

**PUBLIC EMPLOYEES' RETIREMENT BOARD**  
**100 N Park Ave, Rm 201**  
**Helena MT 59601**

**Thursday, January 9, 2014**

**MINUTES**

Scott Moore, President  
Terrence Smith, Vice President  
Bob Bugni, Member  
Mike McGinley, Member  
Melissa Strecker, Member  
Timm Twardoski, Member  
Sheena Wilson, Member

*MPERA Staff*

Roxanne Minnehan, Executive Director  
Melanie Symons, Chief Legal Counsel  
Barbara Quinn, Fiscal Services Bureau Chief  
Patricia Davis, Member Services Bureau Chief  
Hollie Koehler, Internal Auditor  
Kate Talley, Legal Counsel  
Jenny Weigand, Education Supervisor  
Dave Swenson, IT Systems Manager  
Kelly Winterburn, LAN Administrator  
Cynthia Pearson, Executive Assistant

*Public*

Tom Schneider, MPEA  
Mike O'Connor, AMRPE  
Sheryl Wood, MACo  
Rick Ryan, Ed Cleary, Rick Hansen, Blaine Cowan, Jason Baker, George Richards, MSFA  
Jerry Williams, MPPA  
Mark Murphy  
K.V. "Ginger" Aldrich, Sheri Scurr, Legislative Services Division  
Linda Ulrich, GWRS  
Yvette Englert, Department of Administration – Human Resources

**Call to Order**

President Scott Moore called the meeting to order at 8:30 a.m.

**Roll Call**

All members of the Board were present.

**Public/Member Comment**

There was no public comment. Vice-President Terrence Smith announced an agenda change to the Legislative Committee Meeting scheduled for later in the day; specifically, the Planned Choice Rate Lawsuit Update/Impact—slated for closed session— would be moved to the beginning of the meeting so all Board Members can participate.

### **Consent Agenda**

1. Special Board Meeting Minutes – November 5, 2013
2. Board Meeting Minutes – November 14, 2013
3. Special Board Meeting Minutes – November 18, 2013
4. 457(b) Adoption Resolution – County of Roosevelt – School District 9
5. City of Polson – MPORS Ordinance
6. Out-of-State Travel – Defined Contribution Forum, April 10-11, 2014, Patricia Davis

**Motion:** *Member Sheena Wilson moved to accept the consent agenda as presented.*

**Second:** *Member Melissa Strecker*

*No public comment.*

**Vote:** 7/0

### **Committee Meeting Minutes**

1. Legislative Committee Meeting Minutes – November 14, 2013

**Motion:** *Vice-President Terrence Smith moved to accept the minutes as written.*

**Second:** *Member Bob Bugni*

*No public comment.*

**Vote:** 3/0

2. Audit Committee Meeting Minutes – November 14, 2013

**Motion:** *Vice-President Terrence Smith moved to accept the minutes as written.*

**Second:** *Member Mike McGinley*

*No public comment.*

**Vote:** 3/0

### **Race Track Volunteer Fire Department**

Barbara Quinn, MPERA Fiscal Services Bureau Chief, reported the Race Track Volunteer Fire Department in Silver Bow County is requesting the Board accept their late-filed Annual Certificate for FY 2009-2010. The certificate was filed on March 1, 2012 and was signed by the Fire Chief and notarized. Eleven members were listed on the late-filed certificate and were verified to receive credit for that fiscal year. Required training documentation was included. MPERA staff recommends the 11 members of the Race Track Volunteer Fire Department be granted the year of credited service.

**Motion:** *Member Sheena Wilson moved to grant the year of credited service to Race Track Volunteer Fire Department, as recommended by staff.*

**Second:** *Member Bob Bugni*

*No public comment.*

**Vote:** 7/0

### **Board Appointments**

Roxanne Minnehan, MPERA Executive Director, said the terms of two Board Members—Terrence Smith and Bob Bugni—will expire the end of March. Ms. Minnehan said MPERA senior staff would like to see these two individuals stay on the Board, if they are willing. She suggested the Board be proactive by notifying the Governor's Office of these Board Members' interest, possibly through a letter from the Board President.

Vice-President Terrence Smith (Defined Contribution Plan Participant appointee) indicated he is interested in continuing his service to the Board. Member Bob Bugni (Investment Management appointee) expressed he is not interested.

Member Sheena Wilson recommended the Board follow the online application process on the State of Montana website. She said any Board recommendation would be public information.

There was discussion about whether a Board Member continues on the Board until his/her replacement is appointed. Roxanne Minnehan, MPERA Executive Director, said past policy was to remove a Board Member at the end of a term, leaving a brief gap in service until a new Board Member was in place.

No recommendations were put forth at the meeting. Member Mike McGinley said he would promote that the Board not make recommendations as a body, but rather individually, so as not to appear to be telling the Governor what to do. Members Timm Twardoski and Sheena Wilson said they agreed.

### **Board Meeting Schedule**

Kate Talley, MPERA Legal Counsel, discussed the recommendation of a work group tasked with reviewing options for decreasing Board meetings from 12/year to 6/year. Work group participants are Members Sheena Wilson and Timm Twardoski, and MPERA staff Roxanne Minnehan, Patricia Davis and Kate Talley.

Ms. Talley said the work group supports the recommendation to go to 6 meetings a year, with the Board reserving the right to meet on off-months (probably via a conference call) if there is a need, such as to approve disability claims. The group recommends beginning the cycle in February so that there will be an October meeting (when the actuarial valuation is presented).

Ms. Talley said this change to bi-monthly meetings may require a rule change to the Administrative Rules of Montana (ARM) and also policy changes.

Member Sheena Wilson said there was a consensus of the work group that this was a good idea, for reasons such as it will reduce potentially dangerous highway travel. Member Timm Twardoski said this is not a new idea; the Board has contemplated the idea of fewer meetings for close to four years now.

The Board discussed several issues, including whether monthly meetings were beneficial to new Board Members; the appropriateness of conducting important business by conference call; and the possibility of going to an ad-hoc schedule versus the need for a consistent schedule.

**Motion:** *President Scott Moore moved to adopt the work group's recommendation for 6 meetings per year on a trial basis—with the possibility of special meetings on the second Thursday of off-months—and to set meetings for February 13, April 10, and June 12, 2014.*

**Second:** *Member Sheena Wilson*

*No public comment.*

**Vote:** 7/0

Member Bob Bugni announced the Audit Committee will hold its next quarterly meeting immediately following the February 13 meeting.

### **Education on Computer Use and Mobile Use Policies**

David Swenson, MPERA IT Systems Manager, gave an overview of computer use and mobile use policies as they apply to the Board's use of MPERA-issued iPads and State email accounts. Mr. Swenson

provided general guidelines such as how to create strong, secure passwords. He concluded his presentation by showing a short video on mobile device security from the “Securing the Human Network” series.

Board Members were asked to sign the MPERA computer use acknowledgement form.

President Scott Moore called for a 15-minute break, beginning at 9:25 a.m.

### **Office Space**

Kelly Winterburn, speaking on behalf of an MPERA employee task force that developed a comprehensive office space plan, gave an overview of the current plan for remodeling MPERA’s second floor offices. A floorplan showing the proposed areas of construction was provided. Ms. Winterburn said MPERA is still awaiting a final cost estimate.

### **Building Lease Update**

Melanie Symons, MPERA Chief Legal Counsel, said MPERA is waiting to sign the lease agreement, which is still being finalized due to last-minute changes in the remodeling bid and the agency’s desire to spread payment of the remodeling costs over the length of the lease (7 years). Ms. Symons said amortization has been authorized by the Department of Administration and there are no legal issues regarding the amount MPERA is seeking to amortize. She hopes to report at the next meeting that the lease has been signed.

Roxanne Minnehan, MPERA Executive Director, said MPERA has notified Board of Investments that the agency wants to lease the ground floor space in the same building. The space should be available May, 2014.

### **GASB Update**

Barbara Quinn, MPERA Fiscal Services Bureau Chief, said MPERA has met with its actuary as well as a GASB national task force. The bond rate (discounted rate if a plan crosses over and a lower rate must be used) has been sent to Montana’s Legislative Audit Division, who will respond soon regarding whether they agree with the established rate. Also, there are plans for a dry run with the actuary around mid-January to ensure everything goes smoothly.

Ms. Quinn said the Government Finance Officers Association (GFOA) has released a pension toolkit containing an implementation guide, statements, and other information, which MPERA is reviewing.

She said documentation of Montana changes related to GASB—including the similarities and differences between TRS and PERS—is being put into place. Communication plans also are being developed.

### **Recordkeeper RFP Award**

Patricia Davis, MPERA Member Services Bureau Chief, and Melanie Symons, MPERA Chief Legal Counsel, reported on the Recordkeeper RFP evaluation process and results.

Four vendors responded to the RFP: Great-West Financial; Nationwide; ICMA-RC; and ING. The proposals were reviewed and scored based on the State of Montana’s standard procurement process. The RFP evaluation committee consisted of Ms. Davis; Ms. Symons; Jenny Weigand of MPERA; Sheena Wilson representing the Board; and Amy Berry representing EIAC.

Ms. Davis announced Great-West Financial was the highest scoring applicant. Contract negotiations will begin right away.

The Board asked a variety of questions regarding the evaluation process (specifics of scoring; frequency of re-bidding the vendor contract) and the vendors (cost of fees; number of consultants; potential for enhanced services).

In addition, questions were raised regarding the Board's role in approving the winning vendor. It was stated the Board could, by law, overrule the entire process and ask the RFP evaluation committee to start over, but the Board did not have authority to interfere in any specific part of the overall evaluation process. The Board had, in previous action, given that authority to the RFP evaluation committee, which included Member Sheena Wilson as the Board's representative. The Board will be responsible for approving the final vendor contract following contract negotiations.

Under public comment, Sheryl Wood of MACo said she followed the RFP process—including reading the RFP applications and attending the vendor presentations. On behalf of her organization and its members, she urged the Board to reject the current RFP recommendation and to begin the process anew using impartial external evaluators who do not work with the incumbent vendor (Great-West). When asked about her specific concerns, Ms. Wood cited the lower costs of other vendors (specifically, Nationwide), the limited marketing base of the winning vendor, and MPERA's current working relationship with the winning vendor.

There were several responses to Ms. Wood's comments.

- Linda Ulrich of Great West clarified the company does not market its own plan to any entity; they do, however, market the State of Montana's plan.
- Patricia Davis said she felt the RFP evaluation committee was fair and impartial in its review and scoring of the applications. Member Sheena Wilson agreed.
- Melanie Symons stated she saw no conflict of interest on the RFP evaluation committee. She said the evaluators remained neutral and looked only at the information that was provided in the proposals.

The Board wondered whether the non-winning vendors had any recourse if they felt the process was not conducted fairly. Ms. Davis and Ms. Symons explained these vendors could appeal to the State's Procurement Office within 30 days of the bid award announcement.

### **Board of Investments Update**

Member Sheena Wilson reported the next meeting of the Board of Investments will be in February.

She also discussed a newspaper guest column that had appeared in the Helena Independent Record regarding the Board of Investments and the state's pension system. She said the column contained misinformation and Board of Investments was considering whether to respond. Jerry Williams of MPPA and Tom Schneider of MPEA both supported having a public response to the inaccuracies so the public would have good information.

### **Committee Updates**

#### Legislative Committee

Chairman Terrence Smith reported the committee will meet later in the day (January 9). The main topic will be the work plan for 2015 Legislative Session.

#### Personnel Committee

Chairman Timm Twardoski said the Labor Management Committee plans to schedule a meeting in the near future.

#### Policy Committee

Chairwoman Melissa Strecker said once the Board has settled on a new meeting schedule, the committee will then meet to make needed policy changes.

#### Audit Committee

Chairman Bob Bugni reported the committee will meet on February 13 after the regular Board meeting.

#### EIAC Committee

Patricia Davis said the next EIAC meeting will be January 16.

#### **Executive Director's Verbal Update**

Roxanne Minnehan, MPERA Executive Director, provided the Board with informational updates.

#### Staff Updates

Ms. Minnehan reported a new Member Services administrative assistant will start on January 21. The job position for a new attorney has been posted. The job description for a temporary accountant is in the process of being classified. Several temporary jobs for data cleansing are being filled.

#### Pensions for School Paraprofessionals

Ms. Minnehan said MPERA is working with Teachers Retirement System to resolve an issue involving paraprofessionals and whether these employees should belong to PERS or TRS.

#### Committee Reports

Ms. Minnehan reported on the recent activities of the SAVA committee, Legislative Finance Committee and Economic Affairs Interim Committee.

#### **Litigation Update**

Melanie Symons, MPERA Chief Legal Counsel, reported that she is waiting to hear on the Ober Spear case. A settlement was reached in the Center for Mental Health case so there will be no trial. The Plan Choice Rate lawsuit is moving slowly, with a scheduling conference set for January 24.

In the AMRPE lawsuit regarding the Guaranteed Annual Benefit Adjustment (GABA), a preliminary injunction was granted by Judge Reynolds in December. A preliminary injunction also was granted for the lawsuit involving the Teachers Retirement System.

Kate Talley, MPERA Legal Counsel, gave an update on the Fauque case, which is now before the Supreme Court. To date, the District Court has yet to transfer the case records to the Supreme Court. Once the records are transferred, the parties in the case will submit briefs.

#### **Investment Consultant RFP**

Patricia Davis, MPERA Member Services Bureau Chief, reported the Investment Consultant RFP is expected to post later in the month. The RFP will use the State of Montana's standard procurement process. The RFP evaluation committee will be Ms. Davis, Melanie Symons and Jenny Weigand from MPERA; Bob Bugni representing the Board; and a representative from EIAC. Member Timm Twardoski volunteered to be an alternate if the process extends beyond Mr. Bugni's term.

The Board discussed the appropriate level of involvement they should have in the vendor selection process. Various situations were proposed. It was agreed to continue the conversation at the Board's next meeting, which will delay the posting of the RFP by at least a month.

President Scott Moore called for a 15-minute break, beginning at 10:50 a.m.

### **Strategic Planning**

Beki Brandborg continued the process of facilitating the Board's strategic planning, which began at the annual Board Retreat on October 9. Ms. Brandborg led a discussion with the Board concerning the progress being made by eight strategic goal work groups, including plans for future meetings.

Ms. Brandborg will provide a written summary of the session's results to the Board. This session concludes her work in facilitating the Board's strategic planning, and the Board is now tasked with completing the Strategic Plan. Ms. Brandborg recommended the Board put strategic planning on every Board meeting agenda.

### **Informational Items**

There was no discussion by the Board on the following items: MPERA Written Update; Operation Board Summary; and Interim Newsletter.

### **Adjournment**

President Scott Moore adjourned the open meeting at noon.

## **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 exceed the merits of public disclosure. As such, this portion of the meeting was closed at 12:55 p.m.

### **Consent Agenda**

- Closed Meeting Minutes – November 14, 2013
- Closed Special Meeting Minutes – November 18, 2013
- Disability Report
- Finalized Service Retirements/Death Benefits

**Motion:** *Member Sheena Wilson moved to approve the consent agenda as presented, with the disability claim of DH being pulled for further consideration.*

**Second:** *President Scott Moore*

**Vote:** *7/0*

*There was clarification of the disability claim for DH, which indicated "no review" on the overall recommendation. Sarah Skubinna, MPERA Disability Examiner, said it should say "annual review" instead.*

**Motion:** *President Scott Moore moved to approve the disability claim of DH with the correction to annual review.*

**Second:** *Member Sheena Wilson*

**Vote:** *7/0*

## Contested Cases

### Informal Consideration, PERS, SS

Barbara Quinn, MPERA Fiscal Services Bureau Chief, reported on a request by a PERS member for additional payment of retroactive disability retirement benefits.

Originally, the member asked MPERA to reconsider the agency's decision regarding a correction of the total amount of retroactive disability retirement paid in June, 2012. The member contended that MPERA owed an additional \$30,000 to him/her. Ms. Quinn said this amount is not actually owed to the member, but stems from a typographical error in correspondence MPERA sent. MPERA later sent a corrected letter to the member. The staff recommendation is to deny the request as the member is not entitled to the additional \$30,000.

Ms. Quinn said the member is now abandoning the claim for \$30,000 with the understanding it was simply a typo. However, the member is now seeking \$15,000 based on information on his/her 2008 annual statement. Ms. Quinn said this new request from this member will likely be brought to the Board for consideration at its next meeting.

There was discussion on ways to improve correspondence so it is clear when a member is receiving a corrected version of a previous letter.

**Motion:** *Member Sheena Wilson moved to uphold staff recommendation of denying the payment to SS of an additional \$30,000.*

**Second:** *Vice-President Terrence Smith*

**Vote:** 7/0

### Informal Consideration, PERS, Lake County, LJ

Patricia Davis, MPERA Member Services Bureau Chief, reported Lake County is appealing a bill for interest on mandatory PERS contributions for an employee for whom they had not withheld retirement contributions. Lake County says the oversight happened due to an antiquated payroll system. The total due is \$8,025.36, of which \$6,367.42 is interest and \$1657.96 is contribution payments. The staff recommendation is to deny the request for interest waiver and require Lake County to pay the full amount due.

**Motion:** *President Scott Moore moved to uphold staff recommendation to require Lake County to pay all contributions and interest due.*

**Second:** *Member Melissa Strecker*

*Member Sheena Wilson asked staff to compare this request to an earlier request by the Department of Fish, Wildlife and Parks for an interest waiver. Ms. Davis said the earlier case had documentation in the file questioning whether the employee should be a PERS member, but this case did not.*

*It was clarified that Lake County will have the opportunity to enter into a payment agreement if they so choose.*

**Vote:** 7/0

### Legal Cases Update

Melanie Symons, MPERA Chief Legal Counsel, and Kate Talley, MPERA Legal Counsel, had no additional updates beyond what was reported in the open meeting.

Executive Action

The Board handled a personnel matter with assistance from Marjorie Thomas of DOA-HR. Only Roxanne Minnehan of MPERA staff was present. At the conclusion of the session, the Board issued the following statement:

We are announcing today that Roxanne Minnehan, Executive Director of the Montana Public Employee Retirement Administration, has decided to retire. Ms. Minnehan and the Board have entered into an agreement, facilitating the transition to a new director so that continuity of operations and management of the agency are maintained. The Agreement also allows that Ms. Minnehan will be paid retirement and healthcare benefits to reach 30 years of service.

**Adjournment**

There being no further business before the Board, President Scott Moore adjourned the closed meeting at 2:30 p.m. The next regular meeting will be February 13, 2014.