

**Teachers' Retirement Board Meeting
TRS Conference Room – Conference Call
1500 Sixth Avenue
Helena, Montana
February 2, 2012**

BOARD MEMBERS PRESENT

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

STAFF PRESENT

David Senn, Executive Director
Tammy Rau, Deputy Executive Director
Denise Pizzini, Legal Counsel
Rick Bush, IT Manager
Dan Gaughan, Accounting Supervisor
Will Harmon, Communications Manager
Johnelle Sedlock, Benefit Officer
Kristin Williams, Benefit Officer

OTHERS PRESENT

Phil Drake, Montana Watchdog
Diane Fladmo, MEA-MFT
Roxanne Minnehan, MPERA
Darrell Rud, SAM
Bob Vogel, MBBA

CALL TO ORDER

Ms. Kari Peiffer called the meeting to order at 8:31 am, in the Teachers' Retirement System Conference Room, 1500 East 6th Avenue, Helena, Montana.

Adopt Agenda

Ms. Peiffer asked for additions or changes to the Agenda for February 2, 2012. Finding none, Ms. Peiffer requested a motion to adopt the Agenda.

MOTION/VOTE: Mr. Jeff Greenfield moved that the TRS Board adopt the Agenda for February 2, 2012. Seconded by Mr. James Turcotte, the motion passed 6-0. No public comment.

Approval of Minutes

Ms. Peiffer called for changes to the November 18, 2011, Board Meeting Minutes. Finding none, Ms. Peiffer requested a motion to adopt the November 18, 2011 Board Minutes.

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MOTION/VOTE: Mr. Darrell Layman moved that the TRS Board adopt the Friday, November 18, 2011, Board Meeting Minutes. Seconded by Mr. Greenfield, the motion passed 6-0. No public comment.

Public Comment on Board Related Items

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

Executive Director's Report

Policy on Privacy and Security of Personal Information

Mr. Senn reported the Policy on Privacy and Security of Personal Information complies with 2009 legislation. Staff has been working to change TRS forms to use the last four digits of Social Security numbers and to change searches in the Pension Plus database. Denise noted that some language was changed for formatting purposes since the Board reviewed the draft proposal in November 2011.

MOTION/VOTE: Mr. Scott Dubbs moved to approve the Policy on Privacy and Security of Personal Information. Seconded by Mr. Greenfield, motion passed 6-0. No public comment.

Update on the TRS Outreach Program

Mr. Will Harmon, communications manager, is working to open communication channels with TRS members and retirees. The November 2011 Horizons Newsletter received positive feedback. Mr. Harmon also worked with Mr. David Senn and Mr. Darrell Rud to meet with school administrators by video conference, and to release a survey through Survey Monkey. The most common response to date is "We can live with some changes if we all share in lifting the load." People say they support the idea of increasing contributions to the fund if the load is fairly divided among members, employers, and the state. Most also say they could live with raising the age members become eligible for regular retirement as long as it doesn't apply to those now nearing retirement.

A question raised by Mr. Layman was, how many newsletters were planned. Mr. Harmon answered newsletters are planned quarterly; the next issue is due out by early March. The concern Mr. Layman brought up was how to date the newsletters or mark them in an order not to confuse TRS members or retirees. One suggestion was use the year and an issue number.

Mr. Harmon also spoke about social media i.e, Facebook. Social media provides a timely way to reach more TRS members and retirees. Mr. Dubbs likes the use of social media to reach TRS members and retirees, noting that more and more people are communicating this way.

TRS Benefit Officers are using Vision Net to reach more members for training. Ms. Johnelle Sedlock and Ms. Kristin Williams had two webinars using this tool and they received good feedback.

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TRS Board 2013 Legislative Concepts

Legislative concepts are due to OBPP by April 16, 2012. TRS is making three legislative proposals: 1) funding bill, 2) housekeeping bill, and 3) changes to increase the University Systems' supplemental contribution rate. Improving actuarial funding is the Board's priority.

Mr. Senn presented an e-mail from Superintendent Jerry Pauli in regards to para-professionals. He also presented an e-mail from Mr. Carl Somers in regards to retired superintendents. The Board discussed the proposals but took no action.

Other 2013 Legislative Proposals

TRS staff anticipates seeing legislative proposals for a Defined Contribution retirement plan (DC), and that we will also see the hybrid plan introduced by Senator Joe Balyeat last session reintroduced in some form.

Mr. Rud stated he continues to hear negative remarks about government pension plans. He also thanked the Board and staff for their work to educate TRS members and retirees, and also legislators and Montanans in general.

Release of Retiree Information to the Montana Policy Institute & Montana Watchdog

Mr. Senn reported that the retiree report requested by the Montana Policy Institute and Montana Watchdog was sent to them on January 31, 2012, and that Montana Watchdog had posted a brief article Wednesday evening. The Montana Policy Institute reimbursed TRS \$1,200 for the cost of producing the information.

In December, TRS sent another letter to our retirees advising them what information would be released to the organization. TRS received 15 phone calls and six letters in response to our letter.

Public Participation Issues

Mr. Senn distributed a letter from Governor Brian Schweitzer, reminding the Board of its statutory obligation to facilitate public participation on TRS programs and decisions.

Executive Summary

Mr. Senn reported that two interim legislative committees, SAVA and Legislative Finance, have focused on the funding needs of public employee retirement systems. Both committees are interested and want to be involved in finding solutions to the current underfunded positions of the Systems.

Ms. Tammy Rau distributed a memo from Department of Administration (DOA) Director Janet Kelly addressing the ability of state agencies to make pay adjustments under the broad band pay plan as long as the adjustments do not exceed their budgets. Also, the Governor has directed state agencies to use their flexibility and authority under the broadband pay plan to correct the worst pay problems and to try to get modest pay increases to rank and file employees. Ms. Peiffer instructed staff to work with the Department's HR office to determine

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what adjustments, if any, can be made within the TRS adopted pay plan, and to present their findings to the Personnel Committee, with recommendations to be presented at the May 11, 2012, board meeting.

LEGAL COUNSEL'S REPORT

Summary of Legal Issues

Ms. Pizzini informed the Board that the court's order on judicial review of the Mavencamp matter has not yet been issued.

State Document Shredding Contract

At the November 18, 2011, Board meeting, the Board inquired about the secure document shredding services used by TRS, and asked that the state contract be reviewed to ensure it meets TRS's expectations for privacy and security. Ms. Pizzini informed the Board that the state contract with Recall Secure Destruction Services was renewed January 1, 2012, and that shredding is done in front of the building in Recall's shredder truck. Mr. Dan Gaughan noted that before the shredding company shreds TRS documents, they are disposed of and maintained in a locked bin that's kept in the vault.

OTHER BUSINESS

Out of State Travel Requests

Mr. Senn requested approval of out-of-state travel for Ms. Pizzini to attend the National Association of Public Pension Attorneys conference, June 27-29 in Philadelphia, PA, and for Mr. Rick Bush to attend the Public Retirement Information System Mangers conference, May 6-9 in Long Beach, CA. TRS staff has regularly attended these conferences and have found them to be informative and a good networking tool.

Mr. Senn also requested approval of out-of-state travel for Mr. Harmon to attend the NCTR Deputy Director and Communications Specialist Workshop, May 14-17 in Denver, CO, or a similar conference, if the NCTR conference is cancelled, or the agenda does not meet our needs. TRS has attended this conference in the past, but not on an annual basis. Mr. Senn stated this would be a good networking tool for Mr. Harmon.

MOTION/VOTE: Mr. Greenfield moved that the TRS Board approve the out of state travel for Ms. Pizzini, Mr. Bush, and Mr. Harmon. Seconded by Mr. Layman, the motion passed 6-0. No public comment.

TRS Logo

Mr. Senn presented ten TRS logos designed by Mr. Harmon. The logos continue the horizons theme of the TRS newsletter.

MOTION/VOTE: Mr. Layman moved to adopt option 2 as the Horizons logo. Seconded by Mr. Turcotte.

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Comments: Mr. Greenfield stated he liked all the options and that staff should be free to use the best logo for the publication. Mr. Dubbs agreed.

AMENDMENT: Mr. Dubbs amended the original motion to allow for TRS staff to use the best logo for the publication, staying with "TRS" inside the state outline. Mr. Layman approved the amendment, amended motion passed 6-0.

Investment Report – James Turcotte

Mr. Turcotte updated the Board and TRS staff on Board of Investment (BOI) business. Mr. Patrick McKittrick resigned and was replaced by Mr. Bob Bugni. Mr. David Ewer is the new Executive Director.

Last quarter returns were 4.86%, 2.14% for one-year; however, the fiscal year was -3.77%. Cash equities for one-year were -4.72%.

The next BOI meeting is scheduled for February 21-22, 2012.

Financial Statements, Budget and Delinquent Agency

Mr. Gaughan updated the Board on budget changes. Most changes were projected decreases; however, communications is projected to have a deficit due to postage costs. He explained some of the cost difference was due to increased direct mailing of handbooks and newsletters to members, where in the past these items were it bulk mailed and distributed by the schools. Also, the cost to mail the handbooks this year doubled from two years ago. Ms. Rau explained some of the cost increase was due to issues with Print & Mail Services (PMS) when mailing the handbooks. She was able to negotiate with PMS to lower the price.

Mr. Gaughan explained changes to the real estate pool, fund balance, and investment revenue.

TRS has two school districts on the Delinquent Agency list.

IT Status Report

Mr. Rick Bush was introduced as the new IT Manager for TRS. He gave a brief overview of his work background and explained he is learning the Pension Plus database system. He and Management are looking into three options to upgrade Pension Plus: 1) building a new version of Pension Plus, 2) working with MPERA on their RFP, and 3) working with Alfred to move the data into a new system.

Mr. Bush asked the Board for their thoughts on distributing Board materials electronically, using an iPad or laptop. Mr. Dubbs and Mr. Greenfield liked this idea. They discussed the security of electronic devices and what would happen if a device were lost.

Employer Reporting Instructions – Retired Members

Ms. Pizzini reported she and Mr. Senn met with the Legislative Committee on December 9, 2011, regarding retirees employed by schools, CSEDs, and cooperatives as independent contractors, and issues regarding the employers' obligation to report these individuals. Initial

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thoughts were that individuals who are teaching, supervising teachers, or performing other functions reportable to TRS on behalf of schools, cooperatives, and CSEDs are required to be reported. Individuals who are providing simple teacher in-service type training probably should not be.

Ms. Pizzini said some University System units report employees to TRS who appear actually to be performing services on behalf of private entities contracting with the University. The questions is whether these individuals are actually employees of the University unit or employees of the private entity contracting with the University. TRS staff is working with the Universities and the Board of Regents to resolve this issue.

Next Meeting Dates

Friday, May 11, 2012
Friday, September 28, 2012
Friday, December 7, 2012

CLOSED MEETING

DISABILITY APPLICATIONS

Executive Session to Discuss Disability Applications

Ms. Peiffer directed the meeting to be closed at 12 pm to discuss and review disability applications since the individuals' right to privacy pertaining to their application for disability benefits clearly exceeds the merits of public disclosure.

OPEN MEETING

Ms. Peiffer reopened the meeting to the public at 12:15 pm.

Applications for Disability Retirement Benefits

MOTION/VOTE:

Mr. Layman moved to approve the disability retirement request for Ms. Christine B. Fisher. Mr. Turcotte seconded, motion passed 6-0.

Mr. Dubbs moved to approve the disability retirement request for Mr. Richard B. Nadeau. Mr. Layman seconded, motion passed 6-0.

Mr. Turcotte moved to approve the disability retirement request for Ms. Jana L. Paulauskis. Mr. Dubbs seconded, motion passed 6-0.

ADJOURNMENT

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MOTION/VOTE: Mr. Layman moved to adjourn the meeting. Seconded by Mr. Turcotte, the motion passed 6-0.

There being no further business, the meeting was adjourned at 12:17 pm.

Vice Chairperson _____

Executive Director _____