

Teachers' Retirement Board Meeting
Teachers' Retirement Board Room
1500 East 6th Avenue
Helena, MT
February 17, 2017

BOARD MEMBERS PRESENT

Kari Peiffer, Chairperson
Scott Dubbs, Vice Chair
Janice Muller, Member
Daniel Trost, Member
Daniel Chamberlin, Member
Jeff Greenfield, Member

STAFF PRESENT

Shawn Graham, Executive Director
Denise Pizzini, Legal Counsel
Nolan Brilz, Accounting/Fiscal Manager
Tammy Rau, Deputy Executive Director
Darla Fitzpatrick, Communications Officer

OTHERS PRESENT

Diane Fladmo, MEA-MFT
Charlene Suckow, MREA
Marilyn Hamer, MREA

Call to Order

Chairperson Kari Peiffer called the meeting to order at 9:03 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 Daniel Chamberlin moved to adopt the agenda and Member Janice Muller seconded it. The motion passed unanimously.

Adoption of Minutes

Chairperson Peiffer asked if there were any changes or corrections to the meeting minutes of December 2, 2016. Member Muller noted 2 changes.

Motion/Vote: Member Daniel Trost moved to adopt the minutes as amended and Member Chamberlin 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

Mr. Graham gave an overview of the timeline and budget for Phase III of the M-Trust project.

Phase III of the M-Trust project is expected to be completed by September 29, 2018 at a total cost of \$1.28 million. Mr. Graham provided a breakdown of the enhancement costs.

- Programming costs (fixed price): \$472,000
- Project Manager: \$166,192
- Test Lead \$141,440
- IV&V: \$43,613
- Contingency: \$82,365
- TRS Personal Services: \$375,000

The enhancement phase of the M-Trust project is aimed at accomplishing the following objectives: 1) Improve TRS staff productivity and efficiency by streamlining work flow and reducing the time spent finding information, entering routine data, and dealing with exceptions; 2) Improve customer service by providing more online information and service and reducing the time needed to complete routine processes; 3) Make it easier for members to obtain and update routine information without TRS staff involvement; 4) Improve data quality; 5) Improve the longevity, maintainability, and flexibility of the M-Trust system; and 6) Reduce the impact of staff turnover by matching the M-Trust system to current business processes, reducing the amount of information that must be learned and retained by new workers. This will reduce training time for new employees.

Public Comment on M-Trust Phase III Project

Ms. Fladmo thanked the team and appreciates all the upgrades that will benefit our members as well as TRS employees. Good Job!

Approval of Phase III Project

Motion/Vote: Member Scott Dubbs moved to approve the Budget for Phase III of the M-Trust Project. Member Trost seconded it. The motion passed unanimously.

Executive Director's Report

Staff Update

Mr. Graham introduced Darla Fitzpatrick, the new TRS Communication Manager. Darla served as the contracted Technical Writer on the M-Trust project for the past three years so she comes into her new position with a great deal of knowledge and understanding of our pension administration system as well as many of the TRS business processes.

Jessica Hill has just accepted the vacant Benefits Officer position which opened up when Kristin Williams took a new job at Carroll College. Jessica comes to TRS with 11 years of previous

experience from Student Assistance Foundation. Jessica's first day of employment at TRS will be February 21st.

2017 TRS Board Legislative Update

Mr. Graham gave an update on the bills requested by the TRS board as well as other legislation affecting TRS. HB 67 and HB 68 have both passed the legislature and are on the Governor's desk for approval. HB 72 was tabled in first committee and is likely dead. SB 121 passed the Senate and is headed to the House and SB 143 remains in Senate State Administration Committee. A summary was provided in the Board packet as well as posted on the TRS website.

Mr. Graham gave a brief update on a few late entries: HB 436 regarding voter approval for employer contributions, HB 499 regarding actuarial reporting, and SB 263 regarding 100% investment in passively managed index funds. Mr. Graham will monitor these bills and provide updates to the Board as the session progresses.

Public Comment

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

Administrative Business

Investment Report

Mr. Graham gave a brief report on the BOI summary for December 31, 2016 which was provided in the Board packet. Member Chamberlin asked if there should be or has been a different fee/allocation structure for each of the retirement systems. Mr. Graham was unable to attend the last BOI meeting but stated he will research this and get more information to bring to the next Board meeting.

FY 2016 Comprehensive Annual Financial Report

Nolan Brilz, TRS Accounting Manager, distributed to the Board a hard copy of the CAFR report. Mr. Brilz provided an overview and answered questions.

FY 2017 Financial Statements and Budget Reports

Mr. Brilz presented the financial reports through January 31, 2017. The report includes the final expenditures for Phase II of the M-Trust project which ended up slightly under the overall budget projections.

Personnel Committee Report

Chairperson Peiffer and Member Muller reported on the Personnel Committee meeting, which was held on February 17, 2017 at 8:00 am for the purposes of conducting the annual appraisal for the TRS Executive Director. Member Muller reported that the new format this year allowed employees the opportunity to provide feedback. Chairperson Peiffer announced that Mr. Graham's ratings were "outstanding" and TRS has great staff and leadership. Mr. Graham emphasized the format this year was good and he looks forward to making improvements.

Tentative 2017 Meeting Dates

The next meeting date of the TRS Board is scheduled for May 12, 2017. Chairperson Peiffer requested to review the rest of the tentative 2017 Board meeting dates, which are:

August 4, 2017 (Strategic planning and training)
October 6, 2017 (Actuarial Valuation Results)
December 8, 2017

Out of State Travel Requests

Approval for out of state travel for Mr. Noble to attend the PRISM annual conference in April and for Ms. Pizzini to attend the NAPPA summer conference in June.

Motion/Vote: Member Muller made a motion to approve the out of state travel for both Mr. Noble and Ms. Pizzini. Member Chamberlin seconded the motion, and it passed unanimously.

Public Comment on Administrative Business

Ms. Fladmo with MEA-MFT expressed her appreciation to Mr. Graham and his staff for all their hard work and dedication.

Applications and Benefit Adjustments

Deputy Director Tammy Rau presented the information on retirement applications and benefit adjustments, stating there were 39 total applications processed since the last board meeting with an average of 15.49 years of creditable service and an average age of 59.82 years.

Legal Counsel's Report

Ms. Pizzini reported no new contested case matters have arisen. She did report the one pending contested matter (Zabrocki) is still scheduled for a 4-day hearing beginning May 2nd. Ms. Pizzini hopes to have an update for the May Board meeting.

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The meeting was closed to the public at 11:20 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. Ms. Rau presented the three submissions. The meeting was reopened to the public at 11:50 p.m.

Open Meeting

Applications for Disability Retirement Benefits

Chairperson Peiffer requested a motion on the disability application for S.A.

Motion/Vote: Member Greenfield made a motion to approve the disability application. Member Trost seconded the motion. The motion passed unanimously.

Chairperson Peiffer requested a motion on the disability application for K.W.

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

Chairperson Peiffer requested a motion on the disability application for J.I.

Motion/Vote: Member Chamberlin made a motion to table the disability application of J.I. and request a second opinion from a medical physician in Helena at TRS expense. Member Dubbs seconded the motion. The motion passed unanimously. Ms. Rau will contact Dr. Scofield to make a recommendation and referral for J.I. for a second opinion.

IT Manager Report

Mr. Noble provided an update regarding the IT Convergence efforts that are underway at TRS. On February 4 & 5, 2017, TRS migrated from TRS's hardware to the State of Montana's ITSD servers per Executive Order 09-2016 issued by Governor Bullock on May 25, 2016. Mr. Noble reported, that once the TRS IT team has completed printing the 1099Rs and EFT check stubs for the month of February, they will shut down the VMS system.

Incident Response Plan Update – Mr. Noble reported he is in the process of developing a plan outlining detailed steps to be taken should TRS have a data breach. A final draft will be provided at the May 12th Board meeting.

Long Range Planning

2016-2017 Strategic Planning Commitment Worksheet – Updates

Mr. Graham walked the board through the commitment worksheet providing updates for each item.

TRS Building Appraisal and Discussion

Mr. Graham gave a high-level overview of the TRS building appraisal which was conducted by Moore Appraisals, Inc. on December 7, 2016. A copy of the appraisal was provided in the Board packet. The building plus the land are valued at approximately \$1.2 million. Different scenarios were discussed: 1) lease out the current TRS building and lease more space in another building not necessarily on the Capitol campus; 2) plan a full remodel of the current building including an addition to double the footprint of the current space, or 3) build a new building. Mr. Graham stated that a division of another state agency might be interested in moving to the Capitol complex. Mr. Graham will continue to research the options available to TRS and report at the next board meeting.

Adjournment

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

Motion/Vote: Member Muller moved to adjourn the meeting and Member Greenfield seconded it. The motion passed unanimously, and the meeting was adjourned at 1:56 p.m.

Chairperson /s/ Kari Peiffer

Executive Director /s/ Shawn Graham