

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 North Park Avenue, Room 201

Helena MT 59601

Thursday, August 9, 2012

BOARD MEETING MINUTES

President Scott Moore called the regular PERB Meeting to order at 8:30 a.m. on Thursday, August 9, 2012. Roll call was taken. Seven Board members present. Board members and staff present were:

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

Others present: Don Kinman, AFSCME; Mike O'Connor, AMPRE; Rick Hansen, Rick Ryan, Ed Cleary, Dax Fraser, Doug Neal, Jason Baker, MSFA; Diane Fladmo, MEA-MFT; Jerry Williams, MPPA; Jill Hindoien, MRPEC; Linda Ulrich and Beth Long, GWRS; Carmelita Ward, Brock Hill, State Street Bank Kansas City (*via conference call*); Julia Bonafede, Thomas Toth, Ted Hermann, Wilshire Associates; Brett Gorman, Rick Fulford, Mariko Boswell, PIMCO; Shantil Siaperas, Sheryl Wood, MACO; *MPERA staff*: Barbara Quinn, Fiscal Services Bureau Chief (*via conference call*); Patricia Davis, Member Services Bureau Chief; June Dosier, Information Systems Manager; Kate Talley, Attorney; and Jenny Weigand, Education Supervisor, joined the meeting.

OPEN MEETING

I. Roll Call

Seven members of the Board were present.

II. Public/Member Comment

Mr. Jerry Williams, MPPA, requested paper copies of the Board packet prior to the meeting.

III. Approval of Minutes

A. Board Meeting – July 12, 2012

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

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

Second: Member Melissa Strecker

No public comment.

Vote: 6/0 Member Darcy Halpin abstained due to her absence at this meeting.

- B. Legislative Committee Meeting – June 7, 2012
The minutes of the June 7, 2012, PERB Legislative Committee meeting were presented.

Motion: Chairman Terrence Smith moved to approve the minutes of the July 7, 2012, Legislative Committee meeting minutes.

Second: Member Scott Moore

Vote: 3/0

IV. DCRP/457 – 3rd Party Vendor Updates

A. PIMCO

PIMCO is MPERA's bond manager for the Stable Value Fund. They manage portfolios according to approved guidelines and report performance statistics. PIMCO's expertise spans all asset classes. PIMCO manages two portfolios for Montana: the Stable Value Portfolio – comingling 457 and 401(a) funds, and the 457 plan Core Bond Portfolio.

Stable Value Portfolio – PIMCO manages \$255.5 million in a separate account investment. It is benchmarked to the Barclays Intermediate Government Credit Index and has customized guidelines to meet the stable value wrap provider's (Transamerica) requirements.

Core Bond Portfolio – PIMCO manages \$8.4 million in a total return fund investment which is benchmarked to the Barclays Capital US Aggregate Index. It's managed with full discretion guidelines.

A handout was provided detailing..... Please see attached for more information.

B. Transamerica Stable Value Solutions, Inc.

Transamerica Stable Value Solutions is a \$444 billion dollar organization that has been in business since 1981. It is the wrap provider and issuing insurance company for the PERS-DCRP and 457 plans. Their primary responsibility is to guarantee book value benefit payments for participant withdrawals, reset and/or report crediting rates and monitor investment portfolios for guideline compliance.

Stable value is an investment vehicle offered by defined contribution plans and used by participants in those plans. Stable value provides unique combinations of benefits, such as principal preservation, stability and steady growth in principal and earned interest, returns similar to intermediate bond funds and benefit-responsive liquidity, which

means participants transact at contract value. Stable value funds are a core investment in defined contribution employee benefit plans.

A handout was provided showing.... Please see attached for more information.

C. State Street Bank Kansas City

State Street Global Enterprise was founded in 1792 and solely focuses on serving institutional investors. They have a consistent annual technology investment at 20%-25% of operating expenses, which are industry leading capital ratios. As of December 31, 2011, they have approximately \$21.8 trillion in assets under custody and administration. State Street is one of the world's leading investment service providers. They provide fund accounting, fund administration, custody, investment manager operations outsourcing, recordkeeping, performance and analytics, and transfer agency services. They are a global leader in specialized investment research, trading and securities lending and have a total of approximately \$2.23 trillion in average lendable assets for Q4 2011.

A handout was provided. Please see attached for more information.

D. Wilshire Associates, Inc.

Wilshire Associates was founded in 1972 and is 100% owned by active employees. It has more than 300 employees in ten offices worldwide. Wilshire Associates' mission is to provide innovative investment solutions and objective, independent investment advice to investors throughout the world. They provide client service through a team structure, where the client to consultant ratio is five to one. Each senior consultant averages nearly 12 years with Wilshire and has more than 15 years in the industry.

A handout was provided. Please see attached for more information.

E. Great-West Retirement Services

Great-West Retirement Services has \$147B in assets under administration and 4.4 million participant accounts. G-WRS is the leading provider to state and local government employers and is the fourth largest record keeper in the country over all markets. The types of services offered include product and investment management, as well as enrollment services and communication materials. They offer a local walk-in office in Helena and have four staff members geographically located around the state to communicate the plan, rules and regulations of participation, and provide enrollment services. Staff provides plan reviews for both the PERS-DCRP and 457 plans throughout a participant's employment and beyond.

A handout was provided. Please see attached for more information.

Action Items

V. Executive Director's Report

A. DCRP/457 Fees – Patricia Davis

PERB assess fees to 457(b) Deferred Compensation Plan members to cover expenses incurred for plan administration under Board Admin Policy 14. The policy also defines the level of the administrative fund allowable in order to cover appropriate revenues and expenses. The Board approved a \$5.00 per year participant fee reduction at the May 2012 meeting. After careful review of the total revenues received, total expenses incurred, and the existing fund balance, EIAC and MPERA staff recommends additional reduction to participant fees.

457 Plan Fees

- Effective October 1, 2012 – refund 12(b) 1 fees to participants investing in mutual funds that revenue share.
- Effective October 1, 2012 – reduce asset based fees as follows:

	CURRENT	PROPOSED
Account Balance	Asset Fee	Asset Fee
\$0 – 20,000	0.35%	0.33%
\$20,001 – 50,000	0.25%	0.23%
\$50,001 – 100,000	0.15%	0.13%
Over \$100,000	0.00%	0.00%
MAX FEE	\$56.25/QTR	\$50.00/QTR

Motion: Vice President Terrence Smith moved to approve 12(b)1 and asset based fee reduction in the 457(b) Retirement Plan as follows:

- ***Effective October 1, 2012 – refund 12(b) 1 fees to participants investing in mutual funds that revenue share; and***
- ***Effective October 1, 2012 – reduce asset based fees as follows:***

	CURRENT	PROPOSED
Account Balance	Asset Fee	Asset Fee
<i>\$0 – 20,000</i>	<i>0.35%</i>	<i>0.33%</i>
<i>\$20,001 – 50,000</i>	<i>0.25%</i>	<i>0.23%</i>
<i>\$50,001 – 100,000</i>	<i>0.15%</i>	<i>0.13%</i>
<i>Over \$100,000</i>	<i>0.00%</i>	<i>0.00%</i>

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

B. DCRP Fees – Patricia Davis

PERB assesses fees to DCRP members to cover expenses incurred for plan administration under Board Admin Policy 13. The policy also defines the level of the administrative fund allowable in order to cover appropriate revenues and expenses.

The Board approved a \$57.00 per year participant fee reduction at the May 2012 meeting.

After careful review of the total revenues received, total expenses incurred and the existing fund balance, staff recommends additional reduction to participant fees.

EIAC and Staff recommendation:

- Effective October 1, 2012 – refund 12(b)1 fees to participants investing in mutual funds that revenue share.

Motion: Vice President Terrence Smith moved to approve 12(b)1 fee refunds to participants in the DCRP retirement plan.

Second: President Scott Moore

Vote: 7/0

DCRP/457 Wrap Provider Contract – *Patricia Davis*

The AEGON/Transamerica (Monumental Life Insurances) Stable Value Wrap contract expires December 31, 2012. Staff recommends extending the contract to December 31, 2013, to align all group trusts contracts to December 31, 2013.

Motion: Vice President Terrence Smith moved to extend the wrap provider contract to December 2013.

Second: Member Darcy Halpin

Vote: 7/0

- C. 457 Plan Adoption & Resolution – Garfield County – *Jenny Weigand*
Garfield County withdrew their Plan Adoption Agreement to research other retirement plans. Ms. Weigand has offered to give a presentation to the Garfield County members .
- D. 2013 Legislation – *Melanie Symons*
Staff continues to draft Board legislation. Ms. Symons indicated she will be meeting with our tax counsel regarding 415 limits on Monday. There may be a need to change our Qualification Bill to add this information to it.
- E. Schedule Quarterly Board Meetings – *Scott Moore*
Regular Board meetings are usually scheduled for the second Thursday of each month. That would be October 11, November 8, and December 13.

Member Darcy Halpin moved that the next quarter Board meetings be scheduled as follows:

- ***Thursday, October 11, 2012***

- *Thursday, November 8, 2012*
- *Thursday, December 13, 2012*

Second: Member Dianna Porter

Vote: 7/0

Discussion Items

F. FY 2012 Budget Review – *Barbara Quinn, via conference call*

Ms. Barbara Quinn presented a review of the 2012 fiscal year end budget. Approximately 71% of the proposed budget is expended. The carryover for the defined benefit plan is approximately \$1M to be used for the MPERA Program. The carryover of approximately \$500K from 2011 was used during FY 2012.

G. SAVA Update – *Melanie Symons*

The SAVA Committee meeting was held August 8th and 9th. On Wednesday afternoon the Committee discussed the report from the Joint Subcommittee on the Governor's Pension Proposal, pension stakeholder (non-agency) proposals, parameters on introducing pension legislation, and panel discussion of retirement boards. Ms. Melanie Symons attended the SAVA meeting providing information on behalf of PERB. At the direction of the Legislative Committee, Ms. Symons testified regarding the Legislative Committee's initial stance to support or oppose the concepts presented. (Please refer to the Legislative Committee Update.

Neither Jim Smith nor Kathy McGowan were present at the meeting so the SAVA Committee did not entertain their bill. On Thursday the Committee will discuss final action on Statutory Advisory Councils. The Committee did not vote on the Joint Subcommittee recommendation to draft a bill. They ended up having a SAVA joint bill that started out with 107% funding ending with 100% funding. That decision was based on the steps in a document that Sheri Scurr drafted. Sheryl Wood, MACO, presented a bill on changing the membership of the PERB. The original draft of bill listed on the SAVA Committee website stated that MACO was proposing to fill the 2 at-large positions on the PERB with employers. Ms. Wood presented a revised bill at the meeting that listed adding 30+ people to our Board. She is going to schedule a meeting with our stakeholders at the end of August.

Public Comment

Ms. Wood responded that MACO does not want to see any of the current PERB members leave because of the wealth of knowledge they bring to MPERA. But she feels local government contributes a lot to the retirement systems, yet they are not involved in the decision-making processes that affect employers. She would like to have representation on PERB from SRS, PERS, school boards, cities and counties. MACO is sending out a survey to other states to see what representation is on their retirement boards. Ms. Symons requested that when Ms. Wood sends this survey that she also inquire as to other state's constitutional rights and statutory requirements. MPERA acts on behalf of its beneficiaries and system participants, so there could

potentially be a big difference between Montana versus other states. Ms. Wood questioned whether or not the Board is responsible for the constitutional rights of just the beneficiaries and system participants, or if they are also responsible for the employers, too. Vice President Smith asked Ms. Wood if she had talked to the Governor's Office prior to the Governor proposing to use a portion of state money for a select group. Ms. Wood responded she sent the Governor's Office an email this morning asking to schedule a meeting but had not heard back from them yet. After this Board meeting she intends to stop by the Capitol to ask for an appointment in person.

There was an additional bill presented to the Committee that was drafted by Senator Arthun for cash balance plan that was not listed on the SAVA website on Monday or Tuesday.

The next SAVA Committee meeting is September 11th. The Governor's bill will be on the agenda.

H. 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". The first three phases of the Line of Business project are running concurrently; work is proceeding in all three areas. The data cleansing project team is continuing with data cleansing activities including manual processes and developing programs to cleanse the data. Ventura will continue writing scripts to cleanse data as it is converted into the new Line of Business application. Ventura will baseline the project schedule to align with the Line of Business project schedule. At this time the state of the Imaging Project remains yellow. No resolution of the Weblink Starter Portal software issue. MPERA is working with Informatix to resolve this issue, complete all outstanding deliverables and close the project.

I. NAPPA Conference Update – *Kate Talley*

Ms. Talley reported on the NAPPA Conference she attended June 26-29, 2012 in Philadelphia, PA. Please see attached report.

J. Committee Reports – *Committee Chairs*

Legislative Committee - The Legislative Committee made the recommendation to give Ms. Symons approval to move forward on several of the conceptual bills presented at the SAVA Committee meeting. They were as follows:

- Support the TRS bill
- Support Coal Tax bill
- Support Police Protective bill
- Support Dispatchers bill
- Oppose all DC bills for PERS
- Oppose the SRS bill
- Oppose the DC incentive bill

Member Timm Twardoski asked whether or not the Board's subcommittees had the authority to make decisions and/or to direct staff before it had been approved by the entire Board. Vice President Smith responded that as far as the Legislative Committee was concerned, they had not made any decisions about anything and they only directed Ms. Symons to proceed with moving forward on bills that were in a conceptual stage. That way she was not being held up until the next Board meeting, and it still gave the Board a chance to change their mind in the event that a bill was altered. Ms. Symons stated when presenting before SAVA she made it very clear that MPERA's position on the conceptual bills were only that of the Legislative Committee; not the full PERB. President Moore pointed out that at the last Board meeting the SAVA Committee meeting agenda was not yet available; therefore, the conceptual bills that were discussed at that meeting were not able to be presented and discussed by the full PERB.

Member Twardoski stated he had received two phone calls from people concerned about the position the PERB was taking on certain bills. They had received this information from the SAVA Committee meeting. Because Member Twardoski is not on the Legislative Committee and he was unable to participate in the last conference call he was not aware of the decisions made; therefore, felt unprepared to answer the questions posed to him. President Moore reiterated Ms. Symons did not make any decisions or speak on behalf of the entire Board regarding any bills. Vice President Smith acknowledged the situation Member Twardoski was in would be difficult and he suggested that from now on the Legislative Committee not make any decisions or direct staff members until it had been discussed by the full Board. Ms. Minnehan stated that during the session staff needs quick turn-around on decisions – that is why the Legislative Committee meets every week during the session. It was also suggested the full Board receive an email stating the Committee decisions so they can better address public inquiries. It was agreed discussion on this subject would be continued at the September 12th Board Retreat.

The next Legislative Committee conference call is scheduled for September 10th at 3:00 p.m.

Policy Committee – Member Melissa Strecker was assigned to the Policy Committee. She replaces Lee Smith.

Audit Committee – There is an Audit Committee meeting after today's Board meeting. Hollie Koehler will provide audit updates at that time.

Personnel Committee – The Union and MPERA have signed an MOU for the one-time lump sum payment to MPERA non-executive staff. Roxanne's yearly evaluation is coming up for review. A meeting will be scheduled in early October to discuss this further.

K. BOI Update – *Bob Bugni*

The next Board of Investment meeting is August 21st and 22nd. The scoring on the RFPs for an investment consultant will take place in September. A report on fiscal year end investment returns was provided in the Board packet. Please see attached.

L. Executive Director Update – *Roxanne Minnehan*
Staffing Update

- Program Specialist (paralegal) – This position was filled in-house with Kris Vladic (the current Administrative Clerk). She starts August 6th.
- Administrative Clerk – The job profile for this position is currently under review.
- Benefit Analyst – The job profile for this position is currently under review.

Cycle C Update - In October 2008, we submitted filings with the IRS for determination letters stating our defined benefit plans are qualified governmental plans. We received the determination letters, stating a contingency based on legislative changes that will ensure the benefits are non-forfeitable.

M. Litigation Update – *Melanie Symons*
There were no updates.

Informational Items

- N. BOI Rates of Return – FY2012
- O. SAVA Meeting – August 8-9, September 11
- P. LFC – September 27-28, November 13
- Q. Board Meetings – September 13
- R. Board Retreat – FWP Communication/Education Center, September 12, 2012

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 1:50 p.m.

Meeting Minutes

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

Second: Member Melissa Strecker

Vote: 6/0 Member Darcy Halpin abstained due to her absence at this meeting.

Disability Report (*Patricia Davis/Sarah Skubinna*)

- *Initial Claims* – The Board denied one disability claim and approved one disability claim without annual review.

- *Disability Reviews* – The Board continued one disability claim with annual review.

Contested Cases (*Kate Talley/Patricia Davis*)

- *Informal Consideration – Mandatory Retro, Toole County* – The Board moved to require Toole County pay all interest due. A payment plan may be scheduled to assist with payments.
- *Informal Consideration – Disability Appeal, PERS* – The Board moved to approve disability benefits with annual review.
- *Informal Consideration – Disability Appeal, PERS* – The Board moved to reconsider a prior denial of a disability benefit and approve it with annual review.

Finalized Service Retirements/Death Benefits (Patricia Davis)

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

Second: Member Darcy Halpin

Vote: 7/0

ADJOURNMENT

There being no further business before the Board, President Scott Moore adjourned the regular meeting at approximately 2:20 a.m. The next regular meeting will be Thursday, September 13, 2012, at 8:30 am.

Scott Moore, President

ATTEST:

Roxanne M. Minnehan, Executive Director