

Montana Teachers' Retirement System Board Meeting

August 2, 2024

BOARD MEMBERS PRESENT

Kari Elliott, Chair (*virtual*)
Daniel Chamberlin, Vice Chair
Daniel Trost, Member
Dee Brown, Member (*virtual*)
Elliott Crump, Member
Brian Youngren, Member

STAFF PRESENT

Shawn Graham, Executive Director
Tammy Rau, Deputy Executive Director (*virtual*)
Denise Pizzini, Chief Legal Counsel
Nolan Brilz, Accounting/Fiscal Manager
John Noble, Information Systems Manager
Darla Fitzpatrick, Communications Manager
Jennifer Van Syckle, Communications Specialist

OTHERS PRESENT

Kim Popham, Montana Federation of Public Employees
Dr. Rob Watson, School Administrators of Montana
Jennie Youngren, Ronan School District

Call to Order

Chairperson Kari Elliott, who was attending the meeting virtually, asked Vice Chair Daniel Chamberlin to facilitate and he called the meeting to order at 8:34 a.m.

Adoption of the Agenda

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

Motion/Vote: Member Brian Youngren moved to adopt the agenda. Member Elliott Crump seconded the motion and it was approved by all members.

Approval of Minutes

Vice Chair Chamberlin requested a motion to approve the minutes from the May 17, 2024 meeting.

Motion/Vote: Member Daniel Trost moved to approve the May 17, 2024 minutes as written, and Member Brian Youngren seconded. The motion 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.

2024 Agency IT Plan

TRS Executive Director Shawn Graham reported that TRS IT Manager John Noble had previously submitted an agency IT plan to the State Information Technology Services Division for the next biennium and recently received confirmation that SITSD has approved the plan. The plan outlines IT-related goals and objectives that help achieve the TRS Board’s vision and objectives. These include modernizing the TRS website, ensuring system security, and developing online services to replace legacy paper processes while providing more efficient service to members.

Public Comment

There was no comment.

Responsive Website Demonstration

Darla Fitzpatrick and Jennifer Van Syckle of the TRS Communications team provided an update on progress toward a new, responsive design for the TRS public website.

Ms. Fitzpatrick began with an update on new Americans with Disability Act (ADA) accessibility requirements for public websites. While the law has applied to commercial websites for many years, soon they also will apply to state and local government websites to ensure all citizens have equal access to web content, including PDF documents, images, and videos. TRS agrees with the requirements and has begun implementing them, even though full compliance will not be required until April 2026. Full compliance will take significant time and effort by the Communications team.

Ms. Van Syckle, who has been largely responsible for the public website redesign, then provided a preview for the Board. Unlike TRS’s current website, the new design will adjust automatically to the user’s screen size and will meet accessibility requirements for color contrast, font size, navigability, and support for assistive technologies such as screen readers for blind and low-vision users. She will continue working to bring current materials into compliance with the new accessibility rules while moving existing content over to the new design template.

Public Comment

There was no comment.

2025 Draft Legislation

Director Graham attended the State Administration and Veterans’ Affairs (SAVA) committee meeting held on July 31, 2024. The purpose of the meeting was to describe TRS’s legislative ideas and obtain authorization for legislative staff to draft the bills prior to the start of the 2025 legislative session for efficiency.

He then reviewed the main points within TRS’s two proposed bills. One would request an increase in the MUS-RP supplemental employer contribution rate as required under §19-20-621, MCA. Director Graham reviewed the history of this contribution rate, which stems from the Montana University System’s decision in 1993 to close TRS to new hires. The TRS Board is required to recommend an increase to the Legislature if the current MUS supplemental contribution rate is not sufficient to amortize the past service liability of their TRS members by July 1, 2033.

The current rate of 4.72% was set in 2007 and no Legislature has acted on subsequent requests to increase it. The actual contribution rate and/or dollar amount to be included in the MUS-RP supplemental employer contribution bill will be based on the July 1, 2024 actuarial valuations of TRS and MUS, which will be presented to the Board in October.

Director Graham then reviewed four main sections of the TRS General Revisions (“housekeeping”) bill. The first part would modify the existing definition of “extra duty service” to ensure that all TRS members who are regularly assigned and compensated for extra duties outside their regular job description are treated equally with respect to accrual of salary and service credit for those duties.

The second part of the housekeeping bill would insert a definition of the term “educational services capacity” to clarify which positions of a TRS employer must be reported to TRS. Some job titles (e.g., teacher, superintendent, principal) are specified in TRS law as required participants, but other job titles are less clear as to whether the employee is fundamentally engaged in providing educational services. The bill inserts language to describe the criteria applied by TRS to determine whether such positions are reportable to TRS based on job duties and functions.

The third part of the proposed housekeeping bill relates to an existing provision that allows substitute teachers and part-time teachers’ aides/paraprofessionals to elect to postpone active TRS membership until they have worked at least 210 hours in a single fiscal year. School business officials have requested that TRS modify its Wage and Contribution Reporting System to track those hours, and TRS is accommodating that request; however, corresponding changes are needed in TRS law, such as to require school districts to report hours and wages monthly for those who qualify as non-contributing employees under this provision.

The fourth part of the housekeeping bill clarifies how TRS would recalculate benefits for members who return to active membership after receiving disability retirement and who subsequently re-retire with TRS after accruing three or more years of additional service credit.

Public Comment

Dr. Rob Watson, Executive Director of the School Administrators of Montana, suggested some language changes in “extra duty service” and “educational services capacity” provisions to help ensure the housekeeping bill does not inadvertently exclude some valid programs and positions that exist in the public school system. Director Graham thanked Dr. Watson for his input and indicated his suggestions will be incorporated into the bill draft.

Board Training

Funding and Benefits Policy

Chief Legal Counsel Denise Pizzini reminded members of the Board that the TRS Funding and Benefits Policy is reviewed every two years prior to the upcoming Legislative session. As fiduciaries of the retirement system, the TRS Board sometimes must recommend changes to the Legislature to help ensure the system remains adequately funded, and the policy provides guidelines for doing so. The policy also helps the Board determine whether to take a position on bills introduced by others that could affect TRS. Member Dee Brown commented that Director Graham is an excellent spokesperson for the Board when testifying at legislative hearings.

Public Comment

There was no comment.

Strategic Planning

Long Range Planning

The Board's meeting packet included a complete copy of the 2023-25 Strategic Plan developed in August 2023. Director Graham explained that today's agenda item represents the Board's opportunity to review that plan and to revise the stated goals or objectives as needed. He then reviewed the three overall goals and provided a progress report on specific objectives listed on the Commitment Worksheet.

After discussion, Director Graham agreed to modify one of the objectives related to public relations to include his possible participation in the annual Montana Conference of Education Leadership (MCEL). It was also agreed that because the objective to develop desk-level procedural documentation for TRS staff has not yet been prioritized, it may need to be revisited and modified next year when the strategic plan for 2025-27 is developed.

Public Comment

There was no comment.

Executive Director's Report

Legislative Interim Committee Update

As previously reported, Director Graham presented legislative concepts to the SAVA committee on July 31, 2024 and received approval for pre-session drafting of the two proposed TRS bills. Board members will review the bill drafts at the October 4, 2024 meeting.

Operations Update

There have been some staffing changes since the May Board meeting. One of TRS's imaging technicians, Robert Grotzke, moved out of state and TRS has hired a new employee, Stephanie Reynolds, to fill that vacancy. A technician on the Retired Benefits team, Janine Whitley, decided to retire from State government and TRS has filled the position internally. Tina West, the current Administrative Assistant, was the successful candidate for that position and Director Graham soon will schedule interviews with applicants for her vacant position at the front desk.

Public Comment

There was no comment.

Administrative Business

Investment Report

Member Trost provided a report from the Montana Board of Investments (BOI), which last met in May 2024. The BOI plans to review the contract they have held for many years with investment consulting firm RVK and may issue a Request for Proposals next year to ensure they are getting the best value for the service provided. The BOI operating budget for FY 2024 showed a surplus in

nearly every category, and a recent analysis by RVK confirmed that most fees paid to outside investment managers were lower than those paid by peers.

Member Trost then discussed the BOI's investment portfolio and reported that, as of June 30, 2024, investment returns for the public pension funds including TRS exceeded their actuarially assumed rates of return. Growth was strong compared to the previous year and, although there has been some recent volatility due to inflation fears and other factors, investments continue to do well overall.

FY 2024 Budget Status Report

Nolan Brilz, TRS Accounting/Fiscal Manager, presented the TRS balance sheet as of June 30, 2024 as compared to the previous fiscal year. As reported by Member Trost, market performance has been strong and TRS total assets now exceed \$5.3 billion. He then discussed certain expense categories and reported that revenue (contributions and investment earnings) exceeded expenses (primarily benefit payments) by approximately \$230 million for FY 2024.

The TRS operating budget for FY 2024 resulted in an overall surplus of approximately \$200,000. Mr. Brilz noted that TRS paid no fees for legal services in FY 2024, which accounts for some of that surplus. Member Trost commended TRS for consistently keeping administrative expenses far below the amount allowed by state law.

NCTR Customer Service Workshop – Verbal Report

Darla Fitzpatrick, TRS Communications Manager, attended the NCTR Customer Service Workshop hosted by New York City TRS in June. She had hoped to connect with representatives from CalSTRS regarding their use of DocuSign for member forms, but none of their staff were in attendance. There were 15 systems represented at these meetings and topics of discussion included cybersecurity, fraud detection and prevention, use of artificial intelligence (AI), member outreach, and expansion of online member services. She noted there was wide variety between the various systems in how they approach online security.

NCTR Directors' Meeting – Shawn Graham

Director Graham also attended the NCTR Director's Meeting in New York City in June. There were 28 system directors in attendance and, while all plans share common challenges, it is always interesting to learn how each plan manages them. One example is how strict or lenient each system is with respect to working retirees. The potential uses for artificial intelligence and concerns over security of plan data also were discussed. While AI tools may be valuable for performing certain tasks, the State of Montana does not yet have an AI policy, and access to AI tools is blocked until a usable policy can be adopted. An emerging concern is the enormous amount of energy consumed by AI technologies and whether the U.S. can supply enough energy to meet those demands.

Tentative 2024 Meeting Dates

Tentative dates for the remainder of 2024 are October 4 and December 6. No conflicts were noted.

Public Comment

Kim Popham, MFPE Public Policy and Research Director, introduced herself and thanked the TRS Board for all they do for our shared members. She currently is working with TRS staff to confirm locations and dates for fall pre-retirement education sessions.

Next Meeting Date

The next Board meeting will be held Friday, October 4, 2024.

Adjournment

With no other business before the Board, Vice Chair Chamberlin requested a motion to adjourn.

Motion/Vote: Member Trost moved to adjourn, with Member Brown seconding. The meeting was adjourned at 12:00 p.m.

Chairperson /s/ Kari Elliott

Executive Director /s/ Shawn Graham