

Teachers' Retirement Board Meeting
Teachers' Retirement Board Room
1500 East 6th Avenue
Helena, MT
August 3, 2016

BOARD MEMBERS PRESENT

Kari Peiffer, Chairperson
Scott Dubbs, Vice Chair
Janice Muller, Member
Marilyn Ryan, Member
Daniel Trost, Member
Daniel Chamberlin, Member

STAFF PRESENT

Shawn Graham, Executive Director
Tammy Rau, Deputy Executive Director
Denise Pizzini, Legal Counsel
Nolan Brilz, Accounting/Fiscal Manager
John Noble, Information Technology Manager
Karin Janssen, Communications Officer

OTHERS PRESENT

Diane Fladmo, MEA-MFT
Charlene Suckow, Montana Retired Educators
Marilyn Hamer, Montana Retired Educators

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: Vice Chair Scott Dubbs 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 February 26, 2016. Vice Chair Dubbs noted one change.

Motion/Vote: Member Ryan moved to adopt the minutes as amended and Member Janice Muller 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

Draft Request for Public Information Policy

The Board reviewed the draft Request for Public Information Policy and suggested revisions. Mr. Graham, TRS Executive Director, reported that staff will make corrections to the policy and bring it forth at the October meeting as an action item.

2017 Biennium Bill Draft Review

Each Session, legislation is necessary to correct and/or clarify different provisions of the TRS act, and/or make changes required to comply with IRS qualification requirements. Staff identified eight items for consideration as housekeeping proposals. Mr. Graham noted that the bill is still being drafted but the points are still the same from the last meeting. The Board suggested that Point 4 should clarify how to deal with classified persons. Staff will research the classified person issue and bring the draft bill back to the Board in October.

Montana University System Supplemental Contribution Rate Increase

Based on the 2014 valuation of the university supplemental rate, the current rate needs to be increased from 4.72% to 9.75%. However, the actual rate required will not be known until after the July 1, 2016 valuation has been completed. At the May 2016 meeting, the Board discussed an additional proposal that would extend the deadline from 2033 to the year TRS is projected to be fully funded based on the July 1, 2016 actuarial valuation. Further discussion of this concept revealed that the July 1, 2033 date is not a sunset date in 19-20-621, MCA and that it would take future legislative changes to end the supplemental contribution rate. Based on this information, the Board tabled this concept in lieu of the supplemental rate increase bill required by 19-20-621, MCA.

Public Comment

Chairperson Peiffer asked for public comment on any matter from the Executive Director's Report. Diane Fladmo, Director of Research & Bargaining and Retired Program Coordinator with MEA-MFT, thanked the Board and the staff for adding the needed staff positions to assist active and retired teachers.

Executive Summary

Mr. Graham reported that Chris Fish applied for and accepted a new position at TRS as our second Retired Payroll Benefit Specialist, which was a newly created position authorized by the Board at the May meeting. TRS is currently in the process of recruiting applicants to fill the position of Retired Payroll Benefit Technician, Chris' previous position. Mr. Graham noted we have 28 applicants for this vacated position.

Agency IT Plan – Approved by SITSD

Mr. Graham reported that every two years, the State Information Technology Services Division reviews the IT plan for each agency in state government to ensure that the plan adheres to enterprise policies and standards and that the plan is aligned with the state's Information Technology Strategic Plan. In a letter dated July 8, 2016 from State CIO, Ron Baldwin, TRS received notification that our IT plan had been approved for the 2019 biennium.

IT Convergence

On May 24, 2016, Governor Bullock signed Executive Order (EO) No. 09-2016 by which all Executive Branch agencies are required to participate in SITSD's IT conversion plan resulting in the full use of shared enterprise infrastructure by December 31, 2017. Moving forward, only SITSD is allowed to buy and deploy servers, storage and cloud services unless otherwise directed by the Budget Director and State CIO. TRS expects to be completed with convergence in February 2017.

Administrative Business

NCTR System Director's Report

Mr. Graham gave a brief overview of the NCTR System Director's conference that took place June 8-10, 2016 in Columbus, Ohio. He noted that it was interesting how many other systems are in the midst of purchasing or upgrading their pension administration systems similar to what TRS is doing with M-Trust. Mr. Graham also noted that from a networking perspective, this conference was much more valuable than the annual conference because the participants get to drive most of the discussion.

GFOA Report

Ms. Tammy Rau, TRS Deputy Executive Director, presented a brief report to the Board regarding her recent trip to the GFOA conference in Toronto, Ontario on May 21-26, 2016. They offered many pension and financial classes, and security and disaster recovery were other major topics addressed. Ms. Rau thanked the Board for the opportunity to attend and expressed interest in attending the GFOA conference in the future.

Investment Report

Member Marilyn Ryan gave an overview of BOI activity through June 30, 2016. Mr. Graham noted that TRS posted a 2.08% net return for the fiscal year ending June 30, 2016 which contributed to the slight decline in our inception to date rate of return of 7.52% and that he is optimistic that our actuarial rate of return for the upcoming valuation will be slightly above our assumed rate of 7.75%. Member Ryan reported that the BOI is discussing selling 2 buildings in Helena and one in Bozeman, although it must be approved by the legislature. She also noted that there was a total asset increase of 25.6% for all pensions.

FY 2016 Financial Statements and Budget Reports

Mr. Brilz, TRS Accounting Manager, presented the fiscal year financial reports through June 30, 2016. He noted that BOI has increased holding in the Short Term Investment Pool. Mr. Brilz also noted that at the end of the fiscal year, TRS had an operating budget surplus of more than \$144,000.

Public Comment on Administrative Business

Ms. Diane Fladmo with MEA-MFT, thanked TRS for operating in such an efficient manner.

Out-of-State Travel – P2F2 Conference

The Board reviewed the out-of-state travel request for Nolan Brilz, TRS Accounting Manager, to attend the Public Pension Financial Forum (P2F2) annual conference in Charleston, South

Carolina, October 23-26. The Board approved the budget item for this conference at its May meeting.

Motion/Vote: Member Muller made a motion approving the travel request for Mr. Brilz to attend the P2F2 conference in October. Member Chamberlin seconded the motion. The motion passed unanimously.

Out-of-State Travel – NCTR Annual Conference, October 8-12

The 2016 NCTR Annual Conference will be held in Providence, Rhode Island on October 8-12, 2016. The Board decided that the following Board members may attend this conference: Chairperson Kari Peiffer, Vice Chair Scott Dubbs and possibly member Janice Muller. Staff members planning to attend are: Executive Director, Shawn Graham, and Communications Manager, Karin Janssen.

Motion/Vote: Member Ryan made a motion approving conference attendance for Mr. Graham and Ms. Janssen. Member Trost seconded the motion. The motion passed unanimously.

Next Meeting Dates

After discussion, it was decided that the following are the next 2016 meeting dates:

- October 7
- December 2

M-Trust

M-Trust Schedule Overview

M-Trust Project Manager, Jane Fournier, updated the Board on the remaining modules to be completed for phase two. She noted that 3 modules out of 21 are still being worked on. All development activities are scheduled to be completed by the beginning of November. With close-out activities, the end date is tentatively set for November 18.

IV&V Report

Mr. Graham directed the Board through the latest Independent Verification and Validation Report received for the M-Trust project. IV&V services are contracted through Sabot Consulting, and their report noted that the overall health of the project is good, and that the project has a high probability of delivering the specified functionality and meeting the business needs as outlined in the business case.

MY-TRS Demonstration

Ms. Rau gave a demonstration of My-TRS to the Board, which is the newly-developed online access for members and benefit recipients. This module is expected to be ready for final acceptance shortly after the Board meeting.

The meeting adjourned at 11:55 a.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 1:20 p.m.

M-Trust Phase 3

Staff led a discussion with the Board regarding future enhancements that we hope to contract with AMA, in a third and final phase of the M-Trust project. The list of enhancements is nearing

completion, but there is still much work to be done in order to complete requirements so AMA can estimate the time and cost of implementing each enhancement. The Phase 3 scope of work and contract will be presented to the Board at a future meeting for approval.

Public Comment

Chairperson Peiffer asked for public comment on any Administrative Business. There was none.

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The meeting closed to the public at 1:30 p.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 1:55 p.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 Pamela Courson. Member Muller seconded the motion. The motion passed unanimously.

Motion/Vote: Vice Chair Dubbs made a motion to approve the disability application of Tracy Grove. Member Dan Chamberlin seconded the motion. The motion passed unanimously.

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

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

Motion/Vote: Member Ryan made a motion to discontinue disability reviews for Cheryl Klunder. Member Muller seconded the motion. The motion passed unanimously.

Public Comment

Chairperson Peiffer asked for public comment on the Disability Applications. There was none.

Strategic Planning

Mr. Graham facilitated the strategic planning session for the Board and mentioned that TRS should consider moving toward more electronic communication such as allowing opting out of electronic handbooks and newsletters instead of requiring opting in. In regards to the expansion of organizational capacity in Goal #2 of the TRS Board Goals & Objectives, Mr. Graham reported that we are running out of office space in our current location. He noted that we could remodel or add on to our current location or lease this space to another state agency and then relocate to another office space. Vice Chair Dubbs stated that the Board will have to consider a timeline and budget options, cost analysis for expansion and/or a remodel, market appraisals vs. rental values, rental opportunities and estimates for a remodel at a new location. The Board agreed this should be added to the strategic plan where the Board will determine the budget and priority. They also asked Mr. Graham to put together a short-term budget on this for the October Board meeting. Member Chamberlin volunteered to assist Mr. Graham in this endeavor.

Public Comment

Chairperson Peiffer asked for public comment on the Strategic Planning. Ms. Fladmo thanked the Board and TRS for the continued electronic development to assist members to get interested in their retirement earlier.

Legal Counsel’s Report

NAPPA Update

Denise Pizzini, TRS Legal Counsel, provided a brief report of her attendance at the NAPPA conference that was held in New Orleans, Louisiana in June. Ms. Pizzini noted that one of the primary topics of conversation at the conference was cyber security/systems security. We have a third-party agent agreement where our external contractors have signed an agreement about security parameters that they have in place to properly address security breaches. Based on discussions at this conference about security, TRS will review those agreements to make sure they are adequate.

Summary of Legal Issues

Regarding the Zabrocki matter, Ms. Pizzini reported that the appeal that had been referred on briefs to a 5-judge panel of the Supreme Court has been denied. It has been remanded back to the hearings examiner for a hearing, which has been set for May 2017.

The case regarding who the appropriate beneficiary is for a deceased member has been settled by the competing claimants. TRS is a signer on the settlement agreement for purposes of enforcing the agreement, if necessary in future. The agreement does not change the beneficiary designation made by the member. This matter should be closed and processing of the benefits will move forward.

Public Comment

Chairperson Peiffer asked for any public comments on the Legal Counsel’s Report. There was none.

Adjournment

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

Motion/Vote: Member Muller moved adjourn the meeting and Member Trost seconded it. The motion passed unanimously, and the meeting was adjourned at 3:15 p.m.

Chairperson /s/ Kari Peiffer _____

Executive Director /s/ Shawn Graham _____