

# Montana Teachers' Retirement System Board Meeting May 5, 2023

## **BOARD MEMBERS PRESENT**

Kari Elliott, Chair  
Scott Dubbs, Member  
Daniel Trost, Member  
Daniel Chamberlin, Member  
Dee Brown, 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  
John Noble, Information Systems Manager

## **OTHERS PRESENT**

Sarah Piper, Montana Federation of Public Employees  
Chris Bacon, State Human Resources (*virtual*)

## **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 meeting agenda.

*Motion/Vote:* Member Scott Dubbs moved to adopt the agenda with the inclusion of a NCTR Legislative Committee meeting report from Member Dee Brown. Member Daniel Chamberlin seconded the motion and it was approved by all members.

## **Approval of Minutes**

Chairperson Elliott requested a motion to approve the minutes from the February 24, 2023 meeting.

*Motion/Vote:* Member Daniel Trost moved to approve the February 24, 2023 minutes as written. Member Dubbs seconded the motion, which was approved.

## **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.

## **Executive Director's Report**

### **2023 Legislation Summary**

TRS Executive Director Shawn Graham reported that the Legislature adjourned earlier this week without passing any bills that would have affected TRS funding or benefits negatively or positively. A legislative summary document in the Board packet provided a final report on various bills introduced during the session, including a joint resolution of the Senate and House (SJ 4), which passed with TRS and PERS support. This bill requests another interim study of long-term funding strategies for TRS and PERS defined benefit pensions.

Two bills requested by the TRS Board, HB 117 and HB 135, also were passed. The “working retiree” bill (HB 117) increases the annual earnings limit for a working retiree from one-third to 49% of their average final compensation effective July 1, 2023 and also reinserts Superintendent as a position eligible for rehire in smaller school districts under §19-20-732, MCA (the “emergency hire” provision). This bill also shortens the mandatory break in service from 150 to 120 calendar days, but only for members who terminate employment on or after January 1, 2024 and retire. Mr. Graham was invited to the Central MASS (Montana Association of School Superintendents) meeting in Billings earlier this week and he said attendees were generally satisfied with these changes.

The TRS housekeeping bill (HB 135), which primarily clarifies and corrects existing language, also imposes a more stringent process for TRS employers to establish independent contractor status. This provision has a delayed effective date of July 1, 2024.

A third bill requested by the TRS Board (SB 25) was tabled in committee with little discussion. This bill would have increased the Montana University System supplemental employer contribution rate to a level sufficient to amortize, by 2033, the unfunded liability created when the University System closed TRS to all new hires. While §19-20-621, MCA requires TRS to bring such requests to the Legislature, no action has been taken to adjust the supplemental contribution rate since 2007.

### **Executive Summary – Operations and Staff Updates**

Jaxon Simonson, who recently moved to Helena from Havre, was hired in April to fill a vacant Benefit Specialist position. Melissa Goodman, who was one of two imaging technicians at TRS, accepted a position with another state agency. TRS currently is advertising that vacancy.

### **Public Comment**

There was no comment.

## **Administrative Business**

### **NCTR Legislative Committee Meeting**

Member Dee Brown reported on a National Conference on Teacher Retirement meeting she recently attended in Washington, D.C. Currently, there are no signs from Congress that major changes to retirement plans will be forthcoming. Discussion topics ranged from governmental accounting standards, retirement system funding, data transparency, and how newer technologies such as artificial intelligence and innovative energy sources may affect global markets and investing

strategies going forward. Congress seems less likely to favor environmental, social, and governance (ESG)-driven investing, as those efforts may not achieve the intended results.

### Investment Report

Member Daniel Trost reviewed the Montana Board of Investments (BOI) report for TRS as of March 31, 2023. The last 18 months have been difficult, although bond markets are a bright spot.

He spoke briefly to Member Brown's comments about emerging technologies and ESG. Montana's public pension funds are already invested in companies developing new technologies, and the Montana Legislature recently passed a law confirming that returns, not ESG or other motives, must drive the investment of public funds. It is the fiduciary responsibility of the Board of Investments to achieve returns that meet or exceed the funds' actuarially assumed rates of return over time to ensure public retirement systems fulfill contractual obligations to current and future retirees.

### YTD Financial Statements and Budget Reports

TRS Accounting/Fiscal Manager Nolan Brilz reviewed TRS financial statements for the period ending March 31, 2023 as compared to March 31, 2022. Assets had declined a year ago but are trending back up, thanks to recent market gains and a much higher Short Term Investment Pool (STIP) rate. The TRS fund balance statement reflects significant gains over the same period last year, with revenue (contributions and investment gains) exceeding benefit payments and administrative expenses by \$6.7 million.

The TRS operating budget remains well in line with the amounts budgeted in each category. The fiscal year is 75% complete and Mr. Brilz is still projecting a surplus by the end of the year.

### Personnel Committee Report

Chairperson Kari Elliott and Member Dubbs met with Mr. Shawn Graham to Deputy Director Tammy Rau to review the TRS Pay Plan Policy and to determine whether staff salaries are in line with the 2022 Broadband 25 market, which will be used for the next two years. Mr. Graham noted that the Legislature just passed a pay increase for all state employees of \$1.50 per hour or 4%, whichever is greater, for both FY 2024 and FY 2025. After factoring in these statutory increases, most staff members will be at 80% of the 2022 Broadband 25 market rate for their positions. A small adjustment will be requested for FY 2024 to bring three positions up to 80% of market.

### Budget Committee Report

Members Chamberlin and Dubbs recently met with Mr. Graham and Mr. Brilz to review the preliminary FY 2024 budget request. Member Chamberlin stated that he rarely has questions about line items in the proposed budget due to TRS's diligence in documenting and justifying each expense. He discussed certain line items for the benefit of the group and he commented that TRS's administrative costs remain impressively low from year to year.

### Tentative 2023 Meeting Dates

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

## Public Comment

There was no public comment.

## Interest Rate Credited to Member Accounts

Mr. Graham reviewed the annual process of setting the interest rate, which typically is based on the average STIP rate for the last six months. One year ago, TRS reduced the rate to 0.25% based on STIP rates at that time; however, interest rates have increased significantly since then. For March 2023, the STIP rate exceeded 4.50% but the most recent 6-month average STIP is approximately 4.00%. For this reason, Mr. Graham recommends setting the interest rate at 4.00% for FY 2024. Members of the Board asked questions and discussed the implications of making this change.

*Motion/Vote:* Member Chamberlin moved to increase the interest rate credited to member accounts to 4.00% for FY 2024. Member Trost seconded the motion and it was approved unanimously.

## Renew Ice Miller (Tax Counsel) Contract

TRS Chief Legal Counsel Denise Pizzini explained that TRS renews the Ice Miller contract each year. In response to a question from Member Brown, Ms. Pizzini confirmed there are no legal firms in Montana with the same public pension tax expertise as Ice Miller, and that such expertise is essential to ensuring TRS retains its qualified plan status.

*Motion/Vote:* Member Dubbs moved to renew the Ice Miller contract. Member Trost seconded the motion and it was approved by all members.

## TRS Pay Plan Policy 2024-2025

Mr. Graham clarified this action item is to approve the change to the pay plan policy itself, which updates Appendix A to include the 2022 Broadband 25 market salary ranges obtained from State HR for each position. If adopted, staff salaries will be based on these rates for the next two years.

*Motion/Vote:* Member Chamberlin moved to adopt the revised TRS pay plan policy, with Member Dubbs seconding. The motion was approved by all members.

## FY 2024 Budget Request

Chairperson Elliott asked members of the Board to approve the FY 2024 TRS budget request and invited discussion. Mr. Graham handed out a slightly revised budget justification document with updated amounts for certain line items. Mr. Brilz then reviewed specific costs that will increase or decrease compared to the FY 2023 budget. Increases include staff salaries, reflecting legislative pay raises. TRS also has budgeted to engage a consultant for the upcoming strategic planning process, which will create specific objectives for the next biennium.

Several costs related to information technology and computer equipment will change due to changes in state law and policy regarding provision of services by SITSD, with some categories increasing and others decreasing. Communication costs, including postage, also have increased, as have travel costs and per diem rates. Legislative audit fees, which are a flat fee for the biennium, will increase approximately 15%, as will fixed costs for services provided by other state agencies. However, other categories will decrease compared to last year, including certain software, IT, and equipment costs.

System development costs and many services remain unchanged from the FY 2023 budget, with only a slight overall increase in the contract services category.

Overall, TRS requests a 6.31% increase over the FY 2023 budget. Administrative expenses will remain well below the statutory limit.

Motion/Vote: Member Brown moved to approve the FY 2024 budget request as presented. Member Chamberlin seconded the motion and it was approved unanimously.

### Out of State Travel Request

Mr. Graham presented two requests for the NCTR Summer Trustee Workshop in Virginia in July 2023. Approval would allow two members of the Board to attend.

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

### Next Meeting Date

The next Board meeting will be held on Friday, August 4, 2023 and will be primarily focused on strategic planning.

Chairperson Elliott took the opportunity to thank Member Dubbs and present him with a plaque recognizing his 24 years of service to this Board. Now that he has retired from Lewistown Public Schools, his final term as an active member will end July 1, 2023. He described some of the highlights and challenges encountered during his years on the Board, including management of the Guaranteed Annual Benefit Adjustment in its early years and some difficult legal cases. He is proud to have participated in increasing TRS staff, replacing an outdated pension management system, and ensuring Board members attended conferences and talked to retirement systems in other states to educate themselves.

Members of the Board and the TRS management team thanked Mr. Dubbs for his valuable input and knowledge as a school administrator. He has helped TRS better understand the members and school districts they serve.

## **Board Training**

### Nondiscrimination in Employment and Provision of Services

Ms. Pizzini reviewed the TRS policy included in the Board packet and explained the purpose of this training, which is conducted periodically with Board members and staff to ensure TRS is fully compliant with state and federal nondiscrimination laws. TRS policy does not supersede the State of Montana's policy, except in areas where it may provide stronger protections, and it reflects TRS's commitment to maintaining an atmosphere in which discrimination and harassment are not tolerated.

Ms. Pizzini provided examples of how discrimination could occur in the workplace or in the provision of services to customers. She also reviewed the steps by which a staff person, member, employer, or other party could raise a discrimination complaint and the required timeframes and process for responding to a complaint.

### Public Comment

There was no comment.

### **Communication Manager's Report**

Darla Fitzpatrick, TRS Communication Manager, reviewed a document summarizing communication and outreach activities that have occurred over the past year for members and employers, attendance trends at retirement education presentations, and plans for FY 2024.

She provided an update on efforts to redesign the TRS public website. TRS now has access to the State of Montana's web development platform, called Cascade CMS. This tool provides prebuilt templates that provide all required elements of a State of Montana website and that are responsive to the size of the user's device. The current TRS website was built several years ago using a fixed-width design that is nearly impossible to view on a small screen. It should be redesigned to automatically resize and stack elements on the page in a predefined way so that a smartphone or tablet user can navigate the website as efficiently as someone using a larger screen. She showed some examples of other well-designed websites to demonstrate this for Board members.

One obstacle encountered thus far is that the latest approved template in the Cascade CMS platform is based on the Governor's Office website, which is not ideal for TRS. Additional expertise may be required to modify the underlying code to customize the page header, color scheme, and other template features, or TRS may need to request access to a different approved template. Given its small staff, TRS may need to seek outside technical assistance for this work. Thereafter, Ms. Fitzpatrick would continue to be responsible for web content, as she is today.

### Public Comment

There was no comment.

### **Legal Counsel's Report**

Ms. Pizzini reported there are no contested cases and no administrative decisions for board review.

She provided an update on administrative legislation introduced during the 2023 session. For example, general revisions were made to the Montana Information Technology Act, which applies to all state agencies. Some of those changes require more centralization of authority and responsibility for data projects. Another bill modified the timing of audits conducted by the Legislative Audit Division, although it is unlikely TRS will see a change in the frequency of its compliance or financial audits. One bill related to privacy and security of data systems may require a minor amendment to the TRS policy. She will bring that amendment to a future Board meeting. Another bill related to agencies' response to public information requests may require significant revisions to TRS's public information policy. This includes a requirement to create and maintain a log of public information requests and to provide a report periodically to the Legislative Fiscal Committee. Ms. Pizzini will bring those policy revisions to future Board meetings, as needed, for review and approval.

Another bill passed this session requires agencies to post notices of public meetings on the website of the newspaper of record, if available free of charge. TRS will contact the Helena Independent

Record to find out if they offer such a free service. Finally, the law that requires agencies to record audio or video of public meetings has been expanded, but those changes are unlikely to affect TRS.

TRS has already implemented one operational requirement, which is to display a “last updated” date on the webpage that lists each staff member’s name and contact information.

### **Applications and Retirement Benefits**

Ms. Rau reported that 39 applications for retirement were processed by the Active and Retired Payroll teams between February 1 and March 31, 2023. This number will greatly increase during the months of June, July, and August.

### **Long-Range Planning**

#### **2021-2023 Strategic Planning Commitment Worksheet – Update**

Mr. Graham briefly reviewed the commitment worksheet, noting that three items have had minor updates since the last meeting. One is the member survey that Ms. Fitzpatrick is preparing for active members to gauge their preferences for defined benefit (DB) or defined contribution (DC) retirement plans. Some legislators have proposed enrolling new members in a DC plan, with the implication that members, especially younger members, would prefer a DC option. Prior member surveys have reflected overwhelmingly positive opinions about the DB plan, but the new survey will collect opinions about both DB and DC plans to provide data points for Mr. Graham to use when presenting to legislative committees, such as the interim pension study requested by SJ 4.

A new strategic plan and commitment worksheet will be developed at the August meeting.

#### **Public Comment**

There was no comment.

### **Disability Applications**

#### ***Closed Meeting***

#### **Executive Session to Discuss Disability Applications**

The meeting was closed to the public at 11:49 a.m., as a disability applicant’s right to privacy clearly exceeds the merits of public disclosure.

#### ***Open Meeting***

The meeting was reopened at 11:54 a.m.

#### **Approval of Application for Disability Retirement Benefits**

*Motion/Vote:* Member Chamberlin moved to disapprove SA’s application for disability retirement benefits. Member Trost seconded the motion and all members voted to disapprove the application.

#### **Public Comment**

There were no members of the public present.

**Adjournment**

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

Motion/Vote: Member Brown moved to adjourn the meeting and Member Dubbs seconded. The meeting was adjourned at 11:55 a.m.

Chairperson                                      /s/ Kari Elliott                  

Executive Director                             /s/ Shawn Graham