

**Teachers' Retirement Board Meeting
Teachers' Retirement Board Room
1500 East 6th Avenue
Helena, MT
December 2, 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
Denise Pizzini, Legal Counsel
Nolan Brilz, Accounting/Fiscal Manager
Tammy Rau, Deputy Executive Director

OTHERS PRESENT

Diane Fladmo, MEA-MFT (via phone)
Charlene Suckow, MREA
Patty Myers, MREA
Johnelle Sedlock, TRS
Dan McGee
Mandy Snikes-Bradds, OPI

Call to Order

Chairperson Kari Peiffer called the meeting to order at 8:29 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 Daniel Chamberlin seconded it. The motion passed unanimously.

Adoption of Minutes

Chairperson Peiffer asked if there were any changes or corrections to the meeting minutes of October 7, 2016. There were no changes.

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

M-Trust Phase III

M-Trust Project Manager, Jane Fournier, presented to the Board a high level overview of the modules and enhancements that will be addressed in the next phase of the project. AMA developers/programmers, Alfred Manksgard and Roy Mann were also present at the meeting to answer questions or provide comments.

A draft copy of the project charter was included in the Board packet. Ms. Fournier gave a brief update on the success of Phase II, which is now in production. There are few loose ends that need to be completed which is scheduled to be finished by December 15th. Ms. Fournier expressed that the project was very successful and thanked the TRS administration and staff for providing a supportive environment.

Phase III encompasses additional improvements in the following areas: 1) improve customer service; 2) improve TRS staff productivity; 3) support longevity for the TRS system; 4) support TRS administrative process; and 5) improve data quality. The top three modules scheduled at the beginning of Phase III are: Beneficiaries (improving efficiency and reducing risk of data and payment errors); Residence Addresses (maintain address information for all persons known to M-Trust in one location and that all other system modules can share) and Retired Payroll (make changes that will collectively automate many of the manual processes). Phase III is scheduled to begin on January 15, 2017.

Public Comment on M-Trust Phase III Project

Ms. Fladmo thanked the team for working with MPERA to make a quality process.

Preliminary Approval of Phase III Project

Board approval for the Phase III budget has been postponed until the February 17th meeting. At that time, AMA will have completed their contract and budget estimate for the enhancement phase for Board review and approval.

With work on Phase III scheduled to begin on January 15, 2017 and the next scheduled TRS Board meeting date of February 17th, the staff recommended the Board provide general approval of Phase III of the project with formal approval of the Phase III budget to occur at the February 17, 2017 board meeting.

Motion/Vote: Vice Chair Scott Dubbs moved to preliminary approve the Phase III Project and Member Marilyn Ryan seconded it. The motion passed unanimously.

Executive Director's Report

Staff Update

Mr. Graham introduced Lori Hultin, the new TRS Executive Secretary. Lori comes to TRS with extensive administrative assistant experience and we are excited to have her on our team. Cathy

Page has been promoted to the Benefits Specialist position and Mr. Graham reported he continues to work with State HR to update the position description for the TRS Communication Manager. The position is scheduled to be posted before the end of the December.

2016 TRS Board Legislation

Mr. Graham reported that two of the three TRS bills, the Housekeeping and the MUS-RP Participation have been reviewed. The third bill, MUS-RP Supplemental Employer Rate Increase bill should be completed next week. There are currently three additional bill draft requests that we will be tracking. Senator Buttrey has two, Generally Revise Retirement Laws bill draft requests and Senator Brown has submitted a bill draft request to Generally Revise Laws Related to Retirement Investments. TRS will track these bills and provide additional information to the Board once it is available.

SAVA Update

The State Administration and Veterans' Affairs interim committee met on November 17, 2016. Mr. Graham presented the results of the July 1, 2016 actuarial valuation to the SAVA committee. He spent some time explaining the Market vs. Actuarial Rate of Return slide in order to point out that all of the actuarial gains and losses are recognized over time and that the actuarial rate of return trends with the market rate of return with less volatility. On December 6th Mr. Graham will present the most recent valuation to the Legislative Finance Committee.

BOI Update

At the November 15th Board of Investment meeting, Mr. Graham presented the results of the most recent valuation.

Public Comment

Chairperson Peiffer asked for public comment on the Executive Director's Report. There was none.

Administrative Business

Investment Report

Member Marilyn Ryan gave an overview of the November 15th Board of Investments meeting. The new CFO, Joe Cullen gave his view of having more cash available to pay benefits by increasing the allocation to STIP. Mr. Cullen would like to see a more balanced risk and to look at other kinds of investments. As Member Ryan begins her new position with the Legislature, she thanked the Board for giving her the opportunity to attend the BOI meetings.

FY 2016 Financial Statements and Budget Reports

Mr. Brilz, TRS Accounting Manager, presented the fiscal year financial reports through October 31, 2016. Mr. Brilz noted the budget shows a surplus from vacancy savings and early completion of the M-Trust Phase II project. Budget projections for Phase III of M-Trust will be completed and presented at the February 17th Board meeting.

P2F2 Annual Conference Report

Nolan Brilz thanked the Board for allowing him to attend this conference. One of the main topics was the GASB 72 - investments and reporting requirements. Member Chamberlin asked if there was discussion regarding asset value vs market value. Mr. Brilz explained assets are labeled by

tiers and we follow the BOI. Mr. Brilz stated this is a good group to network with and share questions and information.

NCTR Annual Conference Report

Vice Chair Scott Dubbs and Mr. Graham thanked the Board for allowing them to attend the conference. It was very informative and well attended by TR staff, trustees and other systems. It was a good conference with great networking opportunities. The theme of the conference was “Securing the Future”. One of the main topics focused on cyber security. The speakers emphasized there are 2 types of businesses, those who have been hacked and those who will be hacked. The cost can be astronomical to fix these problems and most business are lacking an Incident Response Plan. There was discussion whether the state security wall is enough and whether it makes sense for TRS to explore additional insurance. Mr. Graham stated that all TRS employees are required to complete an on-line Cyber Security training annually. TRS has breach insurance through the State of Montana.

Out of State Travel Requests

Approval for travel for Deputy Executive Director, Tammy Rau to attend the GFOA conference.

Motion/Vote: Member Muller made a motion to approve travel for Ms. Rau to attend the GFOA conference. Member Ryan seconded the motion, and it passed unanimously.

Approval for travel for Legal Counsel, Denise Pizzini to attend the NAPPA winter conference.

Motion/Vote: Member Muller made a motion to approve travel for Ms. Pizzini to attend the NAPPA conference. Member Chamberlin seconded the motion, and it passed unanimously.

Next Meeting Date

The next meeting date of the TRS Board is February 17, 2017. Chairperson Peiffer requested to briefly review the rest of the tentative 2017 Board meeting dates.

May 12, 2017

August 4, 2017

October 6, 2017 (originally September 29th)

December 8, 2017

Chairperson Peiffer made a recommendation to change the September 29th meeting to October 6th since the MPERA meeting is usually scheduled the first week of October. All members agreed to this change.

Public Comment on Administrative Business

Ms. Diane Fladmo with MEA-MFT thanked the Board for the update on the TRS Board meeting dates.

Applications and Benefit Adjustments

Deputy Director Ms. Rau presented the information on retirement applications and benefit adjustments, stating there were 17 total applications processed since the last board meeting with an average of 12.04 years and an average age of 58.88 years.

Legal Counsel's Report

Ms. Pizzini reported no new contested case matters have arisen. She did report the one pending contested matter (Zabrocki) has been scheduled for hearing in May, 2017.

Board and Staff Training

Ms. Pizzini presented the annual TRS Ethical Conduct and Conflict of Interest Policies to the Board. She gave a brief overview of the ethical responsibilities and fiduciary obligations as TRS Board members.

The Per Diem Election Form was also provided to the Board to complete and sign. This is an annual form that acknowledges that they may not receive payment from more than one public employer for the same hours.

Long Range Planning

Mr. Graham provided an update to the 2016-2017 Strategic Planning Commitment Worksheet provided in the board packet. Two objective timelines may be delayed until the Communication Manager Position is filled. These objectives are related to the development and planning of video/audio clips which were originally scheduled to be completed in February 2017. The commitment worksheet was updated to reflect a completion date of calendar year 2017 for these two items.

Mr. Graham was unable to provide an update on the building appraisal. It is scheduled to be completed in the next couple of weeks and should be finalized for the next Board meeting in February.

Public Comment

Chairperson Peiffer asked for public comment on the Executive Director's Report. There was none.

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The meeting closed to the public at 1:20 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 1:52 p.m.

Open Meeting

Applications for Disability Retirement Benefits

Chairperson Peiffer requested a motion on the disability application.

Motion/Vote: Member Muller made a motion to approve the disability application of Justin Jimison. Member Dubbs seconded the motion. The motion passed unanimously.

Motion/Vote: Member Ryan made a motion to approve the disability application of Valerie Selman. Member Dubbs seconded the motion. The motion passed unanimously

Public Comment

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

Board Recognition – Marilyn Ryan

The TRS Board congratulated Member Ryan on her new position with Legislature. On behalf of the Board and staff, Mr. Graham presented Member Ryan with a plaque in honor of her years of service and thanking her for her commitment to the Teacher’s Retirement System Board.

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 Chamberlin seconded it. The motion passed unanimously, and the meeting was adjourned at 2:00 p.m.

Chairperson /s/ Kari Peiffer

Executive Director /s/ Shawn Graham