

Montana Teachers' Retirement System Board Meeting December 2, 2022

BOARD MEMBERS PRESENT

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

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
John Noble, Information Systems Manager

OTHERS PRESENT

Brett Dahl, Risk Management and Tort Defense Division
Sarah Piper, Montana Federation of Public Employees
Rebecca Power, Legislative Services Division (*virtual*)

Call to Order

Chairperson Kari Elliott asked Vice Chair Sarah Hitchcock to facilitate the meeting. Vice Chair Hitchcock called the meeting to order at 8:30 a.m.

Adoption of the Agenda

Vice Chair Hitchcock requested a motion to adopt the meeting agenda.

Motion/Vote: Member Dubbs moved to adopt the agenda, with Chairperson Elliott seconding. The motion was approved by all members.

Approval of Minutes

Vice Chair Hitchcock requested a motion to approve the minutes from the October 7, 2022 meeting.

Motion/Vote: Member Daniel Chamberlin made a motion to adopt the minutes as written. Member Dubbs seconded the motion, which was approved by all members.

Public Comment on Board Related Items

This is 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.

Cybersecurity Insurance

Brett Dahl of the Montana Department of Administration's Risk Management and Tort Defense Division (RMTD) gave a presentation entitled "Cyber Insurance and Incident Response," describing the various types of cybersecurity breaches that can occur and the cyber insurance coverage that his division provides to all State agencies, including TRS.

Mr. Dahl noted that threats can exist both inside an organization (e.g., employee negligence) and outside of it (e.g., hackers, malware) and he provided examples of incidents that have occurred in several states. Although TRS has had no incidents, Mr. Dahl outlined the steps that RMTD would follow to assist with an appropriate response if an incident were to occur. Cyber insurance has become more difficult to obtain as risks have increased, but RMTD has succeeded in retaining good coverage for state agencies and the Montana University System thanks to strong security practices, mandatory employee training, and a low number of incidents compared to other states.

Public Comment

Sarah Piper of the Montana Federation of Public Employees (MFPE) thanked the TRS Board for their diligence in protecting the private data of TRS members.

Administrative Business

Investment Report

Member Daniel Trost reviewed the Montana Board of Investments (BOI) investment report for TRS as of October 31, 2022 and provided updates from the most recent BOI meeting. Investment income has declined 8.5% for the year, but the fund's "since inception" numbers are still above target. BOI investment staff recently met with consultants from RVK, Inc. in Portland, Oregon to ensure that asset allocations remain appropriate. Every two years, the BOI also obtains a report from CEM Benchmarking to look at BOI fees and returns averaged over a five-year period. Overall, funds managed by the BOI have fared better than peers.

Financial Statements and Budget Reports

Nolan Brilz, TRS Accounting/Fiscal Manager, presented financial statements for the period ending October 31, 2022. Due to market losses, the Consolidated Asset Pension Pool (CAPP) and TRS year-to-date income are down compared to the same period last year, although there were gains in the month of November that are not shown on this report. Benefit payments have increased at a normal rate, with expenses exceeding revenue by about \$226 million.

Mr. Brilz reported that the TRS operating budget continues to show a projected surplus of over \$200,000 for the current fiscal year, due in part to salaries budgeted for positions that remained vacant for a time. He pointed out that the largest budget category, Contracted Services, includes a fixed cost for cybersecurity insurance coverage provided by the Risk Management and Tort Defense Division.

NCTR Annual Conference Report

Executive Director Shawn Graham, Vice Chair Sarah Hitchcock, and Member Dee Brown all attended the annual conference of the National Council on Teacher Retirement (NCTR) in Tucson,

Arizona in October 2022. Each provided a brief report and agreed that the range of topics and speakers made it a valuable and informative conference. Topics included actuarial concepts, nonbiased political discussions, tips on “marketing” retirement systems to help attract teachers, and more. Member Brown commented that Mr. Graham’s knowledge and the background information he shared during the conference were beneficial to her as a first-time attendee.

Tentative Meeting Dates

Vice Chair Hitchcock asked members of the Board to review the tentative schedule of 2023 meeting dates (February 17, May 5, August 4, October 6, and December 1). Due to scheduling conflicts in February, all members agreed to move the meeting to February 24, 2023.

Public Comment

There was no comment.

Next Meeting Date

The next Board meeting will be held on Friday, February 24, 2023.

Executive Director’s Report

Executive Summary – Staff and Operations Updates

Mr. Graham reported that all vacant TRS staff positions now have been filled. Tina West is TRS’s new Executive Secretary, and Becca Bremner and Janine Whitley have filled the open Retired Payroll Specialist and Retired Payroll Technician positions, respectively. Each of these new staff members came to TRS with several years of relevant experience. The Governor’s Remote Office Work Space (ROWS) initiative is working well for staff whose positions were approved for remote work on certain days of the week. Full coverage is maintained during core business hours and there has been no loss of productivity.

Mr. Graham noted that the Governor’s Office is planning to require all public boards to complete online training on Robert’s Rules of Order. He will provide information as it becomes available.

2023 Legislation Update

A few bill drafts have been introduced and are listed in the LAWS system on the Montana Legislature’s website, including the three TRS bills approved by the Board in October. Some legislators have requested placeholder bills that may affect the pension systems, but none have draft language available for review yet. Mr. Graham will continue to review bills as they are introduced and will communicate with Legislation and Litigation Committee members as needed.

SAVA Update

Mr. Graham presented the results of the July 1, 2022 TRS actuarial valuation to the State Administration and Veterans’ Affairs (SAVA) interim committee on October 26, 2022. Committee members seemed pleased that TRS is amortizing in 25 years, which is below the 30-year threshold allowed in statute. He noted that the committee approved several of their own funding bills to address certain funding shortfalls in PERS and public safety retirement systems.

BOI Update

Mr. Graham also is scheduled to present the results of the actuarial valuation to the Montana Board of Investments on December 6, 2022.

LFC Update

The Legislative Finance Committee will meet on December 9, 2022, and Chief Legal Counsel Denise Pizzini will present the results of the July 1, 2022 actuarial valuation on behalf of Mr. Graham, who is unavailable that day.

Public Comment

There was no comment.

Strategic Planning

Summary and Commitment Worksheet Update

Mr. Graham reported that the Strategic Plan and Commitment Worksheet includes many objectives of an ongoing nature, and the TRS management team continues to make progress on those objectives. There were no questions from the Board.

Public Comment

No members of the public were present.

Board Training

Per Diem Election Form

Ms. Pizzini explained the purpose of the Per Diem Election Form, which Board members must complete annually. Those who are dually employed by a school district or other public entity and as a Board member must elect to be paid by one entity or the other for board meeting days.

Ethics / Conflict of Interest

Ms. Pizzini then reviewed the TRS Ethical Conduct / Conflict of Interest policy, which prescribes the standards that must be met by all TRS personnel, including members of the Board. Actions or relationships that could represent an ethical breach or a conflict of interest were discussed. Each member of the TRS Board and staff must annually review the policy and complete a disclosure statement to report any private interests or other actual or potential conflicts of interest that may impinge on their public duty.

Applications and Benefit Adjustments

Regular, Survivorship, Adjustments & Corrections

Deputy Director Tammy Rau reported that between September 1 and October 31, 2022, staff processed 37 applications for retirement. The average age for these applicants was 61.5 years and they had slightly less than 18.5 years of service on average.

