

**Teachers' Retirement Board Meeting  
Teachers' Retirement Board Room  
1500 East 6<sup>th</sup> Avenue  
Helena, MT  
October 7, 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  
Karin Janssen, Communications Officer

**OTHERS PRESENT**

Diane Fladmo, MEA-MFT  
Dan Zarling, Montana Board of Investments  
Joe Cullen, Montana Board of Investments  
Edward Macdonald, Cavanaugh Macdonald  
Todd Green, Cavanaugh Macdonald

**Call to Order**

Chairperson Kari Peiffer called the meeting to order at 8:36 a.m. in the Montana Teachers' Retirement Board Room 1500 E 6<sup>th</sup> 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 Daniel Trost seconded it. The motion passed unanimously.

**Adoption of Minutes**

Chairperson Peiffer asked for any changes or corrections to the meeting minutes of August 3, 2016. There were no changes.

*Motion/Vote:* Member Marilyn Ryan moved to adopt the minutes as written 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.

## **Actuarial Valuation**

Todd Green with Cavanaugh Macdonald presented the July 1, 2016 actuarial valuation. According to the valuation, TRS amortizes in 24 years as of July 1, 2016 and is 69.28% funded. This represents a reduction in the amortization period of two years versus our previous valuation and an increase in the funded status of 1.82%. Cavanaugh Macdonald incorporated a change in methodology recommended by Gabriel Roeder Smith during the 2015 actuarial audit in 2015 to use the same 12-month period for application of the assumptions for new plan entrants and member retirements. Cavanaugh Macdonald has been conducting the valuation assuming termination of the MUS-RP supplemental contributions as of June 30, 2033. Future valuations will be conducted assuming the supplemental contributions will continue for the foreseeable future as June 30, 2033 is not a statutory termination date for the contributions.

## **MUS-RP Supplemental Contribution Report**

Every two years prior to a legislative session, the TRS actuary conducts a valuation of the unfunded liability attributable to MUS members created when University participants were allowed/required to participate in the MUS-RP instead of TRS. The TRS Board is required to periodically review the employer supplemental contribution necessary to amortize the MUS-RP unfunded liability by July 1, 2033 (19-20-621, MCA) and recommend necessary changes to the legislature. The current contribution rate is 4.72% of MUS-RP salaries. In order to amortize the unfunded liability by July 1, 20133, the contribution rate would need to increase to 10.22% of MUS-RP participant salaries beginning July 1, 2017.

*Motion/Vote:* Member Janice Muller made a motion to adopt the July 1, 2016 valuation results. Member Daniel Trost seconded the motion, and the motion passed unanimously.

## **Administrative Business**

### **Investment Report**

Member Marilyn Ryan gave an overview of BOI activity through October 6, 2016. She reported that RVK is projecting modest growth over the next five to ten years and that in order to achieve 7.75% return, more risk must be taken. Asset allocations have been modified slightly and additional recommendations will be made in November, but will likely be incremental. Member Ryan noted that how we react to things is what is important – thinking long term but reacting today. Mr. Graham mentioned that the STIP account has been building over the last several months, and Member Ryan said the build-up of cash in that account is so that we don't have to sell stock at inopportune times.

### **FY 2016 Financial Statements and Budget Reports**

Mr. Brilz, TRS Accounting Manager, presented the fiscal year financial reports through August 31, 2016. He noted that we are early in the fiscal year reporting and that there are no abnormalities. Mr. Brilz also noted that the M-Trust budget goes through November and we should end up with a surplus. A new budget will be developed for the next phase of the project.

### **Tentative 2017 Meeting Dates**

After discussion, it was decided that the following are the tentative meeting dates for 2017:

- February 17
- May 12
- August 4

### **Next Meeting Date**

It was agreed that the next 2016 meeting date will be December 2.

### **Public Comment on Administrative Business**

Ms. Diane Fladmo with MEA-MFT requested a quick recap of the agreed-upon TRS Board meeting dates.

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

#### **2016 TRS Board Legislation**

#### **Housekeeping Bill**

The Housekeeping Bill is necessary to clarify TRS statues and enhance administrative efficiencies. After discussion regarding “extra duties” and the language for the housekeeping bill, it was determined that the definition of extra duty is sufficient and the list of examples should be removed as it cannot be all inclusive.

#### **MUS-RP Supplemental Employer Contribution Rate Increase**

Required to propose increases to the MUS-RP supplemental contribution rate to fully amortize the MUS unfunded liability created when membership was moved from TRS to the MUS-RP.

#### **MUS-RP Participation**

This is to clarify MUS-RP participation election rights and eliminate the loophole where individuals who have prior membership in TRS and PERS may choose to participate in one of those plans though it would not normally cover the MUS position being filled.

*Motion/Vote:* Vice Chair Dubbs made a motion to approve all bills with the changes indicated. Member Trost seconded the motion, and the motion passed unanimously.

#### **Request for Public Information Policy**

The Request for Public Information policy has been updated, incorporating the changes discussed at the August 3<sup>rd</sup> meeting. Chairperson Peiffer asked for a motion regarding the Request for Public Information Policy.

*Motion/Vote:* Member Ryan moved to approve the Request for Public Information Policy. Member Muller seconded it, and the motion passed unanimously.

#### **Executive Summary**

##### **Staff Update**

Mr. Graham reported that Marjorie O'Rourke accepted a new position at OPI. The Benefits Specialist position vacated by Marjorie was advertised internally, and Cathy Page was the successful candidate. The Executive Secretary position will first be opened internally, and then externally, if necessary.

##### **DoA – Awards for Excellence**

Tammy Rau and Nolan Brilz each received the 2016 Department of Administration Award for Excellence in Performance. Tammy was nominated for her dedication and leadership related to the M-Trust project, and Nolan was nominated for his contributions related to statewide implementation of the GASB 68 standard.

### SAVA Update

The State Administration and Veterans' Affairs interim committee met on August 23, 2016 to authorize legislative concepts for bill drafting. Mr. Graham provided a high level explanation of the three legislative concepts TRS intends to bring forward during the 2017 Legislative Session. There were relatively few questions from the committee about our legislative concepts and all three were authorized for drafting by the committee.

### Public Comment

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

### 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.

### Election of Officers

#### **Election of Chair and Vice Chair**

The Board Member Policy Manual provides that the Board shall elect a Chair and Vice Chair annually at its September meeting. To be eligible to be elected to the position of Chair or Vice Chair, a member must have served on the Board for a minimum of one year before being elected. Chairperson Peiffer asked the Board for a motion for the appointment of Chair and Vice Chair.

*Motion/Vote:* Member Trost made a motion to re-appoint Kari Peiffer and Scott Dubbs in their current roles for the next year. Member Ryan seconded the motion. The motion passed unanimously.

### **Committee Appointments**

After discussion, it was decided that the following Board members will serve on the following committees:

- Budget/Audit Committee: Daniel Trost, Daniel Chamberlin
- Legislative/Litigation Committee: Scott Dubbs, Marilyn Ryan
- Personnel/Policy Committee: Kari Peiffer, Janice Muller

### Disability Applications

#### Closed Meeting

##### Executive Session to Discuss Disability Applications

The meeting closed to the public at 11:32 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 11:39 a.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 table the disability application of Janet Ioder. Member Ryan seconded the motion. The motion passed unanimously.

### Public Comment

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

### Applications and Benefit Adjustments

Mr. Graham presented a brief overview of the regular, survivorship, adjustments and corrections for applications and retirement benefits made during the May 1 – September 30 timeframe. He noted that 526 people officially retired with an average monthly benefit of \$2,295.29, average age of 61.50 and average length of service being 26.21 years.

### M-Trust Phase 3

Mr. Graham reported work continues with the M-Trust contractors to determine the scope of work for Phase III of the project. He estimates Phase III will take 12-14 months. Phase II duplicated the existing functionality of Pension+; Phase 3 will make changes to enhance functionality and improve efficiencies for staff. Mr. Graham will report back to the Board in December with more information.

### Strategic Planning

#### **Long Range Planning**

The strategic planning worksheet has been updated based on board discussion on August 3<sup>rd</sup>. Mr. Graham led the board through the list and received clarification on items and concepts that were not clear for staff.

### **Workspace Options**

Mr. Graham presented the Board with preliminary information regarding workspace options for TRS.

***Redesign and Renovation of Existing Building:*** Representatives from the Architecture and Engineering Division provided Mr. Graham with an estimate and concept drawings that increases the number of enclosed offices by two and the number of cubicles by 1-3 if needed. The Board Room would be slightly bigger and relocated downstairs against the wall with no exterior windows. Throughout the building, there would be more interior windows that would allow natural light into the center of the building. The estimated cost of this renovation is between \$330,000 and \$382,000 without an allowance for furnishings and equipment. Based on current staff and storage needs, this option could buy TRS 10-15 years' time before workspace options would need to be re-addressed.

***Basic Renovation of Existing Building:*** General Services Division provided an estimate of what it would cost to do a basic renovation of the current workspace. Their estimate included new flooring and paint throughout the building and splitting the office currently occupied by Mr. Graham. The projected cost associated with this renovation is \$96,987.36 with an additional cost of \$55,425.32 for the removal of the asbestos ceiling tiles. Although this option would provide one additional enclosed office in the building, it would not update lighting or plumbing fixtures and would not allow for any additional natural light into the center of the building.

***Increase Footprint of Current Location:*** The Architecture and Engineering Division provided an estimate of \$1.5 to \$1.6 million to update the current building and build an addition that would double the square footage of the building . The cost of the new space would be capitalized, so there would be no loan repayment.

***Lease Current Location to Another Agency and Find Suitable Space to Lease Off Campus:*** DoA Health Care Benefits Division is interested in swapping locations with TRS. They currently lease space at the 100 N. Park building (same building as MPERA), and they would like to move onto the Capitol complex. Informal discussions indicate they would be willing to lease the TRS building at the same square footage rate that is being charged in the 100 N. Park location. Additional square footage at the 100 N. Park location would be an additional cost.

***Sell Current Building and Lease or Buy New Space:*** An appraisal of the current TRS building would be needed for this option, and it is estimated to cost around \$4,000 and take approximately 6-8 weeks. If this is a viable option, the Board will need to authorize a budget for the appraisal process, and it will need to be determined whether TRS would lease, buy or build a new space. The Board agreed to allow for a possible \$4,000 variance in the operating budget for Mr. Graham to have the appraisal done.

#### Public Comment

Vice Chair Dubbs asked for public comment on the M-Trust Phase 3 and Strategic Planning. There was none.

#### Adjournment

Having no more business before them, Vice Chair Dubbs asked for a motion to adjourn the meeting.

***Motion/Vote:*** Member Ryan moved adjourn the meeting and Member Muller seconded it. The motion passed unanimously, and the meeting was adjourned at 12:29 p.m.

Chairperson /s/ Kari Peiffer

Executive Director /s/ Shawn Graham