

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 North Park Avenue, Room 201

Helena MT 59601

Thursday, October 11, 2012

BOARD MEETING MINUTES

President Scott Moore called the regular PERB Meeting to order at 8:30 a.m. on Thursday, October 11, 2012. Roll call was taken. Six Board members present. Member Darcy Halpin participated via telephone. Board members and staff participating in meeting were:

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

Others present: Shantil Siaperas and Sheryl Wood, MACO; Steve McElhaney and Margaret Tempkin, Cheiron; Beth Long, GWRs; Mike O'Connor, AMRPE; Tom Schneider, MPEA; Paul O'Loughlin, Legislative Audit Division; Sheri Scurr, Legislative Services Division; Don Kinman, AFSCME; George Richards and Matt Norby, MSFA; Jill Hindoien, MRPEC-AFSCME; Jessie Luther, AMT; Mark Murphy, MPPA; Charles Van Genderen, FWP; *MPERA staff*: Patricia Davis, Member Services Bureau Chief; Hollie Koehler, Internal Auditor; June Dosier, Information Systems Manager; Kate Talley, Attorney; Diann Levandowski, Assistant Fiscal Services Bureau Chief; and Jenny Weigand, Education Supervisor, joined the meeting.

OPEN MEETING

I. Roll Call

Six members of the Board were present. Member Darcy Halpin participated via telephone.

II. Public/Member Comment

No public comments.

Action Items

III. Approval of Minute

A. Board Meeting – September 13, 2012

The minutes of the September 13, 2012, PERB Regular Meeting were presented.

Motion: Member Dianna Porter moved to approve the minutes of the September 13, 2012, PERB Regular Meeting.

Second: Member Bob Bugni

No public comment.

Vote: 7/0

- B. Board Retreat – September 12, 2012
The September 12, 2012, PERB Retreat Summary were presented.

Motion: Member Dianna Porter moved to approve the summary of the September 12, 2012, PERB Retreat with the addition of forming a committee of three Board members and designated staff members to review and follow-up on the goals and objectives resulting from the Retreat.

Second: Member Darcy Halpin

No public comment.

Vote: 7/0

- IV. Actuarial Valuation Results** – Stephen McElhaney/Margaret Tempkin, Cheiron
Mr. Stephen McElhaney, FSA, and Margaret Tempkin, FSA, from Cheiron presented the results of the June 30, 2012, actuarial valuations. Cheiron performs the annual actuarial valuation on each of the retirement systems administered by the Board. The purpose of the valuation is to measure and disclose the financial condition of each system, indicate trends in the financial progress, determine the sufficiency of the statutory contributions rate paid by the employers, and provide specific information and documentation required by the Governmental Accounting Standards Board (GASB).

Mr. McElhaney and Ms. Tempkin discussed the public pension environment, the actuarial valuation process, PERS historical trends and reviewed the actuarial experience. Please refer to handout.

Motion: Vice President Terrence Smith moved to adopt the Montana Public Employees' Retirement Board Actuarial Valuation as of June 30, 2012.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

Education item

V. Education – Stephen McElhaney

Mr. McElhaney provided Board training on the new GASB Statements, Funding Policy and the Actuarial Rate of Return Assumption. See the attached handout for more information.

Action items

VI. Executive Director's Report

A. Informal Consideration – System Membership Appeal, FWP – Patricia Davis

Montana Fish, Wildlife and Parks filed PERS membership cards and payroll reports on four park wardens. They are asserting that these employees should have been members of the Game Wardens' and Peace Officers' Retirement System (GWPORS).

Chas Van Genderen, Park Division Administrator, stated this was simply an accounting error and the four Park Wardens did not realize they had received the wrong paperwork given to them upon hiring. Instead of signing membership cards for GWPORS they signed membership cards for PERS. These members have been reported under PERS each reporting period since date of hire. The Park Warden positions require the same level of qualifications as Game Wardens. When the positions were filled it was fully expected they would be members be in GWPORS. "Game" Warden and "Park" Warden are working titles. They are both classified as FWP Wardens and both occupations are POST certified peace officers in the state of Montana. They meet the definition of "Peace Officer" in MCA 46-1-202.

Motion: Vice President Terrence Smith moved the board approve Montana Fish, Wildlife and Park's request to add the four employees in question to GWPORS.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

B. 457 Plan Adoption Agreement & Resolution – City of Troy – Jenny Weigand

Local government entities may choose to participate in the State's Deferred Compensation Plan. Troy has completed a resolution and adoption agreement to offer the deferred compensation plan to their employees. The effective date is the first employer pay period beginning one month after Board approval.

Motion: President Scott Moore moved to approve the 457 Plan Adoption Agreement with the City of Troy.

Second: Member Melissa Strecker

No public comment.

Vote: 6/0 Member Timm Twardoski was excused from the meeting at 11:30 a.m.

C. 2013 Legislative Session

1. Bill Drafts – Melanie Symons/Kate Talley

Ms. Symons did not have time to complete the bill draft package due to her attendance at the NAGDA Conference. Staff is continuing to draft bills as part of preparation for the legislative session. Bill drafts are due November 15, 2012. Pre-introduced legislation is due December 15, 2012. The 2013 Legislature convenes Monday, January 7, 2013.

Accounting staff met with the actuaries and discussed the different reporting needs for different employers under GASB. It was suggested that we add something in our General Revisions bill, under the Board's powers, that would allow charging an employer accordingly.

19-6-601 – We require members who are applying for non-duty disability to be vested – it is not clear in the statute. It is suggested we add “vested” to this section so that non-staff members will better understand.

2. Governor's Proposal – Actuary Impact Request by LFC – Roxanne Minnehan

The Governor's proposal has passed the State Administration and Veterans' Affairs (SAVA) Interim Committee. The Legislative Finance Committee (LFC) will be reviewing the funding requirements. Ms. Minnehan is requesting Board approval for the actuary to perform a fiscal impact study of the Governor's bill prior to the next LFC meeting on November 13, 2012.

Vice President Smith recommended making sure the estimate includes details about the Governor's bill to include what each government division owes. Sheri Scurr, Legislative Finance Division, stated that most of those numbers are based on salaries. What would the cost be if you're only looking at the shortfall of 6.25%? That's the amount that LFC wants to know if they should allocate to the local governments. With the Coal Tax taken into consideration, what percentage of salaries would get us to where we meet the shortfall? After those 3 things are calculated then we need to know what's left of the shortfall that can be made up by each local government down to the employer level. SAVA was calculating it based on a targeted amortization period. If the numbers are based on a 30-year period then any numbers given to LFC must be based on that same amortization period. They want to look at a closed amortization period, not a rolling amortization period. So the amounts that are required would be through payroll each year for 30 years. LFC had requested to look at a 40 year amortization period as well. LFC meets November 13th and SAVA will meet November 16th. The hope is LFC can look at these numbers and see the impact on the local governments in order to figure out Section 4 of the bill that allocates the remainder of the shortfall to the local governments.

Motion: Vice President Terrence Smith moved to request Cheiron to perform an actuarial study of the Governor's Proposal for PERS.

Second: Member Dianna Porter

No public comment.

Vote: 6/0

3. Public Relations – Roxanne Minnehan

It was suggested at the Board Retreat to determine the need for an outside source to prepare public relations materials, in particular news articles. Staff recommends keeping this task in-house due to the extensive learning curve to understand public pension systems.

Jenny Weigand, Educational Supervisor, presented a communications plan to the Board. Please see attached documents.

Motion: Member Darcy Halpin moved to delegate the public relations duties to staff.

Second: Vice President Terrence Smith

No public comment.

Vote: 6/0

Motion: President Scott Moore moved to delegate the responsibility of press releases to the Executive Director without Board approval.

Second: Member Melissa Strecker

No public comment.

Vote: 6/0

D. Out-of-State Travel Authorization – Laserfiche Conference, January 7-9, Anaheim, CA – Roxanne Minnehan

Laserfiche is the software used by the new imaging system. Dave Swenson, IT Systems Supervisor/Manager, has worked closely with the vendor to learn this software; however, this conference will expand his knowledge. The vendor suggests two MPERA staff attend because there are concurrent sessions. It is also better for MPERA to have two staff able to troubleshoot Laserfiche issues. This conference will provide networking opportunities as well as courses and labs on how to use Laserfiche to obtain optimum efficiency for MPERA.

Motion: Member Dianna Porter moved the Board approve travel authorization for 2 staff members to attend the Laserfiche Employer 2013 Conference in Anaheim, California, January 7-9, 2013.

Second: Member Bob Bugni

No public comment.

Vote: 6/0

- E. Schedule Next Legislative Meeting – Terrence Smith
The first all-Board member Legislative Committee met on Monday, October 1, 2012. The Committee agreed to schedule the next Legislative Committee conference call on November 1, 2012, at 1:00 p.m.

Motion: Vice President Terrence Smith moved to schedule the next Legislative Committee conference call November 1, 2012, at 1:00 p.m.

Second: President Scott Moore

No public comment.

Vote: 6/0

VII. Discussion

A. MPERAtiv Program Update – June Dosier

Current Status

- The MPERAtiv Project is green and moving ahead as scheduled. The data cleansing project status has moved to “Yellow”. MPERA did not receive timely responses from the Ventera project manager during the month. MPERA recently learned that the project manager has terminated his employment with Ventera. The data cleansing status so far has not had an impact on the overall MPERAtiv schedule, cost or scope and, thus, the MPERAtiv status remains green.

Activities completed since last status report

- **Line of Business** – The first three project phases are to establish baselines for: 1) project management, 2) functional scope, and 3) infrastructure. These phases are nearing completion as work has begun on Phase 4, the LOB system development. The first JAD (Joint Application Design) sessions were scheduled for the first week of October. The new system has been named “PERIS” (Public Employee Retirement Information System).
- **Data Cleansing** – Work continued with data cleansing efforts as planned. The project team automated a program which cleared a significant number of errors on the contingent annuitants in the legacy system database.

Activities to be completed in next month

- Line of Business - The first three project phases will continue running concurrently and work is scheduled in all three areas. Phase 4 Joint Application Design sessions will be on-going in waves periodically throughout the project.
- Data Cleansing – The project team will continue with data cleansing activities including manual processes and by developing programs to cleanse the data. Ventera will continue with writing scripts to cleanse data as it is converted into the new Line of Business application. Ventera is working on aligning the data cleansing project plan with Sagitec's LOB development project plan.

Issues/Risks

(49) Data Cleansing: The Ventera project manager for MPERA has resigned. He was a key resource from Ventera for Data Cleansing and Migration, so Ventera must replace him with a resource that is acceptable to MPERA.

(50) Data Cleansing: Data Cleansing progress

The data mapping and cleansing is progressing more slowly than planned. Until the project plan for data cleansing is aligned with the LOB project plan, we do not know if the risk could affect the LOB project.

B. Investments Update – Bob Bugni

Board of Investments met for one day last week. It was not their quarterly meeting so they did not review any of the investments. Most of the meeting was spent interviewing the final two candidates for the consulting position that provide performance, independent analysis and recommendations to BOI. They chose to renew the contract with R.V. Kuntz.

C. Committee Verbal Updates

Legislative Committee – Met on October 1, 2012. The Committee discussed Ms. Weigand's media documents and various ways to get the word out to the legislators and public about our position on certain bills. The next meeting is scheduled for November 1, 2012.

Personnel Committee – Member Porter mentioned that Chairman Twardoski is gathering information on the Executive Director's evaluations. The Committee has indicated they would like to also receive feedback from staff members, as well. A meeting will be scheduled in the near future to discuss Ms. Minnehan's evaluation.

Policy Committee – Chairwoman Halpin reported that she has sent Member's Strecker and Twardoski policies that need to be reviewed and is waiting for their feedback. A meeting will be scheduled in the near future to discuss them more at length.

Audit Committee – No update.

D. Executive Director Verbal Update – *Roxanne Minnehan*

Staffing Update

- a. Member Services Administrative Clerk – filled with Staci Bower, a temp from Weststaff who has been working in our office for the past several months.
- b. Benefit Analyst – the job profile did not receive an upgrade from re-classification. It is currently posted internally.

Pew Meeting Update

Ms. Minnehan reported that she, Mike O'Connor and Melanie Symons met with Pew on Wednesday, October 10, 2012. Pew relayed the following:

They have three goals:

- Creditable plan for closing funding gap – need committed money
- Address benefits going forward – ensure risks are manageable, and funding exists
- Recruit and retain talented workforce

They will be using three approaches:

- Sound data analysis;
- Share what other states have done right and/or wrong; and
- Ensure policy-makers are asking the right questions.

There are three main actions taken in other states:

- Increase employee contributions
- Decrease COLAs
- Provide more money – raise money and/or cut spending elsewhere.

MLCT - 10/4/12

- Panel for Pension Reform
 - Rep Sesso, LFC
 - Rep Cook, LFC
 - Amy Carlson, LFD
 - Roxanne Minnehan, MPERA
- Brief Remarks – guaranteed benefit, not for closing down the DB plan
- Most questions were for the Legislators
 - Haven't done anything for a number of years are we going to be discussing again next session?
 - Looking at natural resources?

Meeting with Steve Bullock

Ms. Minnehan mentioned her meeting with Gubernatorial Candidate, Steve Bullock went well. He was very receptive and asked several questions. Ms. Minnehan shared information with him about working retirees, capping HAC and 125Plan premiums. She also mentioned we have already decreased benefits for new hires and emphasized we need funding.

VIII. Litigation Verbal Update – *Melanie Symons*

We are still waiting to hear back from the District Court on the Briese and Crossman cases.

Informational Items

- IX.** SAVA – *November 16*
- X.** LFC – *November 13*
- XI.** Board Meetings – *November 8, December 13*

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 Darcy Halpin moved to approve the minutes of the September 13, 2012, PERB Closed Meeting with correction.

Second: Member Dianna Porter

Vote: 6/0

Disability Report (*Patricia Davis/Sarah Skubinna*)

- *Disability Reviews* – The Board approved one initial disability claim with annual review and two initial disability claims without annual review. The Board also approved to continue two disability claims without further annual reviews.

Contested Cases (*Kate Talley/Patricia Davis*)

- *Informal Consideration – Retirement System Membership, PERS* – The Board moved to uphold a staff decision made June 21, 2012, following a member requesting to be transferred from PERS to another retirement system. Member will remain in the PERS system.
- *Informal Reconsideration – Retirement Calculation, PERS* – The Board moved to deny member's renewed request to increase his retirement benefit based on his age and the benefit calculation in his retirement estimate rather than the final calculation.
- *Petitioners (VFCA) Exceptions to Proposed Findings of Fact, Conclusions of Law & Order* – The Board moved to adopt the Hearing Examiner's July 17, 2012 Proposed Order.

Finalized Service Retirements/Death Benefits (*Patricia Davis*)

Motion: Member Strecker moved to approve the finalized service retirements/death benefits.

Second: Member Dianna Porter

Vote: 5/1 Member Halpin abstained as she did not review the Finalized Service Retirements/Disability Benefit Payments report prior to the meeting.

ADJOURNMENT

President Scott Moore adjourned the regular meeting at approximately 2:20 p.m. The next regular meeting will be Thursday, October 11, 2012, at 8:30 am.

EXECUTIVE SESSION

At 2:21 p.m. the Board went into Executive Session.

Scott Moore, President

ATTEST:

Roxanne M. Minnehan, Executive Director