

# Montana Teachers' Retirement System Board Meeting

## October 4, 2024

### **BOARD MEMBERS PRESENT**

Kari Elliott, Chair  
Daniel Chamberlin, Vice Chair (*by telephone*)  
Daniel Trost, Member  
Dee Brown, Member (*virtual; departed meeting at 10:05 a.m.*)  
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  
Jennifer Van Syckle, Communications Specialist  
Chris Fish, Internal Auditor

### **OTHERS PRESENT**

Todd Green, CavMac Actuarial Consulting Services  
Bryan Hoge, CavMac Actuarial Consulting Services  
Kim Popham, Montana Federation of Public Employees  
Ben Ternes, Governor's Office of Budget and Program Planning (*virtual*)

### **Call to Order**

Chairperson Kari Elliott called the meeting to order at 8:35 a.m.

### **Adoption of the Agenda**

Chairperson Elliott requested a motion to adopt the meeting agenda.

*Motion/Vote:* Member Elliott Crump made a motion to adopt the agenda with the following changes: Move agenda items VI (2025 Board Legislation) and XI (Election of Officers) to follow item III (Actuarial Valuation). Member Crump's motion was seconded by Member Daniel Trost and approved by all members.

### **Approval of Minutes**

Chairperson Elliott requested a motion to approve the minutes from the August 2, 2024 meeting.

*Motion/Vote:* Member Brian Youngren moved to approve the August 2, 2024 minutes as written. Member Trost 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.

## **Actuarial Valuation**

Todd Green began by announcing to the Board that his firm, Cavanaugh Macdonald, has rebranded and now is known as CavMac. He then described the actuary's role in pension funding and reviewed the results of the July 1, 2024 actuarial valuation of TRS.

Mr. Green stated that the results are very good this year. He noted they use actuarial value of assets which smooths in gains and losses over a four-year period instead of market value. This reduces volatility in results. The plan earned 8.9% on a market value but on a smoothed value it earned 9.1% due to deferred asset gains being recognized. Unfunded liability went down by \$78 million. The funded ratio increased from 72.5% to 74.3%. The amortization period declined from 24 to 21 years.

Bryan Hoge then shared how these numbers were determined and historical information. There was a 9% return for both market and actuarial return when a return of 7.3% was expected each year. This creates an actuarial gain. Based on current predictions, the system is expected to be 100% funded in 2045. Gains and losses were reviewed with the largest gains being in investment income and largest losses were due to age and service retirements (more teachers retiring earlier or living longer than expected). Discussion around the normal cost rate and this plan vs. other plans ensued.

## **Public Comment**

There was no comment.

Chairperson Elliott requested a motion to adopt the July 1, 2024 actuarial valuation results.

*Motion/Vote:* Member Trost moved to adopt the actuarial valuation results. Member Crump seconded the motion, which was approved by all members.

## **2025 Board Legislation**

Executive Director Shawn Graham reported that the proposed TRS General Revisions (“housekeeping”) bill and University System Supplemental Contribution Rate bill have been submitted to the Governor's office for review. Earlier versions were discussed in the August Board meeting and Director Graham provided a final review of the language in each bill and answered several questions from members of the Board.

The Board then discussed possible funding approaches for the University System bill but ultimately agreed to ask the Legislature to increase the MUS employer supplemental contribution rate from 4.72% to 14.21% to fully amortize, by July 1, 2033, the past service liability of their TRS members. While the Legislature has not voted to increase the MUS supplemental contribution rate since 2007 and funding remains inadequate, each session provides an opportunity for Director Graham to educate SAVA committee members on the unintended consequences of closing a retirement system to new members without paying off the unfunded liability for existing members.

Public Comment

There was no comment.

Chairperson Elliott requested a motion to approve TRS legislation for the 2025 session.

*Motion/Vote:* Member Dee Brown moved to approve TRS’s 2025 legislation, with Member Trost seconding. The motion was approved by all members.

Election of Officers

Chairperson Elliott reviewed the Board’s current officers and committee assignments, which are:

Chair:	Kari Elliott
Vice Chair:	Daniel Chamberlin
Budget/Audit Committee:	Daniel Chamberlin and Brian Youngren
Legislation/Litigation Committee:	Dee Brown and Daniel Trost
Personnel/Policy Committee:	Kari Elliott and Elliott Crump

After discussing each member’s preferences, Chairperson Elliott requested a motion.

*Motion/Vote:* Member Trost moved to retain the current Chair, Vice Chair, and committee assignments. Member Youngren seconded the motion and it was approved by all members.

Administrative Business

Investment Report

Member Trost reported that the Montana Board of Investments (BOI) would meet the following week. Returns have been good, with US equity driving those returns. He also answered questions about assets, BOI plans for selling assets, and smoothing in the actuarial report from CavMac.

FY 2024 Budget Status Report

Nolan Brilz, TRS Accounting/Fiscal Manager, presented the TRS balance sheet for August 31, 2024 as compared to the previous fiscal year. The Consolidated Asset Pension Pool (CAPP) is up \$200 million compared to prior year. The M-Trust Project was completely amortized in 2024.

For the budget report, he noted TRS is currently fully staffed, so there are fewer vacancy savings compared to last year. Mr. Brilz expects around \$100,000 surplus by the end of the year. Currently there are two delinquent agencies, but they have been in contact with TRS and are working to resolve the issues.

Tentative 2025 Meeting Dates

Meeting dates for 2025 tentatively are scheduled for February 21, May 9, August 1, October 3, and December 5. No conflicts were noted.

Public Comment

There was no comment.

### Out of State Travel Request

Director Graham presented a request to authorize Mr. Brilz to travel to the Public Pension Financial Forum (P2F2) conference in Indianapolis, Indiana, in late October. He noted the costs for this annual conference were included in the approved FY 2025 budget.

*Motion/Vote:* Member Crump moved to approve the out-of-state travel request for Mr. Brilz. Member Youngren seconded the motion and it was approved by all members.

### Next Meeting Date

The final Board meeting of 2024 will be held Friday, December 6, 2024.

Chairperson Elliott announced a break at 10:05 a.m., at which time Member Brown departed the meeting.

### **Executive Director's Report**

#### Staff/Operations Update

Benefit officers are currently conducting pre-retirement workshops around the state and four TRS staff also will attend the annual MFPE Educator Conference in Bozeman later this month. Director Graham also recently attended the southwest MASS (Montana Association of School Superintendents) meeting, which completes his objective of speaking to all regional MASS groups this year.

Tina West was promoted to Retired Payroll Technician and Mary Corder was hired to replace Ms. West as the Administrative Assistant.

#### Legislative Interim Committee Update

Director Graham indicated the SAVA committee / SJ 4 Pension Study Group should publish their report soon and he expects it to be largely positive in its evaluation of the pension systems. He is scheduled to present the July 1, 2024 actuarial valuation results to SAVA on October 24, 2024.

#### Public Comment

There was no comment.

### **TRS Internal Auditor Report**

TRS Internal Auditor Chris Fish provided an annual report on findings from 30 employer audits she conducted on FY 2023 wage and contribution reports. This was the second year of audits and her process hasn't changed. However, she has worked more closely with the Active Team to assist and gain insights from them. Currently, during review, she looks at every TRS and non-TRS employee to ensure the employer is reporting them correctly. This year's audits included some larger employers, which explains the higher number of errors and the increase in contributions due TRS compared to last year.

The most common errors were not reporting service or salary to TRS, reporting employees to PERS in error, not submitting documentation for working retirees, and not reporting hourly employees

correctly. In total, nearly \$760,000 in contributions is owed to TRS and buyback transactions will be set up to recover the unpaid amounts.

A new fact sheet was created to explain how to calculate and report service credit for non-full-time employees, such as coaches, and this seems to have helped. Ms. Fish noted that several employers audited last year have called this year to make sure they are reporting such service correctly.

Ms. Fish said her goal is to conduct 30 employer audits each year, and Member Trost asked whether she expects the number of errors to remain high. She anticipates her audits will uncover a large number of reporting errors for the next few years, but due to the amount of education and follow-up that takes place, errors should begin to decrease. Member Crump asked how collections have gone. It was noted that often the employer is required to pay both the employer and member share, with interest, so they usually are eager to pay the amount due as soon as possible.

#### Public Comment

There was no comment.

#### Strategic Planning

Director Graham provided an update on objectives listed on the Strategic Planning and Commitment Worksheet. Great progress has been made on the responsive web design and the TRS management team has begun their review of content. The hope is to roll the new site out in the next few months.

DocuSign ID verification for online withdrawals is in the works. While TRS now has access to the ID verification features, more time is needed to implement them. Realistically, the enhancement may not happen until Fiscal Year 2026.

Director Graham now has attended a MASS meeting in each region and has shared information obtained from MPERA about the 457 plan available to school districts. Many do offer a 403(b) or 457 plan to employees, but the TRS survey last year indicated many members are unaware of this.

Aside from preparing for Legislative session, there were no additional updates on the strategic plan.

#### Public Comment

There was no comment.

#### Applications and Benefit Adjustments

Deputy Executive Director Tammy Rau reported that TRS processed 474 applications for retirement benefits between May 1 through August 31, 2024. The average age of these retirees was 59.77 years and they had, on average, slightly more than 25 years of creditable service. She also noted the vast majority are Tier 1 members, who are eligible to retire at any age with 25 or more years of service.

#### Public Comment

There was no comment.

**Legal Counsel’s Report**

Chief Legal Counsel Denise Pizzini was unable to attend the meeting, but Director Graham stated there are currently no legal matters or pending issues on which to report.

**Disability Applications**

*Closed Meeting*

Executive Session to Discuss Disability Applications

The Board began its executive session at 10:46 a.m. to review one application for disability retirement benefits. This session was closed to the public, as a disability applicant’s right to privacy clearly exceeds the merits of public disclosure.

*Open Meeting*

Chairperson Elliott reopened the meeting at 10:58 a.m. and requested a motion.

Approval/Disapproval of Applications for Disability Retirement Benefits

*Motion/Vote:* Member Trost moved to disapprove member C.H.’s request for disability retirement. Member Youngren seconded the motion and it was passed by all members present.

Public Comment

No members of the public remained in attendance.

**Adjournment**

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

*Motion/Vote:* Member Youngren moved to adjourn, with Member Elliott seconding. The meeting was adjourned at 10:59 a.m.

Chairperson \_\_\_\_\_ /s/ Kari Elliott

Executive Director \_\_\_\_\_ /s/ Shawn Graham