

# Montana Teachers' Retirement System Board Meeting

## February 10, 2025

### **BOARD MEMBERS PRESENT**

Kari Elliott, Chair  
Dee Brown, Member (*virtual*)  
Elliott Crump, Member  
Brian Youngren, Member

### **BOARD MEMBERS ABSENT**

Daniel Trost, Member  
Daniel Chamberlin, Vice Chair

### **STAFF PRESENT**

Shawn Graham, Executive Director  
Tammy Rau, Deputy Executive Director  
Jim Malizia, Chief Legal Counsel  
Nolan Brilz, Accounting/Fiscal Manager  
John Noble, Information Systems Manager  
Darla Fitzpatrick, Communications Manager (*virtual*)

### **OTHERS PRESENT**

Dan Villa, Executive Director, Montana Board of Investments  
David Severson, Retired member (*virtual*)  
Sean Kirkpatrick, Member of public (*virtual*)  
Andrew (no last name given), Member of public (*virtual*)

### **Call to Order**

Chairperson Kari Elliott called the meeting to order at 8:31 a.m. Three Board members constitute a quorum, and four members were in attendance.

### **Adoption of the Agenda**

Chairperson Elliott requested a motion to adopt the meeting agenda.

*Motion/Vote:* Member Brian Youngren moved to adopt the agenda, with Member Elliott Crump seconding. The motion was approved by all members present.

### **Approval of Minutes**

Chairperson Elliott requested a motion to approve the minutes from the December 6, 2024 meeting.

*Motion/Vote:* Member Crump moved to approve the December 6, 2024 minutes. Member Youngren seconded the motion, which 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.

There was no public comment.

## **BOI Annual Report**

Dan Villa, Executive Director of the Montana Board of Investments (BOI), provided an annual investment report for the Board as required by statute. Strategic asset allocation is the driver of returns, and Director Villa stated that the BOI's objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices.

TRS inception-to-date returns are 7.77%, well above the long-term return assumption of 7.30%. He noted that while it is impossible to predict what investment returns may be at the end of FY 2025, there is more than enough liquidity to continue paying benefits into the foreseeable future.

The BOI's annual Consolidated Asset Pension Pool (CAPP) investment report shows performance compared to similarly sized public employee retirement plans in other states. Five-year CAPP returns were higher than peers and the U.S. Public median. The investment fee ratio as a percentage of assets under management (AUM) has continued to decrease, from 0.33% in FY 2018 to 0.27% in FY 2024.

Member Dee Brown asked for Director Villa's opinion on provisions within Governor Gianforte's proposed budget that would set aside a large sum of money for the public pensions. Director Villa confirmed there is a bill working its way through the Legislature that would place \$300 million into a state special revenue account that could be used to stabilize TRS and PERS in the event of a future economic crisis. The bill also provides for a gradual increase in employer contribution rates, which the Legislature could choose to offset with interest earned on that \$300 million. Director Villa believes the bill stands a reasonable chance of passage, given the state's budget surplus.

## **Public Comment**

There was no comment.

## **Administrative Business**

### **Investment Report**

With Member Daniel Trost absent and Director Villa having just delivered a thorough report on TRS investments, Executive Director Shawn Graham indicated no report would be necessary.

### **FY 2024 Annual Comprehensive Financial Report**

Nolan Brilz, TRS Accounting/Fiscal Manager, provided each member of the Board a copy of the TRS Annual Comprehensive Financial Report (ACFR) for the period ending June 30, 2024. He reviewed key sections and highlights and noted that TRS once again received a clean audit with no recommendations. There were no further questions from the Board.

### FY 2025 YTD Financial Statements and Budget Report

Mr. Brilz then reviewed TRS financial statements as of December 31, 2024. Investments increased by nearly \$500 million compared to December 31, 2023, while liabilities remain stable. Year-to-date income has increased significantly since last year, and benefit payments continue to increase gradually each year, as expected. Administrative expenses remain well within the expected range, and investment returns have been strong over the past several months, as previously reported by Director Villa of the BOI. He is hopeful those gains will continue through the end of the fiscal year.

The TRS operating budget as of December 31, 2024, shows a surplus due primarily to salary savings for vacant positions and a lack of legal expenses. Based on these factors, Mr. Brilz anticipates the surplus will be at least \$150,000 by the end of FY 2025.

### Personnel Committee Report

Chairperson Elliott and Member Crump previously met with Jim Kerins of Communication and Management Services, LLC, to evaluate Director Graham's performance for the past year. Chairperson Elliott explained that the Board's two-year strategic plan is the primary document against which his performance is evaluated, along with survey responses collected from staff, Board members, and other stakeholders. They reviewed Director Graham's ratings on all management criteria and stated that his performance exceeds expectations in all areas.

### Tentative 2025 Meeting Dates

Chairperson Elliott asked members to review the tentative meeting dates of May 9, August 1, October 3, and December 5, 2025. No conflicts were noted.

### Out of State Travel Requests

Director Graham presented requests by four members of the TRS management team to attend conferences related to their areas of expertise. The FY 2025 budget approved last May already includes the necessary funds; this action item is to formally authorize the out-of-state travel.

The requests are for TRS IT Manager John Noble to attend the PRISM conference in April, Deputy Executive Director Tammy Rau to attend the GFOA conference in June, Chief Legal Counsel Jim Malizia to attend the NAPPA conference in June, and Director Graham to attend the annual NCTR Directors' meeting, also in June. Chairperson Elliott commented on the benefits of having these staff involved in these organizations and to network with peers from other retirement systems.

*Motion/Vote:* Member Brown moved to approve the four out-of-state travel requests. Member Youngren seconded the motion, and it was approved by all members present.

### Tuition Reimbursement Request

Chairperson Elliott introduced a tuition reimbursement request for TRS staff member Jaxon Simonson. Director Graham reviewed key sections of the TRS Tuition Reimbursement Program, which was approved by the Board in 2015. Mr. Simonson is pursuing a Master of Business Administration degree through an accredited institution and his participation meets all requirements.

*Motion/Vote:* Member Crump moved to approve the tuition reimbursement request for Mr. Simonson. Member Youngren seconded the motion, which was approved by all members present.

## Public Comment

There was no comment.

## Next Meeting Date

The next meeting of the TRS Board is scheduled for Friday, May 9, 2025.

## **Executive Director's Report**

### Staff/Operations Update

Director Graham reported that after Chief Legal Counsel Denise Pizzini unexpectedly retired from TRS in December 2024, her position was advertised and TRS received a number of qualified applicants. Director Graham noted that it is rare to find an attorney with prior pension law experience, and TRS is fortunate to have hired James (Jim) Malizia, who has been an attorney with the Montana Public Employee Retirement Administration for the last six years. Mr. Malizia, who joined TRS last week, thanked the Board for the opportunity to serve teachers and others.

The communications specialist hired in December 2023, Jennifer Van Syckle, accepted a position outside State government and left TRS in mid-January 2025. The vacancy was quickly re-advertised and attracted a large pool of applicants. Three candidates with highly relevant experience were interviewed and TRS hopes to have the position filled within the next few weeks.

### 2025 Legislation Update

Director Graham reported that he has had several discussions with the Legislative Committee (Members Brown and Trost) about various bills, although nothing controversial has been proposed thus far. The TRS general revisions (housekeeping) bill, HB 67, was passed by the House and is awaiting a hearing in the Senate. The MUS-RP supplemental contribution bill (HB 51) requested by the Board had a hearing in the House Education committee, after which it was amended to extend the deadline for paying off the University System's unfunded liability from 2033 to 2046 and to increase the supplemental contribution rate from 4.72% to 6.00%. The committee passed the amendment but then tabled the bill. Director Graham said the Board may want to borrow ideas from the amendment for its 2027 MUS-RP supplemental contribution bill.

Director Graham reported on four bills introduced by others, including SB 287, the funding bill described earlier by Director Villa. Three working retiree bills (HB 158, HB 349, and HB 359), if passed, would provide additional flexibility for certain employers to hire retired TRS members. None of the working retiree bills would have a significant fiscal impact on TRS and likely will become law.

Member Brown asked Director Graham for his opinion on SB 287 and the potential for TRS to benefit from the \$300 million that would be held in the state special revenue account. He commented that the proposed increase in employer contribution rates would benefit TRS immediately by reducing the amortization period by 1-2 years. However, he doubts any funds would be transferred from the special revenue account to the pension fund. Language in the bill specifies that a transfer could occur only if TRS's inception-to-date return had been lower than the actuarially assumed rate of return for two consecutive years, and the Board's funding policy makes that scenario highly unlikely. However, TRS will be a proponent, as passage of the bill would benefit the system.

### IT Manager's Report

TRS IT Manager John Noble provided his annual report to the Board showing IT expenditures for fiscal years 2023 and 2024, as well as FY 2025 year-to-date expenditures. He reviewed various line items including costs for SITSD to develop TRS's new website template in the Cascade CMS tool. He noted that expenditures for hardware and software have decreased significantly, while some ITSD line items show an increase. This is because most of those services have been centralized. TRS no longer purchases and maintains its own servers and now accesses most software through ITSD.

Mr. Noble described the current TRS IT server and workstation environment and provided an update on several internal IT projects, including a major migration to a new source code repository for management of M-Trust code. He also has begun applying responsive design to *My TRS*, the online member portal. When complete, users will be able to view and navigate *My TRS* on mobile devices.

### Public Comment

There was no comment.

### Legal Counsel's Report

Chief Legal Counsel Jim Malizia reported there are no pending legal issues at this time.

### Applications and Benefit Adjustments

Deputy Director Rau reported that TRS staff processed 33 applications for retirement benefits in the months of November and December 2024. These retirees were slightly less than 61 years old on average, with nearly 15 years of creditable service and a monthly benefit of approximately \$1,200.

### Long Range Planning

Director Graham reminded the Board that a new two-year strategic plan will be developed at the August 2025 meeting. He provided a status update on some objectives listed on the Commitment Worksheet, including the new responsive website design. The Board saw an initial demonstration of the design last August, and the former communications specialist continued working on the layout and inserting draft content until her departure. Content still needs to be reviewed and updated, but ideally the new design will be implemented sometime this summer.

In response to questions from the Board, Director Graham reported that due to low attendance at in-person retirement education events last fall, TRS staff will shift focus to webinars in the fall of 2025, although it is likely they will participate in the annual MFPE Educator Conference for one day. Superintendents around the state seem to appreciate Director Graham's attendance at regional MASS (Montana Association of School Superintendents) meetings, and he plans to continue that relationship. Member Crump suggested he also attend the MCEL (Montana Conference of Education Leadership), which usually is held in the fall around the same time as the MFPE annual conference. Director Graham agreed to explore that idea.

### Public Comment

There was no public comment.

## **Board Training**

### **Privacy and Security of Personal Information**

Mr. Malizia reviewed the TRS policy on Privacy and Security of Personal Information and Notification of Breach of the Security of a Data System and provided a summary of main points, including the definition of Personally Identifiable Information (PII). The policy describes the types of PII collected by TRS and its business practices regarding the security, storage, and disposal of PII.

The second part of the policy describes the formal process that TRS would follow if a data breach were to occur. There were no further questions about the policy from members of the Board.

### **Public Comment**

There was no public comment.

## **Disability Applications**

### ***Closed Meeting***

#### **Executive Session to Discuss Disability Applications**

The Board began its executive session at 10:31 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 10:54 a.m. and requested a motion.

#### **Approval/Disapproval of Applications for Disability Retirement Benefits**

***Motion/Vote:*** Member Youngren moved to approve member C.S.'s request for disability retirement, with Member Brown seconding. The motion was approved by all members present.

### **Public Comment**

There was no public comment.

## **Adjournment**

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

***Motion/Vote:*** Member Crump moved to adjourn, Member Youngren seconded the motion, and the meeting was adjourned at 10:56 a.m.

Chairperson                    /s/ Daniel Chamberlin (Vice Chair)

Executive Director        /s/ Shawn Graham