

TEACHERS' RETIREMENT BOARD MEETING
June 11, 2009

CALL TO ORDER:

Chairman Tim Ryan called the meeting to order at 8:00 a.m. in the Board of Investments Conference Room, 2401 Colonial Drive Helena, Montana.

BOARD MEMBERS PRESENT:

Tim Ryan - Chairman
Jeff Greenfield – Board Member
Darrell Layman – Board Member
James Turcotte – Board Member
Scott Dubbs- Board Member
Kari Peiffer – Board Member

STAFF PRESENT:

Denise Pizzini – Chief Legal Counsel
Tammy Rau – Deputy Executive Director
David Senn – Executive Director

OTHERS PRESENT:

Ms. Kaleva – Wesley Young's Legal Counsel Phone Conference 4:24 pm

ADOPT AGENDA - Chairman Tim Ryan asked for additions or changes to the Agenda for June 11, 2009. Finding none, Chairman Tim Ryan requested a motion to adopt the Agenda.

MOTION/VOTE: Member Jeff Greenfield move to adopt agenda. Seconded by Member Scott Dubbs, the motion passed unanimously.

PUBLIC COMMENT ON BOARD RELATED ITEMS: Chairman Ryan called for public comment on Board related items. No public comments were made.

INSTRUCTIONS – JILL LOTTER, PROCUREMENT OFFICER

Ms. Lotter Procurement Officer welcomed the Offerors and committee members and reviewed with the committee and others present the procedure of the interview process required under the State's procurement standards, including:

Only the Committee and State of Montana Resource Representative may ask questions or participate in the interviews.
Comments from observers are not allowed.
Questions may address only the proposal or presentation.
Offerors have 1.5 hours to complete their presentation

PRESENTATIONS FOR ACTUARIAL CONSULTING SERVICES

Cavanaugh Macdonald

Ed Macdonald, Jose Fernandez, and Todd Green represented Cavanaugh Macdonald (Cav/Mac). CavMac consulting firm commented that they only do public sector work; not every firm does that. CavMac has a full team ready to be at service to all Board members, and staff at TRS. They will provide thoughtful and innovative solutions that will allow public sector benefit plans to thrive in the future.

CavMac currently has 8 Teachers Retirement systems and several government pension plans that they consult for throughout the states. They have the latest tools and the staff has significant experience in the public sector benefit plans. Mr. Ed Macdonald responded to the request to explain their experience designing retirement plans for public educators and to identify the key elements of the "ideal plan". All members of the Cav/Mac team responded to questions.

Buck Consultants'

Dave Slishinsky and Michelle DeLange represented Buck Consultants. Buck currently provides actuarial and pension consulting services to 55 statewide systems, Buck consultants have a strong track record of being there for their clients, such as during legislative sessions, negotiations, and strategic planning meetings.

Buck Consultants have experience designing public pension plans, including DB, DC, and DB-Hybrid plans.

Dave Slishinsky responded to the request to explain their experience designing retirement plans for public educators and to identify the key elements of the "ideal plan". All members of the Buck team responded to questions.

Cheiron

Steve McElhaney and Fiona Liston represented Cheiron. Ms. Liston is one of the Co-Founders of Cheiron. Cheiron was formed in 2002, their core business is working jointly with trustee pension, health, and welfare funds, and having a reputation for being proactive, responsive, and developing and implementing innovative solutions. Currently they have contracts with 16 state retirement plans.

Mr. McElhaney designed retirement plans for the Virginia Retirement System and was involved with the University of Oklahoma transition to its Oklahoma Teachers' Retirement System.

Ms. Liston responded to the request to explain their experience designing retirement plans for public educators and to identify the key elements of the "ideal plan". All members of the Cheiron team responded to questions.

SCORING OF PRESENTATIONS

Evaluation and Award

Cavanaugh Macdonald-Total Points 6,872, Presentation -1,717 and Tier 1 - 5,155 points

Buck Consultants' - Total Points 6,419, Presentation 1,595, and Tier 1 - 4,824 points

Cheiron-Total Points 6,357, Presentation 1,580, and Tier 1- 4,777

Mr. Senn requested a motion to recommend the Contract for actuarial services be awarded to Cavanaugh Macdonald Consulting, LLC.

MOTION/VOTE: Member Dubbs move to offer the contract to Cavanaugh Macdonald. Seconded by Member Kari Peiffer, the motion passed unanimously.

LEGAL COUNSEL'S REPORT

Proposed Settlement Agreement – Ronald Fuller

Ms. Pizzini reviewed Mr. Fuller's case with the Board members. A tentative settlement proposal was presented by Mr. Fuller at the May 8th Board meeting, which included that the Department of Corrections would pay \$50,000 towards the amount owed by Mr. Fuller. A contingency added by Mr. Fuller would have required the Board to waive all or at least a portion of the accrued interest; however, the amount of interest to be waived and any asserted basis for waiver was not specified. At the last Board meeting, the Board authorized Mr. Senn and Ms. Pizzini to communicate with Mr. Fuller and Ms. Colleen White, legal counsel for the Montana Department of Corrections (DOC), to examine what portion of the accrued interest Mr. Fuller was requesting be waived, and the basis for the requested waiver. Further communication with Mr. Fuller and Ms. White failed to conclude in final settlement terms.

Mr. Fuller appeared before the Board, and informed the Board that he did not have legal counsel and that he was not going to sign an agreement until he can work with DOC so he can have a retirement that he can survive on. Mr. Fuller again indicated that he would be asking the Board to waive a portion of the interest. Ms. White was also present and available to provide information on behalf of DOC.

Member Dubbs asked Mr. Fuller to explain what portion of the interest he was asking the Board to waive. Mr. Fuller indicated he would like the interest waived from August 2002 to 2005 when he was unaware of the rules and regulations of

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the TRS, and for which timeframe he felt he should not be charged the interest. Mr. Senn clarified the interest that accrued during that 3 year period is around \$12,000.00.

Member Dubbs asked Mr. Fuller whether he would be willing to settle with DOC if the TRS Board approves reduction of the interest as he was requesting. Mr. Fuller commented that he could not answer that question unless he knew if the amount of money was able to rectify this situation.

Member Peiffer asked Mr. Fuller if it was his intention to get a lawyer. Mr. Fuller responded that he was talking with a lawyer. Member Peiffer commented on behalf of the Board that with the amount of money at issue Mr. Fuller needs legal advice.

Chairman Ryan commented to the Board, Mr. Fuller and Ms. White that this situation is between Mr. Fuller and the DOC. Ms. White the representative for the DOC commented that she is in agreement with the Chairman Ryan's statement. Ms. White also commented that she was hoping that an agreement would be put in place with Mr. Fuller and the TRS Board, due to the fact that there is a time limit on the availability of the money that the DOC has available to settle this issue, and after the fiscal year end the money may not be available due to budget cuts expected to be made within the State of Montana. Ms. White encouraged Mr. Fuller to seek advice of legal counsel and to have his legal counsel get in contact with her.

Member Dubbs stated that the Board is willing to help resolve this issue with Mr. Fuller, but the situation between Mr. Fuller and the DOC will need to be resolved.

MOTION/VOTE: Member Greenfield moved to table the request from Mr. Fuller. Seconded by Member Dubbs, the motion passed unanimously.

OTHER BUSINESS

Out of State Travel

Mr. Senn presented out-of-state travel for the NCTR Conferences for himself and the Board members scheduled for July and October. Mr. Senn asked if, do to budget cuts this year, the Board wanted to send Board members or staff to the NCTR conference. Chairman Ryan commented that both Conference dates should be left open for Board members and staff to attend, as these conferences are educational and provide great value to the Teachers' Retirement System.

MOTION/VOTE: Member Darrell Layman moved to approve out of state travel for two Board members to attend the October NCTR Conference. Seconded by Member Dubbs, the motion passed unanimously.

4:24 p.m. Phone Conference with Ms. Kaleva

Ms. Pizzini reviewed the discussions from the February and May 2009, board meetings regarding Mr. Wesley Young's reemployment following his retirement with the Frontier School District. In a letter dated June 3, 2009, Ms. Kaleva, on behalf of Mr. Young, stated Mr. Young would agree to resign as Maintenance Supervisor and Transportation Director as of June 30, 2009. He will remain in the current position as the Part-time Dean of Students. In exchange for the concession, Mr. Young would be permitted to retain his retirement benefits for the 2008-09 school year.

Ms. Kaleva commented that Mr. Young is giving up two legitimate contracts that he rightfully entered into in good faith, and has agreed not to enter into another contract in the district or any other district. Ms. Kaleva stated that if the Board did not accept the settlement offer, that Mr. Young does not have \$26,000 for the repayment of benefits, and if he has to take this matter further into a lengthy court matter he is willing to go forward.

Ms. Pizzini asked several questions of Ms. Kaleva, if the school had been notified, and do they have representation? Ms. Kaleva had not notified the school and she doesn't represent the school. If Mr. Young is required to repay benefits will he remain in the two positions? Mr. Young has not signed any contracts for the upcoming school year. Is there some negotiation of any portion of the repayment of benefits?

Chairman Ryan commented that if the Board negotiates repayment of any of the benefits that were paid out, is Mr. Young willing to come up with some names of retirees who are in this same situation.

Ms. Kaleva commented that she needed to consult with Mr. Young and she would get back with TRS on that question, she thanked the Board.

Mr. Senn recommended the Board enter into good faith negotiations with Mr. Young and his attorney to recover some portion of the benefits paid to Mr. Young. Chairman Ryan commended that the Board needs to look at recovering some portion of the benefits received, and Mr. Young should also identify the individuals he has knowledge of who have entered into the same contractual arrangements with other school boards.

PUBLIC COMMENT ON BOARD RELATED ITEMS NOT ON THE AGENDA

Chairman Ryan called for public comment No public comments were made.

MOTION/VOTE: Member Greenfield moved to direct staff to enter into negotiations with Mr. Young to recover some portions of the benefits paid to him, and to identify other individuals Mr. Young has knowledge of who have been

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reemployed under similar contracts. Seconded by Member Turcotte, motion passed unanimously.

Mr. Senn addressed Chairman Ryan on behalf of the Board members and the TRS staff with a gift; thanking Mr. Ryan for his time and service as a TRS Board member.

Chairman Ryan commented to the Board and TRS staff that it was his pleasure and complimented the board and staff on all they do for the teachers of the State of Montana. Thanks to all.

ADJOURN MOTION/VOTE: Chairman Ryan moved to adjourn meeting 4:47PM.