

**Teachers' Retirement Board Meeting  
Teachers' Retirement Board Room  
1500 East 6<sup>th</sup> Avenue  
Helena, MT  
September 26, 2014**

**BOARD MEMBERS PRESENT**

Kari Peiffer, Acting Chairperson  
Daniel Trost  
Janice Muller  
Lisa Cordingley  
Scott Dubbs

**STAFF PRESENT**

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

Nolan Brilz, Accounting/Fiscal Manager  
Rick Bush, Information Technology Manager  
Emma MacKenzie, Public Information Officer  
Karla Scarf, Retired Payroll Supervisor  
Natalie Chamberlin  
Rex Merrick

**OTHERS PRESENT**

David Ewer, Board of Investments  
Diane Fladmo, MEA-MFT  
Marilyn Hamer, Retired TRS member  
Michael Kauffman, Drake Law Firm  
Jim Kerins, CMS  
Cheryl Romsa, Romsa Court Reporting  
Sheri Scurr, Legislative Services  
Cliff Sheets, Board of Investments  
Charlene Suckow, Retired TRS member

**Call to Order**

Acting Chairperson Kari Peiffer called the meeting to order at 8:30 a.m. in the Montana Teachers' Retirement Board Room 1500 E 6<sup>th</sup> Ave Helena MT

**Adoption of Agenda**

Acting Chairperson Peiffer 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 Janice Muller moved to adopt the agenda and Member Lisa Cordingley seconded it. The motion passed unanimously.

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### Adoption of Minutes

Acting Chairperson Peiffer asked for any changes or corrections to the minutes of August 7, 2014. Finding none, the chair requested a motion to adopt the minutes as presented.

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

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

Acting Chairperson Peiffer asked for public comment on any public matter not on the agenda and within the jurisdiction of the Board. Board of Investments Executive Director David Ewer invited the Board to attend the Board of Investments Board meeting on October 7, 2014. Mr. Ewer said nationally known economist Chris Lowe and the private equity investment firm the Board of Investments works with will be giving presentations. Mr. Ewer stated he has asked TRS Executive Director Shawn Graham and PERS Executive Director Dore Schwinden to provide comments at that meeting. Mr. Ewer announced the Board of Investments will consider staff recommendations for asset allocation for the state pension systems at their November meeting.

### **Actuarial Valuation**

Executive Director Shawn Graham introduced Todd Green of Cavanaugh Macdonald Consulting LLC. Mr. Green presented the July 1, 2014 actuarial valuation to the Board. He stated the funding ratio decreased from 66.80% to 65.45% due to changes in the assumptions used for the experience study and use of the full GABA assumption of 1.5 percent in the July 1, 2014 valuation. As a result, the amortization period using the full GABA assumption is 28 years, while the amortization period using the GABA assumption of 0.5 percent is 17 years.

Acting Chairperson Peiffer asked for public comment. Sherri Scurr of Legislative Services, Mr. Ewer, and Mr. Green had a discussion about the definition of negative cash flow. Mr. Ewer noted that there is legislative interest in the cash flows of the state pension systems. Mr. Green stated that negative cash flows do not reflect bad years in the market and that there is no negative cash flow if the 7.75 percent rate of return is met. Ms. Scurr asked about the 2014 gain/loss analysis chart. Mr. Green stated that the 0.5 percent GABA rate was used in the 2013 actuarial valuation while the full 1.5 percent GABA rate was used in the 2014 actuarial valuation.

Acting Chairperson Peiffer asked for other comments. Finding none, she asked for a motion to accept the actuarial report.

*Motion/Vote:* Member Muller made a motion to accept the actuarial report and Member Daniel Trost seconded it. The motion passed unanimously.

### **Closed meeting**

#### Executive Session to Discuss Disability Applications

Acting Chairperson Peiffer directed the meeting to be closed at 9:40 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 9:46 a.m.

### **Open Meeting**

#### Application for Disability Retirement Benefits

Acting Chairperson Peiffer requested a motion on the disability application.

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*Motion/Vote:* Member Cordingley made a motion to approve the disability application of Lisa Morger Miller. Member Muller seconded it. The motion passed unanimously.

### **Retirement Report**

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

Deputy Director Tammy Rau reviewed the September 17, 2014 report of Service Retirements, Adjustments, and Survivors Benefits.

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

#### **2015 TRS Legislation**

Mr. Graham presented the two bills that TRS will put forward during the 2015 legislative session: (1) draft housekeeping and (2) Montana University System Retirement Program (MUS-RP) supplemental contribution. Mr. Graham said the MUS-RP bill would be updated with the new contribution rate of 9.75 percent to amortize the unfunded liabilities created by closing membership in TRS to MUS employees by 2033. Member Muller asked who would carry the bills. Mr. Graham said he would wait until the November elections are over; he hopes to have Representative Woods carry the housekeeping bill and he has not finalized who he will ask to carry the MUS-RP bill. Acting Chairperson Peiffer asked for motions to approve the bills.

*Motion/Vote:* Member Cordingley made a motion to accept the housekeeping bill and Member Dubbs seconded it. The motion passed unanimously.

*Motion/Vote:* Member Muller made a motion to accept the MUS-RP bill and Member Cordingley seconded it. The motion passed unanimously.

Member Dubbs stated he has heard comments about a possible bill regarding the 150 day break in service and reducing its impact on coaches and co-ops. There was a board discussion about the break in service and how it relates to TRS' IRS qualifications. Legal Counsel Denise Pizzini said final rules from the IRS regarding retirement age and post-retirement work are expected in mid-October. Diane Fladmo of MEA-MFT stated they have been fielding questions about the 150 day break in service requirement and she encouraged the Board to not be afraid to protect the plan.

#### **Ethics/Conflict of Interest Policy**

Mr. Graham presented the Ethics/Conflict of Interest policy for Board approval. Mr. Graham stated the need for the policy came out of a legislative audit, and staff training on the policy would start in October. Member Dubbs asked if there were any changes from the draft policy previously given to the Board, and Mr. Graham said no. Acting Chairperson Peiffer asked for a motion to approve the policy.

*Motion/Vote:* Member Dubbs made a motion to approve the policy and Member Cordingley seconded it. The motion passed unanimously.

Ms. Pizzini invited the Board to the staff training on October 1<sup>st</sup>. Member Trost asked if the policy included the state ethics policy. Ms. Pizzini explained the TRS policy adopts the statewide policy but includes additional provisions due to the fiduciary nature of TRS' work.

#### **IT Security Plan**

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Mr. Graham presented the IT security plan for Board approval. He said changes were made to shore up the language and revise the language regarding volunteers. Acting Chairperson Peiffer asked for a motion to approve the plan.

Motion/Vote: Member Muller made a motion to accept the IT security plan, and Member Dubbs seconded it. The motion passed unanimously.

Draft Nondiscrimination/Provision of Service Policy

Mr. Graham presented a draft nondiscrimination/provision of service policy for Board review. He said the policy would be an agenda item for final adoption at the December Board meeting. Ms. Pizzini explained the need for an updated policy based on revision of administrative rules applicable to all state agencies. Ms. Pizzini indicated the existing TRS policy on sexual harassment will be revoked as the policy is subsumed by the broader non-discrimination policy.

SAVA Committee Meeting

Mr. Graham reported that he presented TRS' legislative concepts at the August 15, 2014 SAVA meeting. He said he gave the committee a summary sheet of the bills and the committee approved the drafting of the bills. Mr. Graham stated he would miss part of the afternoon session of the current TRS Board meeting to present the results of the July 1, 2014 valuation to the Legislative Finance Committee meeting being held that afternoon.

**Administrative Business**

Financial Statements

Accounting/Fiscal Manager Nolan Brilz presented the financial statements, budget reports, and agency delinquency reports. There was a Board discussion about the financial statements and the M-Trust project budget.

2014 and Tentative 2015 Meeting Dates

The Board agreed that the next meeting date of December 5, 2014 would work for them, and tentatively scheduled their meeting date in February on February 20, 2015.

**Legal Counsel's Report**

Summary of Legal Issues

Ms. Pizzini announced that response and reply briefs in the Edward Zabrocki matter have been filed in district court, and she is waiting for the district court's order.

Ms. Pizzini reported to the Board that a recent U.S. Supreme Court ruling on the Federal Defense of Marriage Act may impact TRS for tax purposes only. Ms. Pizzini summarized the case and U.S. Supreme Court ruling and that she is working with Ice Miller on the matter.

Ms. Pizzini gave an update on the GABA lawsuit. She said both sides have filed motions for summary judgment and she thinks the case will be resolved at the district court level on those motions. If the case is not resolved on the motions for summary judgment, trial is scheduled to begin on March 9, 2015.

Ms. Pizzini gave her presentation on the 2014 NAPPA Conference. She thanked the Board for allowing her to attend the conference.

**Administrative Business**

2014 Certificates of Appreciation

Mr. Graham presented certificates of appreciation to Retired Payroll Supervisor Karla Scharf, Natalie Chamberlin, and Rex Merrick for their work on the M-Trust project.

**Election of Officers**

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There was a Board discussion about nominations for the Board Chairperson and Vice Chairperson.

*Motion/Vote:* Member Dubbs made a motion to elect Acting Chairperson Peiffer as Chair. Member Muller seconded it. The motion passed unanimously.

*Motion/Vote:* Member Muller made the motion to accept Member Dubbs as Vice Chair. Member Cordingley seconded it. The motion passed unanimously.

**Committee Appointments**

The Board discussed placement for each of the standing sub-committees of Budget/Audit, Legislation/Litigation, and Personnel/Policy. The following committee appointments were made:

Budget/Audit – Marilyn Ryan and Janice Muller

Legislation/Litigation – Scott Dubbs and Daniel Trost

Personnel/Policy – Kari Peiffer and Lisa Cordingley

**Contested Case**

Mr. Priquette – Board Consideration of Hearing Examiner's proposed order

Michael Kauffman of the Drake Law Firm attended as legal representative for the Board in this contested case matter. Cheryl Romsa, court reporter, recorded the Board's consideration of the hearing examiner's proposed order. The hearing examiner's proposed order found in favor of TRS on its motion for summary judgment. The Board members discussed their opinions following review of the proposed order. Following discussion, Chairperson Peiffer asked for a motion to accept the hearing examiner's proposed order.

*Motion/Vote:* Vice Chair Dubbs made a motion to accept the hearing examiner's proposed order. Member Cordingley seconded it. The motion passed unanimously.

**Long Range Planning**

Strategic Planning Documents

Jim Kerins of CMS led the Board and TRS staff in a review of the draft strategic planning documents developed at the August 8, 2014 Board meeting. Various ideas of communicating with members were discussed. It was decided that Mr. Kerins would work on the revisions and bring them to a future board meeting.

**Adjournment**

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

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

The meeting adjourned at 2:44 p.m.

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Chairperson \_\_\_\_\_

Executive Director \_\_\_\_\_