

**Teachers' Retirement Board Meeting
Teachers' Retirement Board Room
1500 East 6th Avenue
Helena, MT
October 1, 2015**

BOARD MEMBERS PRESENT

Kari Peiffer, Chairperson
Daniel Trost
Janice Muller
Marilyn Ryan
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
Karla Scharf, Retired Payroll Supervisor
Johnelle Sedlock, Benefits Officer

OTHERS PRESENT

Diane Fladmo, MEA-MFT
Todd Green, Cavanaugh Macdonald Consulting, LLC
Joseph Walls, Cavanaugh Macdonald Consulting, LLC
Cliff Sheets, MBOI
Sheri Scurr, Legislative Services

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 Janice Muller moved to adopt the agenda and Member Marilyn Ryan 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 Marilyn Ryan moved to adopt the minutes as amended and Member Scott Dubbs 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.

Actuarial Valuation

Cavanaugh Macdonald Actuarial Valuation Report

Todd Green and Joseph Walls with Cavanaugh Macdonald presented the July 1, 2015 valuation results. They noted the amortization period decreased from 28 to 26 years, and that TRS's funded ratio rose 2.01% to 67.46%.

Effective Date for Updated Actuarial Factors

Cavanaugh Macdonald presented the updated actuarial factors adopted by the Board following the experience study for the five-year period ending July 1, 2013. Mr. Graham advised the Board that the updated tables for optional forms and early retirement factors need to be approved for implementation effective August 1, 2016.

Public Comment

Chairperson Peiffer asked for public comment on the actuarial valuation or the effective date of the updated actuarial factors.

- Cliff Sheets from the Montana Board of Investments commented that Cavanaugh Macdonald's actuarial use of the term "cash flow" represents something different than that term is used by the investment community, so the amounts reported as "cash flow" by BOI will be different than the "cash flow" reported by Cavanaugh Macdonald.
- Sheri Scurr with Legislative Services Division requested clarification of methodologies used and the results presented in various places in the valuation, and indicated some legislators would like to receive other presentations of information for comparison purposes. The actuaries responded to the questions regarding the methodologies and results. Any additional information desired by legislators will need to be clarified.

Chairperson Peiffer asked for additional comments. Finding none, the chair asked for a motion to accept the actuarial valuation results.

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

Chairperson Peiffer asked for a motion to formally adopt the updated actuarial factors and make them effective August 1, 2016

Motion/Vote: Member Scott Dubbs moved to formally adopt the updated actuarial factors with the effective date of August 1, 2016; Member Marilyn Ryan seconded the motion, and it passed unanimously.

Executive Director's Report

Draft Administrative Rule Notice – Exceptions to the 10% Cap

Mr. Graham presented a revised proposed rule notice and follow-up information requested by the Board at its last meeting related to ARM 2.44.518. At the August 12, 2015 meeting, the Board

considered a proposed rule notice to repeal the rule that specifies Board adopted exceptions to the 10% cap. A statutory change enacted in the 2011 session impliedly repealed those exceptions for TRS members with effective dates of retirement after July 1, 2011. The exceptions continue to apply to TRS members who have not yet applied for retirement but whose effective date of retirement will be on or before July 1, 2011. Repeal of the rule will provide clarity for the majority of TRS members to whom the exceptions do not apply. At its last meeting, the Board requested information about how many terminated vested members there are who could be eligible for the exceptions, and requested that TRS staff draft a revised notice that would leave the rule in place, but clarify the effective dates of retirement to which the exceptions apply.

At the August 12th meeting, the Board also considered public comment on the proposed rule notice from Diane Fladmo, MEA-MFT, regarding TRS's definition of the term "salary matrix" as used in the 2011 statute that impliedly repealed the exceptions contained in 2.44.518.

Mr. Graham reported that there are 197 terminated vested members who, based on their age, would have been eligible for an unreduced benefit on or before July 1, 2011. Out of those 197 members, only 77 of them have compensation reported that could trigger an exception to the 10% cap. Out of the 77, at least 1/3 are part-time employees, and TRS would have to annualize their salaries and prepare an estimate of benefits in order to determine whether or not they actually exceed the 10% cap.

Member Marilyn Ryan expressed on-going concern about the definition of "salary matrix" and expressed her preference that that issue be resolved before action is taken to repeal or amend the administrative rule.

Diane Fladmo reiterated MEA-MFT's position that a "salary matrix" includes CBA language that is outside of the specific lines and columns of the matrix

Consideration of Tabled Request for Public Information

At the August 12, 2015 meeting, the TRS Board considered a request for public information to include member names and monthly benefit amounts. The Board tabled the request and directed TRS staff to notify all TRS retirees and active members regarding the request. In response to the notice, TRS received 320 comments, 295 of the commenters objected to their information being provided.

Draft Policy – Tuition Reimbursement

Mr. Graham explained that the basic changes since the August Board meeting were that the reimbursement rates have changed to 100% for A or Pass, 80% for B and 0% for C or lower. The maximum reimbursement per individual per fiscal year is \$3,500. Also in place is a retention policy where an employee must stay with TRS for 12 months after completion of a course for which they were reimbursed under the program. If the employee terminates prior to the completion of the 12-month retention period, they must pay TRS back on a prorated basis.

Draft Policy – Board Communication

Ms. Pizzini presented updates to the Board Communications policy that were discussed at the August Board meeting. A request by Member Dubbs for a copy of the redline version of the document will be provided to the members of the Board by Ms. Pizzini. This document, along

with any changes discussed, will be submitted to the board for formal approval at the December 2015 meeting.

Draft Policy – Request for Public Information or Public Records - Fees

Mr. Graham commented that in light of the morning's discussion of the public records request, the Board may want to delay further consideration of the policy until the term, "public information," is further clarified. Member Dubbs agreed, stating that questions need to be answered before moving on this policy.

Public Comment

Chairperson Peiffer asked for public comment on any matter from the Executive Director's Report and within the jurisdiction of the Board.

Ms. Fladmo with MEA-MFT commented that they want to work with TRS on the Administrative Rule Notice – Exceptions to 10% Cap and requested more time and discussion.

Administrative Rule Notice – Exceptions to 10% Cap (Amendment)

Chairperson Peiffer asked for a motion to approve the proposed rule notice.

Motion/Vote: Member Ryan made a motion to table the proposed rule in order to review the possible additional language on the definition of "salary matrix." Member Muller seconded the motion. The Board voted 3-2 against the motion.

There were no further motions on the Administrative Rule Notice – Exceptions to 10% Cap.

Consideration of Tabled Request for Public Information

Chairperson Peiffer asked for a motion on the direction TRS should take regarding these types of requests.

Motion/Vote: Member Dubbs made a motion to require judicial determination relating to providing member name and benefit information and answer no to all such requests until then. Member Ryan seconded the motion and it was passed unanimously.

Board Training

Ms. Pizzini summarized the existing Privacy and Security of Personal Identifying Information policy and changes made to it due to legislative changes from the 2015 Legislative session (HB 78). Ms. Pizzini will present the policy to the Board for formal approval at the December 2015 meeting.

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The meeting closed to the public at 11:35 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 11:42 a.m.

Open Meeting

Applications for Disability Retirement Benefits

Chairperson Peiffer requested a motion on the disability applications.

Motion/Vote: Member Ryan made a motion to approve the disability application of Jeanette Hill. Member Muller seconded the motion. The motion passed unanimously.

Motion/Vote: Member Trost made a motion to approve the disability application of Laurie Spence. Member Muller seconded the motion. The motion passed unanimously.

Applications and Benefit Adjustments

Mr. Graham presented to the Board a list of members who have retired since the May 15th Board meeting and any adjustments made during the last quarter. TRS retirees included 591 people receiving termination pay totaling over \$8 million. The average termination pay was \$13,797.94 and the average monthly benefit was \$2,290.29.

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 1:13 p.m.

Administrative Business

2015-2016 Budget Amendment

Mr. Graham requested approval by the Board for an additional FTE for a Benefits Officer position. This would make 3 Benefits Officers for TRS and would increase the number of and reduce members' wait times for retirement counseling appointments with TRS staff. It was estimated that total weekly retirement counseling appointments would increase from 4 to 12.

Investment Report

Member Ryan presented a report on the recent activities of the BOI. She noted that TRS annual benefits exceed annual contributions. As long as contributions are lower than benefits, the BOI will need to sell assets to cover the difference. The TRS system is stable, but it may be necessary at some point to revisit our investment allocations with an eye toward income-generating investments. Whatever we do, it will be evolutionary and we will not see immediate results. Member Ryan also noted that the BOI is close to hiring a new CFO. Although they hope the new person will be in place by November 1, Mr. Sheets will remain on board for a short while to help train his replacement.

Financial Statements and Budget Reports

Mr. Brilz presented the financial statements and budget reports through August 31, 2015. He noted that the figures do not include the newly requested position of Benefits Officer. He also presented an update on the M-Trust budget to date. He also noted that GASB will be a double hit on the budget for the fiscal year.

Year-over-year accounts receivable and payables have gone down significantly; investments are up year-over-year.

Tentative 2016 Meeting Dates

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

- February meeting changed to February 12
- May 13
- August 19
- September 23
- December 2

Next Meeting Date

The Board agreed that the next meeting date should be on December 3, 2015 in the TRS Boardroom. It was also suggested to bring in lunch and start the meeting at 8:00 a.m. so that members could leave earlier in the day in the possibility of inclement weather.

Public Comment

Chairperson Peiffer asked for any public comment on agenda items covered in the afternoon session. There was none.

2015-2016 Budget Amendment

Chairperson Peiffer asked for a motion on the adoption of the 2015-2016 Budget Amendment to hire an additional Benefits Officer.

Motion/Vote: Member Ryan moved to approve the amendment and move forward with hiring an additional Benefits Officer. Member Muller seconded it. The motion passed unanimously.

Legal Counsel's Report

Summary of Legal Issues

Ms. Pizzini reported that Judge Reynolds has still not issued an order in the Zbaracki matter. 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 disputed, but will pay retroactively once the correct beneficiary is determined.

Chairperson Peiffer asked for any comments from the public. There were none.

M-Trust Project Update

Ms. Jane Fournier, contract project manager for the M-Trust project, presented a status report on the project. She stated that overall, the project is going well. The project is behind schedule as measured by deliverables as several modules (Wages and Contributions, Benefit Calculations, etc.) have been more complex than initially anticipated. Ms. Fournier explained that the development costs are fixed and the contract services are billed hourly. Originally, it was thought that the project would be done by August 2016, but that timeline has slipped into October 2016. There will likely be a proposal for an additional phase for other enhancements to system functionality.

Chairperson Peiffer asked for any public comment on the M-Trust Project. There was none.

Election of Officers

As required by the Board member Policy Manual, the Board shall annually elect a Chair and Vice-Chair at the September meeting.

Motion/Vote: Member Muller made a motion to re-elect Kari Peiffer as Chair. Member Trost seconded the motion, and the motion passed unanimously.

Motion/Vote: Member Ryan made a motion to re-elect Scott Dubbs as Vice Chair. Member Muller seconded the motion, and the motion passed unanimously.

Motion/Vote: Member Dubbs made a motion to keep the members of the committees the same but adding Scott Dubbs to the Personnel & Policy Committee. Member Ryan seconded the motion, and the motion passed unanimously.

Adjournment

Having no more business before them, Chairperson Peiffer moved to adjourn the meeting at 2:15 p.m.

Chairperson

A handwritten signature in cursive script, appearing to read "Kari Peiffer", written over a horizontal line.

Executive Director

A handwritten signature in cursive script, appearing to be initials "S.P.", written over a horizontal line.