

TRS Board of Trustees
Minutes of Annual Meeting
May 15, 2019

The Board of Trustees of the Teachers Retirement System of Georgia met in its annual meeting on May 15, 2019, at 10:30 a.m. in the TRS conference room, Two Northside 75, Atlanta, Georgia. Trustees present were: Mr. J. Alvin Wilbanks, Chair, Dr. Jason L. Branch, Ms. Anne S. Cardella, Ms. Marion R. Fedrick, Mr. Greg S. Griffin, Mr. Steven N. McCoy, Mr. Thomas W. Norwood, Ms. Deborah K. Simonds, Dr. William G. Sloan and Mr. Christopher M. Swanson.

TRS staff members present were Dr. L. C. Evans, Mr. T. Randall Dennis, Mr. C. William Cary, Ms. Jennifer Aldridge, Mr. Britt Brewer, Ms. K. Paige Donaldson, Ms. Lisa M. Hajj, Ms. Dina N. Jones, Ms. Sonya M. Kinley, Ms. Laura L. Lanier and Ms. Vonnie B. Stewart.

Mr. Bryan Webb and Ms. Shelley Seinberg were present as legal counsel.

Visitors in attendance were Mr. David Arner, Ms. Sara Arroyo, Mr. Scott Austensen, Mr. Craig Cardella, Mr. Rod Chatham, Mr. Sean DeVetter, Mr. John Garrett, Mr. Harold Grindle, Mr. David Harris, Ms. Natalie Heath, Ms. Kenyatta Mitchell, Mr. Leslie McGuire, Mr. Dan Powers, Ms. Lynne T. Riley, Ms. Meaghan Ryan, Mr. James Salzer, Mr. Mark Simons, Ms. Karen Solheim, Mr. Don Splinter, Mr. Edward Tate and Ms. Cathy Turcot.

Mr. Wilbanks called the meeting to order and welcomed Ms. Lynne Riley who will be the new State Treasurer and Mr. Brewer who is participating in the Leadership Development Institute Program at TRS. He also expressed birthday wishes to Mr. Norwood and Ms. Cardella. Mr. Wilbanks welcomed all visitors to the meeting.

Item 1

Ms. Simonds made a motion to adopt the March 27, 2019, Board of Trustees meeting minutes and the Investment Committee meeting minutes for March 27, 2019, and April 24, 2019. Mr. Griffin seconded the motion. The motion was unanimously adopted.

Item 2

Dr. Evans presented an operational update. Work items processed, detailed statistical information and updates for each division were reviewed. Technology Division tracked automated services used through website to help increase organizational efficiency and overall customer service experience with TRS. Member Services continued to show a healthy gap between actively contributing members and retirees. The May 1, 2019, benefit payroll showed 99.0% of retirees utilized electronic funds transfer. There were 115,585 service retirees who received an average monthly benefit of \$3,328. In the area of overpayment, there has been a significant drop in overpayment balance, almost a \$1.9 million reduction from May 2018.

Item 3

Mr. Dennis reported on the financial statements and expense fund as follows:

- 3.1 Total assets increased 5.4% from April 2018, totaling \$78,888,257,499 and assets restricted for pensions were \$78,436,351,835, a 4.9% increase from April 30, 2018.
- 3.2 Total contributions received fiscal year-to-date as of April 30, 2019, were \$2,714,485,881, an increase of 19.8% from April 2018. Benefit payments made as of April 30, 2019, were \$4.1 billion, 5.2% increase from April 2018.
- 3.3 The expense fund remained under budget with a total cost of \$31,356,991. Year-to-date with 83.0% of the year completed, TRS expended 76.9%. Dr. Branch made a motion to approve the expense fund. Ms. Cardella seconded the motion. The motion was unanimously adopted.

Item 4

Dr. Evans highlighted a few bills that have been forwarded from committee for fiscal reviews and may return in future sessions. The legislative report was provided for information. Ms. Simonds inquired about time frame to received actuarial studies. Mr. Griffin stated Department of Audits and Accounts will receive final list around early July and completion typically between August/September. Dr. Sloan commended Dr. Evans for his representation of the Teachers Retirement System during the legislative session.

Item 5

Dr. Evans presented the FY 2020 maximum percentage increase allowed for the two-year salary calculation. Based on the information received from the Board of Regents and the Department of Education and in accordance with O.C.G.A. § 47-3-120(d), the recommended salary increases allowable for the calculation of retirement for FY 2020 be set are as follows:

Employees of the Board of Regents	4.50% (2.00% + 2.50%)
All Others	4.26% (1.76% + 2.50%)

Ms. Simonds made a motion to adopt the recommended maximum percentage salary increase for FY 2020. Dr. Branch seconded the motion. The motion was unanimously adopted.

Item 6

Mr. John Garrett and Ms. Cathy Turcot from Cavanaugh Macdonald Consulting presented the results of the June 30, 2018, actuarial valuation, along with a change to the methodology. Ms. Turcot discussed reasons for changing from the current Interest Rate Smoothing Methodology adopted in 2009 to returning to a constant investment rate of return assumption of 7.25%. The market value of investment return was 8.95% for 2018. The decrease in the UAAL was primarily due to methods and assumptions and good investment returns. There was a 1.4% increase in active membership and 3.3% increase in payroll.

Ms. Simonds questioned with the teacher pay raises, what are the multiple factors that would have an effect on contribution rates. Mr. Garrett stated with a system this large, it would not be necessary to reconsider retirement rates.

Mr. Griffin expressed his full support on returning to a constant investment rate of return.

The actuarial valuation indicated FY 2021 contribution rates of 6.00% for the employee rate and 19.06% for the employer rate would be sufficient to support the benefit of the System in accordance with the Board's funding policy, along with recommendation to return to a constant investment rate of return of 7.25%. Ms. Fedrick made a motion to accept the June 30, 2018, actuarial valuation. Dr. Sloan seconded the motion. The motion was unanimously adopted.

Item 7

Ms. Simonds presented the USG-ORP Subcommittee's recommendation as follows: Recommend to the Board that TRS calculate and send a bill for FY 2019 and FY 2020 contributions in accordance with O.C.G.A. § 47-21-5(a)(1) as modified by Attorney General's advice to send a bill estimated to be \$180 million for FY 2019; second, to authorize Dr. Evans to negotiate a payment with USG if necessary; and third, to authorize Dr. Evans to work with USG regarding any true-up amounts if estimated.

Mr. McCoy communicated his concerns as a member of the Audit Committee that this issue has not be reviewed by the Audit Committee before being presented to full board. Mr. McCoy stated any action taken today would willfully circumvent the Board's own internal controls.

Mr. Wilbanks provided update information from the Attorney General's Office letter dated May 13, 2019, and asked for any discussion in light of latest opinion: "our informal advice as discussed herein is that by prior action TRS has made determinations in the normal course regarding fiscal years 2019 and 2020 and determined that amounts are not due under O.C.G.A. § 47-21-5 for those fiscal years. Therefore, determination of amounts due for those fiscal years is now foreclosed. For purposes of perspective determinations, amounts could be determined to be due O.C.G.A. § 47-21-5(a) for subsequent fiscal years."

Ms. Simonds inquired to the difference between formal and informal opinions from the Attorney General's Office. Mr. Webb provided clarification between the two, stating one is a more published opinion, the other being an opinion on what the statute says and what the law is.

Mr. Griffin stated he appreciated the advice from the Attorney General's Office but believed in terms of the two-year process in which rates are issued and communicated, Board of Regents requested and were appropriated funds for FY 2019 and FY 2020 but never remitted back to TRS in accordance with the statute, which seemed to be omitted from the latest Attorney General's opinion.

Mr. McCoy made an amendment to the motion that the Board give no consideration to any report from the study committee until (a) TRS Audit Committee conducts its review as required by TRS Committee Charter for the Audit Committee which establishes proper internal controls for fulfilling the Board's oversight responsibilities in connection with carrying out its responsibilities and duties to "review the results of compliance audits or examinations conducted by governmental or other outside authorities" and to "advise the Board with respect to the System's policies and procedures regarding compliance with applicable laws and regulations;" (b) the Audit Committee conduct a complete review of the DOAA performance audits prior to any further Board consideration of this matter that might bias any trustee on the Audit Committee; and (c) should it be decided that it is necessary to preserve the ability to consider any payments from USG that it could be done only with an authorized standstill agreement with USG to preserve our timeframe and ability to be able to make a proper decision pursuant to O.C.G.A. § 47-21-5 with the effect as if any such decision had been taken by June 30, 2019. Ms. Fedrick seconded the motion. The motion failed with Ms. Fedrick and Mr. McCoy voting in favor, Dr. Branch, Ms. Cardella, Mr. Norwood, Ms. Simonds Dr. Sloan and Mr. Swanson voting against, and Mr. Griffin abstaining.

Ms. Cardella made an amendment to the motion that TRS calculate and send a bill to the University System of Georgia for FY 2021 in accordance with state law O.C.G.A. § 47-21-5. Dr. Branch seconded the motion based on the Attorney General's opinion on May 13, 2019. The motion failed with Dr. Branch, Ms. Cardella and Mr. Swanson voting in favor, Mr. Griffin, Ms. Fedrick, Mr. McCoy, Mr. Norwood and Ms. Simonds voting against, and Dr. Sloan abstaining.

Ms. Simonds made a motion on behalf of the USG-ORP subcommittee's recommendation that TRS calculate and send a bill for FY 2019 and FY 2020 contributions in accordance with O.C.G.A. § 47-21-5 (a)(1) as modified by Attorney General's advice to send a bill estimated to be \$180 million for FY 2019; second, to authorize Dr. Evans to negotiate a payment with USG if necessary; and third, to authorize Dr. Evans to work with USG regarding any true-up amounts if estimated. Mr. Griffin seconded the motion. The motion failed with Mr. Griffin and Ms. Simonds voting in favor and Dr. Branch, Ms. Cardella, Ms. Fedrick, Mr. McCoy, Mr. Norwood, Dr. Sloan and Mr. Swanson voting against.

Item 8

Mr. Wilbanks called for a motion to adopt the FY 2021 employer contribution rate of 19.06%, the employee contribution rate of 6.00%, and the contribution rate for participants in Board of Regents' Optional Retirement Plan (ORP) of 11.81%. Dr. Sloan made a motion to adopt the rates. Ms. Simonds seconded the motion. The motion passed with Dr. Branch, Ms. Cardella, Mr. Griffin, Mr. Norwood, Ms. Simonds, Dr. Sloan and Mr. Swanson voting in favor and Ms. Fedrick and Mr. McCoy voting against.

Item 9

- 9.1 Ms. Simonds made a motion to re-elect Mr. J. Alvin Wilbanks as Chair. Mr. Sloan seconded the motion. The motion to re-elect Mr. Wilbanks was adopted with 7 votes in favor and 2 abstentions.
- 9.2 Mr. McCoy made a motion to re-elect Mr. Thomas W. Norwood as Vice Chair. Ms. Simonds seconded the motion. The motion to re-elect Mr. Norwood was adopted.
- 9.3 The Trustees voted by ballot. Mr. Wilbanks announced Trustees Branch, Griffin, Norwood, Simonds, Sloan and Wilbanks were elected to the Investment Committee.


Item 10

While votes were being tallied for the Investment Committee election, Mr. Wilbanks presented the FY 2020 committee assignments for adoption. Ms. Simonds made a motion to adopt the committee assignments as presented. Dr. Sloan seconded the motion. The motion was unanimously adopted.

There being no further business to discuss, Mr. Wilbanks adjourned the meeting at 12:45 p.m.



Thomas W. Norwood
Vice-Chair


L. C. Evans
Executive Director