

# TEACHERS' RETIREMENT BOARD MEETING

**MAY 8, 2008**

## CALL TO ORDER

Chairman Ryan called the meeting to order at 4:41 P.M. in the Hilton Garden Inn, Treasure State Ballroom B, 2465 Grant Road, Billings, Montana.

## BOARD MEMBERS PRESENT:

Tim Ryan, Chairman  
Scott Dubbs  
Mona Bilden  
Kari Peiffer  
James Turcotte  
Darrell Layman

## STAFF PRESENT:

David Senn, Executive Director  
Tammy Rau, Deputy Executive Director

## OTHERS PRESENT:

Mark Olleman, Consulting Actuary  
Representative, Dennis Himmelberger  
Tom Bilodeau, MEA-MFT  
Charlene A. Suckow, MREA  
Sandy Denesen, MEA-MFT

ADOPT AGENDA - Chairman Ryan asked for additions or changes to the Agenda for May 8, 2008. Finding none, Chairman Ryan requested a motion to adopt the Agenda.

MOTION/VOTE: Member James Turcotte moved that the agenda be approved. Seconded by Member Mona Bilden, the motion passed unanimously.

PUBLIC COMMENT – Chairman Ryan called for public comment on Board related items. No public comments were made.

ACTUARIAL FUNDING -The Active Member Experience Study and Recommendations for the period July 1, 2001 - July 1, 2007, were presented to the Board by Mark Olleman, Consulting Actuary. The net impact of the assumption changes recommended in this report as of the July 1, 2007 actuarial valuation would be to increase the amortization period from 28.6 years to 31.3 years, increase the normal cost rate from 10.40% to 10.87% of pay, and decrease the unfunded actuarial accrued liability funded by Teachers' Retirement

System (TRS) contributions from \$758.9 million to \$756.1 million. Mr. Olleman recommended that starting in 2010 the Board study all assumptions at the same time, once every four years.

**MOTION/VOTE:** Mr. Scott Dubbs moved to accept the actuary recommendations. Seconded by Mr. Darrell Layman, the motion passed unanimously.

**2009 LEGISLATION** - Mr. Senn asked the Board to identify issues they wanted to address or that should be considered during the 2009 Legislative Session. He further commented the return to work issues TRS has been dealing with will not be solved with simple solutions, therefore, he asked the Board to appoint a legislative committee to work with staff and the TRS membership over the next several months. He informed the Board the TRS is required to have legislative drafts to the Budget Office by September 15, 2008.

The one caution from Mark Olleman, Consulting Actuary, was to keep any changes in return to work simple. Actuarial calculations can become individual specific and difficult to explain or understand, resulting in different results for each retiree returning to work. Mr. Senn shared that answers might be found in what other states have done to combat the same return to work issues.

**FUNDING CONCERNS** - Mr. Senn walked the Board through the draft 2009 Funding Proposal regarding the working retiree's recalculation of retirement benefits, splitting TRS/PERS positions, and retirement effective dates of May/June terminations.

**TRS HOUSEKEEPING** -

Mr. Senn reviewed the Board's proposed housekeeping legislation, which includes changes to comply with the Pension Protection Act of 2006, allow the rollover of TRS contributions to a Roth IRA, clarify the definitions of "actuarial equivalent" and "fixed" amounts as these terms are used in a Family Law Order, define full-time service to include alternative school calendars, and clarify that teachers and administrators employed by community colleges must be members of the TRS.

**OTHER PROPOSALS** - The MEA-MFT will pursue the 2.0% Professional Retirement Option (PRO). Under this proposal, effective July 1, 2011, TRS members who work 20 or more years and are age 55 or older when they retire will receive a benefit based on a 2.0% multiplier instead of the normal one and two thirds multiplier. The anticipated cost of the proposal is over 2.0% of salary.

**PUBLIC COMMENT** - Mr. Senn asked for comments and/or recommendations regarding legislation from members of the system and the public.

Representative Dennis Himmelberger asked what type of retirement plan the TRS was looking at for new hires and what the status of that process was.

Mr. Senn responded the TRS has been involved in a number of focus group sessions and has had many discussions as well as participated in looking at different plans with constituents, the State Administration Veteran Affairs Committee, MEA-MFT, Montana School Board Association, School Administrators of Montana, and the Montana Rural Educators Administrators.

Mr. Senn worked with the School Administrators group and did some work on a plan design for them. The plan would create a new tier in the TRS for members hired after July 1, 2009. Instead of the current benefit of 25 years and out at any age, the new plan would require age 62 or a rule of 90. This means you would either have to be 62 with five years of service or the member's age plus service would have to equal 90 to be eligible for unreduced retirement benefits. The plan would be at the same equivalent cost as the current TRS plan, so there would be no change in contribution rates. It would result in a formula of about a 2% multiplier.

The other plan being considered was a Money Purchase Plan. This is an equivalent type cost plan and would calculate benefits based totally on contributions, investment earnings, and member's age. The longer the member waits to retire, the larger the benefit. For an individual hired under the current TRS plan at age 22 or someone hired under a money purchase plan at age 22, the break even point is about age 57. Under either plan, at age 57 they would receive about 58% to 59% of their final average salary. The real difference occurs at older ages. If this same person worked until age 65, under the current plan they would have a replacement ratio of about 72%. Under the money purchase plan it would be 94%.

Mr. Bilodeau, shared MEA-MFT recognized costs would roughly be 2% of payroll or approximately \$13 million per year for the new PRO proposal. As part of this bill, MEA-MFT is proposing the additional cost to the plan be fully funded by the State General Fund. They are asking for a 2% formula for anyone retiring with 30 or more years of creditable service.

Mr. Dubbs noted the PRO plan of the past had also been proposed as a solution to retention.

Mr. Bilodeau agreed that MEA-MFT has tied this proposal to the issues of attraction and retention.

Chairman, Tim Ryan added it seems common practice for school districts to use the TRS in order to hire or retain retired members, which adversely impacts the actuarial funding of the retirement fund, which then impacts all the members.

The TRS needs to make changes so school districts aren't using the retirement system for retention.

ADJOURNMENT

There being no further business, the meeting was adjourned at 6:34 p.m.

Chairperson \_\_\_\_\_

Executive Director \_\_\_\_\_