

Montana Teachers' Retirement System Board Meeting
Teachers' Retirement Board Room – 1500 East 6th Avenue, Helena, MT
August 3, 2018

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
Darla Fitzpatrick, Communications Officer
John Noble, IT Manager

OTHERS PRESENT

Diane Fladmo, MFPE
Michael Kauffman, Drake Law Firm
Scott Svee, Jackson, Murdo & Grant, P.C.
Holly Fox, Lesofski Court Reporting
Julie Walker, Montana Office of Public Instruction
Sheri Scurr, Montana Legislative Services Division

Call to Order

Chairperson Kari Peiffer called the meeting to order at 8:30 a.m. in the Teachers' Retirement Board Room at 1500 E 6th Avenue in Helena, Montana.

Adoption of the Agenda

Chairperson Peiffer requested a motion to adopt the agenda.

Motion/Vote: Member Janice Muller moved to adopt the agenda. Member Daniel Chamberlin seconded the motion and it was approved by all members.

Adoption of Minutes

Chairperson Peiffer asked for a motion to approve the meeting minutes from May 18, 2018.

Motion/Vote: Member Jeff Greenfield made a motion to adopt the minutes as written and Vice Chair Scott Dubbs seconded the motion, which passed unanimously.

Public Comment on Board Related Items

Chairperson Peiffer provided an opportunity for members of the public to comment on any public matter not on the agenda and within the jurisdiction of the Board. There was no public comment.

Contested Case – Zabrocki

At the May 18, 2018 meeting, members of the Board heard oral arguments on exceptions to the Hearings Examiner's proposed order regarding Mr. Zabrocki's eligibility for TRS retirement benefits. As Member Chamberlin was not present at the May meeting, he did not participate in this discussion or the vote in this matter. Chairperson Peiffer summarized the status of the case and asked the Board to make a motion to adopt or not adopt the proposed order.

Member Greenfield suggested the Board should adopt the overall order but should request correction of certain errors. Member Trost agreed. Michael Kauffman of Drake Law Firm, legal counsel to the Board, summarized the specific modifications he was asked to make. Board members confirmed that the requested changes are clarifications only and do not change the Hearings Examiner's ultimate conclusions.

Motion/Vote: Member Greenfield made a motion to adopt the order contingent upon the modifications discussed. Member Trost seconded the motion. There was no further discussion and the motion passed unanimously, with Member Chamberlin abstaining.

Chairperson Peiffer confirmed with Mr. Kauffman that the Board would need to take action to approve its final decision, to be drafted by Mike Kauffman, on or before August 16, 2018. A special meeting was scheduled for Wednesday, August 8, 2018 at 3:00 p.m. to be held via conference call.

Draft Legislation

Executive Director Shawn Graham presented a summary of draft legislation that is intended to clarify current statute, not to modify rights.

Dormant member account status: TRS intends to add specificity to statute regarding its administrative procedures related to dormant membership status and dormant accounts. The need for clarification is driven partly by IRS Required Minimum Distributions (RMD) requirements. TRS will add administrative procedures to notify inactive members of their right to withdraw or apply for benefits before moving them to dormant status.

Withdrawals: Ms. Pizzini and Mr. Graham reviewed the current process by which members may withdraw accumulated contributions when they leave the profession. TRS's current waiting period of 30 days (which members may voluntarily waive) is much shorter than that imposed by most other plans. In addition to clarifying certain administrative procedures with respect to withdrawals, TRS's draft legislation changes the 30-day waiting period to 90 days. TRS believes a 90-day waiting period is a best practice to confirm that the member has terminated employment

in all TRS-reportable positions and that all contributions have been received. It also will provide better security if TRS allows withdrawal requests to be submitted online in the future.

Beneficiary provisions: Ms. Pizzini provided a summary of changes in the draft legislation to clarify how – and to whom – benefits will be paid upon the death of a member. The changes are intended to move all TRS provisions regarding beneficiary designations and payments to Part 10, the section of TRS law that deals with payments by TRS upon the death of a member or retiree, and to provide more detail regarding TRS’s long-standing application of beneficiary requirements and rights to prevent confusion with the probate beneficiary requirements and rights set forth in Title 72 of the MCA, which do not apply to TRS.

Montana University System supplemental contribution rate: As discussed in the previous meeting, the current supplemental contribution rate of 4.72% is insufficient to amortize the past service liability of MUS employees who elected to remain in the Teachers’ Retirement System back in 1987 when the MUS closed the system to new members in favor of a defined-contribution plan. Current law states the supplemental rate will be evaluated and updated periodically, but the Legislature has not approved any proposed increases in the past. Alternate proposals were discussed but no decisions were reached.

Public Comment

Diane Fladmo of MFPE expressed a desire to involve MFPE and MUS personnel in future discussions to find a workable solution.

Strategic Planning

Mr. Graham led the Board through a review of the strategic plan developed last year. The TRS commitment worksheet included a task to develop a webpage specifically for school board members. Darla Fitzpatrick, TRS Communications Manager, displayed a draft version. Members of the Board agreed with the general approach and suggested some ways to promote it. TRS will provide a link for Board members to review the content more thoroughly.

Ms. Fitzpatrick then presented a proposal for a refreshed TRS logo design. TRS had planned to purchase signage for its booth at the MFPE Educators’ Conference, but the graphic quality of the existing logos was inadequate for large-format reproduction so Ms. Fitzpatrick worked with State Print & Mail Services to develop modernized versions of the existing logos for general use. Members of the Board expressed support for the overall approach and identified their preferred designs. TRS will continue working with Print & Mail Services on a final set of logos.

Mr. Graham then provided a status update on each task on the TRS Commitment Worksheet and announced that active TRS members now can submit beneficiary designations online via My TRS. The TRS IT department also will implement the Perceptive Content Management system soon. The task to implement a Voice-over-IP (VoIP) telephone system also is already complete and will enable future efficiencies such as recording phone calls for quality control, if State policy allows it. Tasks related to member outreach and education are in various stages of progress, including a new presentation for early- and mid-career teachers.

Public Comment

Ms. Fladmo thanked TRS for the time given by staff to attend pre-retirement workshops and the Educators' Conference.

M-Trust Phase 3 Schedule and Budget

Jane Fournier, M-Trust Project Manager, presented an updated schedule and walked members of the Board through major milestones. Because the development team is small (two people) and M-Trust is complex, ongoing maintenance has taken more of their time than originally estimated and has reduced the time available for work on Phase 3 enhancements. This is the primary reason for extending the schedule.

Mr. Graham stated that the project steering team reviews the schedule every week and prioritizes work carefully to ensure enhancements are completed as efficiently as possible given the small development team and limitations on TRS staff time. He also announced that Ms. Fournier will retire at the end of August and a new project manager will come on board for the remainder of Phase 3. Mr. Graham and members of the Board expressed appreciation for Ms. Fournier's leadership and dedication to the project. Mr. Graham then presented the revised budget and discussed the primary cost drivers, including contracted staff salaries for the extended schedule.

Motion/Vote: Member Trost moved to approve the revised project schedule and budget request. Member Chamberlin seconded the motion, which passed unanimously.

Public Comment

Ms. Fladmo thanked the team for their good work.

Administrative Business

Investment Report

Member Greenfield reviewed the updated investment report from the Board of Investments and provided a status update on the hiring process for a new BOI Executive Director. The BOI Board reviewed applications from many good candidates. Some had a deep background in investments, and some had highly relevant experience with retirement systems. The lengthy list of candidates was narrowed to four and a final decision will be made in the next week.

YTD Financial Statements and Budget Reports

Accounting/Fiscal Manager Nolan Brilz indicated the M-Trust budget expenses are accurate as of June 30 and the project is on track with the budget amendment that was just passed. The operating budget shows a surplus at the end of FY 2018, partly due to lower costs for actuarial services related to GASB 68 reports. There were no questions from Board members.

Tentative Meeting Dates

Board members confirmed the October 5 date for the next board meeting. Mr. Graham stated he would distribute information for members to dial into the conference call for the special meeting to be held on August 8, 2018. Ms. Pizzini will coordinate the meeting.

