

Montana Teachers' Retirement System Board Meeting

Virtual meeting, except as noted

August 5, 2020

BOARD MEMBERS PRESENT

Kari Peiffer, Chair

Scott Dubbs, Vice Chair (*in person*)

Janice Muller, Member (*in person*)

Daniel Trost, Member

Jeff Greenfield, Member (*in person*)

Daniel Chamberlin, Member

STAFF PRESENT

Shawn Graham, Executive Director (*in person*)

Tammy Rau, Deputy Executive Director

Denise Pizzini, Legal Counsel (*in person*)

Nolan Brilz, Accounting/Fiscal Manager

Darla Fitzpatrick, Communication Manager (*in person*)

John Noble, IT Manager (*in person*)

OTHERS PRESENT

Diane Fladmo, Montana Federation of Public Employees

Jami Wood, Montana Federation of Public Employees

Kathy Milodragovich, Montana Retired Educators Association

Mandy Rambo, Montana Department of Administration

Marci Lewandowski, Montana Legislative Fiscal Division

Call to Order

Chairperson Kari Peiffer had announced that Vice Chair Scott Dubbs would facilitate the meeting from the TRS conference room. Vice Chair Dubbs called the meeting to order at 8:39 a.m.

Adoption of the Agenda

Vice Chair Dubbs requested a motion to adopt the agenda.

Motion/Vote: Member Janice Muller moved to adopt the agenda and Member Jeff Greenfield seconded the motion, which was approved by all members.

Adoption of Minutes

Vice Chair Dubbs requested a motion to approve the meeting minutes from May 8, 2020.

Motion/Vote: Member Muller moved to adopt the minutes as written. Member Greenfield seconded the motion and it was approved by all members.

Public Comment on Board Related Items

Vice Chair Dubbs 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.

Executive Director's Report

2021 Draft Legislation

Executive Director Shawn Graham presented two bill drafts for the upcoming legislative session. A housekeeping bill would add language in §19-20-101, MCA stating that cash paid in lieu of a benefit is not earned compensation if the employee had a choice between cash or the benefit. This will ensure the law clearly reflects TRS's long-standing practice and treatment of such cash payments. The draft bill includes other minor clarifications and corrections to existing language.

Another bill draft seeks to increase the Montana University System's employer supplemental contribution to a rate that would amortize the unfunded liability of their TRS members by July 1, 2033 as required by law. TRS is obligated to periodically review and update the supplemental contribution rate, although the Legislature has not authorized an increase since 2007.

Legislative Interim Committee Update

Mr. Graham and Dore Schwinden, Executive Director of the Montana Public Employee Retirement Administration (MPERA), have been asked to attend the August 11-12, 2020 meeting of the Legislative Finance Committee, along with Todd Green from the actuarial firm Cavanaugh Macdonald. Members of the LFC have several questions about the risk analyses that Cavanaugh Macdonald recently performed for TRS and MPERA.

Mr. Graham also will present the results of TRS's July 1, 2020 actuarial valuation to the State Administration and Veterans' Affairs (SAVA) committee in late October.

Operations Update

TRS offices remain closed to the public under current COVID-19 guidelines. Mr. Graham reported that, if a member is unaware of this and arrives at the front door, TRS has masks available and can provide in-person assistance rather than turning them away. Four employees including Mr. Graham work onsite, two split their time between the office and home, and 15 work primarily from home.

Joyce Love, TRS accountant, has announced plans to retire in early September. Christian Ward, currently a TRS accounting technician, applied for and was selected to fill Ms. Love's position.

Public Comment

There was no comment.

Executive Summary – Agency IT Plan

Members of the Board were provided a copy of TRS's information technology plan for the next biennium, which has been approved by the State's CIO, Tim Bottenfield. John Noble, TRS IT manager, provided an overview of the plan for members of the Board.

Administrative Business

NCTR Trustee Workshop

Vice Chair Dubbs provided a report on the annual trustee workshop, which was held as a virtual event this year. In addition to standard topics, this year's workshop addressed the challenges faced by teachers and students in this environment of remote learning as well as the economic and political impacts of the pandemic.

Investment Report

Member Greenfield reported that the Board of Investments is the custodian for business loans available through the CARES Act and they held many virtual meetings to set up the necessary business processes and ensure the process is working well. As for investments, TRS is outperforming its peers and assets have largely recovered to the levels seen before the market downturn earlier this year. In response to a question from Member Daniel Chamberlin, Member Greenfield explained that because the BOI takes a long-term view of investments, near-term factors such as presidential elections and recent technology trends generally are not discussed.

FY 2020 Financial Statements and Budget Reports

Nolan Brilz, TRS Fiscal and Accounting manager, reviewed the fund balance statement as of June 30, 2020. As Mr. Greenfield mentioned, TRS investments are down compared to the same period last year but administrative expenses also are down. Mr. Brilz confirmed no budget amendment was needed as the FY 2020 operating budget ended with a small surplus. Good communication with employers helped ensure all submitted their June 2020 contribution reports on time.

2020 Tentative Meeting Dates

Tentative dates for upcoming meetings are Friday, October 9 and Friday, December 4, 2020.

Public Comment

There was no comment.

Next Meeting Date

All members of the Board confirmed the next meeting date of October 9, 2020.

Board Training

TRS Funding and Benefits Policy

Mr. Graham reviewed the policy with members of the Board and commented that the actuarial firm Gabriel Roeder Smith recently praised the policy in its actuarial audit. Mr. Graham believes it is important for the Board to review it ahead of the upcoming 2021 legislative session.

The funding policy prescribes the frequency of actuarial valuations, experience studies, and actuarial audits and it outlines the criteria to be applied by the Board when supporting or opposing legislation or when requesting changes to funding or benefits. Members of the Board are satisfied with the policy as written and had no further questions or suggestions.

Public Comment

There was no comment.

Legal Counsel's Report

Summary of Legal Issues

Chief Legal Counsel Denise Pizzini provided an update on two pending contested cases.

There was a motion for summary judgment in the Thane matter and the hearings examiner's proposed order was in Mr. Thane's favor, agreeing that TRS's definition of earned compensation does not support its determination on cash paid in lieu of a benefit. The issue will come back before the Board and Mr. Thane's attorney will be in contact with members regarding next steps.

The other contested case (Zabrocki) was taken to district court in Helena for judicial review and the court issued its order in TRS's favor. Mr. Zabrocki has appealed to the Montana Supreme Court, where the case is subject to mandatory mediation. Each party soon will provide pre-mediation statements on the issues to be resolved on appeal.

Communication Update

Survey Results

TRS Communication Manager Darla Fitzpatrick provided a follow-up report on the recent member opinion survey. The Montana Federation of Public Employees promoted the survey among their membership, which increased participation to nearly 1,300 active and retired members.

Based on self-reported age ranges, 33% of the active members who responded are in the Baby Boomer generation, 45% are Generation X, and 22% are Millennials. A large majority in all age groups reported being satisfied with TRS as a component of their compensation and believe a defined benefit pension can help with recruitment and retention of teachers. The oldest members were the most confident about financial security in retirement, while millennials reported the lowest participation in other retirement savings opportunities at work.

Retirees offered hundreds of comments and suggestions for today's teachers, such as to save as much as possible and to get involved politically to protect the retirement system. Several retirees

said they wish they had learned more about TRS earlier in their careers. TRS will keep these and other suggestions in mind for future educational materials.

Draft Newsletter

Ms. Fitzpatrick reviewed a draft of the upcoming TRS Horizons newsletter, which includes a summary of survey results and articles on other recent events, including the COVID-19 shutdown.

Public Comment

Diane Fladmo of MFPE thanked TRS for conducting the survey and for allowing MFPE to help promote it. She also appreciates TRS's efforts to educate members about their pension and about the potential for harm by legislators and others who are unsupportive of public pensions.

Executive Director's Report

Long Range Planning

One year ago, the TRS Board and management team produced a comprehensive strategic plan for 2019-2021 and updated the TRS mission statement, vision, guiding principles and purpose. Mr. Graham gave a progress report on the goals and objectives presented on the strategic planning commitment worksheet. Many goals are completed or in progress, while a few that involve in-person collaboration or additional staffing have been postponed due to the shutdown.

Public Comment

There was no comment.

TRS Building

Mr. Graham reviewed the appraisal of the TRS building at 1500 East Sixth Avenue, which was adjusted to account for recent renovations and the long-term lease agreement already in place. Board members were pleased with the return on investment related to the renovations and they agreed that selling the property to the Board of Investments for the "as is" market value of \$1.41 million is financially prudent. Proceeds would be deposited into the Consolidated Asset Pension Pool (CAPP) with other TRS assets.

Motion/Vote: Member Chamberlin made a motion to authorize Mr. Graham to negotiate a buy-sell agreement with the Board of Investments. Member Greenfield seconded the motion. There was no further discussion and the motion was passed unanimously.

Public Comment

There was no comment.

Closed Meeting

Executive Session to Discuss Litigation Strategy

The meeting was closed to the public at 11:25 a.m. to discuss a contested case matter.

Open Meeting

The meeting was reopened at 11:55 a.m. Vice Chair Dubbs requested a motion to authorize Executive Director Shawn Graham to represent the TRS Board in mandatory mediation in the Zabrocki matter.

Motion/Vote: Member Greenfield moved to authorize Mr. Graham to enter into mediation. Member Trost seconded the motion, and it was approved unanimously.

Public Comment

No members of the public were present.

Vice Chair Dubbs announced that there were no applications for disability retirement to be discussed.

Adjournment

With no other business before the Board, Vice Chair Dubbs requested a motion to adjourn.

Motion/Vote: Member Greenfield moved to adjourn the meeting and Chairperson Peiffer seconded it. The motion carried and the meeting was adjourned at 11:58 a.m.

Chairperson /s/ Kari Peiffer

Executive Director /s/ Shawn Graham