

**Teachers' Retirement Board Meeting  
Teachers' Retirement Board Room  
1500 East 6<sup>th</sup> Avenue  
Helena, MT  
February 26, 2016**

**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  
John Noble, Information Technology Manager  
Karin Janssen, Public Information 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 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:* Member 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 December 3, 2015.

*Motion/Vote:* Member Marilyn Ryan moved to adopt the minutes as amended and Member Daniel Trost 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 informed the Board that Erin Montgomery, Administrative Assistant and Quality Control Technician, recently left TRS to be closer to her family. TRS is in the process of recruiting for the Administrative Assistant/Quality Control position which closes today. Mr. Graham said that enough applications were received to move to interviews.

### **Interim Committee Updates**

The Legislative Audit Committee met in early February to review the results of the financial audit of TRS as of June 30, 2015. The audit report contained no recommendations and the auditor issued an unmodified opinion on the TRS financial statements. Questions from the committee centered on actuarial assumptions such as the wage growth assumption and the rate of return assumption. They did not have any questions related to the financial statements.

The State Administration and Veteran Affairs (SAVA) interim committee is to meet on April 19, 2016 and requested that TRS, MPERA, and BOI attend the meeting in a panel setting. The letter Mr. Graham received from Sheri Scurr, committee staff on behalf of committee chair, Sen. Dee Brown indicated that they would like to see a breakdown of the total annual contributions into TRS and PERS compared to the total annual benefits paid out of each system. In addition, they asked for a graph showing the effect on the funded status of the plan over the next 30 years if the average return on investment were 0%. Based on our current assumptions and the latest actuarial valuation, TRS will be more than 100% funded in 30 years from now. Mr. Graham will work with MPERA and BOI on a coordinated response to the committee.

### **MUS Working Retiree Update**

Mr. Graham and Ms. Pizzini met with Viv Hammill, Amy Berry, Ruth Ann Hansen and Jackie Salvesson from the Office of the Commissioner of Higher Education (OCHE) on February 1, 2016 as a follow-up to the MUS working retiree matter. TRS statutes were reviewed as well as MUS policies regarding proper retirement system reporting. We are waiting for a data file from OCHE that will provide us with the name, social security number, job title, date hired, and current retirement system of all MUS employees so that we can compare all individuals in the report to our retired payroll database to look for additional TRS retirees that are currently working in a TRS reportable position but are not being reported to TRS as working retirees.

### **TRS 2017 Board Legislation**

The Governor's Office has requested that 2017 legislative proposals be submitted to them by April 15, 2016. These are concepts at this time, and need not be fully drafted bills. Final drafts of agency legislation, along with preliminary fiscal notes, are due to the Governor's Office by September 15, 2016. Currently, TRS staff has several "housekeeping" items that will be rolled into a single bill. Additionally, TRS will have legislation as required under 19-20-621, MCA, to address the MUS supplemental contribution rate necessary to amortize the university system's past service liability by July 1, 2033. During the 2015 Legislative Session, the MUS supplemental contribution rate would have needed to increase from 4.72% of wages for MUS-RP participants to 9.75% in order to fully amortize the unfunded liability created when TRS was

closed to future MUS participants by 2033. Bill drafts will be available for Board discussion at the May 13, 2016 meeting.

#### Public Comment

Chairperson Peiffer asked for public comment on any matter from the Executive Director's Report. There was no public comment.

#### Administrative Business

##### Investment Report

Member Marilyn Ryan gave a brief overview of BOI activity through January 31, 2016, stating that our consultant says we are still in good condition. We rank high compared to our peers. Member Ryan mentioned a few factors that are leading to market instability: China's instability, oil prices affecting all areas of the economy, and the increase in interest rates. However, no major adjustments in the allocation of pension fund investments were recommended.

##### 2015 Comprehensive Annual Financial Report

Mr. Brilz presented the FY2015 CAFR as well as the results of the LAD audit. He noted that we received a clean audit and that we can rely on the numbers in the report that was distributed to each board member and posted on the TRS website.

##### Financial Statements and Budget Reports

Mr. Brilz presented the Board with the fiscal and budget reports through January 31, 2016. He noted that pension deferred outflows now show on the financials as a result of GASB 68 requirements and TRS participation in PERS as an employer. Assets and fund balance continue to increase. On the budget, we are seeing some savings – lower legal fees and GASB 68 costs are less. He noted that Phase 2 of the M-Trust project will be completed this calendar year. The M-Trust steering team is in the process of developing a scope of work for the enhancement phase of the project.

##### Draft Policy – Funding and Benefits

The Board reviewed the Funding and Benefits Policy that included staff recommended revisions. The Board is required to review the Funding and Benefits Policy at least every two years; however, we had not reviewed nor made changes to this policy since 2012 due to the uncertainty surrounding the GABA litigation and the GASB 67 and 68 requirements. Staff revisions to the policy have been kept to a minimum, but the staff is confident that the changes outlined in the policy sufficiently cover the changes necessary as a result of the 2013 legislation and the new GASB requirements. The Board did not ask for any additional revisions to the Funding and Benefit policy. This policy will be brought forward at the May Board meeting for Board approval.

##### Personnel Committee Report

Chairperson Peiffer and Member Dubbs provided a verbal report on the Personnel Committee meeting held February 26 to conduct the performance appraisal for the Executive Director. Chairperson Peiffer noted that Mr. Graham is exceeding expectations both with the Board and with the employees. She thanked the staff for participating in the process and mentioned that the appraisal process will be more open-ended in the future.

### Tentative 2016 Meeting Dates

Tentative meeting dates for 2016 were discussed. The next meeting of the Board will be May 13. Subsequent tentative meeting dates for this year are August 19, September 23, and December 2. The August meeting date will be solidified at the May meeting.

### Out of State Travel Request

An out of state travel request was presented to the Board by Ms. Pizzini to attend the annual NAPPA conference in New Orleans, which was included in the budget approved by the Board last May.

*Motion/Vote:* Member Daniel Trost made a motion to approve the travel request for Ms. Pizzini to attend the NAPPA conference. Member Janice Muller seconded the motion. The motion was passed unanimously.

### Policy Approval – Board Communications

Updates to the Board Communication Policy were noted and discussed at the December 3, 2015 Board meeting. Staff recommends approval of the Board Communications Policy

*Motion/Vote:* Member Marilyn Ryan made a motion to approve the Board Communications Policy. Member Trost seconded the motion. The motion passed unanimously.

### Next Meeting Date

The next meeting date of the Board of Trustees is May 13, 2016.

### Public Comment

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

### Introduction of Special Meeting Guests

Member Ryan introduced two retired members who were meeting guests – Charlene Suckow and Marilyn Hamer from the Montana Retired Educators Association.

### Applications and Benefit Adjustments

#### Regular, Survivorship, Adjustment, & Corrections

The Board reviewed a list of members who have retired since the October 1 Board meeting and adjustments made during the last quarter. There were a total of 50 applications processed, with the average monthly benefit being \$887.20.

### Legal Counsel's Report

#### Summary of Legal Issues

Regarding the Zabrocki matter, Ms. Pizzini reported that Zabrocki's attorney filed a petition for judicial review in district court in Helena which the judge dismissed after briefing and remanded the case back to the board. Mr. Zabrocki's attorney has now filed an appeal in the Supreme Court of the dismissal by Judge Reynolds. TRS filed a motion for dismissal of the appeal as being out of time, and the Supreme Court denied the request. The proceeding continues with the hearings examiner, but Mr. Zabrocki's attorney has now filed a motion with the Supreme Court for a stay of the administrative proceeding pending conclusion of the appeal. The motion for a stay has not yet been ruled on.

We have one other case pending in District Court which is a declaratory judgment action on who the appropriate beneficiary is for a deceased member. We are basically by-standers in this 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.

#### IRS Proposed Regulations – Normal Retirement Age

Ms. Pizzini discussed the IRS's recently released proposed regulations on normal retirement age. The IRS lists several safe harbors specific to governmental plans. Our defined normal retirement age of 60 is appropriate in light of the specified safe harbors, therefore, no changes to TRS statute or practice would appear to be necessary to comply with the proposed regulations if finally adopted as published.

#### Public Comment

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

#### **Board Training**

##### Non-Discrimination in Employment and Provision of Services

Ms. Pizzini conducted Non-Discrimination in Employment and Provision of Services training for the Board.

#### **Long Range Planning**

##### Communications Strategy Worksheet

Ms. Karin Janssen, TRS Communications Manager, presented an overview of the TRS Communications Plan. An updated communication's plan is part of the on-going TRS strategic planning efforts, and Board discussion of Ms. Janssen's strategy worksheets helps align the Board's priorities with the information provided on the website, in the handbooks and on our forms.

##### Disaster Recovery – Business Impact Analysis

Mr. John Noble, TRS IT Manager, presented the results of the recently-completed TRS Living Disaster Recovery Plan. TRS has been working with the Department of Administration over the past several months to update our plan, which is saved on the State network. The plan outlines our key contacts, orders of succession, criticality of TRS business processes and the recovery time required for each process. The plan will be updated and distributed electronically each quarter and a paper copy will be saved in the vault.

#### Public Comment

Chairperson Peiffer asked for any public comments on the long range planning efforts of TRS. There was none.

**Disability Applications**

**Closed Meeting**

**Executive Session to Discuss Disability Applications**

The meeting closed to the public at 11:40 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 12:10 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 Trina Brostrom. Member Muller seconded the motion. The motion passed unanimously.

*Motion/Vote:* Member Muller made a motion to deny the disability application of John Miller. Member Ryan seconded the motion. The motion passed unanimously.

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

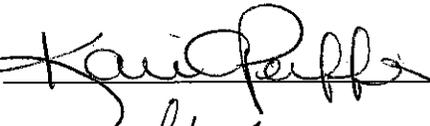
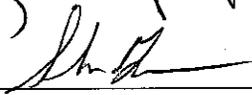
**Public Comment**

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

**Adjournment**

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

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

Chairperson  \_\_\_\_\_  
Executive Director  \_\_\_\_\_