

Montana Teachers' Retirement System Board Meeting
Teachers' Retirement Board Room, 1500 East 6th Avenue, Helena, MT
May 10, 2019

BOARD MEMBERS PRESENT

Kari Peiffer, Chair
Scott Dubbs, Vice Chair (by telephone)
Janice Muller, Member
Daniel Trost, Member
Jeff Greenfield, Member
Daniel Chamberlin, Member

STAFF PRESENT

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

OTHERS PRESENT

Diane Fladmo, Montana Federation of Public Employees

Call to Order

Chairperson Kari Peiffer called the meeting to order at 8:32 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 Jeff Greenfield moved to adopt the agenda. Member Daniel Trost seconded the motion and it was approved by all members.

Adoption of Minutes

Chairperson Peiffer requested a motion to approve the meeting minutes from February 15, 2019.

Motion/Vote: Member Trost made a motion to adopt the minutes as written, and Member Janice Muller seconded the motion, which was approved by all members.

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 were no comments.

Administrative Business

Investment Report

Member Greenfield provided an update on recent activities of the Montana Board of Investments (BOI). The summary for first quarter 2019 shows a significant increase in the market value of TRS investments compared to fourth quarter 2018. The BOI Chief Financial Officer has suggested the BOI board consider some changes to investment policy to help minimize risk. TRS Executive Director Shawn Graham reported that he and Dore Schwinden, Executive Director of MPERA, discussed the proposed changes with the BOI Executive Director and Chief Investment Officer and had no concerns. The BOI board has not yet adopted any changes.

YTD Financial Statements and Budget Reports

Nolan Brilz, TRS Accounting/Fiscal Manager, reported that the balance sheet reflects gains in cash and in investment revenue as of March 31, 2019. TRS expects some surplus in both the M-Trust Phase 3 project budget and the TRS operating budget. Some of the FY 2019 budget surplus will be applied to costs of readying space at 100 N. Park Avenue for TRS. This will reduce the amount included in the FY 2020 budget for moving and renovation costs.

Personnel Committee Report

Member Muller and Chairperson Peiffer met with Mr. Graham and Deputy Director Tammy Rau to discuss the proposed TRS pay plan, which would help bring staff salaries up to the desired levels. The budget request for fiscal year 2020 includes the cost of salary increases. Staff salaries currently are based on the 2016 market, and in 2020, TRS will use the 2018 market.

Budget Committee Report

Mr. Brilz reviewed line items in the proposed FY 2020 operating budget. He and Mr. Graham answered questions about certain expense categories, including those related to the new office space. Mr. Brilz also reminded members that personnel services costs for 1.9 FTE will shift from the M-Trust project budget back to the regular operating budget as of December 2019.

Vice Chair Scott Dubbs joined the meeting by telephone at 9:02 a.m.

Mr. Brilz said financial audit fees have increased significantly over the last few years. Mr. Graham answered questions about the nature of those audits. Chairperson Peiffer noted that the TRS operating budget currently is only 0.8% of benefits paid, well within the allowed range. Finance Committee members Trost and Chamberlin met with Mr. Brilz previously to review the budget justification and were pleased with the information presented.

Tentative 2019 Meeting Dates

Members agreed to move the August 2, 2019 meeting to Thursday, August 1 to accommodate schedules. Other tentative dates (October 11 and December 6, 2019) were unchanged.

Public Comment

Diane Fladmo of MFPE appreciates the staff and Board's diligence in keeping the operating budget in check and she is pleased with the pay plan for TRS staff.

Set the Interest Rate Credited to Member Accounts

Each year, the TRS Board reviews the interest rate credited to member accounts for the upcoming fiscal year (July 1 – June 30). The rate typically is kept close to the BOI's Short Term Investment Pool (STIP) yield. Mr. Graham provided data on recent yields and he recommended the interest rate be increased from 1.40% to 2.30%. Member Greenfield asked whether Members Chamberlin and Trost anticipated any risk in taking the recommendation. Neither had concerns.

Motion/Vote: Member Chamberlin moved to adopt an interest rate of 2.30% for member accounts. Member Trost seconded the motion, which was approved unanimously.

Renewal of Ice Miller Contracted Services Agreement

Mr. Graham and Chief Legal Counsel Denise Pizzini reviewed terms of the renewal agreement with Ice Miller, the firm that has provided TRS with competent counsel since 1997 on IRS compliance and other federal issues.

Motion/Vote: Member Muller moved to approve the renewal of the Ice Miller contracted services agreement. Member Greenfield seconded the motion. It was approved by all members.

Actuarial Audit/Peer Review Contract

Mr. Graham provided copies of a draft contract between TRS and the firm Gabriel Roeder Smith (GRS) to perform an actuarial audit of TRS's consulting actuary, Cavanaugh Macdonald, every five years as required by the TRS Funding and Benefit Policy. The audit/peer review was last conducted by the same firm in 2015. Mr. Graham negotiated a flat fee that is slightly higher than their 2015 rate but requires that they pay their own travel expenses.

Motion/Vote: Member Greenfield made a motion to approve the GRS Actuarial Audit contracted services agreement. Member Chamberlin seconded it, and the motion passed unanimously.

Out-of-State Travel

Mr. Graham reviewed the NCTR Summer Trustee Workshop and NCTR Annual Conference schedules. Several members of the Board have attended these events in the past and have found them to be informative. Mr. Graham suggested they consider approving attendance for a certain number of members based on their availability and interest in either event.

Motion/Vote: Member Greenfield moved to approve attendance by up to four members at the NCTR trustee workshop and annual conference. Vice Chair Dubbs seconded the motion, which was passed unanimously.

TRS would like Mr. Brilz to attend the annual Public Pension Financial Forum (P2F2) in October 2019. This expense was included in the FY 2020 budget reviewed previously.

Motion/Vote: Member Greenfield moved to approve Mr. Brilz' attendance at the P2F2 conference. Member Trost seconded it, and the motion passed unanimously.

FY 2020 TRS Budget Justification/Request

Chairperson Peiffer asked members to take action on the budget justification reviewed earlier.

Motion/Vote: Member Trost moved to approve the FY 2020 budget justification request and Member Chamberlin seconded the motion. It was approved unanimously.

Next Meeting Date – Thursday, August 1, 2019. This meeting will be held in the new TRS board room at 100 N. Park Avenue in Helena.

Board Training

Privacy and Security of Personal Information

Ms. Pizzini reviewed the policy entitled *TRS Policy on Privacy and Security of Personal Information and Notification of Breach of the Security of a Data System*. Technical corrections to some cross-references are needed and she will bring those to the next meeting for approval. Ms. Pizzini reviewed each section of the policy, including TRS's obligation to protect members' personally identifiable information.

Executive Director's Report

TRS Building Update

Mr. Graham reviewed details of the costs to move to the Park Avenue location and ongoing fixed costs, as well as the status of plans to remodel the existing building for a new tenant.

2019 Legislative Session Summary

Three bills affecting TRS were passed by the Legislature. HB 204, the TRS housekeeping bill, made important clarifications to existing law but did not reduce member rights in any way. SB 139 expanded the number of TRS retirees eligible to return to work without loss of benefits. TRS opposed the bill but did not request a veto because new reporting requirements and limitations were added to limit any negative impact. Finally, HJ 39 asked the Legislative Audit Division to prioritize a performance audit of TRS and MPERA to determine whether efficiencies might be gained by combining administrative functions. The Legislative Audit Committee will decide in June whether or not such an audit will be performed.

Staff Update

Kim Lloyd, TRS accounting technician, has decided to retire. Christian Ward, who joined TRS in December as the Executive Secretary, applied for and was offered the position. Mr. Graham mentioned that TRS had received a large number of applications for this role.

Alternative Work Schedule

Board members reviewed the TRS work schedule for summer months. Ms. Rau explained that while weekly hours are not reduced, their daily schedules may vary. This provides a morale boost during the busy summer months.

Public Comment

Diane Fladmo of MFPE commented that while public retirement systems survived the legislative session and continue to do well, we must continue to defend the pensions and highlight their value, especially as a tool for teacher recruitment and retention.

Legal Counsel's Report

Summary of Legal Issues

Ms. Pizzini reported that during each legislative session she watches all bills that may directly or indirectly affect the retirement system, but she has not identified any other legislation that will necessitate changes in TRS policy.

The Zabrocki case remains the only pending legal matter. As reported previously, Mr. Zabrocki filed a petition for judicial review of the decision in his case. He included claims for relief on a couple of issues that Ms. Pizzini does not believe can be addressed as part of the judicial review, so she has filed a motion to dismiss those claims.

Communication Manager's Report

Communication Items

Darla Fitzpatrick, TRS Communication Manager, presented some draft outreach materials for the Board's review. The TRS Horizons newsletter, to be mailed in June to approximately 33,000 active and retired members, includes a legislative update and an announcement of TRS's upcoming relocation, among other updates.

Some draft webpages also were reviewed. In June, the Home page will display a prominent announcement about the upcoming move, and maps and directions will be added on the weekend of the move (July 27-28). A webpage on the "third leg of retirement" also has been created to encourage teachers to participate in 403(b) plans, 457 plans or other savings opportunities.

Public Comment

Ms. Fladmo appreciates the work of Ms. Fitzpatrick and all TRS staff to develop new and improved educational materials for members. There is more work to be done.

Applications and Retirement Benefits

Ms. Rau reported 35 applications for retirement were processed since the last meeting. This number is small compared to the number TRS expects to process during the summer months.

Strategic Planning

Mr. Graham noted that one of the most important items from the 2017 commitment worksheet was to secure new workspace, and that goal will be achieved by the next meeting. Construction will begin on the existing building very soon after TRS moves out so that it will not sit vacant for too long. He asked whether the Board wished to engage Jim Kerins of Communication and Management Services (CMS) to develop an updated strategic plan. Chairperson Peiffer feels that

