

**Teachers' Retirement Board Meeting  
Teachers' Retirement Board Room  
1500 East 6<sup>th</sup> Avenue  
Helena, MT  
December 5, 2014**

**BOARD MEMBERS PRESENT**

Kari Peiffer, Chairperson  
Scott Dubbs  
Janice Muller  
Marilyn Ryan  
Daniel Trost

**STAFF PRESENT**

Shawn Graham, Executive Director  
Tammy Rau, Deputy Executive Director  
Denise Pizzini, Legal Counsel

Nolan Brilz, Accounting/Fiscal Manager  
Emma MacKenzie, Public Information Officer  
Karla Scharf, Retired Payroll Supervisor  
Johnelle Sedlock, Benefits Officer  
Rex Merrick

**OTHERS PRESENT**

Diane Fladmo, MEA-MFT

**Call to Order**

Chairperson Kari Peiffer called the meeting to order at 8:36 a.m. in the Montana Teachers' Retirement Board Room 1500 E 6<sup>th</sup> Ave Helena MT

**Adoption of Agenda**

Chairperson Peiffer asked for any additions or changes to the agenda. Executive Director Shawn Graham recommended a change to the agenda for the Executive Director's Report regarding the Nondiscrimination in Employment and Provision of Service Policy and the revoking of the Sexual Harassment Policy and Equal Opportunity Policy from action items to discussion items. The chair requested a motion to adopt the agenda with the recommended changes.

*Motion/Vote:* Member Marilyn Ryan moved to adopt the revised agenda and Member Janice Muller seconded it. The motion passed unanimously.

**Adoption of Minutes**

Chairperson Peiffer asked for any changes or corrections to the meeting minutes of September 26, 2014. Member Scott Dubbs corrected the minutes to remove redundant wording regarding the election of officers on page 5 of the minutes and Member Muller corrected the spelling of her last name on page 1 of the minutes. The chair requested a motion to adopt the minutes as amended.

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*Motion/Vote:* Member Scott Dubbs moved to adopt the minutes as amended and Member Daniel Trost seconded it. The motion passed unanimously.

### **Public Comment on Board Related Items**

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

### **Board Training**

#### **Conflict of Interest Annual Board Training**

Legal Counsel Denise Pizzini led the board training regarding conflicts of interest. Member Muller and Member Trost asked about potential conflicts of interest with their work with MEA/MFT and its members. Mr. Graham and Ms. Pizzini stated they did not think there would be an irreconcilable conflict of interest for Member Trost or Member Muller.

### **Long Range Planning**

#### **Review 2014-2015 Strategic Plan**

Mr. Graham led the board in a discussion about long range planning for TRS and the planning commitment worksheet. There was a Board discussion about board member training, staff training and certification, member education, and agency disaster planning.

Public Information Office Emma MacKenzie presented a short member training video regarding the 150 day break in service. There was a board discussion about the video and other possible topics for the member training videos.

### **Retirement Report**

#### **Service Retirements, Adjustments, and Survivor Benefits**

Mr. Graham reviewed the November 25, 2014 report of Service Retirements, Adjustments, and Survivors Benefits.

### **Executive Director's Report**

#### **Draft Nondiscrimination/Provision of Service Policy**

Mr. Graham presented a revised draft Nondiscrimination/Provision of service policy for Board review. He said the policy would be an agenda item at the February Board meeting. Ms. Pizzini explained the changes. Member Dubbs asked about a definition for the phrase "protected class." Ms. Pizzini explained that the practical definition comes from case law and that including a full definition within the TRS policy would not really add value to the policy.

#### **2015 TRS Legislation**

Mr. Graham stated the Montana University System Retirement Plan (MUS-RP formerly ORP) supplemental contribution bill was fully drafted and Representative Ryan Lynch from Butte has agreed to sponsor the bill. Mr. Graham informed the Board that Legislative Services was reviewing the housekeeping bill. Mr. Graham said Representative Tom Woods from Bozeman has agreed to sponsor the housekeeping bill. Member Trost inquired about the difficulty in finding someone to sponsor the MUS-RP supplemental contribution bill. Mr. Graham explained that the last several attempts to change the MUS-RP supplemental contribution rate have failed at the committee level in the Legislature. Chairperson Peiffer explained that the MUS-RP

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supplemental contribution bill showed the true cost of closing the defined benefit plan to a large segment of previous TRS participants.

Mr. Graham reviewed for the Board other bills being drafted for the 2015 Legislature that could impact TRS. Legislative Concept 0669 is a bill that would extend House Bill (HB) 363, which is scheduled to sunset on June 30, 2015. There was a Board discussion on the impact of HB 363 on the system. Mr. Graham said he would keep the Board Legislative Committee informed about any bills that could impact TRS.

SAVA Committee Meeting

Mr. Graham said he received a positive reaction from the SAVA Committee in regards to the July 1, 2014 valuation. There was some discussion led by Senator Lewis regarding the notion of negative cash flow. Mr. Graham explained that he pointed out to the SAVA committee that contributions plus investment income greatly exceeded benefit payments and expenses of the system during fiscal year 2014. Member Dubbs complimented Mr. Graham on his presentation to the SAVA Committee.

Ms. Fladmo complimented Mr. Graham on his work with the legislators.

Administrative Business

Tentative 2015 Meeting Dates

The Board agreed that the next meeting date of February 13, 2015 would work for them, and tentatively scheduled their meeting date in May on May 15, 2015. It was decided to tentatively schedule the August Board retreat for August 12, 2015. The Board meeting for September 2015 was tentatively scheduled for Friday, September 25, 2015 and the December board meeting was tentatively scheduled for Friday, December 4, 2015. Chairperson Peiffer asked for a motion to approve the meeting dates.

*Motion/Vote:* Member Muller moved to accept the meeting dates of February 13, 2015, May 15, 2015, September 25, 2015, and December 4, 2015 for the Board and Member Ryan seconded it. The motion passed unanimously.

Financial Statements and Budget Reports

Accounting/Fiscal Manager Nolan Brilz presented the financial statements, budget reports, and agency delinquency reports through November 30, 2014. Mr. Brilz explained the adjustment on the fund balance sheet was due to the one-time reserve sweep that occurred in Fiscal Year 2014. He stated the M-Trust project increased the total administrative expense which was expected. Mr. Brilz announced that Kalispell Public Schools, Three Forks Public Schools, and Lamotte Elementary had delinquent reports. He said Kalispell had submitted their September 2014 report since the date of his report.

2014 CAFR/Audit Update and Awards

Mr. Brilz presented to the Board the awards TRS received from the Government Finance Officers Association and the Public Pension Coordinating Council.

Mr. Brilz informed the Board that he was working with Cavanaugh Macdonald Consulting LLC to finalize the new GASB 67 schedules for the FY 2014 CAFR. Mr. Brilz expects the report to be finished by the end of the month.

### P2F2 Annual Conference Report

Mr. Brilz thanked the Board for letting him attend the Public Pension Finance Forum (P2F2) conference. He said it was helpful to him to network with some of his counterparts and learned more about the GASB 67 and 68 implementations. Member Dubbs asked if there were any other potential reporting changes talked about at the conference. Mr. Brilz said there were changes on how OPEB is being reported that were discussed.

### NCTR Annual Conference Report

Mr. Graham and Member Muller gave their reports on the NCTR Annual Conference. Mr. Graham said he attended a session on board governance and came back with ideas on how to improve board governance for the TRS Board. He also attended a legal panel session and heard about how outsourcing is impacting Colorado's retirement system. There was a board discussion regarding meeting with employers about GASB and coordinating those meetings with MPERA. Mr. Graham said he heard about a conference for pension system executive directors during the summer and he would keep the board informed about the conference. Member Muller thanked the board for letting her attend the conference.

### Investment Report

Member Ryan gave her presentation on the Board of Investments. She presented the Board of Investments' five year plan regarding negative cash flow. She said they based the plan on a 7 percent rate of return rather than a 7.5 percent rate of return. There was a board discussion about the changes made by the Board of Investments to minimize the impact of the last recession. Member Ryan commended Mr. Graham for his report at the last Board of Investments meeting.

### Personnel Committee Recommendations

Chairperson Peiffer presented the Personnel Committee report on the position of a new benefits specialist. Mr. Graham and Deputy Director Tammy Rau explained the need for the new position, the workload issues of the current benefits specialist, and the impact of the new position on the Fiscal Year 2015 budget. There was a board discussion about the Reported-in-Error issue and other employer reporting issues. Chairperson Peiffer said the Personnel Committee approved the request for the new benefits specialist position. She asked for a motion on the Personnel Committee report.

*Motion/Vote:* Member Dubbs made a motion to accept the Personnel Committee report and Member Ryan seconded it. The motion passed unanimously.

Chairperson Peiffer asked for public comment on the topic. Ms. Fladmo thanked the Board for doing the right thing.

### Legal Counsel's Report

#### Summary of Legal Issues

Ms. Pizzini announced that the district court has not issued an order yet in the Edward Zabrocki matter.

Ms. Pizzini gave an update on the GABA lawsuit. She said oral arguments regarding the Motions for Summary Judgment has been scheduled for 12:30 pm on February 12, 2015. It was announced that the GABA rate for 2015 will be 1.5 percent pending the outcome of the

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litigation. There was a Board discussion about the possibility of recouping overpaid benefits from the preliminary injunction period.

### **M-Trust**

#### **M-Trust Update and Live Demonstration**

Deputy Director Tammy Rau and Rex Merrick gave a live demonstration of the Wage & Contribution Reporting module of M-Trust. Mr. Graham reviewed the Independent Verification and Validation Report from Sabot Consulting. It was announced that the M-Trust project was running two weeks behind schedule.

### **Closed meeting**

#### **Executive Session to Discuss Disability Applications**

Chairperson Peiffer directed the meeting to be closed at 2:27 p.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 2:33 p.m.

### **Open Meeting**

#### **Application for Disability Retirement Benefits**

Chairperson Peiffer requested a motion on the disability application.

*Motion/Vote:* Member Ryan made a motion to approve the disability application of Jennifer Michael. Member Muller seconded it. The motion passed unanimously.

*Motion/Vote:* Member Ryan made a motion to approve the disability application of Chris Taylor. Member Muller seconded it. The motion passed unanimously.

*Motion/Vote:* Member Dubbs made a motion to approve the disability application of Janet Walsh. Member Trost seconded it. The motion passed unanimously.

### **Adjournment**

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

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

The meeting adjourned at 2:35 p.m.

Chairperson: /s/ Keri Peiffer, Chair

Executive Director: /s/ Shawn Graham, Executive Director