participated via conference call. Board members and staff present were:

Scott Moore, President
Terry Smith, Vice President (*via conference call*)
Bob Bugni, Member
Darcy Halpin, Member
Dianna Porter, Member
Lee Smith, Member
Timm Twardoski, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Chief Legal Counsel
Flora Sebens, Executive Assistant

Others present: Don Kinman, AFSCME; Tom Schneider, MPEA; Mike O'Connor, AMPRE; Jerry Williams, MPPA; Mark Murphy, MCCA, MPPA, MACOP; Beth Long, GWRS; Tom Schneider, MPEA; Jessie Luther, BKBH/AMT; RaeLynn Nielsen, City of Helena; Diane Fladmo, MEA-MIT; Rick Ryan, Doug Neil, Jason Baker, George Richards, Ed Cleary, Kevin Benz, Dax Fraser, Rick Hansen, MSFA; *MPERA staff*: Barbara Quinn, Fiscal Services Bureau Chief; Patricia Davis, Member Services Bureau Chief; June Dosier, Information Systems Manager; Kate Talley, Legal Counsel; and Diann Levandowski, Assistant Fiscal Services Bureau Chief joined the meeting.

OPEN MEETING

I. Roll Call

II. Public/Member Comment

Action items

III. Approval of Minutes

A. Board Meeting – April 12, 2012

The minutes of the April 12, 2012, PERB Regular Meeting were presented.

Motion: Member Dianna Porter moved to approve the minutes of the April 12, 2012, PERB Regular Meeting.

Second: Member Bob Bugni

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote on this motion.

B. Board Meeting – April 13, 2012

The minutes of the April 13, 2012, PERB Stakeholder Legislative Concepts Meeting were presented.

Motion: Member Dianna Porter moved to approve the minutes of the April 13, 2012, PERB Stakeholder Legislative Concepts Meeting.

Second: Member Darcy Halpin

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote on this motion.

Education/Presentation Item

IV. Board of Investments Report – Clifford Sheets

Mr. Clifford Sheets, CIO, Montana Board of Investments, presented the Board of Investments' Annual Report to the Board. Please see the attached handout for more information on the 1) Portfolio Allocations; 2) Performance; and 3) Economic and Market Outlook.

Action Items

V. Executive Director's Report

A. DCRP/457 Plan Administration – *(Patricia Davis)*

1. Proposed Fee Reduction

- a. PERB assesses fees to Defined Contribution Retirement Plan members to cover expenses incurred for plan administration under Board Administration Policy 11. The policy also defines the level of the administrative fund allowable in order to cover appropriate revenues and expenses.

After careful review of the total revenues received, total expenses incurred, and the existing fund balance, staff recommended a reduction in the participant fee at the April 12, 2012, joint PERB/EIAC meeting. (See attached spreadsheet)

The fee reduction will save participants \$57.00 per year in retirement saving, as well as reduce the DCRP administrative fund balance, in line with the recommended fund level, established in the board policy.

Motion: Member Dianna Porter moved to reduce the participant fee from \$57.00 per year to \$0.00 per year in the Defined Contribution Retirement Plan effective July 1, 2012.

Second: Member Lee Smith

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote on this motion.

b. 457(b)

PERB assesses fees to 457(b) Deferred Compensation Plan members to cover expenses incurred for plan administration under Board Administration Policy 12. The policy also defines the level of the administrative fund allowable in order to cover appropriate revenues and expenses.

After careful review of the total revenues received, total expenses incurred, and the existing fund balance, staff recommended a reduction in the participant fee at the April 12, 2012 joint PERB/EIAC meeting. (See attached spreadsheet)

The fee reduction will save participants \$5.00 per year in retirement savings, as well as reduce the 457(b) administrative fund balance. In addition, staff will continue to review 12(b)1 fee revenue and the asset based fee revenue and will bring forward additional fee reduction proposals at the July 19, 2012, EIAC meeting.

Motion: President Scott Moore moved to reduce the participant fee from \$5.00 per year to \$0.00 per year in the 457(b) Plan effective July 1, 2012.

Second: Member Bob Bugni

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote for this motion.

2. Amend DC Plans Investment Option Overlap Policy (BOARD Admin 08)
Staff requested the recommendations of Michael Schlachter, Wilshire Associates, regarding the DC Plans Investment Option Overlap Policy (BOARD Admin 08). We received a letter from Mr. Schlachter with his recommendations. EIAC agreed with his advice. Please see attached letter.

Motion: Member Timm Twardoski moved to approve revisions to Board Administration Policy 08 based on recommendations from Wilshire and EIAC.

Second: Member Darcy Halpin

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote for this motion.

3. Lehman Brothers Bankruptcy Settlement
On April 23, 2012, MPERA received \$58,426.67 in settlement funds on the Lehman Brothers bankruptcy claim of \$245,943.31 that was filed on September

28, 2009. PIMCO held Lehman Brothers Special Financing derivatives in the 457(b) Stable Value Fund.

The funds received need to be transferred to PIMCO for investment. Pending AEGON approval, PIMCO will invest the funds in the 457(b) Stable Value Group trust. This investment will increase the market value of the 457(b) Stable Value Fund, without a corresponding increase to book value at AEGON.

PIMCO recommends this action to allow the crediting rate process to distribute the funds over the plan participants similar to the manner in which the original loss was absorbed by plan participants.

Motion: Member Darcy Halpin moved to approve revisions to Board Administration Policy 08 based on recommendations from Wilshire and EIAC.

Second: Member Dianna Porter

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote on this motion.

- B. Non-Union Employee Pay Plan Policy (BOARD Personnel 04) – *Darcy Halpin*
The Board's Personnel Committee met on Wednesday, May 9, 2012. Staff recommended that the Committee approach the review of the policy amendments and results in the same manner applied to the Union Members during Contract Negotiations. The Committee recommends amending the Non-Union Pay Plan Policy.

Motion: Member Darcy Halpin moved to approve the revisions to Board Personnel Policy 04.

Second: Member Timm Twardoski

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote on this motion.

- C. VFCA Informal Consideration – Arlee VFD – *Diann Levandowski*
The Arlee Volunteer Fire Department is requesting the Board accept an amended Annual Certificate for Fiscal Year 2006. The Fiscal Year 2006 Annual Certificate was previously filed late and accepted by the Board in 2009. The request is for one member who in the previously filed support documentation was short one hour of training. The firefighter through the fire chief has provided documentation of additional training.

Motion: Member Dianna Porter moved that Kelly Wolcott receive credit for Fiscal Year 2005-2006.

Second: Member Timm Twardoski

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote on this motion.

D. Board Committee Assignments – *Scott Moore*

President Scott Moore assigned members to the following committees. The committees then selected their chairperson.

Audit Committee: Bob Bugni (*Chairman*), Dianna Porter and Terrence Smith

Legislative Committee: Terrence Smith (*Chairman*), Bob Bugni and Scott Moore

Personnel Committee: Timm Twardoski (*Chairman*), Darcy Halpin and Dianna Porter

Policy Committee: Darcy Halpin (*Chairwoman*), Lee Smith and Timm Twardoski.

E. Out of State Travel Authorizations – *Roxanne Minnehan*

1. Microsoft TechEd Conference – June 11-14, Orlando, Florida

Ms. Minnehan stated that the Microsoft TechEd Conference was a valuable conference that offered education and hands-on training across a full range of Microsoft products. Ms. Minnehan would like Ms. Denise Nielsen, Application Engineer, to attend this conference. Expenses were included in the Fiscal Year 2012 approved budget.

Motion: Member Dianna Porter moved that Denise Nielsen attend the Microsoft Tech-Ed Conference in Orlando, Florida, on June 10-14, 2012.

Second: President Scott Moore

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote on this motion.

2. Fiduciary College – July 23-25, Stanford Law School, San Francisco, California

The Stanford Law School provides specialized training for experienced fiduciaries. It is targeted to fund trustees and provides important insights pertaining to challenges fiduciaries can expect to face and strategies to fulfill their duties to members and beneficiaries. The Board has been sending two members each time the Fiduciary College is offered. Previous attendees have highly recommended this educational opportunity. The Fiscal Year 2012 approved budget includes sending two Board members to this training; however, the actual conference will take place in Fiscal Year 2013. Board members will check their calendars.

Motion: President Scott Moore moved that two Board members attend the Fiduciary College and NTCR Trustee Workshop at Stanford Law School in San Francisco, California, on July 24-25, 2012.

Second: Member Dianna Porter

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote for this motion.

3. NASRA Annual Conference – August 3-8, 2012, Olympic Valley, California
The National Association of State Retirement Administrators (NASRA) holds its annual conference the first week in August. Presentations are on a variety of subjects applicable to the pension industry. In addition to the program, the conference offers an opportunity to network with other Administrators. This year the conference will be held August 3-8, 2012 in Olympic Valley California. MPERA's Executive Director has been attending this conference for a number of years. Conference costs cross budget years; therefore, some of the cost is included in the FY 2012 approved budget.

Motion: Member Dianna Porter moved to approve the travel authorization for Roxanne Minnehan to attend the NASRA Annual Conference, August 4-7, 2012 in Olympic Valley, California.

Second: Member Darcy Halpin

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote for this motion.

- F. Set Quarterly Meeting Schedule – July, August, September – *Scott Moore*
Per the Board's Governance Principles, the Board sets a quarterly meeting schedule. The Board strives to keep a predictable schedule of the second Thursday of each month for its regular, monthly Board meetings.

Motion: Member Dianna Porter moved that the next quarter Board meetings be scheduled as follows:

Thursday, July 12, 2012
Thursday, August 9, 2012
Thursday, September 13, 2012

Second: Member Timm Twardoski

No public comment.

Vote: 6/0 Vice President Terrence Smith was not available to vote on this motion.

Education Items

- G. Education
 1. Wage and Hour Statutes – *Melanie Symons*
The Board has expressed an interest in auto-enrollment in the 457 Plan. Ms. Symons gave a presentation on the constraints of the current statutes, specifically

§ 39-3-204, MCA of the Wage Payment Act. Legislation would be required if the Board wishes to pursue auto-enrollment. EIAC will discuss at their next meeting on July 19, 2012.

2. New Member Orientation, Part I – Overview – *Roxanne Minnehan/Melanie Symons*

New member orientation is provided to the entire Board when a new member is appointed. The education not only provides valuable information for new members, but also serves as a refresher for seasoned Board members. The orientation consists of multiple phases. One is a general overview of plan governances and fiduciary responsibilities. Please see attached presentation.

H. 2013 Proposed Legislation

The Board members received copies of tables the staff uses to begin drafting bills. The tables identify the statutes we are proposing to amend and the rationale for the change.

The results of the Actuarial Studies requested by the Board were also provided to the Board members. Ms. Minnehan stated she also included the special study which included coal tax revenues, increasing employer contributions by 0.25% per and increasing the HAC period (HPORS only). Cheiron has recently amended the PERS exhibit.

1. Disability Revisions – *Kate Talley*

Please see attached.

Doug Neil, MSFA, wanted to state for the record the Board's CAFR depicts seven FURS disabilities. Three are from Great Falls. One had a career ending injury and is now retrained in a city management position. Another injured his back lifting 124 pound person, earning a disability less than \$20,000 annually. Mr. Neil requested hard numbers of how non-vested disabilities hurt the FURS.

Ms. Talley noted that once a disability benefit recipient reaches normal retirement age their disability is converted, without recalculation, to normal retirement status for tax purposes and they are not tracked in the disability column of the CAFR, so that number is not representative of all disability based benefits.

Rick Ryan, MASFA, reiterated a concern that these concepts are now public record and fodder for a legislator.

2. Deferred Compensation (457) Plan Revisions – *Patricia Davis*

Please see attached.

3. General Revisions – *Melanie Symons*

Please see attached.

4. DC Plan Actuary Study – *Roxanne Minnehan*

Please see attached.

5. Study for the Legislative Finance Committee

Please see attached.

6. Special Study

7. Please see attached.

8. HPORS Study

Jessie Luther, BKBH/AMT, stated that the study was not what they had hoped for. The Association of Montana Troopers (AMT) Board met and are still discussing options. They meet again in October.

I. Fiscal Year 2012 Quarterly Budget Update – *Barbara Quinn*

Ms. Barbara Quinn, Fiscal Services Bureau Chief, provided the Fiscal Year 2012 third quarter budget update. The budget status is as of March 31, 2012, and 75% of the fiscal year has elapsed; however, not all services received through March 31, 2012, have been invoiced and paid. In general, the budget looks good with 44% expended over all programs.

J. MPERAtiv Program Update – *June Dosier*

June Dosier, Information Systems Manager, provided a monthly update on the MPERAtiv program. Overall, the program has a “Green Status”. We are in contract negotiations with Sagitec for the Line of Business. Starting the data analysis phase of the Data Cleansing project. We are also gearing up to “go live” with the new imaging system. We are continuing to work with Informatix regarding the software licensing issues.

K. MPERA IT Strategic Plan – *Dave Swenson*

The state requires each agency to submit their IT strategic plan to ITSD prior to each legislative session. On the off years we are required to provide an update. MPERA’s strategic plan was submitted on the due date, April 17, 2012. Dave Swenson, IT Systems Supervisor/Manager Lead, presented a high-level overview of the plan. Please see attached.

L. Committee Reports – *Committee Chairs*

Legislative Committee – No update.

Personnel Committee – No update.

Policy Committee – No update.

Audit Committee – Is meeting after the Board meeting at 3:00 p.m.

M. Executive Director Update – *Roxanne Minnehan*

Staffing Update

- Disability Examiner – Position closes May 13, 2012, and interviews will be scheduled the week of May 21, 2012.
- LAN Administrator – Position was re-posted and closes May 14, 2012.
- Program Specialist/Paralegal – Rick Dendinger starts May 31, 2012.
- Retiree Database Assistant – Position was offered in-house to Jeanette Roberts.
- DC Accounting Tech – Position was posted and closes May 14, 2012.
- DC Accountant – Position was posted and closes May 14, 2012.
- Internal Auditor – Hollie Koehler started May 8, 2012.
- Roxanne Minnehan will be on vacation May 24 – June 1, 2012.

Executive Staff Retreat – May 18, 2012; regroup for LOB

- Staff and management are receiving Project Management training appropriate for their level of effort in MPERAtiv.

2013 Legislative Session

- Staff is building tables to start bill drafting from. Please see attached.
- The tables will change as we continue to identify and discuss changes.
- Bill drafts will be reviewed by the Board
- LFC/SAVA joint meeting in June
- New SAVA staffer has concepts for SAVA to consider and would like Board input. These will be discussed at the next Board Legislative Committee Meeting.
- Roxanne Minnehan will be attending TRS meeting tomorrow. Dan Villa will be presenting. They will be discussing legislation and contract rights.

SAVA Meeting – Thursday, April 19, 2012

- Megan Moore lead SAVA's last meeting. She is being replaced by Sheri Scurr.
- Public Retirement Systems
 - Overview of GASB Changes – Cindy Jorgenson, Legislative Audit Division
 - Addressing the UAL
- Megan Moore, SAVA Committee Staff, discussed other funding sources:
 - Coal Severance Tax – GF balance FY10 = \$10.3M, FY10, HB632, 2011 Session
 - Lottery – GF balance FY10 = \$10.6M
 - Oil & Natural Gas – GF balance FY10 = \$95.5M
 - PERB CAFR – Roxanne Minnehan, MPERA
 - Question: Aware of GASB?
 - TRS Update – Dave Senn, TRS

HB 142 Review of Advisory Councils and required reports

- EIAC – Patricia Davis, MPERA
- Question: Council Member Qualifications?

N. Litigation Update – *Melanie Symons/Kate Talley*

Garry D. Seaman appealed staff's determination that he cannot file an attorney lien on a disability benefit recipient's benefit payment. On April 11, 2012, MPERA's motion for summary judgment was granted.

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

P. LFC – *June 11-12, Mid-September*

Q. Board Meetings – *June 14*

R. Board Retreat – *FWP Communication/Education Center, September 12, 2012*

ADJOURNMENT

There being no further business before the Board, President Scott Moore adjourned the Regular meeting at approximately 1:00 p.m. The next regular meeting will be Thursday, June 14, 2012, at 8:30 am.

Scott Moore, President

ATTEST:

Roxanne M. Minnehan, Executive Director