

**MONTANA BOARD OF INVESTMENTS  
DEPARTMENT OF COMMERCE**

**2401 Colonial Drive, Helena, Montana**

**December 20, 2010  
Special Meeting of the Board**

**MINUTES**

**BOARD MEMBERS PRESENT:**

Terry Moore, Chair  
Elouise Cobell  
Teresa Cohea  
Karl Englund  
Maureen Fleming  
Patrick McKittrick  
Jack Prothero  
Jim Turcotte

**BOARD MEMBERS ABSENT:**

Jon Satre  
Senator Greg Barkus  
Representative Brady Wiseman

**STAFF PRESENT:**

Carol Ann Augustine, Board Secretary	Chris Phillips, Investment Staff Contract
Jason Brent, Investment Analyst	Nathan Sax, CFA, Portfolio Manager
Geri Burton, Deputy Director	Clifford A. Sheets, CFA, Chief Investment Officer
Richard Cooley, CFA, Portfolio Manager	Carroll South, Executive Director
Rande Muffick, CFA, Portfolio Manager	

**GUESTS:**

Matthias Bauer, RV Kuhns & Associates, Inc.  
Roxanne Minnehan, Montana Public Employees' Retirement Administration  
Ashlee Moehring, RV Kuhns & Associates, Inc.  
Dave Senn, Teachers' Retirement System  
Ryan Sullivan, RV Kuhns & Associates, Inc.  
Jim Voytko, RV Kuhns & Associates, Inc.

**CALL TO ORDER**

Chairman Terry Moore called the Special Meeting of the Board of Investments (Board) to order at 1:35 p.m. in the third floor conference room at 2401 Colonial Drive, Helena, Montana. As noted above, a quorum of Board Members was present. Chairman Terry Moore and Board Members Elouise Cobell, Karl Englund, Maureen Fleming, Patrick McKittrick and Jack Prothero attended by telephone. Board Members Teresa Cohea and Jim Turcotte attended in person. Staff of R V Kuhns & Associates, Inc., and BOI staff contract Chris Phillips attended by teleconference.

**ADMINISTRATIVE BUSINESS**

**Public Comment**

Chairman Terry Moore called for public comment on Board issues. There was no public comment.

**TEACHERS' RETIREMENT SYSTEM ASSET LIABILITY STUDY**

Prepared and Presented by R.V. Kuhns & Associates, Inc.

Mr. Jim Voytko presented an overview of the Teachers' Retirement System Asset Liability Study. The study is intended to compare investment strategies over time to pay benefits, and to determine if investments cover liabilities.

Contributions to the Teachers' Retirement System (TRS) are currently below the actuarial requirements. The contribution policy is fixed and the assumed rate of return is 7.75%. The accumulated unfunded actuarial liability (UAL) will increase given the current policy and the actual funded ratio will decrease. Additionally, the current 11% payout ratio will go to nearly 31% by 2030. If contributions stay at 17% it is not likely that returns can compensate for contributions below the actuarial required level.

Mr. Voytko explained that the report projections are shown using both a deterministic and stochastic process. The deterministic process allows for no variation in asset assumptions and no changes to the current contribution policy; the stochastic process allows for changes in asset assumptions and provides best and worst case scenarios along with the probabilities of such outcomes. Mr. Voytko presented a comparison of several specific portfolio investment strategies and outcomes. He then encouraged the Board to consult with staff regarding the potential aspects of making any changes to the portfolio.

Discussion followed about the current Legislative Session and several bills that have been introduced that would potentially affect the retirement systems. Mr. Dave Senn, Teachers' Retirement System and Ms. Roxanne Minnehan, Public Employees' Retirement System, expressed their concerns about the ability to either increase contributions or reduce the liabilities. They will thoroughly review the study and have their actuaries do the same.

**ADJOURNMENT**

Chairman Terry Moore adjourned the meeting at 3:02 p.m.

**BOARD OF INVESTMENTS**

APPROVE: \_\_\_\_\_  
Terry Moore, Chair

ATTEST: \_\_\_\_\_  
Carroll South, Executive Director

DATE: \_\_\_\_\_