

**Teachers' Retirement Board Meeting
Teachers' Retirement Board Room
1500 East 6th Avenue
Helena, MT
December 3, 2015**

BOARD MEMBERS PRESENT

Kari Peiffer, Chairperson
Daniel Trost
Janice Muller
Marilyn Ryan (via telephone)
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
Karin Janssen, Public Information Officer
Johnelle Sedlock, Benefits Officer
Natalie Chamberlain, Benefit Specialist

OTHERS PRESENT

Diane Fladmo, MEA-MFT
Mike Kauffman, Drake Law Firm
Curt Drake, Drake Law Firm
Vivian Hammill, OCHE
Terri Phillips, University of Montana
Scott Svec, Attorney at Law
Janice Clinard, Helena College

Call to Order

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

Adoption of Agenda

Chairperson Peiffer asked for any additions or changes to the agenda. Since there were no changes, the chair requested a motion to adopt the agenda as written.

Motion/Vote: Member Daniel Trost moved to adopt the 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 August 12, 2015.

Motion/Vote: Member Janice Muller moved to adopt the minutes as written and Member Marilyn Ryan 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.

Executive Director's Report

Staff Update

Mr. Graham updated the board on the two new staff members hired since the last meeting. Kristin Williams has returned to TRS as our third Benefits Officer. Also, with the upcoming retirement of Rick Bush, John Noble will be joining the TRS team on December 7 as the new IT Manager. John has served as the IT Manager/Computer Systems Analyst for the Governor's Office since 2006 and prior to that, he was an IT Manager in the private sector for 14 years.

SAVA Update

The State Administration and Veteran Affairs interim committee met on November 17th. Mr. Graham presented the results of TRS's latest valuation to the committee in accordance with 19-20-216, MCA. Mr. Graham noted there were relatively few questions from the committee regarding the funded status of the system. The chair, Sen. Dee Brown, expressed concern that our benefits paid out each year exceed the contributions we receive. Mr. Graham testified that this is typical for a mature retirement system and that by design, income from investments is used to make up the difference. The results of the valuation were well-received by the committee, and the Legislature seems to be satisfied with our progress since 2013.

Draft Board Communication Policy

Following feedback from the October 1, 2015 board meeting, Mr. Graham presented a marked-up version of the Board Communication Policy. Verbiage and lingering questions related to proposed changes to the policy were discussed. Staff will utilize the feedback from this discussion to make the appropriate modifications to the policy and bring it forward in February for Board approval.

Public Comment

Chairperson Peiffer asked for public comment on any matter from the Executive Director's Report and within the jurisdiction of the Board. There was none.

Privacy and Security of Personal Identifying Information

Staff recommends approval of the updates to the Privacy and Security of Personal Identifying Information Policy. The updates were noted and discussed at the October 1, 2015 Board meeting.

Motion/Vote: Member Scott Dubbs moved to approve the policy. Member Janice Muller seconded the motion. The motion was passed unanimously.

Tuition Reimbursement Program

The Tuition Reimbursement Program was initially reviewed at the August 12, 2015 board meeting. Board revisions and comments were incorporated into an updated draft that was noted and reviewed at the October 1, 2015 board meeting. Formal approval of the tuition

reimbursement program is placed in front of the board for consideration. Staff recommends approval of the program.

Motion/Vote: Member Muller moved to approve the policy with the discussed edits. Member Marilyn Ryan seconded the motion, and the motion was passed unanimously.

Administrative Business

Investment Report

Member Ryan presented a brief overview of our investment returns and the recent activities of the BOI. She stated that we are well diversified, and the new CIO didn't see any immediate changes that would be necessary and that TRS was doing better than our peers. Member Ryan also presented a brief biography of the new CIO for the Board of Investments, Joe Collins.

Financial Statements and Budget Reports

Mr. Brilz presented an overview of the financials, stating there were no surprises. Returns are slightly down year-over-year but are still positive. Total investments have increased year-over-year, and total fund balance increased year-over-year. The operating budget is projecting a surplus, and there were no delinquent agencies for October as of the current Board meeting date.

P2F2 Annual Conference Report

Mr. Brilz thanked the Board for the opportunity to attend the P2F2 Annual Conference and gave a brief overview of the sessions he attended.

NCTR Annual Conference Report

Member Ryan and Mr. Graham thanked the Board for the opportunity to attend the NCTR Annual Conference and gave a brief overview of the sessions they attended.

Tentative 2016 Meeting Dates

The following were agreed upon as Board meeting dates in 2016:

- February meeting changed to February 26
- May 13
- August 19
- September 23
- December 2

Out of State Travel Request

The Board was presented justification for Deputy Director Tammy Rau to attend the annual GFOA conference in Toronto. This travel was included in the budget approved by the Board last May.

Motion/Vote: Member Daniel Trost made a motion to approve the out of state travel request for Mrs. Rau. Member Janice Muller seconded the motion, and the motion was passed unanimously.

Next Meeting Date

The Board agreed that the next meeting date should be on February 26, 2016 in the TRS Boardroom.

Public Comment

Chairperson Peiffer asked for public comment on any Administrative Business presented to the Board. There was no public comment.

Applications and Benefit Adjustments

Mr. Graham presented to the Board a list of members who have retired since the October 1st Board meeting and any adjustments made during the last quarter. TRS retirees included 35 people receiving termination pay totaling over \$204,000. The average termination pay was \$5,846.12 and the average monthly benefit was \$1,366.23.

Legal Counsel's Report

Summary of Legal Issues

Ms. Pizzini reported that a hearings examiner has been appointed in the Zabrocki matter and that a motion has been filed to reinstate the administrative proceeding and set a schedule for hearing. She also reported that TRS has been named as a defendant in a declaratory judgment action in District Court regarding beneficiary rights. We have filed our answer but are primarily just bystanders waiting for the court to determine who the rightful beneficiary is. TRS will not pay benefits while the beneficiary is in dispute, but will pay retroactively once the correct beneficiary is determined.

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The meeting closed to the public at 10:25 a.m. so the Board could 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 10:29 a.m.

Open Meeting

Applications for Disability Retirement Benefits

Chairperson Peiffer requested a motion on the disability application.

Motion/Vote: Member Scott Dubbs made a motion to approve the disability application of Jo Hoscheid. Member Trost seconded the motion. The motion passed unanimously.

Public Comment

Chairperson Peiffer asked for public comment on Disability Applications reviewed to the Board. There was no public comment.

Board and Staff Training

The entire TRS staff joined the Board where Ms. Pizzini led the group on the annual Ethical Conduct/Conflict of Interest training.

Long Range Planning

2014-2015 Strategic Planning Commitment Worksheet

Mr. Graham presented the Board with an updated copy of the 2014-2015 commitment worksheet with proposed revisions. Discussion with the Board commenced regarding the revisions, ensuring the Board's priorities are appropriately reflected.

Public Comment

Chairperson Peiffer asked for public comment on TRS efforts related to Long Range Planning. Diane Fladmo with MEA-MFT expressed appreciation for our efforts. She also noted that the schools need increase information to new members to increase TRS awareness, volunteering her assistance with ideas to put the correct information where it needs to be.

Contract for Legal Services – Drake Law Firm

Ms. Pizzini presented the Board with a copy of a contract for the provision of ongoing legal services from the Drake Law Firm related to contested case issues. Staff believes that efficiencies can be realized by working with the same legal counsel on TRS-contested case issues instead of potentially working with different counsel.

Motion/Vote: Member Dubbs moved to approve the contract for the Drake Law Firm. Member Muller seconded the motion, and it passed unanimously.

The meeting adjourned at 12:00 p.m. for lunch. The meeting reconvened at the Teachers' Retirement System Board Room 1500 East 6th Avenue Helena MT.

Chairperson Peiffer called the meeting to order 1:14 p.m.

Informal Board Review – Janice Clinard

The Board received several documents related to its informal review of the final staff determination that Ms. Clinard exceeded her allowable earnings limitation in January 2013 when she signed a second contract and should have been returned to active member status at that time.

Ms. Vivian Hammill, Montana University Systems Chief Legal Counsel/Deputy Commissioner, addressed the Board stating that Ms. Clinard's situation was a series of unfortunate mistakes that led to failure to report Ms. Clinard as a working retiree while working for Helena College. Helena College made many mistakes, and they are scanning their files to ensure there aren't any others who may be in this same situation.

Ms. Clinard also addressed the Board on her own behalf, stating that the letters from TRS were evidence of a "comedy of errors." To her knowledge, she stayed under the salary cap and asked the Board to view this situation holistically.

Mr. Graham noted that the biggest concern is that it is not necessarily understood what positions in the Montana University System are reportable to TRS, based on the informal agreement made between TRS and OCHE in the mid-1980s that all employees working under a Board of Regent contract or a Board of Regent letter of appointment are reportable to TRS. Because individuals working under letters of appointment are not entitled to retirement benefits under the Montana University Retirement Program, there is no telling how many other TRS working retirees could potentially fall into this same set of circumstances. Mr. Graham advised that the Board may want to consider having TRS staff work with OCHE and the MUS to review all employees of the MUS to identify any other potential working retiree issues. It may be in the best interest of TRS and the MUS to fix these issues moving forward and require any unpaid contributions on working retirees retroactively.

Motion/Vote: Member Dubbs made a motion to adopt the following solution: UM will be liable for any amounts determined to be owed to TRS for unpaid contributions and overpaid benefits

related to Dr. Clinard's postretirement employment with Helena College-UM; TRS and MUS will clarify plan terms; MUS will comply with TRS requirements for proper reports and reporting; no additional recovery of overpaid benefits or unpaid employee contributions will be required or requested from Dr. Clinard for her postretirement employment with HC-UM through fiscal year 2015. Member Trost seconded the motion. The motion passed unanimously.

Board Recognition - Rick Bush

The Board thanked Mr. Bush for his service as the TRS IT Manager and his guidance through processes to advance the mission of TRS.

Retirement of Rick Bush

Cake and refreshments will be served immediately following the Board meeting.

Adjournment

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

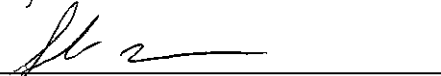
Motion/Vote: Member Muller moved to adjourn. Member Trost seconded the motion. The motion passed unanimously.

The meeting was adjourned at 2:02 p.m.

Chairperson

A handwritten signature in black ink, appearing to read "Karl Peiffer", written over a horizontal line.

Executive Director

A handwritten signature in black ink, appearing to be a stylized "M", written over a horizontal line.