

Montana Teachers' Retirement System Board Meeting December 2, 2021

BOARD MEMBERS PRESENT

Kari Elliott, Chair (*virtual*)
Scott Dubbs, Vice Chair (*virtual*)
Daniel Chamberlin, Member (*virtual*)
Daniel Trost, Member
Dee Brown, Member
Sarah Hitchcock, Member

STAFF PRESENT

Shawn Graham, Executive Director
Tammy Rau, Deputy Executive Director
Denise Pizzini, Chief Legal Counsel
Nolan Brilz, Accounting/Fiscal Manager
Darla Fitzpatrick, Communication Manager
Rex Merrick, Information Systems Administrator

OTHERS PRESENT

Sarah Piper, Montana Federation of Public Employees
Kathy Milodragovich, Montana Retired Educators Association (*virtual*)
Dennis Parman, Montana Rural Education Association (*virtual*)
Chris Bacon, Montana Department of Administration (*virtual*)
Rebecca Power, Montana Legislative Services Division (*virtual*)

Call to Order

Chairperson Kari Elliott called the meeting to order at 8:32 a.m.

Adoption of the Agenda and Approval of Minutes

All members approved the meeting agenda, and Chairperson Elliott requested a motion to approve the minutes from the October 8, 2021 meeting.

Motion/Vote: Member Daniel Trost moved to approve the minutes, and Member Daniel Chamberlin seconded it. All members voted in favor.

Public Comment on Board Related Items

Chairperson Elliott 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.

M-Trust Enhancements

Deputy Executive Director Tammy Rau provided a report on the status of enhancements to M-Trust, the TRS pension management system.

The Internal Revenue Service recently changed federal tax withholding forms and calculations, and the associated system changes must take priority over other planned enhancements. The 2022 IRS Form W-4P for monthly pension payments will change significantly, and there will be a new Form W-4R for nonperiodic, rollover-eligible payments. Ms. Rau then reviewed the M-Trust project schedule and budget for ongoing maintenance and enhancements.

Public Comment

There was no comment.

Executive Director's Report

Executive Summary – Operations and Staff Update

Executive Director Shawn Graham reported that staff have conducted several retirement education presentations around the state in partnership with the Montana Federation of Public Employees (MFPE). Attendance at these in-person and virtual events has been strong. Chairperson Elliott commented that she attended the session in Kalispell and heard many positive comments.

TRS has reposted the open auditor position. The pay range has been increased slightly and is competitive with similar positions elsewhere in State government.

Legislative Committee Update

Mr. Graham attended the State Administration and Veterans' Affairs committee (SAVA) pension study group meeting in November and presented an overview of TRS. Committee members seem interested in learning about layered amortization, in which contribution rates would be adjusted automatically based on the system's funded status. While this approach would provide stability for the retirement system, it could create volatility in employer budgets. Mr. Graham is scheduled to present the results of the TRS July 1, 2021 actuarial valuation to a joint meeting of the SAVA and Legislative Finance Committees on December 16, 2021.

BOI Update

Mr. Graham attended the Board of Investments (BOI) meeting on December 1 to present the actuarial valuation results and answer questions. The Governor's office has not yet appointed a TRS Board member to that board.

MASS Meeting Update

Mr. Graham has secured time on the agenda for each upcoming Montana Association of School Superintendents (MASS) regional meeting to do a brief presentation on TRS and discuss any concerns they have. Board members are welcome to join him at any meeting in their area.

Public Comment

Sarah Piper of MFPE thanked the TRS Board and staff for their flexibility in scheduling both in-person and virtual retirement education workshops to reach more members.

Administrative Business

Investment Report

Mr. Graham reviewed the BOI's most recent TRS Summary of Positions and Returns. He pointed out that the return since inception is higher than the actuarially assumed rate of return.

Financial Statements and Budget Reports

Nolan Brilz, TRS Accounting and Fiscal Manager, reviewed the budget and financial statements as of October 31, 2021. The total fund balance increased \$800 million from the same period last year, thanks to strong investment returns. Total revenues are lower compared to the same period last year, but are still positive compared to expenses (benefit payments).

Mr. Brilz then discussed the TRS operating budget for the first four months of the fiscal year and answered questions from members of the Board.

NCTR Annual Conference Report

Vice Chair Scott Dubbs provided a report on his attendance at virtual National Council on Teacher Retirement (NCTR) conferences. He feels these conferences are a valuable opportunity to learn about global economic factors, investment strategies, social justice issues and more, especially in terms of how these issues may influence public retirement systems and policy decisions.

Tentative 2022 Meeting Dates

Members of the Board reviewed the tentative 2022 meeting dates, which are February 18, May 6, August 5, October 7, and December 2. No conflicts were noted.

Next Meeting

The next meeting is Friday, February 18, 2022.

Public Comment

Dennis Parman of MREA thanked the TRS Board for their work.

Communication Manager's Report

Darla Fitzpatrick, TRS Communication Manager, provided an update on recent communication and outreach activities. This includes educational presentations for employers and members, maintaining website content, assisting with upcoming system enhancements, creating videos, and producing a member newsletter twice per year. She also has been involved in ongoing efforts to reduce reliance on paper forms and manual processes by expanding online services to members.

Public Comment

Sarah Piper of MFPE thanked TRS for supporting communication strategies that will allow members to conduct more business online in the future.

Applications and Benefit Adjustments

Regular, Survivorship, Adjustments and Corrections

Ms. Rau reported that 39 applications for retirement were processed during the months of September and October 2021.

Legal Counsel's Report

Summary of Legal Issues

Denise Pizzini, TRS Legal Counsel, reported that TRS currently has no contested case matters. For education purposes, she reviewed the legal process by which a contested case matter comes to be, and she described the Board's role and the member's rights at each stage of the process.

She then described an issue arising from the 2021 legislative session. HB 495 created a health care provider task force that has proposed changes to the definition of "physician" in statute. TRS law includes two references related to medical review of disability retirement applications, and the Board may be asked to decide at the February 2022 meeting whether language changes are needed.

Board Training

Ethics and Conflict of Interest

Ms. Pizzini handed out a conflicts of interest questionnaire and disclosure statement, described its purpose, and asked each member to complete it. She noted that TRS staff are subject to the same policy and complete the same conflicts of interest disclosure statement annually. She reviewed the *Ethics and Conflicts of Interest* policy with the Board and answered questions.

Ms. Pizzini then reviewed the *Board Communications with Members, Employers, and Others* policy, which provides guidelines to ensure communications by individual Board members do not result in the personal opinion of a Board member being construed by a third-party as the legal position of the Board. Questions, complaints, and other issues related to TRS benefits, obligations and operations will be referred to and answered by TRS staff in order to ensure all responses are comprehensive, correct, and recorded. The Board must speak as one; for example, a Board member may not advise an individual TRS member with respect to a complaint or issue with TRS.

Public Comment

There was no comment.

Strategic Planning

