

**Teachers' Retirement Board Meeting
TRS Conference Room – Conference Call
1500 Sixth Avenue
Helena, Montana
February 11, 2011**

BOARD MEMBERS PRESENT

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

ABSENT

None

STAFF PRESENT

David Senn, Executive Director
Tammy Rau, Deputy Executive Director
Denise Pizzini, Chief Legal Counsel
Bill Hallinan, Information Technology Manager
Dan Gaughan, Accounting/Fiscal Manager
Karla Scharf, Retired Payroll Manager
Melissa Michalk, Executive Secretary

OTHERS PRESENT

Tom Altmaier, MREA
Darrell Rud, School Administrators of Montana

CALL TO ORDER

Chairperson Peiffer called the meeting to order at 8:32 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 February 11, 2011. Finding none, Chairperson Peiffer requested a motion to adopt the Agenda.

MOTION/VOTE: Member James Turcotte moved that the Teachers' Retirement System (TRS) Board adopt the Agenda for February 11, 2011. Seconded by Member Darrell Layman, the motion passed unanimously.

Approval of November 19, 2010 and January 13, 2011 Minutes

Chairperson Peiffer called for changes to the November 19, 2010, and January 13, 2011 Board Meeting Minutes. Finding none, Chairperson Peiffer requested a motion to adopt the November 19, 2010, and January 13, 2011 Board Minutes.

MOTION/VOTE: Member Jeff Greenfield moved that the TRS Board adopt the November 19, 2010, and January 13, 2011 Board Meeting Minutes. Seconded by Member Scott Dubbs, 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.

EXECUTIVE DIRECTOR'S REPORT

2011 Legislation

Mr. David Senn reported on the status of the bills on which staff has testified.

<u>Bill</u>	<u>Status</u>
House Bill 86	Scheduled for second reading in the House
House Bill 113	Tabled in committee
House Bill 116	Heard in House State Administration Committee
House Bill 189	Heard in House State Administration Committee
House Bill 197	Heard in House State Administration Committee
Senate Bill 54	Heard in Senate State Administration Committee
Senate Bill 56	Heard in Senate State Administration Committee
Senate Bill 113	Heard in Senate State Administration Committee

Mr. Senn reviewed numerous other bills that may have an impact on the TRS. Mr. Senn called to the Board's attention a bill draft proposed by Representative Scott Reichner which would; provide a smaller DB plan for new hires; additional funding for TRS from excess oil and gas revenue, and suspend the GABA in any year that the contributions collected by TRS had not met the annual required contribution rate. Ms. Denise Pizzini also summarized several bills of possible interest to the TRS.

Member Turcotte expressed his concerns with Senate Bill 120, which would require contact information for appointed members to all state agency boards to be published and that this could possibly obstruct his ability to do business. Ms. Pizzini replied that the Board only speaks as a board and TRS will develop a way to handle it if the bill is successful.

LEGAL COUNSEL'S REPORT

Summary of Legal Issues

Ms. Denise Pizzini reported that the Attorney General had not yet responded to our request for an opinion on the matter of releasing the names and benefit amounts of our highest benefit recipients to Montana Watchdog.

Ms. Pizzini also mentioned that Lynn Mavencamp filed a petition for judicial review alleging two additional claims in his petition. One count is that closing the portion of the meeting held for consideration of the hearing examiner's proposed decision, TRS's exceptions, and Mr. Mavencamp's responses to discuss litigation strategy was a violation of his constitutional right to

know. In his second additional claim, Mr. Mavencamp alleged that he has a right to attorney fees, arguing it was bad faith for the Board not to accept the proposed decision of the Hearing Examiner. The TRS has until February 17, 2011 to file a response.

Ms. Pizzini informed the Board that TRS continues its investigation related to the post-retirement employment of the Superintendent in Ennis, including that TRS is monitoring the civil litigation filed by David Kelly against the Ennis School District, which involves some of the same issues being investigated by TRS.

Ms. Pizzini revealed that there has been a recent inquiry as to what Average Final Compensation amount is used to recalculate a member's second benefit, to be added to the original benefit, after they returned to work for at least three additional years. Member Dubbs stated that it was something worth thinking about. Member Turcotte replied that the latest AFC should be used. Member Greenfield responded that the highest AFC should be used. Ms. Pizzini suggested that TRS staff could provide the Board with analysis of the issue, including any legal considerations, for the Board's consideration at its next meeting. The Board agreed such analysis would be helpful.

Ms. Pizzini informed the Board of recent proposed federal regulations that may define TRS Board members as "municipal advisors", which regulations seem to fall in line with the Security Exchange Commission's recent interest in public pension regulation. Member Turcotte discussed the potential impact of the proposed regulations based on education and training requirements applicable to "municipal advisors". Ms. Pizzini indicated that TRS had provided comments to the proposed rules, and would continue to monitor the promulgation of the regulations.

OTHER BUSINESS

Out of State Travel Authorizations

Ms. Denise Pizzini requested to attend the 2011 National Association of Public Pension Attorneys (NAPPA) conference in Seattle, WA on June 22, 2011 through June 24, 2011. Mr. Bill Hallinan requested to attend the 2011 Public Retirement Information Systems Management (PRISM) annual conference in Jacksonville, FL from April 10, 2011 to April 13, 2011.

MOTION/VOTE: Member James Turcotte moved that the TRS Board approve the out of state travel for Denise Pizzini and Bill Hallinan. Seconded by Member Darrell Layman, the motion passed unanimously.

Policy of Nondiscrimination in Employment and Provision of Services

Mr. Senn reported that the changes recommended by the Board in November to the proposed nondiscrimination policy had been incorporated, and the policy is now ready for action by the Board. TRS staff recommends adoption.

MOTION/VOTE: Member Scott Dubbs moved that the TRS Board adopt the Nondiscrimination in Employment and Provision of Services as amended. Seconded by Member Darrell Layman, the motion passed unanimously.

Budget Amendment

Mr. Senn reported that the actuarial analysis required on bills requiring a fiscal note has cost more than anticipated. While it is difficult to estimate how much actuarial analysis will be required through the end of this session, it is clear that the level of interest in several funding proposals and for a new TRS system design will require several more hours of work. The Board originally budgeted \$40,000 for legislative analysis; as of this date, that amount is almost exhausted. Staff recommended the Board authorize an additional \$20,000. Alternatively, staff suggested the Board could wait until the May Board meeting when the exact amount of additional spending authorization would be known.

MOTION/VOTE: Member James Turcotte moved that the TRS Board table the budget amendment. Seconded by Member Jeff Greenfield, the motion passed unanimously.

Investment Report by Member James Turcotte

Member Turcotte reported on the activities of the Board of Investments (BOI). Member Turcotte pointed out that he asked the money manager at the BOI meeting on Tuesday and Wednesday, what changes were made to the overall structure of their investment strategy in 2008-2009 when the markets went down. The money manager replied that they did not make any changes because they maintained their philosophy in terms of investments and continued business as normal. Member Turcotte affirmed that this company was one of their better money managers in terms of their overall returns. Member Turcotte believes that having consistency of maintaining one's philosophy and only changing that policy if it will be good for the long term is the reason this money manager is one of their best. Member Turcotte went over the asset/liability study that was completed in December 2010. Member Turcotte reviewed the investment returns reported by BOI with the TRS Board. Member Turcotte stated that whenever benefit enhancements are proposed there has to be additional funding for those enhancements included in the legislation.

2010 Comprehensive Annual Financial Report

Mr. Dan Gaughan updated the Board on the TRS annual report. Mr. Gaughan reported that supplies and materials, and repairs and maintenance were lower than last year due to the computer system that was installed in 2010. There was approximately \$38 million more paid in benefits this year over last year due to more people retiring this past year than the year before.

Financial Statements, Budget, and Delinquent Agency Reports

Mr. Dan Gaughan presented the financial and budget reports for the current fiscal year to date. Mr. Gaughan reported there is a \$20,000 expense shortfall due to the cost of the actuaries. Mr. Gaughan also reviewed the list of schools that have yet to turn in their monthly reports.

Update on IT Status

Mr. Bill Hallinan presented his report on the IT status to the Board. Mr. Hallinan updated the Board on TRS' continued investigation into the options for replacing or upgrading our current pension administration system. Mr. Hallinan was in contact with Provalient, a group from Phoenix, Arizona, who are the project managers for MPERA's new system. Provalient sent TRS a copy of their best practice methodology, with 43 different functional areas for a retirement system, as well as 1,587 best practice statements of how a system should function. The system that TRS utilizes has nine different functional areas with approximately 1,809 requirement statements. Mr. Hallinan compared the TRS system with that of Provalient. Mr. Hallinan stated that Alfred Munksgard was still willing to help TRS on developing a more updated system. Mr. Hallinan pointed out that the more specific TRS is on how they want the new system to perform, the less the cost will be and the more likely we will be able to buy exactly what TRS needs.

Strategic Plan Status Report

Ms. Tammy Rau reviewed the Strategic Planning Progress Report with the Board. Ms. Rau stated that employers are reporting insurance online for the last three years, and that active members and benefit recipients are also able to go online to see their accounts. Ms. Rau remarked that there would be a new handbook in July for new TRS members. Ms. Rau mentioned that TRS has started using Adobe Connect to hold Retirement Planning Presentations and that Ms. Janet Cooper and Ms. Johnelle Sedlock had just given their first one with Great Falls Public Schools. The feedback from the seminar was very positive. Ms. Rau also reported that both Ms. Cooper and Ms. Sedlock would be holding Conference Call appointments with members as a way for members to have more access to our services. Ms. Rau stated that small cameras were purchased for Ms. Cooper and Ms. Sedlock so that members can have a one-on-one session with a Benefit Officer in lieu of having to drive, especially during winter weather. Member Dubbs said this was not a bad idea and may be willing to be the first one to try a Webinar conference.

Ms. Rau pointed out that if either the IT Manager or IT Specialist positions became vacant, TRS would have to recruit someone to fill the position, as they are both cross-trained and can back up one another in the event that one of them is out. Member Dubbs expressed his concern that a review would need to be done every so often. Chairperson Peiffer mentioned that she has heard that members really seem to like the video tutorials. Ms. Rau pointed out that TRS would be able to record the seminars so that they would be available for a member to see at their convenience. Member Dubbs mentioned that he would like a tour of the website to show everything that was available to TRS members. Board Members agreed that they would like to try a Webinar for a special Board meeting. Member Layman suggested a summer retreat for Board training with a different theme each time, e.g., Information Technology, updating Board policy handbook, refresher training on policies, etc. Ms. Rau and the Board members discussed a possible overlap of personnel in the event that a position were to become vacant and someone would need two to three months of training with the person already in that specialized position in order to be properly prepared to take over. Member Pancich asked about the TRS Newsletter and Communication Officer position. Ms. Rau responded that it was put on hold due to the economic environment and TRS funding status. There was discussion of creating a limited access directory for Board members with all documentation in PDF format for the upcoming meeting to eliminate postage.

Next Meeting Dates

The Board reviewed the dates for the upcoming year's meetings. The dates are May 13, September 30, and November 18, 2011.

RETIREMENT REPORT

Service Retirements and Survivor Benefits

The Board reviewed the list of members who had recently retired.

CLOSED MEETING

Executive Session to Discuss Disability Applications

Chairperson Peiffer directed the meeting to be closed at 2:00 PM to discuss and review disability applications since the individual's right to privacy information pertaining to their application for disability benefits clearly exceeds the merits of public disclosure.

OPEN MEETING

Chairperson Peiffer reopened the meeting to the public at 2:06 PM.

Applications for Disability Retirement Benefits

MOTION/VOTE: Member Robert Pancich moved to approve Rebecca M. Vinton's disability application. Seconded by Member James Turcotte, the motion passed unanimously.

BOARD TRAINING

Contested Case Proceeding

Ms. Denise Pizzini presented an overview of the current contested case process utilized by TRS and the statutory requirements for due process and contested case proceedings. Ms. Pizzini then discussed TRS' recent contested case experiences and the things in the current process that could be improved. The Board members generally concurred that the contested case process should be revised so that the Board is sitting as the hearing examiner in a contested case. Ms. Pizzini will provide the Board with one or more proposals for a revised contested case process for consideration at the next Board meeting.

ADJOURNMENT

MOTION/VOTE: Member Darrell Layman moved to adjourn the meeting. Seconded by Member Jeff Greenfield, the motion passed unanimously.

There being no further business, the meeting was adjourned at 2:57 PM.

Chairperson _____

Executive Director _____