Montana Teachers' Retirement System

2017 Strategic Planning Summary

8/10/2017
Communication & Management Services, LLC
Jim Kerins, Managing Consultant

Introduction

The Montana Teachers' Retirement System (TRS) Board met on August 4th, 2017 at the TRS building in Helena to evaluate and update the agency's strategic plan and Commitment Worksheet.

The Board discussed public board responsibilities; reviewed TRS's mission, vision, and guiding principles (and determined they are still appropriate); updated the assessment of agency strengths, weaknesses, opportunities and threats (SWOT); evaluated historic strategic planning efforts and progress on strategic goals and objectives; and established strategic objectives for the coming years.

The strategic planning meeting included the following participants:

- Kari Peiffer   Board Chair (active member)
- Scott Dubbs   Vice Chair (active member)
- Daniel Trost   Board Member (public member)
- Daniel Chamberlin   Board Member (public member)
- Janice Muller   Board Member (active member)
- Jeff Greenfield   Board Member (retired member)
- Shawn Graham   Executive Director
- Tammy Rau   Deputy Executive Director
- Nolan Brilz   Accounting/Fiscal Manager
- Darla Fitzpatrick   Communications Officer
- John Noble   Information Technology Manager
- Denise Pizzini   Chief Legal Counsel
- Diane Fladmo   MEA-MFT Research Director
- Jim Kerins   CMS, LLC, Facilitator

The following summary documents the Board's work during the session and will serve as the basis for future planning and implementation efforts.

Strategic Planning Background

The 2017 Strategic Planning session represents the continuation of a planning and improvement effort initiated by the Board in 2009. The process involved defining the mission, vision and values; establishing strategic goals; devising objectives and action steps to achieve these goals; establishing outcomes and metrics to assess performance; and monitoring and updating objectives. Following is a brief summary of the TRS strategic planning history:

January 2009: The TRS Board and stakeholders (e.g. MPERA, SAM, MEA/MFT) met for the initial strategic planning session. This included performing a SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats), defining the Mission Statement and Guiding Principles, and establishing Goals and Objectives. This included the following three strategic goals:
- Communication: Member and Employer Participation
- Plan Design
- Organizational Development

2010 – 2013: TRS Staff and Board implemented the initial strategic goals and monitored the achievement of strategic goals and objectives. The organization achieved several significant objectives furthering the mission, including, but not limited to
- Developing and implementing a coordinated outreach program including hiring a Communication Officer.
- Developing and evaluating plan design alternatives to ensure the long-term stability of the fund; adapt to changes in the external environment; and to align system benefits and requirements with member, employer, and system needs.
- Hiring a new Executive Director and developing staffing plans.

August 2014: TRS Board, Staff and partners (MEA-MFT) met to refresh the SWOT Analysis, review the mission and guiding principles, conduct a visioning session to develop the current Vision Statement, and to establish updated goals and objectives, including the following three goals:
- Maintain an actuarially sound "qualified" retirement plan in compliance with the Montana State Constitution and Federal laws and regulations governing such plans.
- Sustain a high-performance work culture and service excellence through staff and board development, innovative leadership and management strategies, and expansion of organizational capacity.
- Continue and expand communication and outreach efforts to increase member and employer knowledge of and involvement with the system, to educate and inform other stakeholders about the system, and to foster support for the system.

2015 – 2016: TRS Staff and Board implemented the initial strategic goals and monitored the achievement of goals and objectives. The organization achieved several significant objectives furthering the mission.
- Implementing GASB requirements.
- Developing and implementing a comprehensive disaster recovery and business resumption plan.
- Developing and initiating a plan to improve workplace efficiency.
- Major information systems development and implementation.

August 4, 2017 – TRS staff, Board, and interested parties met to conduct the planning session summarized herein.

Operational and Environmental Assessment

During the 2017 planning session, the Board reviewed and updated the 2014 SWOT (Strengths, Weaknesses, Opportunities, Threats) assessment. The Board made a few updates to the SWOT assessment indicated in red font below. TRS Board and staff considered the SWOT assessment when they developed the 2017 – 2019 Commitment Worksheet.

Strengths:
Qualities that enable the organization to address issues and opportunities in a determined and effective way.

- *Staffing* – Expertise, respected, experienced, dedicated, knowledgeable with respect to alternatives. The *longevity of staff* – In part, a result of the work the board and management have done with pay rates and retention. There is a good work environment.
- *Interesting and challenging work* – Teachers are fun to work with, and we've received positive feedback.
- *Cross-training & people pitch in for each other*. Jobs are interrelated, so staff members have a good knowledge of others' roles within the organization.
- *Board makeup* – Longevity, members on board, there is a good link with staff.
- *Loyalty & integrity of the staff and board*. The board and staff address system priorities and aren't afraid to make tough decisions in the best interest of the system.
- *Information systems* – with MTRUST we gained efficiencies and will continue to improve due to the system's design and capacity.
- *Disaster recovery* – we now have full redundancy with the state data center, and backup capacity.
- Information technology replacement and support plan.
- *The Montana Board of Investments* – Provides outside investment management, so TRS can focus on benefits. Over time, BOI has provided an appropriate rate of return (~7.7%).
- We've had the *support of the Legislature* over the years.
- *External Resources* – Outside agencies, organizations, consultants (e.g., accountants and actuaries)
- Committed and valuable external partners
- *Joint issue* discussions with other boards.
- *Defined benefit* – Members don't have to manage their own investments and the system provides a lifetime benefit protected by the Montana Constitution.
- *Qualified plan* – Meets IRS rules, certification by the GFOA, etc.
- *Quality training* for board members and staff (e.g., NCTR, NAPA, GFOA, Prism, P2F2, etc.)
- *Leadership* – Smooth transition of leadership; leadership is effective.
- Tier 1 and Tier 2 retirement systems.
- Communication – across the board is excellent and improved. Internal Communication – if there is a problem, it gets addressed
- A constituency that could be activated.

Weaknesses:
Known vulnerabilities, limitations or qualities/features regarded as disadvantages.

- *Longevity of staff* – A few key staff could retire today.
- Staff shortage – Not enough staff in some areas. Staffing is stretched thin, especially with the M-Trust project underway and retirement system growth.
- Staff turnover – may result from retirement or wages.
- Due to limited staffing, the Executive Director may spend too much time on operations (e.g., calculating benefits), and the system is growing to the point where we may need more "executive" time (some demands on ED time may be alleviated with the conclusion of MTRUST implementation).
- External communications –The communications we are able to do are good, but there needs to be more. We need to do more public relations.
- People aren't equating retirement benefits to compensation. It's not meaningful to many employees, but is a big cost for employers\taxpayers.
- Our constituency may not be adequately educated about our system. There is some misinformation among members about Tier 1 and Tier 2. (It would be nice to monitor the website to see if people are accessing information such as the member handbook online).
- Benefits and programs are undervalued by legislators, members, and taxpayers (e.g. members may not fully understand the value of the defined benefit plan and taxpayers may not fully understand the economic benefits the plan provides to the State).
- There is confusion as to the mission of TRS among members. The faces aren't familiar, and the mission is not clear to the average member.
- There is a lack of direct lines of communications with members – Active and inactive members have differing communication needs.
- Lack of Board training – TRS Board AND School Boards around the state. With some of the problems we are experiencing, the school boards were complicit (not maliciously) on creating the problems, and the Boards don't feel like they are partners.
- Budget – Is a potential weakness in plan design for new members (can only spend fund resources to benefit current members so there may be a need to find alternative funding for future plan design).
- Investments – a huge component of the system is built on investments. The economic climate and market volatility is outside TRS's control.
- Legislative support is not within our control.
- There are untested ideas that could affect the system. These are largely outside TRS' control.
- Limitations on our current physical space.

Opportunities:

Situations or conditions favorable for goal attainment, good positions or prospects for advancement of the mission or organizational success.

- A large constituency that TRS can activate. People who are vitally interested in TRS.
- Board training – (e.g., the summer conference). Encourage new board members go. Send more board members to formal training so they can work on ideas immediately after training and are all on the same page.
- Use the resources of affinity groups – (e.g., NASRA, NCTR, NIRS) such as websites, reports, documents, etc. Could use these resources for quality in-house training for the board and staff.
- Look at constituent group resources – (e.g. MEA-MFT Retirement Benefits Forum). MEA-MFT and AFL/CIO have resources and staff who work on retirement issues. Also look to school board administrators.
- Ensure our plan continues to address changing demographics and funding requirements.
- Information technology – new technology, improved or expanded IT systems, new software\hardware.
- M-Trust operational efficiencies.
- Perception vs. reality (also a threat) – People's perception of the system may not be the reality. Train people and have them go to local meetings or do local outreach.
- Provide help to local members – Provide opportunities at least once a month.
- *Data validation*. TRS may need to do more data validation. Auditing – we currently don't go out and audit employers, GASB and Audit standards may necessitate this.
- Enhanced regulatory requirements (GASB).

Communication Opportunities:

- Look into podcasts or webcasts – disseminate information through websites.
- Internet – Expand resources available to members.
- *Increased external communication* – Staffing, engage people in field, school board members, TRS board members. Continued communication to membership.
- *Outreach and Public Relations* – Share and illustrate the positive aspects and benefits of the system (e.g., economic benefits to the state as a whole) – there is about $330 million going out in benefits each year, which is positive for the state's economy; illustrate the economic benefits of TRS at the local level). NIRS released a report illustrating the economic benefits of pension programs by state.
- Communicate the value of retirement in and of itself (e.g., a way to attract & retain quality teachers, an important benefit for individuals & families), and let school boards know what is going on.
- *Communication Manager* – Provide more workshops and written communications, newsletter, go out and sell system, create more interest in the system.
- *Expand communications* with employers (superintendents are the primary link). *Communicate TRS requirements to school* boards. Develop a training opportunity for school board trustees (e.g. a video clip).
- *MEA-MFT Digital Academy* could be used to train employees
- *GASB & M-Trust* present opportunities for communication.
- Have a *presence at School Administrators of Montana* and similar larger meetings.
- Montana Association of School Business Officials meetings.
- Continued communication to members. Need to communicate Tier 1 and Tier 2. Need to communicate the reasons for the 150-day break in service requirement. Need to communicate the value of the DB plan.

Threats:

Situations, conditions or events that can damage an organization or impede efforts to attain goals; risks to operations or customers.

- *Legislation* – e.g., benefit enhancements, unfunded liabilities, defined contribution plan designs.
- *Negative Investment returns*. Increased unfunded liabilities and funding requirements.
- *Regulatory* - IRS, Social Security, national legislative issues.
- *Prolonged economic downturn* – Unable to achieve actuarial investment assumption of 7.75%.
- *Demographics* – There are fewer people working and paying in and more members receiving retirement benefits. People are living longer than current actuarial assumptions.
- *Portability of skills & globalization* – People can go anywhere to work, out of state, private schools, on-line schools.
- Decentralization of education – the change in the methods of providing education (e.g., online or independent contractors) may reduce the employee base and threaten funding for the pension program which relies on employees and payroll. It may be difficult to enroll educators involved in on-line education. Schools in the future may not look like schools do now – in the future, students may not go to a school, they may use online or other distance learning technologies; schools may use more independent contractors.
- *School funding* – The level of funding is not addressing the problem with teacher's wages which in turn puts pressure on the TRS for additional benefits, or to use the System as a supplemental plan. We don't assume membership will grow, and if they don't grow we fall further behind in amortizing current unfunded liabilities. It may be tough to do anything about teacher's salaries given current economic conditions. Property values may go down and decrease revenue for governments and schools.
- *Disaster recovery* is a major consideration. We need to address non-IT issues and do an IT tabletop exercise.
- *Security threats* (e.g. hacking and other cyber threats).
- *Failure to maintain Board education*. There is a threat if the board does not sustain its efforts to evolve and take advantage of educational opportunities.
- *Lack of new teachers/fewer teachers*.
- *Failure to maintain policy compliance*. If the staff or board doesn't sustain policy compliance, it could threaten the system.
- *25 year retirement* (Tier 1) causes fiscal pressures.
- *Early retirement incentives* offered by school districts puts additional financial strain on the system and reduces the amount of contributions by active members. The change in school district philosophy regarding retirement threatens the system (i.e., early retirement or termination incentives).
- *Volatility of the marketplace* – Actual volatility could affect funding; perceived volatility (based on a short-term perspective) could affect public or policymaker perception.
- *Public perception vs. reality* (also an opportunity) – People's perception of the system may not be the reality.
- Organizations providing misinformation regarding defined benefit (DB) programs.
- The philosophical divide between supporters and detractors of DB.
- There are different ideas regarding retirement in the political environment. A diversity of ideas in the legislature regarding what is best for retirement and a climate that doesn't support DB.
- Retirement system detractors are influencing lawmakers and regulators.

Threats (continued):

- Enhanced regulatory requirements (GASB).
- Employer funding backlash (sticker shock).
- Data validation. TRS may need to do more data validation. Auditing – we currently don't go out and audit employers, GASB and Audit standards may necessitate this.
- Ongoing and innovative individual efforts to manipulate the system for personal gain.
- The University System doesn't adequately fund the liability created when the MUSRP was established for new hires of MUS.
- Volatility of the marketplace – the possibility of a market correction.

Goals and Objectives

The Board reviewed the broad goals and objectives published on the agency website. The Board determined these goals and objectives are still appropriate and that they encompass the specific items they will address in the coming years. The Board made a few updates to the goals indicated in red font below.

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1. Maintain an actuarially sound "qualified" retirement plan in compliance with the Montana State Constitution as well as State and Federal laws and regulations governing such plans.

- Periodically review and maintain the qualified plan status by ensuring the plan is in compliance with the Federal Internal Revenue Code, state and federal law, and the Montana State Constitution.
- Perform an annual actuarial valuation of the plan.
- Periodically perform an experience study to ensure the assumptions used in the valuation are reasonable.
- Eliminate the unfunded actuarial accrued liability and establish a stabilization reserve.
- Provide a comprehensive annual financial report prepared in accordance with Generally Accepted Accounting Principles and applicable GASB standards.

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2. Sustain a high performance work culture and service excellence through staff and board development, innovative leadership and management strategies, and expansion of organizational capacity.

- Promote a work environment in which staff adheres to the following principles: high ethical standards; honesty, integrity and impartiality; dignity, respect and mutual support.
- Maintain and enhance the TRS's market and competency/performance-based pay systems to sustain the TRS's ability to attract, retain, and motivate competent employees who support the organization's guiding principles.
- Develop, enhance, and implement initial and ongoing board training and education to ensure members are kept up to speed on retirement system and related issues and to expose board members to new ideas and opportunities to improve the system.
- Continue to develop and expand staff education and professional development through continuing education, on-the-job training, and certification.
- Update and expand the current pension administration system allowing more efficiency in TRS business processes.
- Research and implement long term plans to increase workplace efficiency.
- Develop compliance monitoring and quality control capacity.

3. Continue and expand communication and outreach efforts to increase member and employer knowledge of and involvement with the system, to educate and inform other stakeholders about the system, and to foster support for the system.

- Provide membership with retirement seminars, periodic newsletters and memos containing pertinent information in a timely manner.
- Utilize technology to enhance communication with members and other constituents including expanding and implementing internet access, interactive databases, webcasts/podcasts, and other distance learning/communication tools.
- Develop and implement a coordinated outreach program engaging board members in communication efforts and establishing networks with local and statewide communication providers to disseminate information.
- Establish communication channels with national organizations to stay abreast of recent and ongoing pension related issues.
- Promote and maintain secure online access for members to their accounts.

Teachers' Retirement System
2017 – 2019 Strategic Planning Commitment Worksheet

Objective/Strategy	Outcome (measure)	Priority*	Timeline	Responsible party / coordinator	Resources required
Implement long term plans to increase workplace efficiency: New or remodeled workspace for TRS operations (Park Ave., potential resource sharing, facility tour).	Operations transitioned to better facility	1	2017-2018	Executive Director, Budget/Audit Committee	Staff and B/A Committee time Additional square footage Minor remodel costs Moving costs
Implement long term plans to increase workplace efficiency: Workflow project: digitize documents and processing workflow using an enterprise content/business management system). Expand our online forms capacity to offer online submission of many TRS forms (forms scheduled for this phase of M-Trust, we'll explore additional opportunity to move in this direction).	Improve workflow, document/data management, and customer service	2	Determine project plan May 2018, implement Oct. 2018	Executive Director Deputy Director IT Manager	Staff time Substantial IT/Operations project (project management & testing) Contractor team / business analyst
Implement long term plans to increase workplace efficiency: Improve public records management and implement document imaging retention.	Improve efficiency, ensure legal compliance	2	2018	Executive Director Deputy Director Legal Counsel	Staff time (legal/policy) Contractor services
Implement long term plans to increase workplace efficiency: Implement Voice over Internet Protocol (VoIP) systems & software to provide & improve voice communication, media delivery, & communication management services (in conjunction with state move to VoIP). Record & store member phone calls, eliminate manual logs, possibly tie to M-Trust, develop policies.	Improve information management, customer service, and recordkeeping	2	2018-2019	Executive Director Deputy Director IT Manager	Staff time Costs & consulting associated with tying to M-Trust Use contingency fund to build into M-Trust Phase 3
Develop compliance monitoring and quality control capacity: Develop internal and external audit capacity (e.g., develop tools for internal evaluation, evaluate option of additional staff for external audit, explore partnership with MPERA, engage members in reviewing their retirement and service records.	Ensure GASB & regulatory compliance; reduce interest payments assoc. with member in wrong system	2	2018-2019	Executive Director Deputy Director Acct/Fin. Manager Budget/Audit Comm.	Management time Implementation time/costs Possible additional staff

*PRIORITY:

1 = year 1
2 = year 2
3 = year 3 or beyond
OR
1 = High importance/high urgency;
2 = High importance/low urgency OR Low importance/high urgency;
3 = Low importance/low urgency (consider eliminating)

S.M.A.R.T. Checklist

1. Is each strategic action written positively and in the present tense?
2. Is each strategic action "SMART"?
   Specific? Measurable? Achievable? Relevant? Time-bound?
   If not, refine each strategic action to make them even smarter!

Teachers' Retirement System
2017 – 2019 Strategic Planning Commitment Worksheet (Continued)

Objective/Strategy	Outcome (measure)	Priority*	Timeline	Responsible party / coordinator	Resources required
Implement a coordinated outreach program: Develop and implement outreach (external) and change management (internal) efforts to communicate and effectively manage organizational improvements, changes to member services and internal business processes, and to foster positive perception of change (e.g., illustrating benefits to members, training staff on continuous quality improvement).	Improved customer service. Internal change management. Continuous quality improvement. Enhanced communication	1	2017-2018	Executive Director Deputy Director Communication Mgr. TRS Board	Staff and board time Training costs/time (change management, CQI)
Implement a coordinated outreach program: Develop School Board webpage. Get the page started by pulling together existing information and links of interest to board members. Explore longer-term services e.g., the ability for school board members to submit questions on line and get responses, and/or FAQs	Webpage posted on TRS website	1	Fall 2017	Communication Mgr. Executive Director	Staff time
Implement a coordinated outreach program: Conduct a comprehensive assessment of communication needs and resources to develop an inventory & communication plan, and effectively prioritize and sequence communication objectives (e.g., the following objectives in this worksheet).	Inventory of existing resources, effective prioritization and sequencing of comm. Objectives.	1	Spring/ Summer 2018	Communication Mgr. Executive Director	Staff time
Implement a coordinated outreach program: New member training materials intended to promote the value of TRS DB plan to new members of system.	Completed flyer and web content	2	2018	Communication Mgr. Executive Director	Staff time
Implement a coordinated outreach program: Promote third leg of retirement (deferred comp, 401k, etc..) for TRS Members	Info on website and incorporate into new member training materials	2	2018	Communication Mgr. Executive Director TRS Board	Staff and board time
Increase member knowledge of and involvement with system: Send a notice to members when they become vested, show members when they are vested when they login to the system, provide a summary of their record for review, and notify them of service purchase eligibility. Involve members in doing service audits.	Increased member system knowledge, proactive service reviews.	2	2018-2019	Deputy Director IT Manager	Staff and consultant
Maintain and enhance TRS human resource systems: Develop and expand staff competency, expertise, and <u>retention</u> through on-the-job training, continuing education, certification, and <u>pay plan design</u> (informed by salary survey).	Improved pay plan; continued staff development	2	2017-2018	Executive Director Deputy Director	Staff time, pay plan costs, consultant

Next Steps

Commitment Worksheet Implementation:

The Board established preliminary objectives and priorities during the planning session. The Executive Director and staff should review these preliminary objectives and priorities to ensure they are feasible, that the timeframes are realistic, and that the resource allocations are accurate and sufficient. Any necessary changes or additions can be included in an updated Commitment Worksheet.

The Executive Director and Board can then use the updated Commitment Worksheet to monitor the implementation of the strategic objectives and to make any necessary adjustments or additions to the plan.

Communicating TRS Goals and Objectives:

During the planning session, Board members provided review and comment of the Goals and Objectives document from the TRS website. Board members should provide a final review of the modified document on pages 9 and 10 of this summary and let the Executive Director know if they have any further changes or additions. TRS can then update the document and use it for the TRS website and other communication purposes (e.g., the Executive Planning Process).

Reinforcing and Acknowledging the Strategic Plan:

The Board discussed venues for recognizing, reinforcing, and acknowledging progress and achievement of strategic objectives.

These venues include highlighting achievements in the member newsletter (e.g., previous communications regarding M-Trust), and having staff celebrations including having joint staff and board luncheons in conjunction with Board meetings to provide Board members the opportunity to interact with and express their appreciation of staff efforts.

The Board will continue its effective strategic planning, implementation and evaluation process. Board member or staff suggestions for improvements or additions to the process are welcome. Suggestions can be provided to Shawn Graham ShawnGraham@mt.gov, or to Jim Kerins at jkerins@mt.net or 406-442-4934.