

**Montana Teachers' Retirement System Board Meeting**  
**Teachers' Retirement Board Room – 1500 East 6<sup>th</sup> Avenue, Helena, MT**  
**December 14, 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, Information Technology Manager

**OTHERS PRESENT**

Sam Schaefer, Montana Legislative Fiscal Division  
Dennis Parman, Montana Rural Education Association  
Diane Fladmo, Montana Federation of Public Employees

**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 6<sup>th</sup> 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 Trost 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 October 5, 2018.

*Motion/Vote:* Member Jeff Greenfield made a motion to adopt the minutes as written. Member Daniel Chamberlin seconded the motion, which was approved 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. Guests Sam Schaefer and Dennis Parman introduced themselves. There were no additional comments.

## **M-Trust Phase III**

### Project Schedule

Executive Director Shawn Graham provided a status update for Phase III of the M-Trust project and noted the remaining work is scheduled for completion by December 2019. Mr. Graham stated that while some of the remaining modules are complex, the budget is on track and work is progressing nicely. Members of the Board had no questions about the schedule.

### Online Beneficiary Designation

Communication Manager Darla Fitzpatrick provided an overview of the new process that allows active members to use their secure “My TRS” login to designate beneficiaries online instead of using paper forms that require notarization. Paper forms are still available for those members who prefer them, but the online process incorporates business logic to prevent common errors, such as failure to provide certification of marital status when removing a spouse beneficiary. This significantly reduces processing time, as there is less need for TRS staff to request corrections or additional information by mail.

### Public Comment

Diane Fladmo of MFPE expressed appreciation for the team’s work.

## **Executive Director’s Report**

### Staff Update

Mr. Graham announced that an existing staff member, Jessica Stevens, applied for and was selected to fill the Benefit Specialist position that opened when Sandy Donahue retired. Another staff member, Shannon Buswell, was the successful applicant for Ms. Stevens’ former position on the Retired Payroll team. Following that change, TRS hired Christian Ward, previously of DPHHS, to fill Ms. Buswell’s role as Executive Secretary. Mr. Graham praised the skill and experience that each staff person brings to his or her new role.

### 2019 Legislation Update

Mr. Graham confirmed that Representative Marilyn Ryan will sponsor the TRS housekeeping bill, and Representative Ryan Lynch once again will carry a bill requesting an increase in the employer supplemental contribution rate paid to TRS, as required by §19-20-621, MCA, for participants of the Montana University System Retirement Program. Member Greenfield stated he has advocated for this bill with Board of Investments liaisons.

Several bill draft requests could affect TRS, including a bill that would increase the number of retirees who qualify to return to work under §19-20-732, MCA, which applies only when a school district has been unable to fill an advertised position with a qualified teacher who is not retired. Mr. Graham expects it will be similar to SB 143 from the 2017 Legislature, which was passed but vetoed by Governor Bullock. Several other bills bear the placeholder title “Generally revise retirement system laws,” but details are not yet known.

### SAVA Update

In November, Mr. Graham presented the results of the July 1, 2018 actuarial valuation to the State Administration and Veteran Affairs committee. One question from SAVA was whether TRS intends to bring a funding bill to the legislature. Aside from the MUS-RP supplemental contribution bill, no conventional funding bill is planned because TRS's actuarial assumptions predict the July 1, 2019 valuation will again show an amortization period of 30 years or less.

### BOI Update

Mr. Graham also presented the actuarial valuation results to the Board of Investments in November. The BOI reviews asset allocation ranges and may recommend changes based upon the valuation. Member Greenfield will provide an investment report later in the meeting.

### Legislative Finance Committee Update

Mr. Graham reported that he recently presented the actuarial valuation results to the LFC and received a similar question about whether TRS would bring a conventional funding bill to the legislature to increase employer or employee contributions. He explained why no funding changes are being requested other than to the MUS-RP supplemental contribution rate.

At the same meeting, Legislative Fiscal Division staff conducted a presentation on upcoming changes to Actuarial Standards of Practice (ASOP). The ASOP 51 standard requires actuaries to provide more detailed analysis and disclosure of risk related to pension plan obligations. These changes should help board members and legislators make informed funding decisions. Mr. Graham has spoken with the TRS actuaries, who intend to comply fully with the ASOP 51 standard with the July 1, 2019 valuation.

### Public Comment

Sam Schaefer from the Legislative Fiscal Division explained that the ASOP 51 standard provides an opportunity to educate our citizen legislators, who are responsible for applying fixes when funding problems arise. Few legislators are well versed in the complexities of pension plans, and ASOP 51 will allow LFD staff to illustrate, in an easy-to-understand manner, how slight changes to the current funding mechanism would affect TRS and MPERA. They will determine which types of analyses the legislators are interested in seeing and will report back to Mr. Graham and MPERA Executive Director Dore Schwinden.

### **Administrative Business**

#### Investment Report

Member Greenfield provided an update from the most recent Board of Investments meeting. As discussed in previous meetings, the BOI moved the value of real estate holdings into the Consolidated Asset Pension Pool in October. The present value of those assets is \$19.4 million. Minor changes were made to asset allocation ranges for the retirement systems. All investments already fit within the recommended ranges, so no adjustments are needed. Compared to some other systems, Montana's pensions are well diversified and well positioned for long-term growth.

Member Greenfield pointed out that recent market volatility is reflected in the latest quarterly report, but it is nothing like 2008 and may be a natural correction. Board of Investments members are mindful that they must take the long view of investing and not overreact.

#### YTD Financial Statements and Budget Reports

Accounting/Fiscal Manager Nolan Brilz reported that BOI has resumed monthly entries into the SABHRS accounting system. Total assets are up, year over year, but investment revenue does show a loss due to the recent market fluctuations mentioned previously. The M-Trust Phase III budget shows a surplus in nearly every category and no budget amendments should be needed if remaining work goes as planned. Any surplus remaining at the end of the project would go back into the TRS operating budget. The FY2019 operating budget shows a slight surplus as well, due in part to staff vacancy savings and lower expenses in certain categories.

Mr. Brilz reported that he should have an audit opinion by the end of the day and will be able to complete the Consolidated Annual Financial Report on time.

#### NCTR Report

Vice Chair Scott Dubbs stated this year's conference was one of the best he has attended. He found presentations on the current political climate to be helpful, as well as sessions focused on cybersecurity risks and on understanding the mindset of members, particularly those in the "millennial" age range.

#### Tentative 2019 Meeting Dates

Mr. Graham reported that TRS actuaries are already scheduled to travel to Montana for the October MPERA board meeting, which is set for the week following the tentative TRS board meeting. Members of the Board agreed to move the October 4 meeting to October 11, 2019.

The next meeting is February 15, 2019 and all except Member Chamberlin will attend.

#### Out-of-State Travel Request

Deputy Director Tammy Rau plans to attend the GFOA conference in Los Angeles in May 2019.

Motion/Vote: Member Trost moved to approve the travel request. Member Muller seconded the motion, which was approved unanimously.

#### Public Comment

There was no comment.

## **Applications and Retirement Benefits**

### Regular, Survivorship, Adjustments, and Corrections

Director Graham reported 50 applications for retirement were processed between September 1 and November 30, 2018.

## **Legal Counsel's Report**

### Legal Issues

Chief Legal Counsel Denise Pizzini provided an update on the status of the Zabrocki case. She reminded members that the matter, though currently in District Court on a petition for judicial review, could be remanded to the Board, so the prohibition on ex parte communications remains in effect. Ms. Pizzini and Mr. Graham attended a scheduling conference in Judge Menahan's court and, due to a backlog of criminal cases, they believe judicial review of the Zabrocki case could take a significant amount of time.

## **Board Training**

### Per Diem Election Forms

Ms. Pizzini reviewed the policy regarding compensation received from multiple public entities for the same period of time, including time spent preparing for and attending TRS board meetings. She distributed the annual per diem election form to be completed by each Board member depending on her/his circumstances.

### Ethics / Conflict of Interest

Ms. Pizzini provided annual ethics/conflict of interest training for Board members and distributed the annual conflict disclosure form for the Board members to complete and return.

## **Long Range Planning**

### 2017-2019 Strategic Planning Commitment Worksheet

Mr. Graham reviewed updates made to the commitment worksheet since the last meeting. A webpage for school board members has been completed, and a new presentation for early- and mid-career educators also was developed and presented at the MFPE conference in October.

### House Bill 5 Request for Authority

Mr. Graham reviewed the intent of TRS's portion of HB 5, which requests authority to use TRS funds for planned improvements to the TRS building, including installation of an ADA-compliant lift. Costs included in the bill do not involve changes to the building's footprint.

### Office Space

Last year, TRS was prepared to exchange space with another division and move to the third floor of the Park Avenue building. Ultimately, the other division chose not to proceed but space has come available on the ground floor of that building. It would meet TRS's needs quite well and offer more square footage. Various factors were discussed, such as how long the lease might be. TRS owns its current building, and Mr. Graham pointed out that if it is remodeled, staff would

need to move out while work is being done and he would rather move only once to minimize disruption to staff and members.

Discussion ensued regarding costs to remodel the building and the potential return on investment, and whether TRS should consider selling rather than leasing it to another state agency or private entity. If HB 5 passes, TRS would have authority but no obligation to proceed with remodeling plans. Members of the Board encouraged Mr. Graham to gather more information on the various options discussed.

#### Public Comment

Diane Fladmo would like to see better work space for state employees.

#### Disability Applications

##### *Closed Meeting*

##### Executive Session to Discuss Disability Applications and Annual Reviews

At 11:45 a.m. the meeting was closed to the public, as matters of individual privacy clearly exceed the merits of public disclosure.

Mr. Graham presented three applications for board consideration, and the meeting was reopened to the public at 11:55 a.m.

##### *Open Meeting*

##### Approval of Applications for Disability Retirement Benefits

Chairperson Peiffer requested a motion on the application for D. T.

*Motion/Vote:* Member Muller moved to approve the application. Vice Chair Dubbs seconded it, with all members voting in favor.

Chairperson Peiffer requested a motion on the application for E. M.

*Motion/Vote:* Member Greenfield moved to approve the application. Member Chamberlin seconded the motion, and all members voted in favor.

Chairperson Peiffer requested a motion on the application for K.G.

*Motion/Vote:* Vice Chair Dubbs moved to approve the application. Member Muller seconded it, and all members voted in favor.

#### Public Comment

There was no comment.

#### Adjournment

With no other business before the Board, Chairperson Peiffer requested a motion to adjourn.

Motion/Vote: Member Muller moved to adjourn and Member Trost seconded it. The motion passed and the meeting was adjourned at 11:58 a.m.

Chairperson                    /s/ Scott Dubbs (acting chair)

Executive Director        /s/ Shawn Graham