

Montana Teachers' Retirement System Board Meeting

December 6, 2024

BOARD MEMBERS PRESENT

Kari Elliott, Chair
Daniel Chamberlin, Vice Chair
Daniel Trost, Member
Dee Brown, Member
Elliott Crump, Member
Brian Youngren, Member

STAFF PRESENT

Shawn Graham, Executive Director
Tammy Rau, Deputy Executive Director
Nolan Brilz, Accounting/Fiscal Manager
John Noble, Information Systems Manager
Darla Fitzpatrick, Communications Manager

OTHERS PRESENT

Brett Dahl, Montana Department of Administration
David Severson, Retired member (*virtual*)
Nate Weinstein, Member of public (*virtual*)
Kim Popham, Montana Federation of Public Employees

Call to Order

Chairperson Kari Elliott called the meeting to order at 8:31 a.m.

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 Daniel Chamberlin seconding. The motion was approved by all members.

Approval of Minutes

Chairperson Elliott requested a motion to approve the minutes from the October 4, 2024 meeting.

Motion/Vote: Member Chamberlin moved to approve the October 4, 2024 minutes. Member Brian Youngren 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 Department of Administration's Risk Management and Tort Defense Division, delivered a presentation titled "Cyber Insurance and Incident Response" on the cybersecurity insurance coverage provided to all State of Montana agencies and the University System.

Mr. Dahl shared the three main functions of his Division include self-insuring the state and university systems, investigating claims, and loss prevention. He also presented on what privacy and security breaches entail with the note laws differ by state and jurisdiction, Montana is fortunate to have strong laws in place. Information security trends and threats, specifically focusing on ransomware, were presented. This included risks, costs, and examples of breaches from other states as well as Montana-based events. He also discussed the state of the insurance market and what to do in the event of an incident.

Public Comment

There was no comment.

Administrative Business

Investment Report

Member Trost reported on recent activities of the Montana Board of Investments (BOI). He noted Director Graham gave a presentation on the annual actuarial valuation at the last BOI meeting. Also, interest and Short-Term Investment Pool (STIP) rates are trending down. Markets have been great. This is likely due to lowering interest rates and post-election optimism. Inversely there is uncertainty regarding possible tariffs and mass deportations which might be inflationary. BOI will need to see what unfolds. There has been a lot of optimism on AI and how it may push the Tech Sector and growth. Member Trost did note the BOI is very diversified in its investments and feels its sitting in a good spot.

Fiscal Year 2024 Financial Statements and Budget Reports

Nolan Brilz, TRS Accounting/Fiscal Manager, presented the TRS balance sheet as of October 31, 2024, as compared to one year prior. He reported that compared to last year's balance sheet the CAP is up \$540 million. The year-to-date income is at \$140 million with most is coming from investment revenue and appreciation of assets rather than selling.

A question was brought by Member Chamberlin regarding total expenses going up \$5 million. Mr. Brilz noted that's due to benefit payments and their annual increase as well as an increase in withdrawals from the system this year compared to prior years. Administrative expenses are down and the biggest driver of that is amortization of the M-Trust project.

NCTR Annual Conference Report

Member Dee Brown provided a verbal report on the annual conference of the National Council on Teacher Retirement (NCTR), held in October in Atlanta, Georgia. Member Brown said the speakers were very good and her favorite part was the Teacher of the Year. She also attended a Zoom conference from NCTR on the shift in administration in DC. Most of the Chairs and Vice-Chairs have switched positions but no upheaval is anticipated.

Tentative 2025 Meeting Dates

Chairperson Elliott reviewed tentative meeting dates of February 21, May 9, August 1, October 3, and December 5, 2025. Executive Director Shawn Graham noted that TRS requests an actuarial audit every five years and that representatives from the Milliman and CavMac actuarial firms will attend the May 2025 meeting to discuss the results.

All members confirmed the May 9, 2025, meeting date. However, due to scheduling conflicts in February, it was agreed the meeting will be moved to February 10, 2025.

Public Comment

There was no comment.

Next Meeting Date

The next meeting of the TRS Board is scheduled for Monday, February 10, 2025.

Executive Director's Report

Staff/Operations Update

Director Graham reported that Chief Legal Counsel Denise Pizzini recently decided to retire, and her last day with TRS will be Friday, December 13, 2024. There have been no other staffing changes since the last meeting.

Every geographic area of the state is visited in the fall to give retirement prep presentations, known as 'Ready, Set, Retire!' however this year attendance at in person events was very low. For example, four individuals showed at the Great Falls event. At the annual MFPE conference, attendance was also low. This is a trend that's been happening since COVID. The online webinars are much better attended. Director Graham suggested sending a couple people to the annual conference and using online webinars instead of sending staff around the state. Discussion ensued around what schools were notified, how notification happened, and suggestions when to schedule.

2025 Legislation Update

Director Graham reported the two TRS bills are still in drafting which pertain to housekeeping and the MUS-RP supplemental contribution. The Governor's proposed budget included a placeholder for potential TRS funds based on rates of return. Member Crump shared more input on some proposed bills and their intentions. The Director explained the TRS process on pending legislation.

SAVA / SJ 4 Update

Director Graham attended the October 24, 2024, meeting of the State Administration and Veterans' Affairs (SAVA) interim committee, which served as the final meeting of the SJ 4 pension study group. The committee was favorable with their findings but made two recommendations. First, to implement a yearly survey of active members and add a question about the retirement system to public employee exit interviews. TRS did share survey results with the committee, however the Public Employee Retirement System did not have survey results to share. Second, adding a requirement to do regular stress testing to policies or statutes. Director Graham felt this was done several years ago through ASOP51 and nothing was done with that data, even though it was an expensive assessment. He's not sure the value is worth the cost to the system.

BOI Update

On November 20, 2024, Director Graham presented results of the July 1, 2024 actuarial valuation to the Montana Board of Investments (BOI). He answered their thoughtful questions about TRS and thanked them for the diligence shown by their Board and staff in managing TRS investments for long-term growth.

LFC Update

Director Graham is scheduled to present the July 1, 2024 actuarial valuation to the Legislative Finance Committee on December 17, 2024.

Public Comment

During the discussion about low attendance at Fall 2024 member education events, Kim Popham of described MFPE's efforts to notify members and administrators about those presentations. She also confirmed that the 2025 annual educators' conference will be held in Missoula.

Strategic Planning

Director Graham provided a brief status report on items within the Strategic Planning and Commitment Worksheet. The SJ4 study completed October 24, 2024, he participated in all of the meetings of that committee. The responsive web design is underway, and it is currently being reviewed. It will likely roll out in May, after legislative session.

Public Comment

There was no comment.

Board Training

Ethics/Conflict of Interest

Director Graham explained that Chief Legal Counsel Denise Pizzini typically conducts training for TRS Board members and staff in December each year on ethical conduct and avoiding conflicts of interest. She was unable to attend the meeting and Director Graham reviewed the policy in her absence. He then described the purpose of the Ethical Conduct/Conflict of Interest Annual Disclosure Statement and asked members of the Board to complete and sign the copies provided to them.

Per Diem Election Form

Director Graham explained the purpose of the Board Member Per Diem Election Form and collected a signed copy from each member of the Board.

Applications and Benefit Adjustments

Deputy Executive Director Tammy Rau reported that TRS staff processed 38 applications for retirement benefits between September 1 and October 31, 2024. Many of these applications were from vested members who had previously terminated all TRS-reportable employment but left contributions on account with TRS until they reached retirement age.

