

Montana Teachers' Retirement System Board Meeting
February 5, 2021
(Virtual Meeting)

BOARD MEMBERS PRESENT

Kari Elliott, 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
Denise Pizzini, Legal Counsel
Nolan Brilz, Accounting/Fiscal Manager
Darla Fitzpatrick, Communication Manager
John Noble, IT Manager

OTHERS PRESENT

Dan Villa, Montana Board of Investments
Mandy Rambo, Montana Department of Administration
Sarah Piper, Montana Federation of Public Employees

Call to Order

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

Adoption of the Agenda

Chairperson Elliott 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.

Approval of Minutes

Chairperson Elliott requested a motion to approve the minutes from the December 4, 2020 meeting.

Motion/Vote: Member Janice Muller moved to approve the minutes as written, and Member Trost seconded it. The motion was approved by all members.

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.

Executive Director's Report

Executive Summary

TRS Executive Director Shawn Graham reported that seven staff are working in the office full time and the remaining 14 staff continue to work remotely most of the time.

Melissa Goodman was hired to fill the open imaging technician position and is doing well. She came to TRS from State Print and Mail Services, where she held a similar position.

Legislation Update

The TRS Housekeeping bill (HB 88) passed the House and has been transmitted to the Senate. The TRS MUS-RP supplemental contribution bill (SB 46), which was tabled in the Senate State Administration committee, is likely dead.

A joint resolution to request an interim study of the pension systems is available in draft form for Board review. Another new bill, HB 323, would provide automatic funding based on the annual TRS valuation. While HB 323 would stabilize funding, it could cause employer contribution rates to fluctuate significantly. A bill seeking to further expand retiree return-to-work provisions also has been submitted. Mr. Graham will meet with the TRS Board Legislative Committee to discuss the TRS Board's position on each of these new bills.

Public Comment

Sarah Piper of the Montana Federation of Public Employees said MFPE spoke in favor of the proposed pension study bill.

IT Manager Report

John Noble, TRS Information Technology Manager, provided a status on several ongoing IT initiatives to improve system performance and save costs. One project involved TRS's content management system (CMS), which is used for imaging paper documents and maintaining reports, correspondence, and other data electronically. Another project to implement a source code repository was completed in 2020 and has made the TRS software change management process more efficient. TRS also migrated all data in the M-Trust pension management system database from Oracle to Microsoft SQL Server, a change that will result in significant annual savings.

Mr. Noble also described how the Department of Administration and TRS quickly adapted to the COVID-19 shutdown and implemented security measures to allow employees to work remotely with the same level of security and access they would have if working in the TRS office.

Public Comment

There was no comment.

Administrative Business

FY 2020 Legislative Audit Report

Nolan Brilz, TRS Fiscal and Accounting Manager, reported that TRS completed the Consolidated Annual Financial Report (CAFR) for Fiscal Year 2020 in December but did not receive the audit report until January. TRS once again received an unmodified opinion on the CAFR.

YTD Financial Statements and Budget Reports

As of December 31, 2020, revenue is up by approximately \$200 million over the same period the previous year due to market gains. Total assets are now over \$4.5 billion. The operating budget currently reflects a surplus of approximately \$200,000 due to software savings as well as lower day-to-day expenses, with most staff working remotely since last March.

Personnel Committee Report

Chairperson Elliott reviewed the process by which Mr. Graham's performance is reviewed each year. Twelve staff members completed the satisfaction survey and their responses were summarized for anonymity. She and Member Muller said ratings were consistently high overall, and they find staff comments to be especially valuable because they provide a glimpse into Mr. Graham's day-to-day management of TRS. Other Board members agreed that the evaluation process is thorough and meaningful, and they appreciate Mr. Graham's knowledge and openness to their questions.

Tentative 2021 Meeting Dates

Scheduled dates are May 7, August 6, October 8, and December 3, 2021. No changes were made.

Out of State Travel

Mr. Graham explained that the Board typically would approve specific requests for TRS staff and Board members to attend annual conferences, but due to COVID-19, no out-of-state travel is planned for the rest of Fiscal Year 2021 and registration fees for possible virtual attendance are accounted for in the budget. Mr. Graham suggested that travel costs be discussed at the May meeting when the Fiscal Year 2022 budget will be presented. Vice Chair Dubbs agreed; he feels in-person attendance is more valuable as there is more opportunity for discussion and questions.

Next Meeting Date

The next meeting is Friday, May 7, 2021 and will be held in person if possible.

Public Comment

There was no comment.

Legal Counsel's Report

Summary of Legal Issues

Denise Pizzini, TRS Chief Legal Counsel, noted that after the Board issued its final determination in the Thane matter, TRS recalculated Mr. Thane's benefits accordingly. In the Zabrocki matter, TRS has been notified that the Montana Supreme Court has classified the case as a submission on

briefs to a five-justice panel. Ms. Pizzini expects their order will be issued before the May Board meeting. There are no other pending contested cases.

Public Comment

There were no comments.

Applications and Benefit Adjustments

Regular, Survivorship, Adjustments and Corrections

Deputy Executive Director Tammy Rau reported that TRS staff have processed 36 applications for retirement since her last report to the Board.

Board Training

Privacy and Security of Personal Information

Ms. Pizzini stated there have been no changes to this Board policy since she presented training on this topic last year. She provided a definition of “personal information” and reviewed the ways in which members’ personal information is gathered, maintained, used, disclosed, and kept secure by TRS staff, contractors, and vendors.

BOI Annual Report

Dan Villa, Montana Board of Investments Executive Director, presented the BOI’s 2020 report to the Board. Last year a change was made to deploy more cash, which allowed investment managers to capitalize on buying opportunities during the market downturn in early 2020. As for past and expected investment performance, the inception-to-date return is strong at 7.91%.

The BOI makes strategic decisions based on a 30-year amortization period rather than focusing on short-term market fluctuations, which could expose TRS to undue risk. As a result, TRS’s five-year policy return of 7.7% was above the median of other public and peer systems, while costs remained below peers. Mr. Villa closed by fielding questions from Board members about investment strategies and how the BOI chooses external fund managers.

Public Comment

Sarah Piper of MFPE appreciated the TRS Board’s diligence in monitoring its assets.

Long-Range Planning

2019-2021 Commitment Worksheet Update

Mr. Graham discussed progress on objectives listed on the commitment worksheet, many of which have been completed or are well under way. He noted that the strategic planning process will commence again in August and the Board should think about the scope of system enhancements and other high-value initiatives they may wish to consider for the next two-year period.

Public Comment

Sarah Piper of MFPE praised TRS for posting videos of presentations and for participating in virtual member education sessions.

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The meeting was closed to the public at 11:04 a.m., as a disability applicant’s right to privacy clearly exceeds the merits of public disclosure.

Deputy Director Rau presented one application for disability retirement benefits.

Open Meeting

The meeting was reopened at 11:10 a.m.

Motion/Vote: Chairperson Elliott requested a motion on the disability retirement application for member L.E.J. Member Greenfield moved to approve the application. Member Muller seconded the motion, and it was approved unanimously.

Public Comment

No members of the public were present.

Adjournment

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

Motion/Vote: Member Trost moved to adjourn the meeting and Member Muller seconded it. The motion carried and the meeting was adjourned at 11:13 a.m.

Chairperson _____ /s/ Kari Elliott _____

Executive Director _____ /s/ Shawn Graham _____