

**Teachers' Retirement Board Meeting
TRS Conference Room – Conference Call
1500 Sixth Avenue
Helena, Montana
August 16, 2011**

BOARD MEMBERS PRESENT

Kari Peiffer, Chair
Scott Dubbs
Darrell Layman
Jeff Greenfield
Robert Pancich
James Turcotte

STAFF PRESENT

David Senn, Executive Director
Tammy Rau, Deputy Executive Director
Denise Pizzini, Chief Legal Counsel
Melissa Michalk, Executive Secretary
Will Harmon, Public Information Officer

OTHERS PRESENT

Diane Fladmo, MEA-MFT
Charlene Suckow, MT Retired Teachers
Jim Kerins, CMS

CALL TO ORDER

Chairperson Peiffer called the meeting to order at 8:37 AM, in the Teachers' Retirement System Conference Room, 1500 East 6th Avenue, Helena, Montana.

Adopt Agenda

Chairperson Peiffer asked for additions or changes to the Agenda for August 16, 2011. Finding none, Chairperson Peiffer requested a motion to adopt the Agenda.

MOTION/VOTE: Member Jeff Greenfield moved to adopt the Agenda for August 16, 2011. Seconded by Member Darrell Layman, the motion passed unanimously.

Public Comment on Board Related Items

Chairperson Peiffer called for public comment on Board related items. No public comments were made.

Mr. David Senn introduced Will Harmon, the new TRS Public Information Officer. Mr. Senn also announced that Ms. Tammy Rau had received the Governor's Award for Excellence in Performance.

IMPLEMENTATION OF 2011 RETURN TO WORK LEGISLATION

Applicability Date of Changes to Postretirement Concurrent Employment

Mr. David Senn recommended that changes enacted in HB 86 and HB 116 regarding return to work rules be applied only to members who retired after July 1, 2011, to avoid any potential conflicts with employment in PERS covered positions and Independent Contractor contracts already executed between TRS retirees and TRS covered employers. Mr. Senn explained that he and Board Chair Kari Peiffer discussed the matter and agreed that staff should implement the new legislation only with retirement dates effective after July 1, 2011.

Mr. Senn also reported that staff has developed a new form for retired members to report postretirement employment, which must be completed by all retirees and verified by their employers. The form will allow TRS to track all compensation paid to a working retiree, regardless of the retiree's effective retirement date. Member Dubbs was concerned about the possibility of a loophole where people would not tell TRS about working because they might think the laws/statutes do not apply to their positions. Ms. Denise Pizzini noted the new reporting requirements make it clear that all working retirees must complete the postretirement employment report annually and must be reported monthly by the employer regardless of whether or not TRS is going to count their income toward their earnings limitation. Employers will have to report compensation and earnings of all TRS working retirees regardless of when they retired. Ms. Pizzini also reminded the Board that employers would have additional incentive to correctly report working retirees based on the new statutory provision making them jointly and severally liable for repayment to TRS if benefits overpaid because of their failure to properly report. Ms. Tammy Rau assured the Board that every retiree is being informed they are required to fill out the form, whether or not their income will count against them. Mr. Senn reported that schools have been calling to verify that they are complying with the rules regarding working retirees.

MOTION/VOTE: Member Jeff Greenfield moved the TRS Board approve TRS staff's implementation of the new statutory provisions with respect to counting compensation against the earnings limitation only to members with retirement effective dates after July 1, 2011. Seconded by Member Scott Dubbs, the motion passed unanimously.

LEGAL ISSUES TRAINING

Fiduciary Duties and Conflicts of Interest

Ms. Denise Pizzini provided refresher/update training to the Board regarding the fiduciary duties applicable to TRS Board members. More specific training was provided, as well, on conflicts of interest and how to avoid them.

Contract Rights Related to Benefit Design Changes

Ms. Pizzini discussed the concept of contract rights related to pension benefits, including an update on recent court decisions on contract rights related to pension plan design changes in Colorado and Minnesota.

GOVERNANCE STRUCTURE

Mr. Jim Kerins reviewed and discussed the best practices in pension governance, board-executive staff relationships, and responsibilities of the Executive Director. The board discussed the potential need for and responsibilities of board subcommittees, such as personnel, budget, and litigation.

Chairperson Peiffer wanted to have board member roles more defined and a better orientation process for new Board members, and would like to see each Board member attend a training conference every other year. Member Jeff Greenfield and Member Scott Dubbs concurred. Mr. Kerins suggested that the training be specific to the Board member's role and experience. Mr. Senn confirmed that staff could be prepared to discuss the potential need for and responsibilities of subcommittees for budget, litigation, legislation, and personnel at the September Board meeting. He suggested that if subcommittee assignments are made, the first charge of each committee could be to write a committee charter to describe the objectives of the subcommittee and the roles/responsibilities of each subcommittee member. Chairperson Peiffer concurred that committee appointments should be added to the September agenda.

NCTR TRUSTEE WORKSHOP

Roundtable Discussion of August 2011 NCTR Trustee Workshop

Chairperson Kari Peiffer, Member Darrell Layman, Member Robert Pancich, and Member Scott Dubbs led the discussion on topics that were discussed at the NCTR Trustee Workshop in Boston, Massachusetts, earlier this month.

PENSION DESIGN

Examples from Other States

Ms. Denise Pizzini reviewed recent pension plan/funding changes from various states that have resulted in litigation with the Board. The major issue of dispute in several states currently is contract rights related to reduction or discontinuation of Cost of Living Adjustments (COLA) for current retirees.

Colorado PERA Experience

The TRS Board held a conference call with Colorado PERA Executive Director Meredith Williams and PERA Chief Operating Officer/General Counsel Gregory W. Smith. Mr. Williams and Mr. Smith described the process Colorado followed before recommending any changes to the Colorado PERA system. They held Board meetings across the entire state, which they called a "Listening Tour", showing PERA members with charts and graphs what would happen to their system if they did not make some changes to the system to ensure that it was actuarially funded. Mr. Smith indicated that they determined the trustees' fiduciary duty was to all members of the retirement system, retired *and* active, yet current new employees were making contributions for which they would never receive benefits unless the trustees improved the long-term funding of the system. Mr. Smith stated they took their concerns for system funding out to the public, governor's office, and employee and employer groups to explain the long-term

funding situation and to solicit their suggested solutions. , A key component of their listening tour was an interactive model that allowed staff to test their proposed solutions by entering a wide array of budget and actuarial assumptions, which in turn generated a range of scenarios. This enabled stakeholders and decision makers to see which proposals would improve long-term sustainability of the pension system, and which would not. Through the support of some politicians and substantial support from their members, they were able to get comprehensive changes passed in the legislature. Mr. Williams stated that being very transparent and soliciting input from members was imperative to gain support for the necessary changes.

GFOA – Best Practices on Designing and Implementing Sustainable Pension Benefit Tiers

Ms. Tammy Rau informed the Board of what was discussed at the GFOA conference this past May in San Antonio, Texas.

UPDATE ON PROPOSED ACCOUNTING CHANGES

GASB Exposure Draft

Mr. David Senn reviewed and summarized a paper from Gabriel Roeder Smith & Co. on the changes that would be required under the GASB Exposure Drafts on Pension Accounting and Financial Reporting. Mr. Senn pointed out that a significant concern is the impact the changes will have on financial reporting for all participating employers, and the process that will be necessary to educate employers on the impacts.

Public Pension Financial Forum – Membership & Annual Conference

Mr. David Senn recommended that the Board approve membership for Dan Gaughan as the official representative of TRS in the Public Pension Financial Forum. Annual dues are \$150.00 per person. Mr. Senn also requested approval for out-of-state travel to Portland, Oregon, for Mr. Gaughan to attend the Forum's annual conference in October 2011.

MOTION/VOTE: Member Robert Pancich moved the TRS Board approve the membership of Mr. Dan Gaughan in the Public Pension Financial Forum, and approve the out-of-state travel request for him to attend the annual conference in Portland, Oregon, in October. Seconded by Member Scott Dubbs, the motion passed unanimously.

ADJOURNMENT

There being no further business, Chairperson Peiffer adjourned the meeting at 4:14 PM.

Chairperson _____

Executive Director _____