

Montana Teachers' Retirement System Board Meeting February 21, 2024

BOARD MEMBERS PRESENT

Kari Elliott, Chair

Dee Brown, Member (*virtual*)

Elliott Crump, Member

Brian Youngren, Member

- *A quorum is reached when three members are present.*

BOARD MEMBERS ABSENT

Daniel Chamberlin, Vice Chair

Daniel Trost, Member

STAFF PRESENT

Shawn Graham, Executive Director

Tammy Rau, Deputy Executive Director

Denise Pizzini, Chief Legal Counsel

Nolan Brilz, Accounting/Fiscal Manager

John Noble, Information Systems Manager

Darla Fitzpatrick, Communication Manager

Jennifer Van Syckle, Communication Specialist

OTHERS PRESENT

Kim Popham, Montana Federation of Public Employees

Call to Order

Board members welcomed Brian Youngren, a teacher from Ronan, Montana, who was recently appointed to the Board. Chairperson Kari Elliott then called the meeting to order at 8:30 a.m.

Adoption of the Agenda

Chairperson Elliott requested a motion to adopt the meeting agenda.

Motion/Vote: Member Elliott Crump moved to adopt the agenda. With Member Youngren seconding, the agenda was approved by all members present.

Approval of Minutes

Chairperson Elliott requested a motion to approve the minutes from the meeting held on November 30, 2023.

Motion/Vote: Member Youngren moved to approve the November 30, 2023 minutes as written. Member Crump seconded the motion and it was approved by all members present.

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.

Kim Popham introduced herself as the new Director of Public Policy and Research at MFPE. Jennifer Van Syckle, TRS's newly hired communication specialist, also introduced herself.

Administrative Business

Investment Report

Member Daniel Trost, who represents TRS on the Board of Investments, was unable to attend the meeting. Director Graham and Chairperson Elliott agreed to skip the agenda item as Dan Villa, Executive Director of the Montana Board of Investments, would present his annual investment report to the Board later in the meeting.

FY 2023 Annual Comprehensive Financial Report (ACFR)

TRS Accounting/Fiscal Manager Nolan Brilz provided a printed copy of the TRS ACFR to each Board member and briefly described how the annual report is produced. He noted that the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, which can be found on Pp. 16-17 of the FY 2023 ACFR, summarize the financial data on which the Legislative Audit Division conducts its audit of TRS each year. TRS received a clean audit with no recommendations and Mr. Brilz has applied for a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) again this year.

FY 2024 YTD Financial Statements and Budget Reports

Mr. Brilz then reviewed the January 31, 2024 fiscal reports, which present the fund's assets, liabilities, revenue and expenses as compared to the same period last year. Mr. Brilz briefly explained how the reports are structured and he answered questions about cash flow management from Members Crump and Youngren.

The Operating Budget Status Report shows budgeted versus actual expenses as of January 31, 2024, with 58% of the fiscal year complete. Mr. Brilz reviewed key sections of the budget report and said he anticipates TRS will have a budget surplus at fiscal year end (June 30, 2024). He noted that TRS prepares its annual budget for the Board's review and approval at the May meeting each year.

Tentative 2024 Meeting Dates

Members of the Board reviewed tentative dates for the remainder of 2024 (May 3, August 2, October 4, and December 6) and agreed to change the next meeting date to May 17.

Out-of-State Travel Requests

Board members reviewed requests for Director Graham, Deputy Director Tammy Rau, IT Manager John Noble, and Chief Legal Counsel Denise Pizzini to attend annual conferences that will occur prior to the end of the fiscal year. Chairperson Elliott explained for new Board members that pension-related conferences provide valuable education and that the associated costs are factored into the TRS operating budget each year.

Motion/Vote: Member Crump made a motion to approve the four out-of-state travel requests. Member Youngren seconded the motion and it was approved by all members present.

Public Comment

There was no comment.

Next Meeting Date

The next Board meeting is tentatively scheduled for Friday, May 17, 2024.

Executive Director's Report

Executive Summary – Operations and Staff Update

Director Graham reported that TRS is making progress toward adding identity verification to certain online processes. TRS had obtained a quote from LexisNexis some months ago, but has since learned that DocuSign, Inc. can include ID verification as part of an e-signature transaction for an additional cost per transaction. He believes this will be a better and more cost-effective solution for TRS and he hopes to confirm the cost and include it in the FY 2025 budget request.

TRS also is considering whether to contract with a Managed Medical Review Organization (MMRO) for case management and medical review of disability retirement applications and for ongoing review as needed. The MMRO arrangement should provide a more efficient information gathering process as well as access to a broader range of medical professionals to conduct reviews. TRS may include MMRO services in the FY 2025 budget request for the Board's consideration.

Director Graham provided a staffing update, starting with Jennifer Van Syckle, who joined TRS on December 18, 2023. She has experience in both health care and communications and most recently held a health education role with the Montana Department of Health and Human Services.

Becca Bremner, who previously held a benefit specialist position on the Retired Payroll team, decided not to return from FMLA leave and TRS is currently recruiting to fill her position.

Legislative Interim Committee Update

Director Graham described the purpose of the Senate Joint Resolution 4 (SJ4) Pension Study Group and provided an update from the January 25, 2024 meeting, at which he gave a presentation to educate committee members on contribution rates, the assumed rate of return on investments, the impact of prior legislative changes, and more. The next meeting is scheduled for March 14, 2024, and Director Graham will attend to answer additional questions as needed.

The Pension Study Group has identified five topics they wish to examine in future meetings, ranging from the role of retirement benefits in employee recruitment and retention to the risks and benefits of changing the existing plan design. By October 2024 the State Administration and Veterans' Affairs (SAVA) committee will decide whether to adopt committee legislation based on the study group's recommendations. Director Graham will work closely with the Board's Legislation and Litigation committee throughout the process.

Public Comment

Kim Popham of MFPE commented that she also attends the interim committee meetings to share MFPE's perspective on the value of public pensions and she fully supports TRS's efforts.

Communication Manager's Report

TRS Communication Manager Darla Fitzpatrick provided a status report on member and employer outreach activities that have occurred since her last report in May 2023. The most significant development has been the hiring of Jennifer Van Syckle to help accomplish the Board's goals related to member communication and outreach. Jennifer is already working on a design for a new TRS website that will be both mobile-friendly and accessible to vision-impaired users.

In addition to ongoing tasks such as maintaining forms, documents, and web content, Ms. Fitzpatrick coordinates member and employer educational activities such as the MFPE Educator Conference and events hosted by the Montana Association of School Business Officials (MASBO).

In 2023 she also participated in the State Information Technology Services Division's "e-signature workgroup," which determined that an enterprise agreement with an e-signature vendor would increase agencies' adoption of digital signatures by making it more affordable. DocuSign, Inc. was selected and TRS obtained access to its e-signature platform in November 2023. Ms. Fitzpatrick will continue to explore ways to modify existing paper-based forms and business processes to allow for electronic distribution and collection of information via DocuSign.

Public Comment

There was no comment.

Applications and Benefit Adjustments

Regular, Survivorship, Adjustments and Corrections

Deputy Director Tammy Rau reported that between November 1, 2023 and January 31, 2024, TRS staff processed 51 applications for retirement. She also provided statistics on applicants' average age, years of service, and monthly benefit amount. Member Crump asked whether applications vary in number throughout the year and Ms. Rau indicated that they do. TRS processes approximately 600 applications each year, although most are received for members retiring in June and July.

BOI Annual Report

Montana Board of Investments (BOI) Executive Director Dan Villa presented his annual report to the TRS Board. As required by statute, the report reflects the state of TRS assets at the end of the last fiscal year, and he also provided a verbal update on investment performance since that time.

He reviewed the BOI's strategic asset allocation, which is the primary driver of returns, and he noted that domestic equities are performing well and the bond market remains strong. He anticipates more movement into illiquid assets such as private investments and real estate to take advantage of that growth. The Short Term Investment Pool (STIP) rate also is favorable, and there is plenty of liquidity in the portfolio to make benefit payments to retirees.

Director Villa commented that legislative interim committees have conducted studies of the pension systems for the last decade, each time expressing doubt that the systems can achieve their assumed rates of return on investments. In his opinion, legislators may simply underestimate the work being done by the governing boards of each system to obtain actuarial valuations each year, monitor the results, and proactively adjust their assumed rates of return as appropriate. This allows the BOI to stay ahead of problems and achieve realistic investment goals for each system. As proof, the BOI annual report shows that TRS's average rate of return since inception is 7.72%, which exceeds the current assumption of 7.30%.

To conclude his report, Director Villa reviewed the performance of Montana's Consolidated Asset Pension Pool (CAPP) compared to similarly sized public employee retirement systems in other states and he indicated TRS compares favorably by most measures. He then reviewed the BOI's investment expenses and fees and answered questions from Director Graham and the Board.

Public Comment

There was no public comment.

Legal Counsel's Report

Chief Legal Counsel Denise Pizzini reported that TRS currently has no contested cases. There are two ongoing issues that have not progressed to the point of informal board review and she will provide updates on those issues at the next meeting.

Long Range Planning

2023-2025 Strategic Planning Commitment Worksheet

Director Graham explained that TRS brings in a local human resources consultant every other year to help the TRS management team and Board develop a new two-year strategic plan. Once approved, the strategic planning summary document is posted on the TRS website and Director Graham reviews the commitment worksheet at each meeting to track progress toward each of the Board's stated goals and objectives. A significant portion of the August 2024 meeting will be set aside for a more thorough review and possible revision of goals and objectives.

He then reviewed each objective listed in the commitment worksheet and provided a status update on items that are in progress or complete. Chairperson Elliott commented that the strategic plan is a valuable tool for evaluating Director Graham's performance and ensuring TRS is on track.

Public Comment

There was no comment.

Board Training

Privacy and Security of Personal Information

Ms. Pizzini reviewed the TRS policy on privacy and security of personal information, which includes a list of the data elements that constitute personally identifiable information. The policy document describes the type of information TRS is required and allowed to collect on members, beneficiaries, and others for the purpose of administering the business operations of TRS.

She noted that personal information is not shared with outside entities except as is necessary and allowed under the policy. The policy also addresses the appropriate storage and disposal of records containing personal information as well as contractual requirements for third-party agents who may need access to personal information for the purpose of conducting business with TRS.

The final section of the policy describes reporting and notification steps that would be required in the event of a breach of a TRS data system. In response to a question from Member Brown, Ms. Pizzini clarified that if a breach were to occur, the insurance coverage provided to all agencies by the State of Montana's Risk Management and Tort Defense Division would include credit monitoring services and other assistance to affected individuals.

Committee Appointments

Chairperson Elliott described the Board committees and the general obligations of each. Currently, two of the three committees have a vacancy and she asked Members Crump and Youngren to state their preferences. Member Crump felt his experience is best suited for the Personnel and Policy committee and Member Youngren agreed to be appointed to the Budget and Audit committee.

Motion/Vote: Member Brown moved to approve the committee appointments as discussed. Member Crump seconded the motion and it was approved by all members present.

Committee appointments are as follows until the next Board election:

- Budget and Audit: Vice Chair Dan Chamberlin, Member Brian Youngren
- Personnel and Policy: Chairperson Kari Elliott, Member Elliott Crump
- Legislation and Litigation: Member Daniel Trost, Member Dee Brown

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The Board began its executive session at 11:15 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

The meeting was reopened to the public at 11:46 a.m.

Approval/Disapproval of Applications for Disability Retirement Benefits

Motion/Vote: Member Crump moved to approve member L.M.'s request for disability retirement. Member Youngren seconded the motion and it was approved by all members present.

Public Comment

No members of the public were present.

Adjournment

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

Motion/Vote: Member Crump moved to adjourn, with Member Youngren seconding. The meeting was adjourned at 11:47 a.m.

Chairperson /s/ Kari Elliott

Executive Director /s/ Shawn Graham