

Montana Teachers' Retirement System Board Meeting

May 9, 2025

BOARD MEMBERS PRESENT

Kari Elliott, Chair (*joined virtually at approximately 8:45 a.m. and departed at 9:18 a.m.*)

Daniel Chamberlin, Vice Chair

Daniel Trost, Member

Dee Brown, Member (*virtual*)

Elliott Crump, Member

Brian Youngren, Member

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

Lexi Newcomer, Communications Specialist

OTHERS PRESENT

Ryan Falls, Milliman

Todd Green, CavMac

Bryan Hoge, CavMac

David Severson, Retired member (*virtual*)

Call to Order

Due to Chairperson Kari Elliott's scheduling conflict, Vice Chair Daniel Chamberlin agreed to chair the meeting. He called the meeting to order at 8:33 a.m. in the TRS board room.

Adoption of the Agenda and Approval of Minutes

Vice Chair Chamberlin requested a single motion to approve the February 7, 2025, minutes and to adopt the meeting agenda.

Motion/Vote: Member Daniel Trost moved to approve the minutes and adopt the agenda, with Member Brian Youngren seconding. The motion 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.

Actuarial Audit Report

Milliman Actuarial Audit Report

Every five years, TRS engages with an independent actuarial firm to analyze the actuarial methods and assumptions used by CavMac to produce annual valuations of TRS. Ryan Falls of Milliman attended the meeting to present the results of his firm's recent actuarial audit.

Mr. Falls said he prefers the term "actuarial review" because the goal is to confirm that the actuaries' methods and assumptions seem reasonable. The scope of the audit is to replicate CavMac's latest valuation results, and they found that the July 1, 2024 valuation of TRS was reasonable and generally compliant with actuarial standards.

Mr. Falls explained the 4-year smoothing process and that Milliman replicated actuarial liabilities closely. Mr. Falls stated that until TRS is fully funded, it would be ideal for contribution adjustments to be made to ensure an amortization period of less than 30 years. Recent actuarial trends suggest a shorter amortization period; however, amortizing in 30 years or less is referenced in MCA as "actuarially sound."

Mr. Falls described how actuarial assumptions such as payroll growth, inflation, and demographic changes are applied in an actuarial review. If their review shows inconsistencies with best practices, they may recommend changes, but their review of CavMac's methodology resulted in minimal suggestions.

CavMac Response

Todd Green and Bryan Hoge of CavMac agreed that the actuarial review process went smoothly and they enjoyed working with Mr. Falls and appreciate his feedback. Mr. Hoge commented that when another actuarial firm can replicate their results with less than a 1% percent difference, it is considered a success.

Board Discussion

Mr. Green and Mr. Hoge answered questions about demographics from members of the Board, including whether the average career length has decreased. Mr. Green confirmed that it has, but he believes this is not because members are retiring sooner but because the average age at hire has increased. Turnover among young educators is high, and those members tend to withdraw their contributions rather than staying in the teaching profession until they become eligible to retire.

Public Comment

There was no comment.

Executive Director's Report

2025 Legislative Summary

Executive Director Shawn Graham provided a final update on bills that passed the Legislature, including TRS's "housekeeping bill" (HB 67) and three bills requested by others that expanded certain working retiree provisions (HB 158, HB 349, and HB 359). A major funding bill (HB 924), which is not yet signed into law, would increase employer contribution rates by 0.1% each year for 20 years, beginning July 1, 2027. This gradual increase would help to improve TRS's funded status.

Another provision in this bill would establish a pension reserve fund from which limited transfers could be made to TRS and PERS if a prolonged recession or other financial crisis threatened long-term financial stability.

Executive Summary and Operations Update

Director Graham provided one staffing update, which was that the Communications Specialist position had been filled.

Public Comment

There was no comment.

Communications Manager's Report

TRS Communications Manager Darla Fitzpatrick began by introducing Lexi Newcomer, who joined TRS in early March as the new Communications Specialist. Ms. Newcomer provided a summary of her background and work experience for the Board and stated that, as the daughter of a public-school teacher, she is especially proud to be in a position to help support Montana's educators.

Ms. Fitzpatrick then provided an update on the TRS website redesign. Because the previous communications specialist had been driving the project, progress since her departure has been slow. However, both Ms. Fitzpatrick and Ms. Newcomer have now completed online courses to learn the Cascade CMS web content management platform, and they have also requested assistance from SITSD web developers to refine some elements of the website's design. Once that work is complete, they will proceed with reorganizing and refining content on the new website with input from TRS leadership and staff.

Ms. Fitzpatrick reported on member and employer outreach activities that occurred over the previous year as well as some activities planned for FY 2026. For example, due to low attendance at in-person member presentations in recent years, TRS staff will schedule more webinars and fewer in-person events this fall. A member satisfaction survey also will be launched in the coming weeks, in keeping with the TRS Strategic Plan and Commitment Worksheet.

Public Comment

There was no public comment.

Administrative Business

Investment Report

Member Daniel Trost provided an update from the Board of Investments, noting that the Board reviewed capital assumptions. He explained that it is difficult to set benchmarks with private equity due to a wide range of investments. In regard to returns on investments, TRS is above capital assumptions. Member Trost said that international investments currently are outperforming domestic investments due to the recent decline in the value of the U.S. dollar.

YTD Financial Statements and Budget Report

Accounting and Fiscal Manager Nolan Brilz reviewed financial statements as of March 31, 2025. Total assets currently are \$5.26 billion, and the TRS balance sheet is similar to the same period last

year. In fiscal year 2024, markets were strong in April and May, but it remains to be seen whether similar gains will be made this year. Mr. Brilz noted that contributions and benefit payments have increased, as expected, while withdrawals have increased slightly compared to last year.

With only two months left in the fiscal year, Mr. Brilz anticipates a budget reversion of at least \$150,000 – this includes vacancy savings as well as lower than anticipated expenditures in certain contracted services, including M-Trust system enhancements and legal fees.

Personnel Committee Report

Member Elliott Crump reported that he and Chairperson Elliott had met with Director Graham and Deputy Director Tammy Rau in April to review proposed salary increases under the Broadband 25 pay plan. Pay increases are recommended for 16 staff members whose salaries are lower than the midpoint of market rates. Director Graham provided additional context on the history of the TRS pay plan and indicated that pay raises are necessary to remain competitive with other state agencies and to help retain staff.

Budget Committee Report and Budget Justification

Members Brian Youngren and Daniel Chamberlin met with Mr. Brilz and Director Graham in late April to review the proposed TRS budget for fiscal year 2026. Mr. Brilz stated that the budget request represents slightly less than an 8% increase compared to last year, and he reviewed categories for which an increase is requested. He also pointed out that TRS's administrative expenses remain far lower than what would be allowed by statute. Member Chamberlin commented that he and Member Youngren scrutinized the budget closely and found no areas of concern.

Tentative 2025 Meeting Dates

Vice Chair Chamberlin asked members to review the tentative meeting dates of August 1, October 3, and December 5, 2025. Although some members mentioned potential conflicts, they felt they could participate virtually if needed and did not request any changes to the schedule.

Public Comment

There was no comment.

Interest Rate Credited to Member Accounts

Director Graham stated that it is the Board's duty to set the interest rate credited to member accounts each year, which typically has been based on the Board of Investments' STIP (Short-Term Investment Pool) rate. However, interest rates have remained unusually high for the past two years, which has greatly increased the cost to TRS when members terminate employment and choose to withdraw their member account balance.

Director Graham said that MPERA has adopted a policy that establishes a lower range for annual interest rates, given that member contribution accounts were never designed to outperform high-yield savings accounts. Chief Legal Counsel Jim Malizia drafted a similar policy that the Board may wish to consider at a future meeting; however, today's action item is only to set the interest rate for the upcoming fiscal year, as required by statute.

The current interest rate credited to member accounts is 4.25%. Members Trost and Chamberlin each said they thought a rate in the 2.00% range would be more appropriate, and other members agreed.

Motion/Vote: Member Trost made a motion to set the interest rate credited to member accounts at 2.00% for FY 2026 and to consider adopting a board policy at a future meeting. Member Crump seconded the motion, and it was approved by all members present.

Renew Ice Miller Contract

Vice Chair Chamberlin requested a motion to approve the Ice Miller contract renewal.

Motion/Vote: Member Brown made a motion to approve the Ice Miller contract renewal, with Member Youngren seconding. The motion was passed by all members present.

Renew AMA Contract

Vice Chair Chamberlin requested a motion to renew the AMA contract.

Motion/Vote: Member Trost made a motion to renew the AMA contract for M-Trust maintenance. Member Crump seconded the motion, and it was passed by all members present.

FY 2026 TRS Budget Request

Vice Chair Chamberlin requested a motion to approve the TRS FY 2026 budget request.

Motion/Vote: Member Youngren moved to approve the TRS FY 2026 budget request. Member Crump seconded the motion, and it was passed by all members present.

Out of State Travel Request – NCTR Trustee Workshop

Director Graham explained the purpose of this action item is to approve travel for a specific number of Board members who may wish to attend this workshop, which will be held in Williamsburg, Virginia in mid-July. Member Brown said she found the workshop to be helpful when she was a new Board member, and she encouraged others to attend if their summer schedules will allow it.

Motion/Vote: Vice Chair Chamberlin moved to allow up to two members to attend the NCTR Trustee workshop. Member Trost seconded the motion, and it was approved by all members present.

Next Meeting Date

The next meeting of the TRS Board will be held Friday, August 1, 2025, during which Jim Kerins of Communication and Management Services will lead the Board through the development of a new strategic plan for 2025-2027.

Board Training

Nondiscrimination in Employment and Provision of Services

Chief Legal Counsel Jim Malizia began by explaining the purpose of the TRS policy on nondiscrimination and clarified that each state entity must have its own policy to ensure compliance with the Human Rights Act. Mr. Malizia described who is protected from discrimination under federal and state law and he provided some examples of discrimination. Member Youngren asked about the reporting process, such as if a TRS staff person believed that discrimination had occurred.

Director Graham and Mr. Malizia described the general process and noted that, to their knowledge, no claims of discrimination have occurred at TRS.

Legal Counsel's Report

Mr. Malizia reported there are no pending legal issues currently. He then explained the administrative rules process and said that in 2021, the Board had reviewed and approved an administrative rule package; however, due to pending upgrades to software used by the Secretary of State's office to publish rule changes, the rules package had not yet been published. The software now is operational, and Mr. Malizia indicated he may present additional rule packages for Board consideration at future meetings.

Applications and Benefit Adjustments

Deputy Director Rau reported that TRS staff processed 64 retirement applications between January 1 and March 31, 2025. On average, these members had approximately 15 years of creditable service and their average age was just under 60. Ms. Rau said the busy season is fast approaching and staff will process the majority of applications for the year during the months of June, July, and August.

Long Range Planning

The objectives listed on the 2023-2025 Commitment Worksheet now are nearly two years old, and Director Graham noted that many have been completed while other objectives are either ongoing or lower priority. He provided an updated status on a few items and reminded the Board that they will have the opportunity to reconsider and update the list during the August strategic planning session.

Public Comment

There was no public comment.

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The Board began its executive session at 11:30 a.m. to review three applications 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

Vice Chair Chamberlin reopened the meeting at 11:45 a.m. and requested a motion on each disability application.

Approval/Disapproval of Applications for Disability Retirement Benefits

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

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

Motion/Vote: Member Crump moved to approve member T.V.'s request for disability retirement, with Member Trost seconding. The motion was approved by all members present.

Public Comment

There was no public comment.

Adjournment

With no other business before the Board, Vice Chair Chamberlin requested a motion to adjourn.

Motion/Vote: Member Youngren moved to adjourn, Member Trost seconded the motion, and the meeting was adjourned at 11:47 a.m.

Chairperson /s/ Kari Elliott

Executive Director /s/ Shawn Graham