

Montana Teachers' Retirement System Board Meeting

February 24, 2023

BOARD MEMBERS PRESENT

Kari Elliott, Chair
Scott Dubbs, Member
Daniel Trost, Member
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

Sarah Piper, Montana Federation of Public Employees (*virtual*)
Dan Villa, Montana Board of Investments
Kathy Milodragovich, Montana Retired Educators Association (*virtual*)
Lindsay Trenary, State Human Resources (*virtual*)

Call to Order

Chairperson Kari Elliott called the meeting to order at 8:30 a.m. TRS Deputy Director Tammy Rau announced a change to the agenda as there were no disability retirement applications to review.

Adoption of the Agenda

Chairperson Elliott requested a motion to adopt the meeting agenda.

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

Approval of Minutes

Chairperson Elliott requested a motion to approve the minutes from the December 2, 2022 meeting.

Motion/Vote: Member Trost moved that the December 2, 2022 minutes be approved. Member Dubbs seconded the motion and it 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.

Sarah Piper of the Montana Federation of Public Employees (MFPE) stated she was pleased to be able to join the meeting virtually.

Administrative Business

Investment Report

Member Daniel Trost reviewed the Montana Board of Investments (BOI) investment report for TRS, which showed higher investment returns in January. He provided updates from their most recent board meeting and said he continues to be impressed by the BOI's leadership and staff.

FY 2022 Annual Comprehensive Financial Report

Nolan Brilz, TRS Accounting/Fiscal Manager, provided a copy of the TRS Annual Comprehensive Financial Report to each member of the Board. He noted that TRS had received an unmodified audit opinion with no recommendations.

FY 2023 Financial Statements and Budget Reports

Mr. Brilz reviewed TRS financial statements for the period ending January 31, 2023 as compared to January 31, 2022, the month in which the TRS fund balance reached its highest point (nearly \$5.3 billion). Market declines began in February 2022 and persisted for much of the year, so the current fund balance is somewhat lower. However, investment returns were up in January 2023, as noted in Member Trost's report. In response to questions about returns over the last few years, Member Trost reminded the Board that pension fund assets are managed for growth over a very long timeline and that short-term fluctuations are to be expected.

Mr. Brilz then reviewed the TRS operating budget, which shows administrative expenses well in line with the budgeted amounts. The fiscal year is only 58% complete but Mr. Brilz expects TRS to end the year with a surplus, mostly due to salaries for vacant positions.

Personnel Committee Report

Chairperson Kari Elliott and Member Dubbs met with Executive Director Shawn Graham to conduct his performance evaluation, which was based on aggregate results from surveys sent to Board members, external stakeholders, and staff. Feedback about his performance over the past year was overwhelmingly positive from all groups. Member Dubbs and Member Dee Brown commended Mr. Graham for his skill in communicating with the Board and external groups, such as when testifying in front of Legislative committees.

Tentative 2023 Meeting Dates

Chairperson Elliott asked members of the Board to review the remaining tentative meeting dates for 2023 (May 5, August 4, October 6, and December 1). No conflicts were reported.

Out of State Travel

Mr. Graham presented four requests for members of the TRS management team to attend industry-specific conferences in May and June, 2023. He noted that the cost of attending such events was included in the FY 2023 budget approved last May.

Motion/Vote: Member Trost moved to approve the out-of-state travel requests, with Member Daniel Chamberlin seconding. The motion was approved by all members.

Public Comment

Sarah Piper commented that she and MFPE staff appreciate Mr. Graham's ability to explain pension-related issues and advocate for educators in legislative hearings and other settings.

Next Meeting Date

The next Board meeting will be held on Friday, May 5, 2023.

Executive Director's Report

Executive Summary – Operations and Staff Updates

Mr. Graham reported that the Remote Office Work Space (ROWS) initiative, now in its sixth month, seems to be working well. The program allows staff in certain positions to work remotely one or two days per week on a schedule that ensures full coverage is maintained in the office.

One staff member, Amber Mullen, resigned earlier this month to accept a higher-paying position with another State agency. Her position on the Active Membership team has been posted and TRS will begin reviewing applications soon.

Legislative Update

Two TRS bills, HB 117 and HB 135, were passed by the House and are currently awaiting committee hearings in the Senate. The third TRS bill, SB 25 (MUS-RP supplemental contribution bill), was heard in the Senate State Administration committee but was tabled with little discussion. Mr. Graham thinks the bill is unlikely to be revived before the transmittal break. A joint resolution, SJ 4, requests another interim study of TRS and PERS defined benefit plans and has passed with support from both retirement systems. A recently introduced bill, SB 348, would eliminate the Guaranteed Annual Benefit Adjustment for new hires in defined benefit pension plans. A committee hearing has been scheduled and Mr. Graham will testify as an informational witness.

Public Comment

There was no comment.

IT Manager's Report

John Noble, TRS IT Manager, provided a status report on TRS's IT infrastructure, expenditures, and upcoming projects. Eighteen of 22 staff have been assigned laptops and have the capability to work remotely. One staff member will be assigned a new laptop in FY 2024. The remaining three staff members are not assigned laptops as they perform work that must be done onsite.

Mr. Noble reported on several software upgrades and upcoming changes, including a project to achieve an improvement in M-Trust system performance by installing a separate server to run large reports. He reviewed IT expenditures for the current fiscal year as well as the prior two fiscal years and answered questions from Board members.

Public Comment

There was no comment.

Legal Counsel's Report

Denise Pizzini, TRS Chief Legal Counsel, reported there are no contested cases at this time.

During each legislative session, she monitors proposed legislation to identify any amendments or new provisions that would affect TRS operations. A number of bills have been introduced that may impact state procurement processes, data breach response and reporting, and other state agency operations.

A more detailed update on final legislation impacting TRS administration will be provided at a future Board meeting.

Applications and Retirement Benefits

Ms. Rau reported that 60 retirement applications and adjustments were processed by the TRS Active and Retired Payroll teams between November 1, 2022 and January 31, 2023. She also noted that February is typically the month in which TRS mails retirement application packets to members who are considering retirement at the end of the school year. Over 300 packets were mailed this month, the largest number to date. This may be an indicator of a busy retirement season to come.

BOI Annual Report

Dan Villa, Executive Director of the Montana Board of Investments (BOI), provided a report on asset allocation and overall investment performance, the Board's investment goals and strategies, and TRS's performance compared to public retirement systems of similar size.

For calendar year 2023, the BOI has proposed that investments be reduced slightly in domestic and international equities in favor of higher-yielding, illiquid real assets and real estate. For the first time in three decades, the bond market is producing favorable returns and the BOI has kept more assets in fixed income than it has in the past. Mr. Villa noted that, contrary to what some would believe, Montana's public pensions are doing well; the trusts are still accumulating assets, paying benefits, and reducing liabilities over time.

Mr. Villa reviewed past and expected investment performance for TRS and answered questions from the Board. For the current fiscal year to date, returns are just under 5%; however, when viewed over time, the highs and lows average out and returns since inception continue to exceed TRS's actuarially assumed rate of return of 7.30%. The BOI does a biennial comparison of performance compared to peer plans and TRS continues to be above the median.

Chairperson Elliott commended Mr. Villa for the BOI's skill in managing TRS assets on behalf of Montana's teachers.

Public Comment

There was no comment.

Long-Range Planning

2021-2023 Strategic Planning Commitment Worksheet – Update

Mr. Graham reviewed the status of each objective listed on the commitment worksheet. Many objectives have been completed while others are in progress. TRS also has postponed or shifted the focus of a few objectives; for example, TRS has determined that an online retirement application will not be developed until TRS has determined the most appropriate means of verifying an applicant's identity. TRS successfully implemented an online withdrawal application for terminated members last fall, but to ensure their identity has been verified, each online applicant must print a summary page and mail it to TRS with their notarized signature.

The final objective on the commitment worksheet was to explore changes to working retiree provisions. This objective was achieved in the form of HB 117, which is currently making its way through the Legislature with broad support.

Mr. Graham reminded Board members that the August 2023 meeting will be largely dedicated to strategic planning for 2023-2025.

Public Comment

There was no comment.

Board Training

Privacy and Security of Personal Information

Ms. Pizzini described the types of data that constitute personally identifiable information (PII) and reviewed the TRS Policy entitled "Privacy and Security of Personal Information and Notification of Breach of the Security of a Data System."

TRS is legally entitled to collect social security numbers and other personal information to confirm members' and beneficiaries' identity and to pay benefits. This data is accessible only by staff and authorized contractors as required for normal TRS business operations. The state's proposed legislation to revise certain data security provisions may necessitate a future revision to this policy and Ms. Pizzini will keep the Board apprised.

Public Comment

There was no comment.

Election of Officers

Mr. Graham previously had notified the Board that Member Sarah Hitchcock resigned to take a position out of state. Chairperson Elliott requested a motion to elect a new Vice Chair.

Motion/Vote: Member Trost moved to nominate Member Chamberlin to serve as Vice Chair. Member Dubbs seconded the motion, which was approved by all members.

Mr. Graham reported that he contacted the Lieutenant Governor's office to inquire about the appointment of a new board member but he has not received an update yet.

Adjournment

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

Motion/Vote: Member Dubbs moved to adjourn the meeting and Member Trost seconded. The meeting was adjourned at 11:15 a.m.

Chairperson /s/ Kari Elliott

Executive Director /s/ Shawn Graham