

Montana Teachers' Retirement System Board Meeting

October 9, 2020

BOARD MEMBERS PRESENT

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

STAFF PRESENT

Shawn Graham, Executive Director
Tammy Rau, Deputy Executive Director (*via Zoom*)
Denise Pizzini, Legal Counsel
Nolan Brilz, Accounting/Fiscal Manager
Darla Fitzpatrick, Communication Manager
John Noble, IT Manager

OTHERS PRESENT

Todd Green, Cavanaugh Macdonald Consulting
Joseph Walls, Cavanaugh Macdonald Consulting
Michael Kauffman, Drake Law Firm (*via Zoom*)
Elizabeth Kaleva, Kaleva Law Office (*via Zoom*)
Mark Thane, TRS retiree (*via Zoom*)
Diane Fladmo, Montana Federation of Public Employees (*via Zoom*)
Sarah Piper, Montana Federation of Public Employees (*via Zoom*)
Mandy Rambo, Montana Department of Administration (*via Zoom*)
Kathy Milodragovich, Montana Retired Educators Association (*via Zoom*)
Marc Lewandowski, Montana Legislative Fiscal Division (*via Zoom*)

Call to Order

Chairperson Kari Peiffer called the meeting to order at 8:35 a.m.

Adoption of the Agenda

Chairperson Peiffer requested a motion to adopt the agenda.

Motion/Vote: Member Janice Muller moved to adopt the agenda and Member Daniel Trost seconded it. The motion passed.

Adoption of Minutes

Chairperson Peiffer requested a motion to approve the meeting minutes from August 5, 2020 and September 1, 2020.

Motion/Vote: Member Muller moved to adopt the minutes as written. Member Jeff Greenfield 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.

Diane Fladmo of the Montana Federation of Public Employees announced that her colleague, Sarah Piper, would be taking over Ms. Fladmo's position at the organization. Ms. Piper introduced herself and said she looks forward to working with TRS.

Actuarial Valuation

Todd Green of Cavanaugh Macdonald Consulting presented a summary of results of the July 1, 2020 TRS valuation. He reviewed the role of an actuary and explained they build a formula that attempts to estimate how much a retiree will receive in benefits based on estimated life span, and how much would be required in contributions to fund those benefits. The valuation is an annual "checkup" to see how well the formula is working.

Joey Walls then summarized demographics, TRS membership data, salary and average payment data, as well as market value vs. actuarial value of assets. The funded status increased 0.21% from last year with the amortization period remaining at 29 years. Mr. Green followed up with a discussion of potential risks over the next ten years and a possible change to mortality assumptions.

Public Comment

There was no comment.

Motion/Vote: Member Trost moved to adopt the July 1, 2020 valuation results. Vice Chair Scott Dubbs seconded the motion, which was approved by all members.

Administrative Business

Investment Report

Member Greenfield reviewed the latest investment report from the Board of Investments. The picture is much improved from earlier this year, with no negative returns for the latest three-month period. The longest measurable returns currently are 7.69%, slightly above the assumed 7.50% rate of return. The BOI has wisely avoided overreacting to market conditions and the pension funds managed by the BOI continue to outperform their peers. Mr. Greenfield reported the BOI's Chief Operating Officer recently took a position elsewhere and the BOI is looking for an internal candidate to fill an interim position. They also may bring in internal legal counsel.

FY 2020 Financial Statements and Budget Reports

Nolan Brilz, TRS Fiscal and Accounting manager, echoed Mr. Greenfield's comments regarding recent improvements in the value of TRS assets. Total revenue is significantly higher than the same period last year. Expenses are holding steady. Only three months into the fiscal year it is difficult to project how the operating budget will end up, but one large software expense that was budgeted for will not be incurred after all, so there may be a budget surplus.

Tentative 2021 Meeting Dates

The Board considered tentative dates for next year (February 12, May 7, August 6, October 8, and December 3, 2021). Members agreed to change the date of the first meeting to February 5, 2021.

Public Comment

There was no comment.

Next Meeting Date

The final meeting of the year will be held Friday, December 4, 2020.

Executive Director's Report

Executive Summary

Executive Director Shawn Graham reported that TRS offices remain closed to the public under guidance from the Governor's office. Six staff members including Mr. Graham are onsite full time, and others come in during certain hours.

Staff update: Christian Ward was promoted to the Accountant position after Joyce Love's retirement, and Alison Holland was hired to fill the Accounting Technician role. Both are doing well in those positions. The former TRS Executive Secretary, Jacie Vonada, has taken a position with the Montana Highway Patrol. Amber Mullen, previously a deputy clerk with the Lewis and Clark County courthouse, is the new TRS Executive Secretary.

Legislative Interim Committee Update

Mr. Graham reported the Legislative Finance Committee's Pension and Local Government subcommittee has done quite a bit of work on pension-related issues, especially surrounding pension stress-testing. The subcommittee recommended that the LFC should have representation on the State Administration and Veterans' Affairs (SAVA) committee and should hire its own actuary, but thus far the LFC has not acted on those recommendations. Mr. Graham will present results of the July 1, 2020 actuarial valuation to both LFC and SAVA committees in the coming weeks, and he is reaching out to potential sponsors for the TRS housekeeping bill and MUS-RP supplemental contribution bill for the 2021 legislative session.

Status of 1500 E. 6th Avenue Sale

A closing date of October 30, 2020 has been set for sale of the building to the Montana Board of Investments. The price remains \$1.41M as previously discussed.

Zabrocki Mediation

Mr. Graham and Chief Legal Counsel Denise Pizzini participated in a lengthy mediation with Mr. Zabrocki on September 24, but no agreement was reached. The case will go to the Montana Supreme Court.

2021 TRS Board Legislation – Housekeeping Bill and MUS-RP Supplemental Rate

Mr. Graham reviewed the proposed language clarifications and corrections in the draft housekeeping bill, as well as a bill to increase the MUS-RP supplemental employer contribution rate. The rate would need to be increased from 4.72% to 13.9% of compensation to amortize the past liability of their TRS members by July 1, 2033 as required in statute. If the Guaranteed Annual Benefit Adjustment were included, the required supplemental contribution rate would exceed 20%. TRS is required to bring a MUS-RP funding bill to the Legislature each session but lawmakers have not approved an increase to the supplemental contribution rate since 2007.

Public Comment

There was no comment.

Motion/Vote: Member Daniel Chamberlin moved to adopt TRS legislation as presented. Member Greenfield seconded the motion and it was approved unanimously.

Strategic Planning

Summary and Commitment Worksheet Update

Mr. Graham provided a status update on several TRS goals and objectives. Some have been completed and many are in progress, including system enhancements, automation of certain business processes and ongoing outreach activities. Members of the Board were pleased at how quickly TRS was able to sell the old building. A few objectives, such as creating desk procedure manuals for each TRS workgroup and hiring an internal auditor, would be difficult to achieve with most staff working offsite, so those likely will be postponed until 2021 or 2022.

Public Comment

Ms. Fladmo commented that her experience sitting in on MPERA meetings has convinced her that hiring an internal auditor will be worthwhile for TRS and she hopes this can occur sooner than later.

Applications and Benefit Adjustments

Regular, Survivorship, Adjustments and Corrections

Deputy Executive Director Tammy Rau reported that TRS staff had processed over 550 retirement applications since the last board meeting in May. She mentioned there has been no delay in the time

required to process applications, despite many staff members working remotely. Member Greenfield was impressed by the number of members who retired after 35, 40, or even 50 years of service, and Vice Chair Dubbs noted that termination pay amounts shown on the report seem to be relatively high this year.

Legal Counsel's Report

Summary of Legal Issues

Ms. Pizzini answered Board members' questions about the possible timeline for the Supreme Court appeal in the Zabrocki matter. She estimated that a decision could take as long as a year, but doesn't expect the Court to ask for oral arguments, so it is difficult to know; she advised a Supreme Court decision would be final unless the Court determines it's necessary to send the case back to District Court or to the Board.

Election of Officers

Motion/Vote: Member Chamberlin moved to retain the current Board officers and committee appointments. Member Muller seconded the motion, which was approved unanimously.

Committee Appointments

Budget/Audit committee – Members Daniel Chamberlin and Daniel Trost
Legislation/Litigation committee – Vice Chair Scott Dubbs and Member Jeff Greenfield
Personnel/Policy committee – Chairperson Kari Peiffer and Member Janice Muller

Disability Retirement Applications

Closed Meeting

Executive Session to Discuss Disability Applications

At 10:37 a.m. the meeting was closed to the public, as a disability applicant's right to privacy clearly exceeds the merits of public disclosure. Deputy Director Rau presented two applications for disability retirement benefits.

Open Meeting

The meeting was reopened at 10:47 a.m.

Motion/Vote: Chairperson Peiffer requested a motion on the request for disability retirement for member J.M. Vice Chair Dubbs moved to approve the application, and Member Muller seconded the motion, which was approved by all members.

Motion/Vote: Chairperson Peiffer requested a motion on the request for disability retirement for member S.M. Member Trost made a motion to disapprove this member's request, and Member Muller seconded it. All members voted to disapprove the request.

