

**Teachers' Retirement Board Meeting
Teachers' Retirement Board Room
1500 East 6th Avenue
Helena, MT
May 10, 2013**

BOARD MEMBERS PRESENT

Jeff Greenfield, Chair
Robert Pancich
Kari Peiffer
Marilyn Ryan
Scott Dubbs

STAFF PRESENT

David Senn, Executive Director
Tammy Rau, Deputy Executive Director
Denise Pizzini, Legal Counsel

Rick Bush, Information Technology Manager
Dan Gaughan, Accounting/Fiscal Manager
Emma MacKenzie, Public Information Officer
Johnelle Sedlock, Benefits Officer
Karla Scharf, Retired Payroll Supervisor

OTHERS PRESENT

Jane Founier, AMDEC
Jim Kerins, CMS, LLC
Roy Mann, Alfred Munksgard and Associates
Alfred Munksgard, Alfred Munksgard and Associates
J.C. Weingartner, MEA-MFT

Call to Order

Chairperson Jeff Greenfield called the meeting to order at 8:35a.m., in the Montana Teachers' Retirement Board Room 1500 E 6th Ave Helena MT.

Adoption of Agenda

Chairperson Greenfield asked for any additions or changes to the agenda. Finding none, the chair requested a motion to adopt the agenda as written.

Motion/Vote: Member Kari Peiffer moved to adopt the agenda and Member Scott Dubbs seconded it. The motion passed unanimously.

Adoption of Minutes

Chairperson Greenfield asked for any changes or corrections to the minutes of December 7, 2012. Finding none, the chair requested a motion to adopt the minutes as presented.

Motion/Vote: Member Robert Pancich moved to adopt the minutes and Member Peiffer seconded it. The motion passed unanimously.

Public Comment on Board Related Items

Chairperson Greenfield asked for public comment on any public matter not on the agenda and within the jurisdiction of the Board. There was no public comment.

Pension+ Pilot Project

Information Technology Manager Rick Bush introduced Roy Mann and Alfred Munksgard from Alfred Munksgard and Associates, and Jane Fournier, the new project manager. TRS Executive Director David Senn informed the Board that he and other TRS staff members had met with Ron Baldwin, the state's Chief Information Officer regarding the TRS system up-grade project and Pension+ payroll module pilot project. Mr. Baldwin was very impressed with the plans and direction TRS is taking with Pension+.

Mr. Mann and Mr. Munksgard made a presentation on the pilot project, including an on-line demonstration of the converted payroll module functionality (Pension+2). Mr. Mann described the need for updating Pension+ as the current operating code is becoming obsolete and will no longer be updated or supported after 2013. He explained the database has already been successfully updated to Oracle.

Mr. Mann and Mr. Munksgard gave a brief demonstration of the converted payroll module functionality, indicating that the module conversion is nearly completed. Mr. Mann said the agile development model is being used in which a large project is broken down into smaller pieces. Mr. Mann estimated that conversion of all Pension+ modules could be completed within 18 to 24 months.

Mr. Senn explained that each module would be installed once they were complete rather than waiting for the entire project to be completed; this will allow for ongoing testing and refinement by TRS staff. Mr. Senn explained that procurement requirements will take time, but that, given the project objectives, a less time-consuming procurement processes, e.g., sole-source procurement or a Request for Information (RFI), may be possible.

Mr. Senn and TRS staff members indicated the pilot project results, so far, appear to be very positive. Mr. Senn indicated that conversion of Pension+ would significantly reduce the cost of obtaining an up-dated system as opposed to purchasing a new system from a vendor. He indicated he believes PERS will spend \$10 -12 million on replacing their system while it is estimated that TRS will spend \$2.5 - 3 million on updating Pension+. Mr. Senn said the Board needed to take action on two points: (1) to authorize completion of the pilot project and (2) to authorize TRS staff to work with the state Procurement office as necessary to engage service providers to continue the project.

Motion/Vote: Member Dubbs moved to give TRS staff permission to complete the pilot project and continue working with the state Procurement office for continuation of the project. Member Pancich seconded the motion. Chairperson Greenfield asked for discussion. Member Peiffer said the project would cost a lot of money; however, the project was well thought out. Member Pancich said the system appeared user friendly and the implementation was streamlined. Member Marilyn Ryan voiced her concerns about the risk factor if TRS did not continue with the

project. Member Dubbs said continuing with Alfred Munksgard and Associates made far more sense than bringing in a new company that has no knowledge of the history of Pension+. Chairperson Greenfield asked for a vote on the motion. The motion passed unanimously.

Executive Director's Report

2013 Legislation

Mr. Senn reported on the 2013 Legislative session. He said it was a successful session and thanked TRS staff for their hard work, and recognized the efforts of other individuals who made significant contributions to the successful passage of TRS legislation. Mr. Senn reviewed significant points of the TRS bills that passed. HB 377, the primary funding bill, passed but the Guaranteed Annual Benefit Adjustment (GABA) rate was reduced to 0.5% until the System is at least 90% funded. There are rumors of lawsuits over the GABA rate reduction, but no firm indication of legal action at this time. Mr. Senn said TRS has a current amortization period of 22 years with the reduced GABA rate, which would increase to approximately 30 years if the GABA reduction were stricken down in court – still within the amortization period generally understood to be actuarially sound. Mr. Senn indicated there is a severability clause in HB 337, and the rest of the bill will remain in effect if the GABA reduction is stricken.

HB 78 proposed a 180 day break in service for retired members who return to work following retirement in a TRS reportable position. The final bill decreased the waiting period to 150 days. TRS did not object to the change as it still provides a sufficient and defined break in service. The effective date for the new break in service is January 1, 2014. Mr. Senn said Ms. MacKenzie was working on updating letters and other correspondence sent to members. TRS will create a campaign to get the word out about the break in service with a focus on universities.

HB 54 raised the normal retirement age to 60 to comply with IRS rules regarding normal retirement age. Mr. Senn said the new retirement age would be a major issue with the universities, as they often have pre-arranged agreements with members to return to work after retirement. Retirees who are not age 60 and have a pre-arranged agreement to go back to work for the same employer will be deemed not to have retired. The raised normal retirement age (to age 60 from age 55) will be implemented effective January 1, 2014, as time is needed to get the word out to members and employers about the change.

Effective July 1, 2013, employers will have to contribute to TRS on working retiree earnings. Member Dubbs voiced his concern that this would sneak up on the employers. Mr. Senn said that the statute has been in effect since 2009, and that TRS is providing detailed reminders to employers about the requirement.

August Board Workshop

Topics and dates of the August Board workshop were discussed. Topics for the workshop may include a Board policy review, the Social Security windfall issue, and the search for a new executive director. Dates of August 5th or 6th were suggested.

Executive Summary

Mr. Senn announced that the FY 2012 audit has not been heard or presented to the Legislative Audit Committee.

The alternative summer work schedule was reviewed by the Board.

Mr. Senn advised the Board that there are federal legislative proposal that may require public pension plans to restate their financial statements to current market value and if states do not comply they would not be allowed to issue bonds on a tax-free basis. Mr. Senn said there doesn't appear to be strong support for this legislation in the current session of Congress, but we're watching the issue.

Other Business

Renewal of Contracted Services Agreements

Mr. Senn asked the Board to approve the renewal of the contracted service agreements for Ice Miller and Alfred Munksgard and Associates.

Motion/Vote: Member Ryan made a motion to approve the renewal of the contracted service agreements with Ice Miller and Alfred Munksgard and Associates. Member Peiffer seconded the motion. The motion passed unanimously.

Interest Rate Credited to Member Accounts

Mr. Senn asked the Board to approve the interest rate for member accounts. He recommended the rate remain the same as FY 2013 at 0.25% based on current STIP rates.

Motion/Vote: Member Dubbs made a motion to leave the interest rate at its rate of 0.25%. Member Pancich seconded the motion. The motion passed unanimously.

TRS 2013-2014 Budget

Accounting/Fiscal Manager Dan Gaughan presented the 2013-2014 budget. He thanked Chairperson Greenfield and Member Pancich for their feedback. He reviewed the major budget changes, which included new computer hardware and payouts of leave time for retiring employees (Mr. Gaughan and Mr. Senn).

Motion/Vote: Member Peiffer made a motion to approve the 2013-2014 budget. Member Ryan seconded the motion. The motion passed unanimously.

Out-of-State Travel Requests

Mr. Senn announced that Ms. MacKenzie would not be going to the National Conference on Teacher Retirement communication manager workshop in New York City, New York. He said they reviewed the agenda for the workshop and decided not to attend this year.

The Board reviewed information regarding the NCTR Trustee Workshop in Boston, MA from July 29 – 31, 2013 and the NCTR Annual Conference in Washington, D.C. from October 5 -9, 2013. The Board discussed which members would go to which conference.

Motion/Vote: Member Peiffer made a motion to allow up to four Board members to attend the conferences. Member Dubbs seconded the motion. The motion passed unanimously.

Mr. Senn presented the request for out-of-state travel for Ms. Rau and the new Accounting/Fiscal Manager to attend the Public Pension Finance Forum in Scottsdale, AZ from October 27 – 30, 2013.

Motion/Vote: Member Ryan made a motion to allow Ms. Rau and the new Accounting/Fiscal Manager to attend the Public Pension Finance Forum. Member Pancich seconded the motion. The motion passed unanimously.

Investment Report

Member Ryan gave her presentation about the Board of Investments and some of the changes the Board made.

Financial Statements, Budget, and Delinquent Agency Reports

Mr. Dan Gaughan discussed the reports on the financial statements, budget and delinquent agency reports. Mr. Gaughan noted that the main changes to the budget were IT costs and legal fees. He said there are no delinquent agency reports at this time.

Next Meeting Dates

Chairperson Greenfield announced the next Board meeting dates as October 4, 2013, and December 6, 2013. Conflicts were identified with the October 4, 2013 date. The Board agreed to change the meeting date from October 4, 2013 to September 27, 2013.

Personnel/Policy Committee Report

Ms. Rau gave her report regarding the Personnel/Policy Committee report, which recommended approval of a pay raise for one employee.

Motion/Vote: Member Pancich made a motion to approve the pay raise for the one employee. Member Peiffer seconded the motion. The motion passed unanimously.

Legal Counsel's Report

Summary of Legal Issues

Legal Counsel Denise Pizzini reported a tentative settlement had been reached in the contested case with Mr. Douglas Walsh and the Ennis School District. Ms. Pizzini and Mr. Senn discussed details of the settlement with the Board, which include that the School District will pay TRS \$188,000 for unpaid employer and employee contributions and interest, and Mr. Walsh's retirement benefits will be reduced to \$1,200/month. The settlement results in recovery of all unpaid contributions, and approximately half of the accrued interest. The reduction of Mr. Walsh's retirement benefit results in actuarial recovery of all of the overpaid benefits, and approximately half of the accrued interest. Member Pancich asked if there would be a conference call with the Board for final approval of a settlement agreement. Mr. Senn said there would be one scheduled after both of the other parties had approved the settlement proposal.

Motion/Vote: Member Pancich made a motion to approve the settlement proposals as presented. Member Peiffer seconded the motion. The motion passed unanimously.

Ms. Pizzini announced that a hearings examiner has been appointed and a scheduling order has been filed in the contested case of Edward Zabrocki and the Yellowstone Academy School District #58. She further indicated that, since the School District had not objected to TRS' final staff determination, a demand letter had been sent for payment of unpaid employer and employee contributions, and that she and Mr. Senn were going to Billings the following week to meet with the school district regarding questions they have related to the demand for payment.

Member Pancich asked if there had been a determination in the judicial review of the Lynn Mavencamp case. Ms. Pizzini said there has still been no order issued.

Retirement Report

Service Retirements, Adjustments, and Survivors Benefits

Mr. Senn reviewed the April 22, 2013 report of Service Retirements, Adjustments and Survivors Benefits.

Closed Meeting

Executive Session to Discuss Disability Applications

Chairperson Greenfield directed the meeting to be closed at 11:40 a.m. to discuss and review the disability applications since the individual's right to privacy pertaining to an application for disability benefits clearly exceeds the merits of public disclosure. The meeting was reopened to the public at 11:45 a.m.

Notice of Conflict of Interest

Ms. Pizzini reported to the other Board members that Chairperson Greenfield has a professional relationship with Deborah Rappaport, an applicant for disability benefits, which could give rise to an appearance of a conflict of interest, so would not participate in discussion of or voting on her application for disability benefits.

Open Meeting

Applications for Disability Retirement Benefits

Chairperson Greenfield requested motions on the disability applications.

Motion/Vote: Member Peiffer made a motion to approve the disability application of Deborah Rappaport. Member Dubbs seconded the motion. The motion passed unanimously, with Chairperson Greenfield abstaining.

Motion/Vote: Member Dubbs made a motion to discontinue the disability review of Debra Miller and Rebecca Alavarado. Member Pancich seconded the motion. The motion passed unanimously, with Chairperson Greenfield abstaining.

Chairperson Greenfield adjourned the meeting at 11:47 a.m. for lunch. He reopened the meeting at 1:10 p.m.

Mr. Senn gave Chairperson Greenfield a gift on behalf of the TRS staff to thank him for his work on the TRS Board. It was announced that this would be the last meeting for Chairperson Greenfield.

Board Training

Recruitment and the State Hiring Process

In light of Executive Director Senn's announcement of his retirement this fall, Jim Kerins from CMS, LLC met with the Board to discuss the state hiring process related to a search for a new executive director. Mr. Kerins and the Board discussed a possible timeline and dates for meeting the top candidates for the executive director position, as well as recruitment, hiring requirements, and other issues. The Board confirmed Members Peiffer and Ryan as the personnel committee. Mr. Senn said he would inform Department of Administration Executive Director Sheila Hogan about the Board's involvement and direction regarding the hiring of his replacement. Member

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Dubbs stated the new Board orientation needs to be completed before the hiring of the new executive director. The Board agreed to hold the new Board orientation on August 23, 2013.

Member Peiffer left the Board meeting at 2:35 p.m.

Adjournment

Having no more business before them, Chairperson Greenfield requested a motion to adjourn the meeting.

Motion/Vote: Member Ryan moved to adjourn. Member Dubbs seconded the motion. The motion passed unanimously.

The meeting adjourned at 2:38 p.m.