

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

Thursday, September 12, 2013

MINUTES

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

Staff

Roxanne Minnehan, Executive Director (via telephone)
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
June Dosier, Information Systems Manager/Program Manager
Jenny Weigand, Education Supervisor
Diann Levandowski, Asst. Fiscal Services Bureau Chief
Ali Sturm, DC Accountant
Kris Vladic, Program Specialist
Cynthia Pearson, Executive Assistant

Public

Steve McElhaney, Cheiron
Clifford Sheets, Board of Investments
Beki Brandborg, Facilitator
Senators Dave Lewis and Sue Malek
Diane Fladmo, MEA-MFT
Tom Schneider, MPEA
Mike O'Connor, Russell Wrigg, AMRPE
Rick Ryan, Ed Cleary, Doug Neil, Jason Baker, MSFA
Sheryl Wood, MACo
David Senn, Teachers Retirement System
K.V. "Ginger" Aldrich, Julie Johnson, Legislative Services Division
Sam Schaefer, Kris Wilkinson, Legislative Fiscal Division
Margaret Volpe-Rodgers and Steve Ebert, Nationwide
Beth Long, GWRS
Chris Bacon, Department of Administration - HR

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.

Consent Agenda

1. Board Meeting Minutes – August 8, 2013
2. Special Board Meeting Minutes – August 12, 2013
3. City of Polson – 457 Adoption Agreement
4. Medical Consultant Contract – Dr. Bateen

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

Second: *Member Bob Bugni*

No public comment.

Vote: 7/0

Committee Meeting Minutes

1. Personnel Committee Meeting Minutes – July 24, 2013

Motion: *Personnel Committee Chairman Timm Twardoski moved to accept the minutes as written.*

Second: *Member Sheena Wilson*

No public comment.

Vote: 3/0

2. Personnel Committee Meeting Minutes – August 15, 2013

Motion: *Personnel Committee Chairman Timm Twardoski moved to accept the minutes as written.*

Second: *Member Sheena Wilson*

No public comment.

Vote: 3/0

3. Audit Committee Meeting Minutes – August 8, 2013

Motion: *Audit Committee Chairman Bob Bugni moved to accept the minutes as written.*

Second: *Member Mike McGinley*

No public comment.

Vote: 3/0

Economic Experience Study

Steve McElhaney, an actuary with Cheiron, presented the results and recommendations of an economic experience study conducted last month for MPERA. The study looked at all eight retirement systems administered by MPERA: Public Employees' Retirement System (PERS), Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), Game Wardens' and Peace Officers' Retirement System (GWPORS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and Volunteer Firefighters' Compensation Act (VFCA).

Background

Mr. McElhaney explained that there is a difference between an economic experience study and a demographic experience study, with the economic study having more broad-based assumptions and the demographic study having narrower assumptions that are specific to the retirement system being studied. He further explained, while it makes sense to look at economic assumptions apart from demographic assumptions, it doesn't make sense to look at economic assumptions individually rather than all together.

The last experience study was conducted in 2010.

Major Assumptions

This 2013 economic experience study looked at the major assumptions of inflation, investment return, wage growth, and interest on member contributions. It also took into consideration what other public retirement funds are doing, past experience of the retirement plan, historical data in general, outlook for the future, and the Board's preference regarding risk.

Mr. McElhaney discussed each of the assumptions and provided the following recommendations.

Recommendations

- Inflation Assumption – Make no change in the 3% inflation assumption at this time.
- Real Wage Growth Assumption – Reduce the real wage growth assumption to .5% (currently at 1%) which when added to inflation rate of 3.0% results in new wage growth assumption of 3.5% (currently at 4%).
- Investment Return Assumption – Decrease the assumption from 7.75% by up to 0.25% which would result in a new rate of 7.5%. Also recommended a specific assumption for administrative expenses as an addition to the normal cost.
- Interest on Member Contributions – Use the inflation rate of 3% for assumed interest on member contributions (currently 3.5%).

To help clarify the investment return assumption, Barbara Quinn, Fiscal Services Bureau Chief, distributed a chart showing the history of market returns for PERS. Over 22 years (1992-2013), PERS has experienced an average net market return of 8.2%, ranging from a high of positive 21.79% in 2011 to a low of negative 20.69% in 2009.

Comparative Valuation Results

Mr. McElhaney presented comparative valuation results of the funded status for each of the eight retirement systems.

The largest of the retirement systems, PERS, had an actuarial liability of \$5.661 billion in 2012. Using prior assumptions, the actuarial liability is reduced to \$5.242 billion in 2013. Preliminary estimates indicate this actuarial liability will only be reduced to \$5.38 billion in 2013 based on a 7.5% discount rate and 3% interest on employee contributions; or reduced to \$5.328 billion in 2013 based on a 7.5% discount rate, 3% interest on employee contributions, and a wage growth assumption of 3.5%.

PERS had a funding ratio of 67% in 2012. Using prior assumptions, the funded ratio increases to 79% in 2013. Preliminary estimates indicate the funded ratio will only be reduced to 77% in 2013 based on a 7.5% discount rate and 3% interest on employee contributions; or reduced to 78% in 2013 based on a 7.5% discount rate, 3% interest on employee contributions, and a wage growth assumption of 3.5%.

In addition to comparative valuation results of funded status, Mr. McElhaney also presented comparative valuation results for each of the eight retirement systems of normal costs, annual required contributions,

and amortization periods.

Mr. McElhaney reported that he will present the final results of the valuation study to the Board at its October meeting.

President Scott Moore reminded the Board that there must be substantial reasons to change any of the current valuation assumptions. These assumptions, he said, cannot be changed at a whim.

Questions

Mr. McElhaney fielded a number of questions referring to HB 454. Mike McGinley asked what the GABA rate would be starting January 2014. Mr. McElhaney responded that, based on a 79% funding status, the GABA would be 1%.

Senator Sue Malek asked if these numbers indicate a likelihood of dropping below the 25-year amortization threshold this year. Mr. McElhaney said yes, but without the temporary contributions it would be above 25 years.

Bob Bugni asked about the arithmetic rate of return calculation, noting there is a large gap between gross returns and net returns because expenses are 60 basis points. Senator Dave Lewis also questioned the investment expenses versus the net return. Mr. McElhaney responded the usual case scenario is the expense is justified by the returns.

Mike McGinley asked about reducing the real wage growth and the inflation factor. Mr. McElhaney said, as a general rule, if you reduce both by the same amount, the liability will increase.

Public Comment

Dan Villa stated that HB 454 was a legislative bill that “did a lot” and recommended that the Board wait to see its results before making adjustments to the assumptions. He favored waiting until the next legislative session, which would allow time for the GABA lawsuit to be filed and resolved and for more analysis to be conducted in fiscal year 2014. He advocated specifically against adopting changes to the assumptions for real wage growth, investment return, and administrative costs.

David Senn of the Teachers Retirement System said that he, too, felt there would be plenty of time and opportunity to make changes to the assumptions in the future. Historically, he has seen pressure to increase the investment return assumption whenever financial markets are doing well. He encouraged the Board to make small, slow changes to the assumed rate of return, rather than chasing the market. He also commented that GASB 67 and 68 are not a funding policy.

Motion: *President Scott Moore moved to maintain the current real wage growth assumption at 4%.*

Second: *Member Timm Twardoski*

No public comment.

Vote: 7/0

Sheena Wilson asked the Board to consider voting on the assumptions as a package and to maintain the assumptions as they are currently. President Scott Moore said he preferred to continue voting on each assumption separately.

Motion: *Member Sheena Wilson moved to maintain the current rate of return assumption at 7.75%.*

Second: *Member Melissa Strecker*

Board Comment: Vice-President Terrence Smith and Bob Bugni both stated that they don't see any reason to wait to reduce the assumed rate of return. The financial markets are different than they were in the past, the trend is already in place, and the rate should be dropped to 7.5% now as the actuary recommended.

Vote: 3/4. President Scott Moore, Vice-President Terrence Smith, Member Bob Bugni, and Member Melissa Strecker opposed. Motion fails.

Motion: Member Bob Bugni moved to reduce the current 7.75% assumption for rate of return to the actuary's recommendation of 7.5%.

Second: Member Terrence Smith

Board Comment: Sheena Wilson reiterated it's premature to make changes while there are still moving parts. Timm Twardoski said he agrees because there are still too many unknowns.

No public comment.

Vote: 3/4. Members Timm Twardoski, Sheena Wilson, Mike McGinley, and Melissa Strecker opposed. Motion fails.

Motion: Member Sheena Wilson moved to maintain the current assumption for investment return at 7.75%.

Second: Member Mike McGinley

Board Comments:

Vice-President Terrence Smith said this is not a decision about a legislative bill, but about the next 30 years. Changes in the financial market are clear and we are not getting close to the returns we are currently expecting. The direction we are heading is the right direction. It could change next year. We need to have things in place for January 2015, which means there is not time to bring to this matter to the next legislature.

President Scott Moore said that making a change from 7.75% to 7.5% increases the likelihood of maintaining the provisions of HB 454 and thereby changing the GABA.

Mike McGinley said he was for changes to the assumed rate of return last legislative session; he now favors making small incremental changes and supports keeping the return rate at 7.75% and review next year.

Vote: 4/3. President Scott Moore, Vice-President Terrence Smith, and Member Bob Bugni opposed. Motion passes.

Motion: Vice-President Terrence Smith moved to postpone using administrative costs in the actuarial valuation until the next valuation.

Second: Member Mike McGinley

No public comment.

Vote: 7/0

President Scott Moore called for a break from 10:55 – 11:20 a.m.

Investment Performance Update

Clifford Sheets of the Board of Investments discussed portfolio allocation changes for the fiscal year across all the pension systems. Changes were made in various asset classes including domestic equity pool, international equity pool, private equity pool, return fund bond pool, real estate pool, and cash.

Mr. Sheets pointed out the dramatic change in total asset value last year, which was about \$750 million. He reported that it was a very good year for the pension systems, noting the significant growth in domestic equities.

Mr. Sheets showed a comparison of asset allocations compared to peers, that is, other public funds in the \$3-20 billion range with at least 30% invested in equities. PERS and the TRS fall at about the median in percentage of total equity and fixed income; above the median on domestic equities, private equities and real estate; and below the median on international equities and cash. He pointed out that cash returns are about 0% so they are maintained at a low level by design. Some peers—about a quarter to a third—have hedge funds; Montana has none.

Mr. Sheets discussed performance of PERS as documented by State Street. The net rate of return is 7.47% over past 19 years (since 1994).

Mr. Sheets showed comparative performance of the retirement systems as documented by R.V. Kuhns. PERS, TRS and MPORS are performing strongly compared to peers. He also showed the same performance comparison as done by State Street. Returns have been strong over the past four years and this has helped the long-term returns. Montana's retirement systems are in the top 25th percentile.

Mr. Sheets said several drivers have differentiated Montana's retirement systems from those doing less well:

- Stronger domestic returns vs. international returns.
- Diversification of having some alternative asset classes, such as real estate.
- Diversification in fixed income subsectors.
- Increased allocation of real estate.

Mr. Sheets discussed economy and markets, including employment/unemployment rates, the market as compared to expectations, and interest rates. He also provided statistics on annualized rates of return for an 83-year period (1930-2013).

In summary, Mr. Sheets said this has been a great fiscal year in both absolute gains and relative gains.

President Scott Moore praised Mr. Sheets and the Board of Investments for doing a wonderful job.

There was no public comment.

Review of Board Statement of Governance Principles

President Scott Moore announced that this agenda item will be postponed and placed on the board retreat agenda.

Private Letter Ruling

Kate Talley, Legal Counsel, discussed MPERA's request to the Internal Revenue Service to issue a private letter ruling. MPERA submitted its original request in February, asking the IRS to make a determination about the federal income tax treatment of certain disability retirement benefits as they apply to seven of the MPERA-administered retirement systems. The IRS responded with its ruling in July.

Ms. Talley indicated the IRS response only covers treatment under 26 USC 104(a), which is the tax exemption for certain disability benefits. The response did not address how the retirement plan interacts with 26 USC 101(h), which is the tax exemption for survivor benefits related to a public safety officer killed in the line of duty.

Highlights of the IRS ruling include the following:

- 1) A duty-related (as determined by the Board) disability, where the calculation is not based on age or service, qualifies for a disability exemption. This applies to the GWPORS, SRS and HPORS retirement systems. It does not apply to the MPORS or FURS retirement systems because, in those systems, there is no distinction between duty-related and not duty-related injuries.
- 2) When a duty-related disability benefit is granted, if it is given to a member who has more than 20 years of service, the benefit calculation for the first 20 years is based on half of the highest average compensation and is exempt; if the member has more than 20 years of service there is an additional benefit, based on the number of years of service multiplied by the member's highest average compensation. So, if the member has 20 years or more service, then the bulk of the benefit is not taxable but the portion based on service over 20 years is taxable.

Ms. Talley reported, based on the ruling, MPERA needs to make adjustments and issue corrected 1099s to some benefit recipients. MPERA will also send letters to those impacted individuals.

In addition to the disability benefit issues, MPERA has determined that a number of 1099s were coded incorrectly due to a programming error or prior system conversion and, as a result, there may be members who have over-recovered their basis. Some of these are members who retired and then were reinstated. MPERA will issue corrections if necessary. Sheena Wilson said MPERA will need to work with these members closely as they may need to file amended tax returns. Ms. Talley agreed, noting that her intent will be to write a very clear letter to each person. Ms. Talley also noted corrections can only be made for open years: 2010, 2011, and 2012.

Rule Notices

Kate Talley, Legal Counsel, discussed MPERA's rule notices.

1. 2013 Legislation
 - a. MAR #2-43-493
In response to HB 91, this rule change adds a Roth IRA to the 457 Deferred Compensation plan document. It proposes to add the most recent date to the 457 Deferred Compensation document.
 - b. MAR #2-43-494
In response to HB 97, this rule change adds a cap to highest average compensation. It attempts to clarify the process MPERA already uses for lump sum payments made at the termination of employment. It also deletes some content that is already in statute, in order to prevent having it repeated and/or further explained in a rule.
 - c. MAR #2-43-495
In response to HB 105, this rule change makes three minor revisions. 1) To ARM 2.43. 2115. Allows administration to waive interest if employer makes contribution within 60 days of the original delinquency date. 2) To ARM 2.43. 2602. Removes one of the statutes, which was repealed in the legislative session, from authority for the rule. 3) To ARM 2.43.2609. Reflects change in the bill to 19-2-706 MCA about the employer's recovery of contributions on payments for additional service when a retired member returns to service.
 - d. MAR #2-43-496

In response to HB 320, this rule change replaces all references to ORP with MUS-RP in eight different rules. This is the name change of the system as required by the bill.

e. MAR #2-43-497

In response to HB 336, this rule change reflects that the GABA has changed for new members to the HPORS system. Members who leave the system, take a refund, then return to work will be reinstated at the new GABA when rehired. In addition, MPERA is making the rule language more generic to cover all retirement systems.

2. Bi-annual Rule Review MAR #2-43-498

ARM 2.43.1501. Reinstates a governmental appeal under MAPA.

ARM 2.43.2101. Reflects that MPERA now has a stand-alone form for name changes, so a new membership card doesn't need to be completed for a simple name change.

ARM 2.43.2303. Reflects a change in MPERA's process to verify former service from an outside employer by requiring verification directly from the former employer, not just from the member.

ARM 2.43.2610. Removes requirement for contingent annuitants to make a beneficiary designation; thereby any pro rata benefit payable to a deceased contingent annuitant may go to his or her estate, not to multiple beneficiaries.

ARM 2.43.2901. Reflects that MPERA now uses a single online refund application. There used to be two paper forms.

ARM 2.43.3008. Removes a subsection because the IRS has discontinued their letter-forwarding service.

ARM 2.43.4302 and ARM 2.43.4307. Proposes to update internal citations for repealed rules.

3. Investment Policy Statements MAR #2-43-487

The investment policy statements are reviewed annually and amended to reflect best practices in defined contribution plan investments. The investment policy statements are adopted by reference and are available on the Board's webpage at mpera.mt.gov. Language will be added to the investment policy statement stating that the rules do not significantly and directly impact small businesses.

Motion: Vice-President Terrence Smith moved to approve rule notices for MAR #2-43-493, 494, 495, 496, 497, 498 and the Investment Policy Statements as presented.

Second: Member Mike McGinley

No public comment.

Vote: 7/0

Non-Union Pay Plan Policy

Melanie Symons, Chief Legal Counsel, requested the Board's approval to treat MPERA's nonunion employees similarly to union employees regarding the pay plan policy revisions.

Motion: President Scott Moore moved to uphold the staff recommendation on the nonunion pay plan policy.

Second: Member Timm Twardoski

No public comment.

Vote: 7/0

Stable Value Update and TransAmerica Contract Extension

Patricia Davis, Member Services Bureau Chief, provided an update on the stable value investment and requested the Board's approval to extend the contract for TransAmerica, the stable value wrap provider.

Stable Value Update

MPERA has been working on restructuring the stable value investment for the last year. This is in direct relationship to TransAmerica's demands put forth last July as a result of 2008 market issues and the level of risk in stable value plans. In July 2012, TransAmerica decided that they wanted to reduce their risk exposure on Montana's stable value product from 100% to 33%. MPERA had to make changes to the stable value product itself, including adding a cash buffer and changing the fund's value to a daily value rather than \$1 value that had been used for many years.

Participants in the stable value fund will be informed of the changes through the agency's website and newsletter, a specific participant correspondence.

Contract Extension

MPERA had extended the TransAmerica contract to June 2013 in order to work out some investment plan issues. The contract was later extended from June 2013 to September 2013. MPERA is now at a point where they are ready to change the overall structure of the stable value product and implement it in October 2013. This impacts the TransAmerica contract, so MPERA is asking to once again extend the contract, this time to March 2014. In addition, MPERA is amending the contract to roll two contracts—one for 457 Deferred Compensation Plan and one for Defined Contribution Retirement Plan—into a single contract.

Motion: *Member Sheena Wilson moved to approve the TransAmerica contract extension.*

Second: *Member Melissa Strecker*

No public comment.

Vote: 7/0

President Scott Moore called for a break from 1:20 – 1:30 p.m., to be followed by a working lunch.

Change Management

Patricia Davis, Member Services Bureau Chief, provided an overview of how changes at MPERA, including the upcoming transition to a new computer system, will impact the agency and those it serves. MPERA wants to help everyone who is impacted by the changes to have a smooth transition. This will require change management, including stakeholder participation and education. To date, change management sessions have been conducted with MPERA employees and contracted employers. Today's session is a change management assessment with the Board.

Ms. Davis presented the mission statement: *MPERA is undertaking the transition to PERIS, our new line of business, because of our commitment to enhance services to all customers, improve efficiency and provide secure, accurate, and timely information to all stakeholders.* In addition, MPERA has established ethical standards, guiding principles, and values.

She said ownership of the process, and responsibility for it, lies with MPERA's management team. The Board should hold MPERA to these standards.

Beki Brandborg, contracted by MPERA to assist with change management, explained that change management is part people, part technology.

Ms. Brandborg reported she conducted six small-group meetings with MPERA staff to better understand their attitude toward the upcoming change, including their concerns. She said MPERA employees show good support and excitement, as well as confidence in the direction MPERA is moving.

Ms. Brandborg also conducted two focus group meetings with contracted employers, one representing universities and municipalities, and the other representing the State of Montana's central services. These employers see the value of the transition and are pleased to be included in the change process.

MPERA is planning to do an online survey of members, perhaps followed by focus groups. Members will want to be included in the process because the new system will give them online access to their accounts for the first time, which is a significant change.

Ms. Brandborg asked the Board what is exciting to them about the upcoming changes. The Board responded they were looking forward to improved accuracy of account information; additional services to members; training for employees and employers; benefits of moving from an antiquated computer system to an up-to-date system; improved employee productivity and morale; and timely access to micro data that will help the Board do its job. They also expressed that they'll be happy when the large, long-term project is completed.

Ms. Brandborg discussed with the Board how they preferred to be informed about the progress of the project.

Ms. Brandborg reported that she will present a strategic plan to the Board in a few months.

Board Retreat Expectations

Beki Brandborg, contracted by MPERA to facilitate the annual board retreat, discussed the Board's expectations for the October 9 retreat. The Board responded they would like to accomplish the following: set goals and targets; understand governance principles; distinguish board responsibilities from executive director responsibilities, including how the two relate; look at reducing number of meetings; understand fiduciary responsibilities and expectations; discuss secession planning for executive director; plan for next legislative session. They would like the day to be a fun opportunity to interact.

Update on SAVA Meeting

Melanie Symons, Chief Legal Counsel, reported to SAVA that MPERA intended to repeal Rule I and there were no comments, which she interpreted as positive feedback. No further input regarding the rule change was made. SAVA decided that Senators Lewis and Jent will be representatives to the PERB meeting. Ms. Symons believes that Senator Malek may have replaced Senator Jent in that role.

Update on Building Lease Negotiations

Melanie Symons reported the lease for MPERA's office space expires at the end of October. MPERA has been working with the Department of Administration regarding renewal of the contract. Ms. Symons asked the Board's opinion on various aspects of the renewal contract.

There was a brief discussion of ways to improve public access to the Board's meetings, including the ideas of holding televised board meetings from the Capitol and providing citizen access via a live internet feed. The Board agreed to discuss these ideas in the future.

Board of Investments Verbal Update

Sheena Wilson noted that Clifford Sheets provided a very comprehensive investment update, and she had nothing to add. She reminded everyone that asset allocation decisions will be made at the November Board meeting.

Committee Meeting Updates

Personnel Committee

Chairman Timm Twardowski reported union negotiations with MPEA are completed. MPERA's proposals and MPEA's proposals were similar and, all in all, the negotiation process went very well. President Scott Moore thanked everyone involved in the negotiations for all their hard work.

Policy Committee

Chairwoman Melissa Strecker reported that there were no committee activities this month.

Audit Committee

Chairman Bob Bugni announced that the next meeting date is set for November 14.

EIAC Committee

Patricia Davis announced that the committee will meet on October 17.

Executive Director Verbal Update

Melanie Symons reported on behalf of Roxanne Minnehan, who is currently on medical leave. Ms. Symons provided a staffing update. MPERA's retiree database assistant has left and the position was filled internally by the active database support. There is now a vacancy in active database support. MPERA is approved to hire a new attorney, which is not posted yet. The agency is currently hiring a new IT development manager, and the position has been posted externally. Ms. Symons also reported that the Labor Management Committee is working on conflict management with Julie Benson-Rosston, a contracted facilitator. Ms. Benson-Rosston is working with both MPERA's management team and the staff to identify issues and concerns.

Litigation Verbal Update

Melanie Symons, Chief Legal Counsel, and Kate Talley, Legal Counsel, had no report.

Mike McGinley asked about the GABA lawsuit. Ms. Symons responded that the lawsuit had not been filed. Tom Schneider of MPEA said the lawsuit may not be filed until after the Board's November meeting, as the probable plaintiffs want to hear the actuary's valuation report to the Board so they know the impact to the GABA.

Informational Items

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

Adjournment

President Scott Moore adjourned the open meeting at 2:42 p.m.

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 3:00 p.m.

Consent Agenda

- Closed Meeting Minutes – August 8, 2013

- Disability Report
- Finalized Service Retirements/Death Benefits

Motion: *Member Mike McGinley moved to approve the consent agenda as presented, with the exception of pulling out the disability report for DP for further consideration.*

Second: *Member Sheena Wilson*

Vote: 7/0

The Board discussed the DP case. Input was provided to the Board by Sarah Skubinna, Disability Claims Examiner, and Kate Talley, Legal Counsel.

Motion: *Member Mike McGinley moved to deny the DP disability claim.*

Second: *Member Scott Moore*

The Board further reviewed the DP case, including the staff recommendation for disability with annual review.

Vote: 1/6. *President Scott Moore, Vice-President Terrence Smith, and Members Bob Bugni, Timm Twardoski, Sheena Wilson and Melissa Strecker opposed. Motion fails.*

Motion: *Vice-President Terrence Smith moved to approve the DP disability claim with the requirement of annual review.*

Second: *President Scott Moore*

Vote: 7/0

Contested Cases

Informal Consideration, University of Montana, Mandatory Contribution, JS

Patricia Davis, Member Services Bureau Chief, reported the University of Montana is requesting a waiver of interest accrued for JS as they were unaware he/she should have been a PERS member.

Motion: *Member Bob Bugni moved to uphold the MPERA staff recommendation requiring payment of all interest due, along with authorizing the MPERA executive director to enter into a payment agreement with the University of up to ten years.*

Second: *Member Timm Twardoski*

Vote: 7/0

Legal Cases Update

Melanie Symons, Chief Legal Counsel, reported on the FS case. A monetary settlement was reached and the case is now closed.

Adjournment

There being no further business before the Board, President Scott Moore adjourned the closed meeting at 3:30 p.m. The next regular meeting will be October 10, 2013.