

Teachers' Retirement Board
Board Meeting
100 North Park Avenue, Suite 110
Helena, Montana

AGENDA
February 24, 2023

OPEN MEETING

All Times Are Tentative

8:30 I. Call to Order

- Action Items*
- A. Adopt Agenda
 - B. Approval of Minutes – December 2, 2022

8:35 II. Public Comment

8:40 III. Administrative Business

- Discussion Items*
- A. Investment Report – Dan Trost
 - B. FY 2022 Annual Comprehensive Financial Report – Nolan Brilz
 - C. FY 2023 YTD Financial Statements and Budget Reports – Nolan Brilz
 - D. Personnel Committee Report – Kari Elliott and Scott Dubbs
 - E. Tentative 2023 Meeting Dates – May 5, Aug 4, Oct 6, Dec 1

- Action Items*
- F. Out of State Travel
 - John Noble PRISM Annual Conference (May 2023)
 - Tammy Rau GFOA Conference (May 2023)
 - Denise Pizzini NAPP Legal Education Conference (June 2023)
 - Shawn Graham NCTR Director Meeting (June 2023)

- Discussion Item*
- G. Public Comment

- Information Item*
- H. Next Meeting Date – May 5, 2023 – TRS Board Room

9:15 IV. Executive Director's Report

- Discussion Items*
- A. Executive Summary
 - 1. Operations Update
 - 2. Staff Update

- B. Legislative Update
- C. Public Comment

9:35 V. IT Manager's Report

- Discussion Items*
- A. TRS IT Manager's Report – John Noble
 - B. Public Comment

10:00 BREAK

10:15 VI. BOI Annual Report

- Discussion Items*
- A. BOI Annual Report – Dan Villa, Executive Director
 - B. Public Comment

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10:40 VII. Legal Counsel's Report

Information Item A. Summary of Legal Issues

10:55 VIII. Applications and Benefit Adjustments

Information Item A. Regular, Survivorship, Adjustment & Corrections

11:00 IX. Long Range Planning

Discussion Items A. 2021-2023 Strategic Planning Commitment Worksheet – Updates
 B. Public Comment

11:20 X. Board Training

Discussion Items A. Privacy and Security of Personal Information
 B. Public Comment

11:40 XI. Election of Officers

Action Item A. Election of Vice-Chair

CLOSED MEETING

11:45 XII. Disability Applications

Discussion Item A. Executive Session to Discuss Disability Applications

OPEN MEETING

Action Item B. Applications for Disability Retirement Benefits

Discussion Item C. Public Comment

12:00 XIII. Adjournment

NOTE:

- This will be an in-person board meeting with an option for virtual attendance. Limited seating is available in the board room. To join virtually, members of the public can request meeting login information by calling TRS at 406-444-0139 or by sending an email to: TrsOutreach@mt.gov.
- The Personnel Committee is scheduled to meet at 7:30 AM on February 24, 2023, for the purpose of conducting the Executive Director's annual performance appraisal.

The Teachers' Retirement Board is pleased to make reasonable accommodations for any known disability that may interfere with a person's ability to participate in public meetings. If you need an accommodation you must notify the Board (call 444-3134, e-mail Tina.West@mt.gov, or write to P.O. Box 200139, Helena, Montana 59620) no later than 5 working days prior to the meeting to advise of the nature of the accommodation you need.

OPEN MEETING

I. Call to Order

Action Items

A. Adopt Agenda - Upon recognition of a quorum, a motion must be made to adopt the agenda. If any Board member wishes to add new items or make any changes to the agenda, they must do so at this time.

B. Approval of Minutes - Attached are the minutes from the December 2, 2022 board meeting.

Montana Teachers' Retirement System Board Meeting December 2, 2022

BOARD MEMBERS PRESENT

Kari Elliott, Chair (*virtual*)
 Sarah Hitchcock, Vice Chair
 Scott Dubbs, Member
 Daniel Trost, Member (*virtual*)
 Daniel Chamberlin, Member (*virtual*)
 Dee Brown, Member (*virtual*)

STAFF PRESENT

Shawn Graham, Executive Director
 Tammy Rau, Deputy Executive Director
 Denise Pizzini, Chief Legal Counsel
 Nolan Brilz, Accounting/Fiscal Manager
 Darla Fitzpatrick, Communication Manager
 John Noble, Information Systems Manager

OTHERS PRESENT

Brett Dahl, Risk Management and Tort Defense Division
 Sarah Piper, Montana Federation of Public Employees
 Rebecca Power, Legislative Services Division (*virtual*)

Call to Order

Chairperson Kari Elliott asked Vice Chair Sarah Hitchcock to facilitate the meeting. Vice Chair Hitchcock called the meeting to order at 8:30 a.m.

Adoption of the Agenda

Vice Chair Hitchcock requested a motion to adopt the meeting agenda.

Motion/Vote: Member Dubbs moved to adopt the agenda, with Chairperson Elliott seconding. The motion was approved by all members.

Approval of Minutes

Vice Chair Hitchcock requested a motion to approve the minutes from the October 7, 2022 meeting.

Motion/Vote: Member Daniel Chamberlin made a motion to adopt the minutes as written. Member Dubbs seconded the motion, which was approved by all members.

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.

Cybersecurity Insurance

Brett Dahl of the Montana Department of Administration's Risk Management and Tort Defense Division (RMTD) gave a presentation entitled "Cyber Insurance and Incident Response," describing the various types of cybersecurity breaches that can occur and the cyber insurance coverage that his division provides to all State agencies, including TRS.

Mr. Dahl noted that threats can exist both inside an organization (e.g., employee negligence) and outside of it (e.g., hackers, malware) and he provided examples of incidents that have occurred in several states. Although TRS has had no incidents, Mr. Dahl outlined the steps that RMTD would follow to assist with an appropriate response if an incident were to occur. Cyber insurance has become more difficult to obtain as risks have increased, but RMTD has succeeded in retaining good coverage for state agencies and the Montana University System thanks to strong security practices, mandatory employee training, and a low number of incidents compared to other states.

Public Comment

Sarah Piper of the Montana Federation of Public Employees (MFPE) thanked the TRS Board for their diligence in protecting the private data of TRS members.

Administrative Business

Investment Report

Member Daniel Trost reviewed the Montana Board of Investments (BOI) investment report for TRS as of October 31, 2022 and provided updates from the most recent BOI meeting. Investment income has declined 8.5% for the year, but the fund's "since inception" numbers are still above target. BOI investment staff recently met with consultants from RVK, Inc. in Portland, Oregon to ensure that asset allocations remain appropriate. Every two years, the BOI also obtains a report from CEM Benchmarking to look at BOI fees and returns averaged over a five-year period. Overall, funds managed by the BOI have fared better than peers.

Financial Statements and Budget Reports

Nolan Brilz, TRS Accounting/Fiscal Manager, presented financial statements for the period ending October 31, 2022. Due to market losses, the Consolidated Asset Pension Pool (CAPP) and TRS year-to-date income are down compared to the same period last year, although there were gains in the month of November that are not shown on this report. Benefit payments have increased at a normal rate, with expenses exceeding revenue by about \$226 million.

Mr. Brilz reported that the TRS operating budget continues to show a projected surplus of over \$200,000 for the current fiscal year, due in part to salaries budgeted for positions that remained vacant for a time. He pointed out that the largest budget category, Contracted Services, includes a fixed cost for cybersecurity insurance coverage provided by the Risk Management and Tort Defense Division.

NCTR Annual Conference Report

Executive Director Shawn Graham, Vice Chair Sarah Hitchcock, and Member Dee Brown all attended the annual conference of the National Council on Teacher Retirement (NCTR) in Tucson,

Arizona in October 2022. Each provided a brief report and agreed that the range of topics and speakers made it a valuable and informative conference. Topics included actuarial concepts, nonbiased political discussions, tips on “marketing” retirement systems to help attract teachers, and more. Member Brown commented that Mr. Graham’s knowledge and the background information he shared during the conference were beneficial to her as a first-time attendee.

Tentative Meeting Dates

Vice Chair Hitchcock asked members of the Board to review the tentative schedule of 2023 meeting dates (February 17, May 5, August 4, October 6, and December 1). Due to scheduling conflicts in February, all members agreed to move the meeting to February 24, 2023.

Public Comment

There was no comment.

Next Meeting Date

The next Board meeting will be held on Friday, February 24, 2023.

Executive Director’s Report

Executive Summary – Staff and Operations Updates

Mr. Graham reported that all vacant TRS staff positions now have been filled. Tina West is TRS’s new Executive Secretary, and Becca Bremner and Janine Whitley have filled the open Retired Payroll Specialist and Retired Payroll Technician positions, respectively. Each of these new staff members came to TRS with several years of relevant experience. The Governor’s Remote Office Work Space (ROWS) initiative is working well for staff whose positions were approved for remote work on certain days of the week. Full coverage is maintained during core business hours and there has been no loss of productivity.

Mr. Graham noted that the Governor’s Office is planning to require all public boards to complete online training on Robert’s Rules of Order. He will provide information as it becomes available.

2023 Legislation Update

A few bill drafts have been introduced and are listed in the LAWS system on the Montana Legislature’s website, including the three TRS bills approved by the Board in October. Some legislators have requested placeholder bills that may affect the pension systems, but none have draft language available for review yet. Mr. Graham will continue to review bills as they are introduced and will communicate with Legislation and Litigation Committee members as needed.

SAVA Update

Mr. Graham presented the results of the July 1, 2022 TRS actuarial valuation to the State Administration and Veterans’ Affairs (SAVA) interim committee on October 26, 2022. Committee members seemed pleased that TRS is amortizing in 25 years, which is below the 30-year threshold allowed in statute. He noted that the committee approved several of their own funding bills to address certain funding shortfalls in PERS and public safety retirement systems.

BOI Update

Mr. Graham also is scheduled to present the results of the actuarial valuation to the Montana Board of Investments on December 6, 2022.

LFC Update

The Legislative Finance Committee will meet on December 9, 2022, and Chief Legal Counsel Denise Pizzini will present the results of the July 1, 2022 actuarial valuation on behalf of Mr. Graham, who is unavailable that day.

Public Comment

There was no comment.

Strategic Planning

Summary and Commitment Worksheet Update

Mr. Graham reported that the Strategic Plan and Commitment Worksheet includes many objectives of an ongoing nature, and the TRS management team continues to make progress on those objectives. There were no questions from the Board.

Public Comment

No members of the public were present.

Board Training

Per Diem Election Form

Ms. Pizzini explained the purpose of the Per Diem Election Form, which Board members must complete annually. Those who are dually employed by a school district or other public entity and as a Board member must elect to be paid by one entity or the other for board meeting days.

Ethics / Conflict of Interest

Ms. Pizzini then reviewed the TRS Ethical Conduct / Conflict of Interest policy, which prescribes the standards that must be met by all TRS personnel, including members of the Board. Actions or relationships that could represent an ethical breach or a conflict of interest were discussed. Each member of the TRS Board and staff must annually review the policy and complete a disclosure statement to report any private interests or other actual or potential conflicts of interest that may impinge on their public duty.

Applications and Benefit Adjustments

Regular, Survivorship, Adjustments & Corrections

Deputy Director Tammy Rau reported that between September 1 and October 31, 2022, staff processed 37 applications for retirement. The average age for these applicants was 61.5 years and they had slightly less than 18.5 years of service on average.

Legal Counsel's Report

Summary of Legal Issues

Ms. Pizzini reported there are no ongoing legal cases and no contested cases at this time.

Disability Applications

Closed Meeting

Executive Session to Discuss Disability Applications

The meeting was closed to the public at 11:28 a.m., as a disability applicant's right to privacy clearly exceeds the merits of public disclosure.

Open Meeting

The meeting was reopened at 11:50 a.m.

Approval of Applications for Disability Retirement Benefits

Motion/Vote: Member Dubbs moved to approve T. D.'s disability retirement application. Chairperson Elliott seconded the motion, and it was approved by all members.

Motion/Vote: Chairperson Elliott moved to disapprove S. G.'s disability retirement application. Member Trost seconded the motion, and all members voted to disapprove the application.

Adjournment

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

Motion/Vote: Member Dubbs moved to adjourn the meeting and Member Brown seconded. The meeting was adjourned at 11:53 a.m.

Chairperson _____

Executive Director _____

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II. Public Comment

Information Item **A. Public comment on Board Related Items.** This is an opportunity for the public to comment on any public matter that is not on the agenda of the meeting and is within the jurisdiction of the Teachers' Retirement Board. However, the Board may not take action on any issues raised unless it is included on the agenda and public comment has been allowed. If issues are raised that would require Board action, the issue would need to be included on the agenda for a future meeting. "Public Matter" does not include disability applications, or contested cases and other adjudicative proceedings.

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III. Administrative Business

Discussion Items

A. Investment Report – Daniel Trost will report on the recent activities of the BOI. The attached report from BOI shows our investment returns through December 31, 2022. The Fiscal Year to Date return is 1.49%. Our net ITD return is now 7.31% which is higher than the long-term assumption of 7.30%. Director Villa from the Board of Investments is scheduled to present his annual report to the board immediately following our morning break.

B. FY 2022 Annual Comprehensive Financial Report – Nolan Brilz will hand out hard copies and touch on the highpoints of our FY 2022 ACFR. The electronic version of this report is available on the TRS website by following this link: [2022 TRS Annual Comprehensive Financial Report \(mt.gov\)](#)

C. YTD Financial Statements and Budget Reports – Attached for the Board's information are the fiscal reports thru January 31, 2023. Nolan Brilz, Accounting Manager for TRS, will present the financial statements and budget reports and answer questions from the Board.

D. Personnel Committee Report: – Kari Elliott and Scott Dubbs will provide a verbal report on the performance appraisal conducted for Executive Director, Shawn Graham, on February 24, 2023.

E. Tentative 2023 Meeting Dates – Tentative 2023 meeting dates: May 5, August 4, October 6, December 1.

Please check your calendar prior to the meeting and bring up any schedule conflicts that you are aware of.

Action Items

F. Out of State Travel Request – I have attached an out of state travel justification forms for the following:

- John Noble – PRISM conference May 2023
- Tammy Rau – GFOA conference May 2023
- Denise Pizzini – NAPPA conference June 2023
- Shawn Graham – NCTR Director's Conference June 2023

G. Public Comment – Opportunity for any member of the public to comment on the administrative business of the Board.

Information Item

H. Next Meeting Date – May 5, 2023.

	<u>UNITS OUTSTANDING</u>	<u>UNIT VALUE</u>	<u>MARKET VALUE\$(000)</u>	<u>ALLOCATION (%)</u>
Allocation				
TEACHERS RETIREMENT			4,670,424	100.00
SHORT TERM INVESTMENT POOL (STIP)	48,369,897.12	100.00000	48,370	1.04
Consolidated Asset Pension Pool (CAPP)	3,042,871,476.35	151.89778	4,622,054	98.96

	<u>ITD</u>	<u>INCEPTION DATE</u>
Longest Measurable Plan Return	7.61	7/1/1994

	<u>MONTH</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>ITD</u>	<u>INCEPTION DATE</u>
Returns										
TEACHERS RETIREMENT	(2.02)	4.74	1.49	(8.51)	6.40	6.49	8.11	7.56	8.01	1/1/2011
TEACHERS RETIREMENT CUSTOM BENCHMARK (YWN2D)	(2.74)	7.06	3.62	(9.99)	4.69	5.47	7.92		7.94	
SHORT TERM INVESTMENT POOL (STIP) [1]	0.34	0.88	1.41	1.67	0.83	1.35	0.90	1.48	2.27	4/1/1997
SHORT TERM CUSTOM BENCHMARK (MONSTCB)	0.33	0.93	1.50	1.69	0.70	1.23	0.84	1.43	2.18	
Consolidated Asset Pension Pool (CAPP)	(2.05)	4.79	1.49	(8.61)	6.48	6.58	-	-	7.55	4/1/2017
CAPP CUSTOM BENCHMARK (MONCAPP)	(2.78)	7.15	3.66	(10.11)	4.99	5.68	-	-	6.80	

	<u>Plan Market Value \$(000)</u>	<u>Allocation (%)</u>
Allocation - Asset Class		
TEACHERS RETIREMENT	4,670,424	100.00
Domestic Equity - PAC	1,309,395	28.03
International Equity - PAC	744,494	15.94
Private Investments - PAC	798,678	17.10
Real Assets - PAC	254,190	5.44
Real Estate - PAC	585,160	12.53
Core Fixed Income - PAC	619,332	13.26
Non-Core Fixed Income - PAC	284,814	6.10
Cash Equivalents - PAC	25,992	0.56
PENSION CASH	48,370	1.04

	<u>MONTH</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>ITD</u>	<u>INCEPTION DATE</u>
Returns										
Domestic Equity - PAC	(5.89)	7.26	2.60	(19.00)	7.35	8.48	11.89	-	9.13	5/1/2003
Domestic Equity - PAC Custom Blend (MONDE)	(5.89)	7.21	2.44	(19.22)	7.25	8.93	12.28	-	9.79	
International Equity - PAC	(0.93)	13.81	2.81	(17.66)	0.20	0.99	4.23	6.09	4.36	4/1/1997
International Equity - PAC Custom Blend (MONIE) [2]	(0.62)	14.15	3.09	(16.58)	0.20	0.85	3.95	6.60	4.63	
Private Investments - PAC	(0.68)	(1.26)	(0.95)	5.94	17.99	15.64	13.75	13.21	13.07	5/1/2002
Private Equity PAC Custom (MONPE)	(4.48)	7.26	5.68	(13.85)	6.08	6.48	12.09	12.37	10.46	
Real Assets - PAC	(0.32)	4.75	6.14	15.88	6.76	4.67	-	-	5.12	4/1/2017
Real Assets - PAC Custom Blend (MU7EBM)	(1.72)	10.14	3.65	1.36	0.24	0.10	-	-	2.62	

	<u>MONTH</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>ITD</u>	<u>INCEPTION DATE</u>
Returns										
Real Estate - PAC	(0.16)	0.63	2.23	11.99	10.22	9.36	10.12	-	5.21	6/1/2006
Real Estate - PAC Custom Blend (MONRE)	0.31	0.31	4.87	20.96	3.36	5.81	8.09	-	5.81	
Core Fixed Income Pre and Post CAPP [3]	(0.11)	1.68	(2.94)	(11.92)	(2.08)	0.26	1.21	3.81	5.07	4/1/1995
Core Fixed Income Custom Benchmark (CFIBM1)	(0.45)	1.87	(2.97)	(13.01)	(2.71)	(0.27)	0.80	2.97	4.41	
Non-Core Fixed Income Pre and Post CAPP [4]	(0.13)	4.91	3.47	(11.29)	(0.87)	1.65	3.50	-	6.24	6/1/2009
Bloomberg U.S. HY - 2% Issuer Cap (WE6D)	(0.62)	4.17	3.50	(11.18)	0.03	2.30	4.03	-	7.25	
Cash Equivalents - PAC	0.26	1.42	1.79	2.21	1.05	1.49	-	-	1.43	5/1/2017
SHORT TERM CUSTOM BENCHMARK (MONSTCB)	0.33	0.93	1.50	1.69	0.70	1.23	-	-	1.24	

TEACHERS RETIREMENT PLAN**END NOTES**

Dec 31, 2022

Performance shown on this report is net of all fees.

1,2 Inception Date shown is earliest date of Net All performance. Actual inception date, respectively is 4/1/1990 (1), 1/1/1997 (2).

* Totals may not sum due to rounding differences.

Allocation of Plan Market Values is an approximation. Plans do not own specific Asset Classes. Values represented are allocated pro rata based on the Plans % ownership of CAPP.

3 Core Fixed Income Pre and Post CAPP:

The Core Fixed Income composite is the result of a consolidation completed on 11/29/2019. Inclusive of the Broad Fixed Income PAC prior to 3/31/2017. Inclusive of the Broad Fixed Income, Intermediate TIPS, Intermediate US Treasury & Agency, Intermediate Investment Grade Credit, Mortgage Backed, and Diversified Strategies PACs from 4/1/2017 through 11/29/2019.

4 Non-Core Fixed Income Pre and Post CAPP:

The composite is inclusive of the following portfolios: MU3N Post Advisory Group – PP from 6/1/2009 to present, MU3M Neuberger Berman – PP from 1/1/2010 to present, MU8R Shenkman Capital Management – PP from 12/1/2017 to present, and MU8P Oaktree Capital Management – PP from 12/5/2017 to present

SHORT TERM CUSTOM BENCHMARK is composed of:

From inception to 4/30/2018: LIBOR 1 Month

5/1/2018 to present: Federal Reserve US Treasury 1M Constant Maturity Index

TEACHERS RETIREMENT CUSTOM BENCHMARK is composed of:

From inception to 3/31/2017: The portfolio weighted average of S&P 1500 Super Composite, MSCI ACWI ex US IMI Net, S&P 1500 + 4% Qtr Lag, LIBOR 1 Month, BBG BARC US Agg, and NCREIF ODCE 1 Qtr Lag (Net).

From 4/1/2017 to present: Equity and Cash Equivalents weighted average of CAPP Custom Benchmark and Short Term Custom Benchmark.

DOMESTIC EQUITY - PAC CUSTOM BLEND is composed of:

From inception to 4/30/2017: S&P 1500 Super Composite

5/1/2017 to present: MSCI US IMI Gross

INTERNATIONAL EQUITY - PAC CUSTOM BLEND is composed of:

From inception to 10/31/2006: MSCI EAFE Net

11/1/2006 to 6/30/2007: MSCI ACWI ex US Net

7/1/2007 to 2/28/2014: 92.5% ACWI ex US + 7.5% ACWI ex US SC IMI

3/1/2014 to present: 100% MSCI ACWI ex US IMI Net

PRIVATE EQUITY PAC CUSTOM is composed of:

From inception to 3/31/2017: S&P 1500 + 4% Qtr Lag

4/1/2017 to 12/31/2020: MSCI USA Small Cap Gross

1/1/2021 to present: The portfolio weighted average of MSCI USA Small Gap Gross and S&P LSTA US Leveraged Loan 100 Index

REAL ASSETS - PAC CUSTOM BLEND is composed of:

From inception to 12/31/2020: MSCI AC World Commodity Prod Net Index 1/1/2021 to present: 33.33% MSCI AC World Commodity Prod Net Index, 33.33% MSCI ACWI Infrastructure Total Return, 33.34% BBG Gbl Inf-Lk US TIPS (Dly)

REAL ESTATE - PAC CUSTOM BLEND is composed of:

From inception to 3/31/2017: NCREIF ODCE 1 Qtr Lag (Net)

4/1/2017 to 6/30/2020: MSCI US REIT INDEX GROSS

7/1/2020 to present: NCREIF ODCE Value Weighted (Quarter Lag)

Core Fixed Income Custom Benchmark is composed of:

From inception 3/31/2017: BBG BARC Agg (Dly)

4/1/2017 to 11/30/2019: The portfolio weighted average of Broad Fixed Income - PAC Custom Blend, BBG BARC US Corp Int Inv Grd Idx, BBG BARC US MBS Idx, BBG Barclays US Intermediate TIPS, BBG BARC Tsy Int

12/1/2019 to present: BBG Agg (Dly)

THE TEACHERS' RETIREMENT SYSTEM
CONSOLIDATED BALANCE SHEET
as of January 31, 2023

	1/31/2023	1/31/2022
	AGENCY ACCOUNT	AGENCY ACCOUNT
ASSETS		
Current Assets		
Cash	1,662,841	125,524
Accounts Receivable	27,387	15,827
Interest Receivable	0	0
Total Current Assets	1,690,228	141,351
Investments		
Short-term Investment Pool	50,584,202	53,835,601
Consolidated Asset Pension Pool (net)	4,608,827,105	5,250,691,038
Security Lending Collateral	0	0
Total Investments	4,659,411,307	5,304,526,639
Other Assets		
Equipment	16,286	16,286
Accumulated Depreciation Equip	(16,286)	(16,286)
Leashold Improvements	243,881	243,881
Accumulated Dep Leasehold Imp	(107,424)	(72,584)
Intangible Assets	343,266	755,186
Intangible Right to Use Bldg	2,810,123	0
Accumulated Amort Right to Use Bldg	(261,727)	0
Total Other Assets	3,028,120	926,483
Deferred Outflows - Pension and OPEB	619,530	643,984
TOTAL ASSETS	4,664,749,185	5,306,238,457
LIABILITIES & FUND BAL.		
Liabilities		
Accounts Payable	15,096	6,313
Standard Lease	2,637,775	0
Uncleared Collections	2,297,228	14,786,296
Compensated Absenses	216,437	224,318
Security Lending	0	0
OPEB Implicit Rate Subsidy	235,221	280,653
Net Pension Liability - PERS	1,394,112	1,885,625
Total Liabilities	6,795,869	17,183,205
Fund Balances		
Pension Accumulation Fund	3,933,621,182	4,340,978,720
Annuity Savings Fund	790,828,302	775,870,387
Year-to-date Income/(Loss)	(67,201,489)	172,022,142
Adj Fund Bal	0	0
Total Fund Balance	4,657,247,995	5,288,871,250
Deferred Inflows - Pension and OPEB	705,321	184,002
TOTAL LIABILITIES & FUND BAL.	4,664,749,185	5,306,238,457

THE TEACHERS' RETIREMENT SYSTEM
FUND BALANCE STATEMENT
as of January 31, 2023

	1/31/2023	1/31/2022
	AGENCY ACCOUNT	AGENCY ACCOUNT
REVENUE		
Contributions	109,532,855	110,120,056
Misc Revenue	0	0
Investment Revenue	78,072,829	310,871,352
TOTAL REVENUE	187,605,684	420,991,409
EXPENSES		
Benefits Paid	248,155,259	239,719,530
Withdrawals	4,471,609	7,226,977
Admin. Exp	1,797,619	1,762,149
Depreciation Exp.	20,323	20,323
Amortization Exp.	240,286	240,286
Lease Amortization Exp.	96,426	0
Lease Principal & Interest	25,651	0
OPEB Expense	0	0
Pension Expense - PERS	0	0
TOTAL EXPENSES	254,807,173	248,969,266
REV OVER EXP	(67,201,489)	172,022,142
REV OVER EXP	(67,201,489)	172,022,142
BEG FUND BAL	4,724,449,484	5,116,849,108
Adj Fund Bal	0	0
END FUND BAL	4,657,247,995	5,288,871,250

THE TEACHERS' RETIREMENT SYSTEM
INVESTMENT REVENUE BY SOURCE & ADMINISTRATIVE EXPENSES BY TYPE
as of January 31, 2023

	1/31/2023	1/31/2022
	AGENCY ACCOUNT	AGENCY ACCOUNT
Investment Revenue:		
Short-term Investment Pool	793,069	36,562
Consolidated Asset Pension Pool		0
Securities Gains/(Losses)	48,801,663	62,950,750
Investment Appreciation/(Depreciation)	28,478,097	247,884,040
Securities Lending Activity	0	0
Administrative Investment Exp.	0	0
Total Investment Rev.	78,072,829	310,871,352
Administrative Expense:		
Personal Services	1,083,212	1,017,764
Contracted Services	553,322	484,113
Supplies & Material	35,641	31,811
Communications	39,302	52,550
Travel	15,658	6,687
Rent	1,643	88,613
Repairs & Maintenance	7,893	8,562
Other Expenses	60,948	72,050
Depreciation Exp.	20,323	20,323
Amortization Exp.	240,286	240,286
Lease Amortization Exp.	96,426	0
Lease Principal & Interest	25,651	0
OPEB Expense	0	0
Pension Expense - PERS	0	0
Total Administrative Exp.	2,180,305	2,022,759

**Teachers' Retirement System
Operating Budget Status Report
as of January 31, 2023**

ACCOUNT LEVEL	ACCOUNT CATEGORY	EXPENSE FY 2022	BUDGET FY 2023	EXPENDITURE YEAR TO DATE	% BUDGET SPENT	TOTAL PROJECTED	BUDGET SURPLUS/(DEFICIT)
	PERSONAL SERVICES:						
61100	Salaries	1,426,135	1,563,210	792,131	50.7%	1,504,435	58,775
61300	Per Diem	2,900	3,500	3,000	85.7%	3,500	-
61403	Health Insurance	220,022	280,000	153,357	54.8%	280,891	(891)
61400	Benefits	240,842	275,000	136,850	49.8%	263,640	11,360
	Total Personal Services	1,889,899	2,121,710	1,085,339	51.2%	2,052,466	69,244
	OPERATING EXPENSES:						
62100	Contract Services	787,583	863,704	503,987	58.4%	828,248	35,456
62200	Supplies/Materials	44,128	49,100	35,641	72.6%	44,693	4,407
62300	Communications	98,218	124,275	39,302	31.6%	105,107	19,168
62400	Travel	17,304	29,500	15,658	53.1%	26,842	2,658
62500	Rent	2,268	4,000	1,643	41.1%	3,756	244
62700	Repairs/Maintenance	17,889	22,710	7,893	34.8%	22,210	500
62800	Other Expenses	102,581	111,635	60,948	54.6%	81,783	29,852
	Total Operating Expense	1,069,972	1,204,924	665,071	55.2%	1,112,639	92,285
62122	Audit Fees - Biennial Amount	73,644	95,610	49,336	51.6%	95,610	-
	Total Operating and Personal Services	3,033,515	3,422,244	1,799,746	52.6%	3,260,716	161,528
69501	Capital Lease	149,711	154,203	71,640	0.0%	154,203	-
	Subtotal Capital Lease	149,711	154,203	71,640	0.0%	154,203	-
	Totals	3,183,225	3,576,447	1,871,386	52.3%	3,414,919	161,528

Percent of FY Complete 58%
Percent of Payroll Complete 54%

Teachers' Retirement System
Budget Analysis - Contracted Services
as of January 31, 2023

ACCOUNT CODE	ACCOUNT NAME	EXPENSE FY 2022	BUDGET FY 2023	ACTUAL EXP TO DATE	% OF BUDGET
62102	Consulting & Professional	147,651	153,230	113,399	74.0%
62104	Insurance & Bonds	6,397	6,396	6,238	97.5%
62104A	INS & Bonds - Non fixed	169	100	129	129.0%
62108	Legal Fees/Court Costs	1,780	37,500	1,289	3.4%
62113	Warrant Writing Fees	34,287	30,940	16,627	53.7%
62114	Payroll Service Fees	5,455	5,455	4,091	75.0%
62114A	Workers Comp Mgmt	215	530	530	100.0%
62115	Photographic Services	30	45	20	44.4%
62116	Medical Services	683	1,000	1,495	149.5%
62136	IT Consult & Prof Servs	336,721	359,000	207,410	57.8%
62145	Food Services Expense	0	500	766	153.2%
62148	SABHRS Costs/DOA	132,419	125,923	94,442	75.0%
62186A	Recycling	745	785	325	41.4%
62187	Records Storage	2,580	3,000	1,606	53.5%
62190	Printing, Pub & Graphics	31,403	45,000	10,711	23.8%
62191	Printing, Other Provider	2,523	3,750	1,946	51.9%
621B1	SITSD Storage Hosting	13,103	14,000	6,664	47.6%
621B2	SITSD Server Hosting Services	28,970	29,000	14,255	49.2%
621B4	SITSD Application Services	576	550	206	37.4%
621B5	SITSD Email	2,676	3,000	1,341	44.7%
621B6	SITSD Imaging Services	0	0	0	#DIV/0!
621B8	SITSD Operations Support	6,263	7,500	3,132	41.8%
621B9	SITSD Database Hosting	1,674	2,500	1,177	47.1%
621C5	SITSD Enterprise Services	31,264	32,000	15,632	48.9%
621C6	SITSD Professional Services	0	1,000	554	55.4%
621C8	SITSD Email Restore	0	1,000	0	0.0%
	SUBTOTAL	787,583	863,704	503,987	58.4%
62122	Audit Fees - Current	73,644	95,610	49,336	51.6%
	TOTAL CONTRACTED SERVICES	861,227	959,314	553,322	57.7%

Percent of FY Complete: 58%

**Teachers' Retirement System
Delinquent Agency Report
2/7/2023**

Employer Number	Employer Name	Reports Outstanding	Estimated Employee Contributions	Estimated Employer Contributions
		Total	0	0
		Total Due	0	

All monthly reports are due by the 15th of the following month.

STATE OF MONTANA

REQUEST AND JUSTIFICATION
FOR OUT-OF-STATE TRAVEL

1) Agency Number/Name 61050-Teachers Retirement Board		2) Division Teachers' Retirement System	
3) Org Number 3601	4) Employees Traveling John Noble / 039526		

5) Justification
Annual PRISM Conference

6) Alternatives**7) Itinerary**

Travel Dates: 5/7 & 5/10
St Petersburg, Florida

8) Lodging Rate

Within Federal Rate?	If not, enter Federal and Lodging Rates	If requesting travel advance, list amount
<input type="checkbox"/> Yes	Federal <u>98.00</u>	
<input checked="" type="checkbox"/> No	Lodging <u>300.00</u>	(Travel advances should be issued only on an exception basis)

If rates are above the federal rate, check the items which apply below:

- ☒ 1. Government rates were requested and were not available at the hotel where the employee is staying; **and**
- ☐ a. Government or significantly lower rates are not available at another hotel within a reasonable distance; **or**
- ☒ b. It is necessary for purposes of accessibility and/or security to stay at the hotel in which the conference is being held; **or**
- ☐ c. Emergency or last minute travel arrangements preclude finding accommodations within the federal guidelines; **and**
- ☐ 2. Reimbursement at actual cost is within the agency's authorized appropriation level.

9) Estimated Cost

Transportation	Meals/Lodging	Registration	Other	Total
<u>1,100.00</u>	<u>1,100.00</u>	<u>1,100.00</u>	<u>200.00</u>	<u>3,500.00</u>

10) Submitted By

Requested By John Noble	Title IT Manager	Date 2/1/2023
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Approval - to be Completed by Agency Authorized Personnel

Supervisor	Date	Administrator	Date	Dept Head/Designee	Date
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NOTE: A travel expense voucher form must be filed within three months after incurring the travel expenses, otherwise the right to reimbursement will be waived.

STATE OF MONTANA

REQUEST AND JUSTIFICATION
FOR OUT-OF-STATE TRAVEL

1) Agency Number/Name 61050-Teachers Retirement Board		2) Division Teachers' Retirement System	
3) Org Number 3601	4) Employees Traveling Tammy Rau #001820		

5) Justification
GFOA Conference in Portland, OR May 20-25, 2023

6) Alternatives**7) Itinerary**

Destination: Helena, MT to Portland, OR
Travel Dates: May 20 - May 25, 2023

8) Lodging Rate

Within Federal Rate?	If not, enter Federal and Lodging Rates	If requesting travel advance, list amount
<input type="checkbox"/> Yes	Federal <u>152.00</u>	
<input checked="" type="checkbox"/> No	Lodging <u>259.00</u>	(Travel advances should be issued only on an exception basis)

If rates are above the federal rate, check the items which apply below:

- ☒ 1. Government rates were requested and were not available at the hotel where the employee is staying; **and**
- ☐ a. Government or significantly lower rates are not available at another hotel within a reasonable distance; **or**
- ☒ b. It is necessary for purposes of accessibility and/or security to stay at the hotel in which the conference is being held; **or**
- ☐ c. Emergency or last minute travel arrangements preclude finding accommodations within the federal guidelines; **and**
- ☒ 2. Reimbursement at actual cost is within the agency's authorized appropriation level.

9) Estimated Cost	Transportation	Meals/Lodging	Registration	Other	Total
	<u>749.00</u>	<u>1,619.00</u>	<u>535.00</u>		<u>2,903.00</u>

10) Submitted By	Requested By	Title	Date
	Tammy Rau	Deputy Executive Director	2/3/2023

Approval - to be Completed by Agency Authorized Personnel

Supervisor	Date	Administrator	Date	Dept Head/Designee	Date
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NOTE: A travel expense voucher form must be filed within three months after incurring the travel expenses, otherwise the right to reimbursement will be waived.

STATE OF MONTANA

REQUEST AND JUSTIFICATION
FOR OUT-OF-STATE TRAVEL

1) Agency Number/Name		2) Division Teachers' Retirement System
3) Org Number	4) Employees Traveling Denise Pizzini	

5) Justification

Annual National Association of Public Pension Attorneys Annual Legal Education Conference - 2023

6) Alternatives

None

7) Itinerary

Helena to San Antonio, TX on June 27, 2023; San Antonio, TX to Helena on June 30, 2023. Three nights at San Antonio Marriott Rivercenter.

8) Lodging Rate

Within Federal Rate?	If not, enter Federal and Lodging Rates	If requesting travel advance, list amount
<input type="checkbox"/> Yes	Federal _____	_____
<input checked="" type="checkbox"/> No	Lodging _____	(Travel advances should be issued only on an exception basis)

If rates are above the federal rate, check the items which apply below:

- ☒ 1. Government rates were requested and were not available at the hotel where the employee is staying; **and**
- ☐ a. Government or significantly lower rates are not available at another hotel within a reasonable distance; **or**
- ☒ b. It is necessary for purposes of accessibility and/or security to stay at the hotel in which the conference is being held; **or**
- ☐ c. Emergency or last minute travel arrangements preclude finding accommodations within the federal guidelines; **and**
- ☒ 2. Reimbursement at actual cost is within the agency's authorized appropriation level.

9) Estimated Cost

Transportation	Meals/Lodging	Registration	Other	Total
1,200.00	1,000.00	850.00		3,050.00

10) Submitted By

Requested By Denise Pizzini	Title Chief Legal Counsel	Date 2/2/2023
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Approval - to be Completed by Agency Authorized Personnel

Supervisor	Date	Administrator	Date	Dept Head/Designee	Date
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NOTE: A travel expense voucher form must be filed within three months after incurring the travel expenses, otherwise the right to reimbursement will be waived.

STATE OF MONTANA

REQUEST AND JUSTIFICATION
FOR OUT-OF-STATE TRAVEL

1) Agency Number/Name 61050-Teachers Retirement Board		2) Division Teachers' Retirement System	
3) Org Number 01	4) Employees Traveling Shawn Graham		

5) Justification

Travel to and from annual NCTR Director's Meeting in Madison, WI.

6) Alternatives**7) Itinerary**Meeting dates are June 7-10th**8) Lodging Rate**

Within Federal Rate?	If not, enter Federal and Lodging Rates	If requesting travel advance, list amount
<input type="checkbox"/> Yes	Federal _____	_____
<input checked="" type="checkbox"/> No	Lodging <u>190.00</u>	(Travel advances should be issued only on an exception basis)

If rates are above the federal rate, check the items which apply below:

- ☒ 1. Government rates were requested and were not available at the hotel where the employee is staying; **and**
- ☐ a. Government or significantly lower rates are not available at another hotel within a reasonable distance; **or**
- ☒ b. It is necessary for purposes of accessibility and/or security to stay at the hotel in which the conference is being held; **or**
- ☐ c. Emergency or last minute travel arrangements preclude finding accommodations within the federal guidelines; **and**
- ☐ 2. Reimbursement at actual cost is within the agency's authorized appropriation level.

9) Estimated Cost

Transportation	Meals/Lodging	Registration	Other	Total
<u>600.00</u>	<u>950.00</u>	<u>1,545.00</u>	<u>100.00</u>	<u>3,245.00</u>

10) Submitted By

Requested By Shawn Graham	Title Executive Director	Date 2/2/2023
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Approval - to be Completed by Agency Authorized Personnel

Supervisor	Date	Administrator	Date	Dept Head/Designee	Date
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NOTE: A travel expense voucher form must be filed within three months after incurring the travel expenses, otherwise the right to reimbursement will be waived.

IV. Executive Director's Report

Information Items **A. Executive Summary**

1. **Operations Update:** Under Governor Gianforte's ROWS initiative, TRS continues to provide in-person coverage while providing flexibility for certain staff to work remotely a day or two per week as approved by TRS management.
2. **Staff Update:** Amber Mullen decided to take a position in another state agency for substantially more pay. Amber started her career at TRS as our Administrative Assistant in the fall of 2020 and was promoted to the Benefit Specialist Position in July of 2022. Amber's last day at TRS will be February 23rd. TRS has already started the recruiting process to fill the newly vacant Benefit Specialist position.

B. 2023 Legislation Update:

1. Status of TRS Bills:

- A. **HB 117:** The TRS Working Retiree Bill is sponsored by Representative Marta Bertoglio. The bill passed out of House State Administration on a 19-0 vote. On January 25th, the bill passed the House 85-15 and has been transmitted to the Senate. HB 117 currently awaits a hearing in the Senate State Administration committee.
- B. **HB 135:** The TRS Housekeeping Bill is sponsored by Representative Marta Bertoglio. The bill passed out of House State Administration on a 18-0 vote after being amended to soften the independent contractor language; the bill still accomplishes what we wanted in regard to independent contractors, so I did not oppose the amendment. On January 30th, the bill passed the House 98-0 and has been transmitted to the Senate. HB 135 currently awaits a hearing in the Senate State Administration committee.
- C. **SB 25:** The MUS-RP Supplemental Contribution bill is sponsored by Senator Ryan Lynch. The bill had a hearing in Senate State Administration on January 13th with limited discussion. On January 20th, the committee voted to table the bill, so it is currently sitting in Senate State Administration and is likely dead.

2. Status of Other Legislation Affecting TRS:

- A. **SB 18:** Requested by Senator Mike Cuffe on behalf of the Interim SAVA Committee. SB 18 provides a legislative policy statement stating that the legislature will not provide any additional benefits unless those benefits are projected to be fully funded. SB 18 has passed both houses and has been transmitted to the Governor for signature.

- B. SJ 4:** Requested by Senator Wendy McKamey. SJ 4 provides for an interim study of TRS and PERS similar to what was conducted over the last interim. This bill has passed both houses and has been transmitted to the Governor for signature.
- C.** There are many more LC's that could eventually be drafted and introduced but I'm not aware of what kind of amendments to current law they might contain at this time.

C. Public Comment - This is an opportunity for any member of the public to comment on the Executive Director's report.

V. IT Manager's Report

Discussion Items **A. IT Manager's Report:** John Noble, TRS IT Manager, will lead the board through a discussion of the attached IT Manager's Report which provides information about progress made on several TRS IT initiatives.

B. Public Comment - This is an opportunity for any member of the public to comment on the IT Manager's report.

TRS IT Infrastructure – Update

Server Environment

- Fully virtualized – no physical servers
- Hosted on State Information Technology Services Division (SITSD) virtual infrastructure at the State of Montana Data Center (SMDC) in Helena
- 16 virtual servers providing
 - Development, Test, Staging and Production environments for
 - M-Trust pension management software system
 - TRS.mt.gov web site including member and employer secure online portals
 - Development, Test, Staging Microsoft SQL Server database environment
 - Production Microsoft SQL Server database environment
 - File server
 - Application servers (2)
 - Source code and software version control server
 - Software and application testing and proof-of-concept server
 - VMware View server

Workstation Environment

- Predominantly virtualized – most computing performed on virtualized Windows desktops
 - Document imaging processing is performed on physical devices directly connected to document scanners
 - Certain ‘heavy compute’, e.g., high-cpu and/or high-memory processes are performed on physical devices
- Physical hosts a mix of
 - Traditional tower desktop computers – 1
 - Mini-PC computers – 13
 - Laptop computers – 18

18 of 22 TRS FTE have assigned laptop computers enabling them to work from home (ROWS). Of the 4 remaining FTE, 3 are not in ROWS-qualified positions (Executive Secretary; 2 Imaging Technicians); the fourth will receive a new laptop computer at the beginning of FY24.

- Contractor/Developer environments
 - Virtualized Windows desktops for developers/contractors
 - All computing/storage in TRS-owned environment

TRS IT Expenditure - Update

<u>FY 2021</u>				<u>FY 2022</u>				<u>FY 2023 YTD</u>		
Account Code	Account Description	Expense		Account Code	Account Description	Expense		Account Code	Account Description	Expense
62245	Hardware	\$ 11,451.20		62245	Hardware	\$ 8,987.18		62245	Hardware	\$ 5,887.83
62249	Software	\$ 12,992.09		62249	Software	\$ -		62249	Software	\$ -
621B1	ITSD storage hosting	\$ 13,232.75		621B1	ITSD storage hosting	\$ 13,102.93		621B1	ITSD storage hosting	\$ 6,664.20
621B2	ITSD server hosting	\$ 30,287.50		621B2	ITSD server hosting	\$ 28,969.56		621B2	ITSD server hosting	\$ 14,255.10
621B4	ITSD application hosting	\$ 730.47		621B4	ITSD application hosting	\$ 575.52		621B4	ITSD application hosting	\$ 205.92
621B5	ITSD email services	\$ 1,918.07		621B5	ITSD email services	\$ 2,676.31		621B5	ITSD email services	\$ 1,341.19
621B6	ITSD imaging services	\$ 2,138.64		621B6	ITSD imaging services	\$ -		621B6	ITSD imaging services	\$ -
621B8	ITSD operational support	\$ 2,336.52		621B8	ITSD operational support	\$ 6,263.28		621B8	ITSD operational support	\$ 3,131.64
621B9	ITSD database hosting	\$ 6,149.09		621B9	ITSD database hosting	\$ 1,674.36		621B9	ITSD database hosting	\$ 1,176.96
621C5	ITSD enterprise services	\$ 15,712.80		621C5	ITSD enterprise services	\$ 31,264.44		621C5	ITSD enterprise services	\$ 15,632.22
621C6	ITSD professional services	\$ 510.00		621C6	ITSD professional services	\$ -		621C6	ITSD professional services	\$ 554.28
622B1	ITSD Asset Broker	\$ 17,607.20		622B1	ITSD Asset Broker	\$ 18,296.61		622B1	ITSD Asset Broker	\$ 22,326.25
623B0	ITSD voice services	\$ 6,418.68		623B0	ITSD voice services	\$ 7,288.50		623B0	ITSD voice services	\$ 3,667.68
623B1	ITSD video services	\$ 460.00		623B1	ITSD video services	\$ 460.08		623B1	ITSD video services	\$ 230.04
623B2	ITSD network services	\$ 20,313.47		623B2	ITSD network services	\$ 20,613.30		623B2	ITSD network services	\$ 10,419.08
623B4	ITSD long distance	\$ 1,716.27		623B4	ITSD long distance	\$ 3,376.96		623B4	ITSD long distance	\$ 1,344.48
62750	Software maintenance	\$ 11,402.92		62750	Software maintenance	\$ 17,457.99		62750	Software maintenance	\$ 7,892.79
	Total	\$ 155,377.67			Total	\$ 161,007.02			Total	\$ 94,729.66

TRS has is purchasing (February 2023) an additional Adobe ColdFusion license for the M-Trust Reporting Server project. The license, along with Platinum support through June 2023, will be a \$9300.00 expense for FY23.

TRS will be migrating its Jira environment to the vendor-hosted cloud. Licensing for this new environment will be \$800.00 more, annually, then TRS has been paying.

Current software maintenance agreements/subscriptions:

- Adobe ColdFusion Enterprise (increasing for FY24 due to additional license)
- Gurock TestRail Server ; test management and QA software system
- Twilio Verify & SendGrid ; multi-factor authentication service
- VMware Horizon ; virtual desktop infrastructure (VDI) and apps software
- ActivePDF DocConverter ; bulk document converter software
- Atlassian Jira (increasing for FY24 due to move to vendor cloud-hosted solution) ; issue and project tracking software

Upcoming TRS IT Projects

- **M-Trust Report Server:** planned for Q1 2023
The purpose of the reporting server is to distribute report processing off the primary M-Trust application server improving performance for all other M-Trust processes. TRS is in the process of purchasing the required additional licensing and plans to deploy the reporting server in the production environment soon.
- **Jira Migration:** planned for spring 2023
TRS has received conditional approval for its ITPR (IT Purchase Request) pending a security assessment of the vendor's cloud environment and authorization (from SITSD) to proceed.
- **Windows Server Upgrade:** planned for summer 2023
14 of the 16 TRS Servers are running Windows Server 2012 R2 which has an 'End-of-Life' date for Extended Support of October 10, 2023. TRS IT will plan an FY 23 server upgrade project to replace the 14 servers with Windows Server 2022.
 - The purchase of new Windows Server licenses will be included in the FY 23 IT budget. A December 2022 quote from SHI was \$17,295.40 (Software Assurance term 7/2023 – 4/30/2026).
 - Server deployment will take place over a two-month period for testing and evaluation.
- **Source Code Repository Migration:** planned for Q4 2023
The current source code repository and version control system used by TRS is Apache Subversion running on Collabnet Subversion Edge. The vendor (Collabnet) has ceased development and maintenance of Subversion Edge necessitating a change. SITSD hosts a GitLab environment (for Git source control and version control) with costs built into the enterprise rate making it the preferred option for migration. While Git and Subversion do basically the same thing there are some fundamental differences; TRS IT staff will participate in Git and GitLab training to become familiar with the product(s) and then develop a migration plan and revise/update relevant TRS documentation.

VI. BOI Annual Report

Discussion Items **A. BOI Annual Report** – Mr. Dan Villa, Executive Director of the Montana Board of Investments, will review the investment performance of the Teachers' Retirement System for calendar year 2022 and the current market volatility and expectation for future performance. A copy of Director Villa's presentation is attached for your reference.

Pursuant to 17-6-230, MCA, the BOI is required to present annually the following information to the Teachers' Retirement Board:

- The asset allocation of TRS
- Past and expected investment performance
- Investment goals and strategies
- Montana TRS investments and performance compared to similar size public employee retirement plans in other states.

B. Public Comment - This is an opportunity for any member of the public to comment on the Board of Investments annual report.

MONTANA BOARD OF INVESTMENTS 2023 REPORT TO THE TEACHERS' RETIREMENT BOARD

As required by 17-6-230, MCA

Dan Villa, Executive Director
February 2023

ASSET ALLOCATION

2021

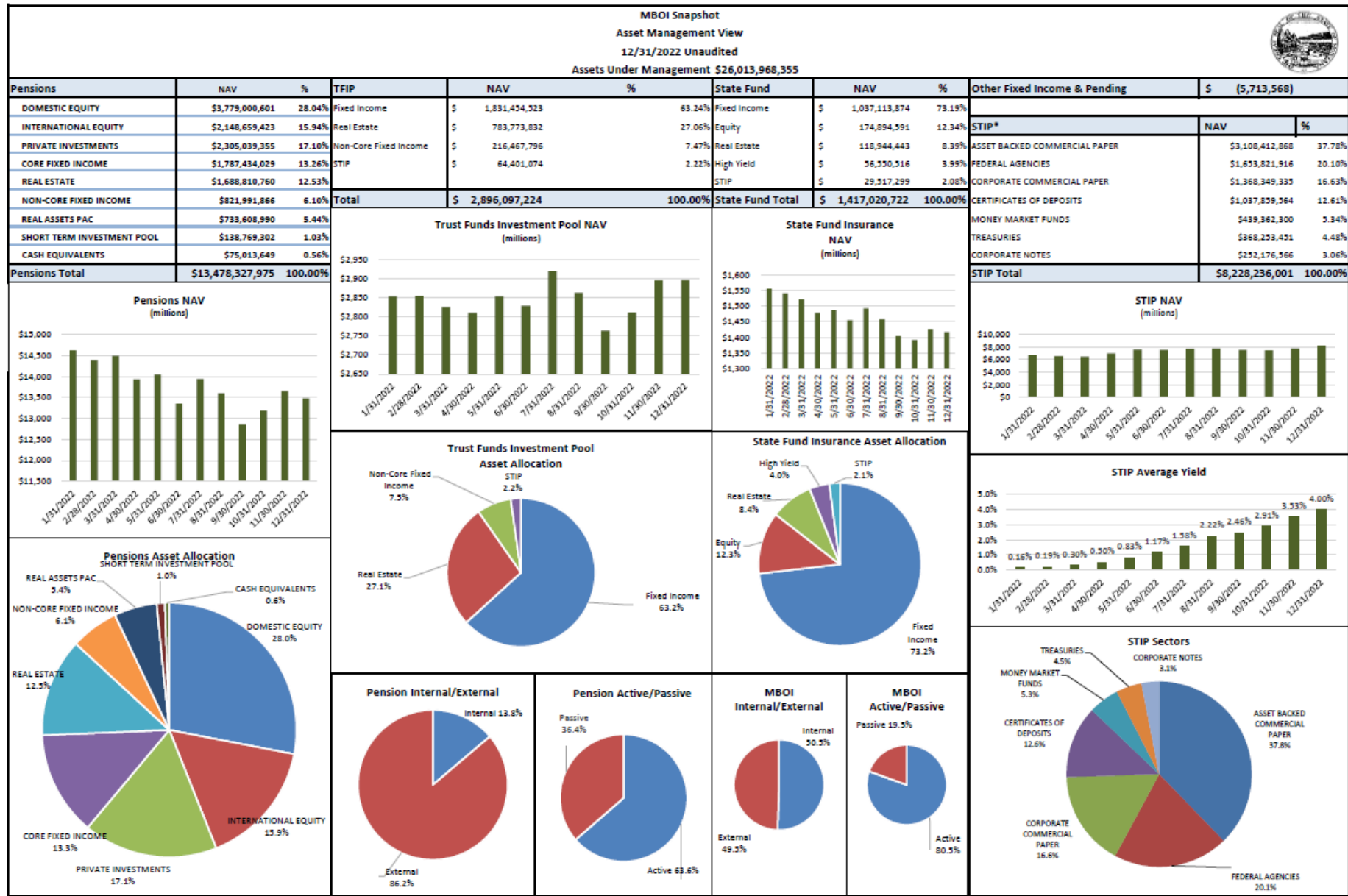
Asset Class Allocations		
Asset Class	Range Low	Range High
Domestic Equities	24	36
International Equities	12	22
Private Investments	11	19
Real Assets	2	8
Real Estate	5	13
Core Fixed Income	10	20
Non-Core Fixed Income	4	8
Cash ¹	0	6
Total		
¹ The combined cash at the plan level and the CAPP level is subject to the range. ² Montana Public Retirement Plans shall have no greater than 5% of the Net Asset Value managed by any one external manager using an active investment strategy.		

2022

Asset Class Allocations		
Asset Class	Range Low	Range High
Domestic Equities	24 23	36 35
International Equities	12 10	22 20
Private Investments	11 12	19 20
Real Assets	2 3	8 9
Real Estate	5 7	14 15
Core Fixed Income	9	19
Non-Core Fixed Income	5	9
Cash ¹	0	5
Total		
¹ The combined cash at the plan level and the CAPP level is subject to the range. ² Montana Public Retirement Plans shall have no greater than 5% of the Net Asset Value managed by any one external manager using an active investment strategy.		

PAST AND EXPECTED INVESTMENT PERFORMANCE

Name	Effective Date	FYTD	3 Year	5 Year	10 Year	Since Inception	Inception Date
TEACHERS RETIREMENT	January 2023	5.54%	7.89%	6.78%	8.25%	7.73%	07/01/1994



INVESTMENT GOALS AND STRATEGIES

The Board's overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. Because of the long-term nature of the state's various pension liabilities, the Board maintains a long-term perspective in formulating and implementing its investment policies, and in evaluating its investment performance.

MONTANA CAPP INVESTMENTS
AND PERFORMANCE
COMPARED TO SIMILAR SIZE
PUBLIC EMPLOYEE RETIREMENT
PLANS IN OTHER STATES.

Your 5-year policy return of 10.9% was above both the U.S. Public median of 10.7% and the peer median of 10.8%.

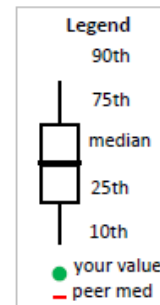
42

Your policy return is the return you could have earned passively by indexing your investments according to your policy mix.

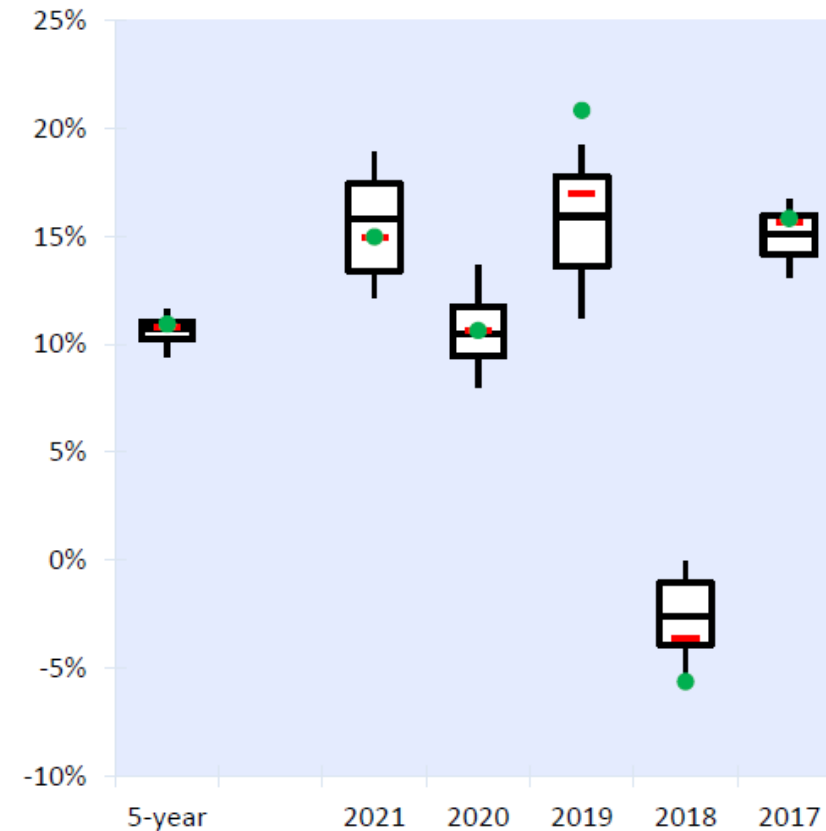
Having a higher or lower relative policy return is not necessarily good or bad. Your policy return reflects your investment policy, which should reflect your:

- Long term capital market expectations
- Liabilities
- Appetite for risk

Each of these three factors is different across funds. Therefore, it is not surprising that policy returns often vary widely between funds.



U.S. Public policy returns - quartile rankings



To enable fairer comparisons, the policy returns of all participants, including your fund, were adjusted to reflect private equity benchmarks based on lagged, investable, public-market indices. Prior to this adjustment, your 5-year policy return was 11.1%, 0.2% higher than your adjusted 5-year policy return of 10.9%. Mirroring this, your 5-year total fund implementation impact would be 0.2% lower.

Returns

- Your 5-year net total return was 11.4%. This was above both the U.S. Public median of 11.2% and the peer median of 11.3%.
- Your 5-year policy return was 10.9%. This was above both the U.S. Public median of 10.7% and the peer median of 10.8%.

Implementation impact

- Your 5-year implementation impact was 0.5%. This was slightly below the U.S. Public median of 0.7% and equal to the peer median of 0.5%.

Cost and cost effectiveness

- Your investment cost of 50.4 bps was above your benchmark cost of 46.4 bps. This suggests that your fund was slightly high cost compared to your peers.
- Your fund was slightly high cost because it had a higher cost implementation style and it paid more than peers for some services.
- Despite being 3.9 bps above benchmark cost, you delivered 263.6 bps of implementation impact in 2021.

FEES CONTINUE TO DECREASE AS PERCENT OF AUM

FY	Total Investments	Investment Expenses	Investment Fee Ratio
2022	\$ 24,924,703,000	\$ 66,336,000	0.27%
2021	\$ 21,571,968,000	\$ 56,423,000	0.26%
2020	\$ 19,573,441,000	\$ 58,635,000	0.30%
2019	\$ 18,601,994,000	\$ 57,117,000	0.31%
2018	\$ 15,601,831,000	\$ 52,007,000	0.33%

Governor Gianforte, Board of Investments Block ESG Investing of State Funds

Governor's Office
January 18 2023



HELENA, Mont. – Governor Greg Gianforte and the Montana Board of Investments today announced the State of Montana has reaffirmed its commitment to maximizing returns on the over \$26 billion in investments of the state's financial assets, not advancing a political agenda through Environmental, Social, and Governance (ESG) investing.

"As the State of Montana invests its financial assets, our priority is and should always be maximizing returns for our shareholders – the people of Montana," Governor Gianforte said. "On my watch, we won't undermine taxpayers' returns on investment in favor of the trend of activist, woke capitalism through ESG investing."

Late last year, the Board of Investments revoked the ability of the state's investment managers to vote the state's proxies which align with ESG investment decisions.

"The Board's fiduciary duty is to maximize returns independent of political agendas, social pressures or any other non-pecuniary factors," said Dan Villa, Executive Director of the Board of Investments. "We have and will continue to grow Montana's wealth without bias and based solely on what is in the best interest of the beneficiaries of the assets we invest."

The use of ESG prioritizes environmental, social, and governance investment principles over traditional investment principles designed to maximize shareholder returns.

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BOI WORKING TO MAXIMIZE RETURNS

45

HOUSE BILL NO. 228

INTRODUCED BY T. MOORE, T. MCGILLVRAY, D. LENZ, F. MANDEVILLE, J. TREBAS, S. VINTON, N. DURAM, B. MERCER, L. BREWSTER, S. GIST, S. ESSMANN, C. SPRUNGER, T. FALK, L. HELLEGAARD

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PUBLIC INVESTMENTS BY PROHIBITING THE CONSIDERATION OF NONPECUNIARY FACTORS; PROVIDING DEFINITIONS; PROVIDING ENFORCEMENT BY THE ATTORNEY GENERAL; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

VII. Legal Counsel's Report

Information Items **A. Legal Issues** – Denise Pizzini will report on pending cases, and recent legal issues.

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VIII. Applications and Retirement Benefits

Information Item **A. Regular, Survivorship, Adjustments, and Corrections** - Your hard copy board packet will include a list of members who have retired since our October 7th meeting and any adjustments made since then.

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IX. Long Range Planning

Discussion Items **A. Strategic Planning**– I have attached a copy of the 2021-2023 commitment worksheet for Board discussion.

B. Public Comment – Opportunity for any member of the public to comment on the Strategic Plan Summary and Commitment Worksheet.

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TRS 2021 – 2023 Strategic Planning Commitment Worksheet

Goal/Objective	Outcome (measure)	Priority/Timeline	Responsible party/coordinator	Resources Required
<i>Maintain an actuarially sound qualified retirement plan</i> Conduct periodic tax qualification reviews (every 5 years) to support our goal of maintaining an actuarially sound “qualified” retirement plan using the established process and experts. Discontinue if IRS resumes doing qualification letters.	Documented compliance with the Montana State Constitution and State and Federal laws and regulations.	Every 5 years/begin in FY2021 (next review FY2026)	Executive Director Chief Legal Counsel	Contract legal fees. Tax counsel services.
<i>Maintain an actuarially sound qualified retirement plan</i> Address any issues resulting from Pension Study Group. Actively participate in pension study. Be responsive to Pension Study requests.	Well-informed policy makers.	FY2022 & FY2023	Executive Director Chief Legal Counsel Board	Staff time, actuarial service fees.
<i>Maintain an actuarially sound qualified retirement plan</i> Conduct an experience study for the five-year period ending July 1, 2021.	Updated actuarial assumptions.	Completed May 13, 2022	Executive Director Board	Contracted actuarial service fees.
<i>High-performance work culture and service excellence</i> Identify, catalog, and prioritize potential information technology (IT) enhancements. Conduct periodic IT enhancement planning and budgeting Board sessions to discuss budget parameters for additional IT investment. The Board will provide guidance on the level of investment in the system. TRS will consider system maintenance as an ongoing budget item to keep systems up to date and ensure business continuity.	Automation and improved processes. Specific budgets and defined level of investment in IT systems.	Ongoing	Board, M-Trust Steering Team	Staff time, contractor fees.
<i>High-performance work culture and service excellence</i> Identify metrics for certain enhancements where appropriate (not necessarily for every required enhancement). Metrics can illustrate the return on investment (not all enhancements will be cost effective, but rather necessitated by member convenience or regulatory compliance).	Metrics illustrating return on investment for specific IT enhancements.	Ongoing	M-Trust Steering Team	Staff time.
<i>High-performance work culture and service excellence</i> Implement online retirement application (ORA) functionality.	Member ability to apply for retirement online.	FY2023 planning	M-Trust Steering Team	Staff time, contractor fees.

Goal/Objective	Outcome (measure)	Priority/ Timeline	Responsible party/coordinator	Resources Required
<i>High-performance work culture and service excellence</i> Develop a responsive web design proof of concept in the test environment. Responsive websites dynamically change their appearance depending on the screen size and orientation of the device used (i.e., when the user accesses the website, it determines and renders itself based on the device type).	Responsive web design prototype for review by TRS and Board.	FY2022 – FY2023 (template approved prototype to come)	Information Systems Manager and Communications Manager	Staff time.
<i>High-performance work culture and service excellence.</i> Continue business process improvements and workflow documentation while building online processes to achieve a paperless process with a priority on major business processes e.g., the Online Withdrawal Application (OWA) and Online Retirement Application (ORA).	Automation and improved processes.	Ongoing OWA FY2023 ORA (planning) FY2023	M-Trust Steering Team	Staff time, contractor fees.
<i>High-performance work culture and service excellence.</i> Develop procedural documentation for each team.	Improved internal documentation and business processes.	Ongoing	Management Team (and staff documenting business processes)	Staff time, (possible) contractor fees.
<i>High-performance work culture and service excellence.</i> Continue with a formal strategic planning every 2 years.	Comprehensive and timely strategic goals.	Ongoing	Management Team Board	Staff/Board time, contractor fees.
<i>High-performance work culture and service excellence.</i> Acquire training and remote notary certification for benefit staff to provide an additional service to members and as a time saving measure (projected increase in electronic notarizations).	3 Benefit Officers with Notary Certification.	Deferred – May not be necessary	Deputy Executive Director Active Team Supervisor	Staff time, training fees.
<i>High-performance work culture and service excellence.</i> Explore mandatory Automated Clearing House (ACH) transfers for employers and other business process improvements e.g., direct deposit for members. Research options & provide recommendations.	Recommendation to Board on mandatory ACH (60 ER's use Check)	Recommendation Completed in Aug 2022	TRS Management Team	Staff time.
<i>High-performance work culture and service excellence.</i> Update TRS Pay Plan to fully implement Broadband Pay Plan 025 changes.	Updated pay plan.	Completed May 13, 2022	Executive Director, Deputy Executive Director	Staff time.

Goal/Objective	Outcome (measure)	Timeline	Responsible party/coordinator	Resources Required
<i>Communication and outreach (public relations).</i> Coordinate Executive Director and Board member (contingent on location and availability) attendance at School Superintendent meetings in non-legislative years.	Increased communication to Superintendents.	Fall 2021 Spring 2022 (Completed May 4, 2022)	Executive Director and Board (gauge Board interest/availability)	Executive Director and Board time and travel.
<i>Communication and outreach (public relations).</i> Continue external communications including staff attendance at the annual educator conference, legislator education and outreach, coordination with MFPE, and attendance at MASBO and SAM conferences.	Continued or increased staff attendance at strategic events.	Ongoing	Management Team & Active Team	Staff time and travel expense.
<i>Communication and outreach (member communication).</i> Reach out to members in a manner that is timeline- and status-oriented (e.g., new members, vesting, pre-retirement, etc.). Utilize M-Trust to generate mailings when possible.	Strategic communications informing members about TRS at appropriate stages.	Ongoing	Management Team	Staff time and mailing, printing, and related items.
<i>Communication and outreach (member and employer communication).</i> Continue to promote communication with members and employers about system functions, improvements, processes and transactions.	Strategic promotion of online services.	Ongoing	Communication Manager	Staff time and mailing, printing, and related items.
<i>Communication and outreach (member communication).</i> Continue with Member Surveys to inform our strategic direction, increase retirement awareness, and promote engagement.	An informed and engaged constituency.	At least every two years.	Communication Manager	Staff time.
<i>Communication and outreach (operational communication).</i> Explore discussion of joint issues on topics relevant to multiple agencies (e.g., a meeting with TRS, MBOI and MPERA).	Determine level of interest and timeframe for discussion.	FY2023	Executive Director	Staff and Board time.
<i>Communication and outreach (operational communication).</i> Research retirement options (e.g., working retirees, phased retirement) to prepare research and recommendations on whether the options will benefit Montana. Prepare to speak to the pros and cons of options to the Legislature. Conduct a study to identify options that might make sense for Montana.	Recommendation to Board.	Completed Aug 2022	Executive Director Chief Legal Counsel	Staff time.

X. Board Training

Discussion Items

A. Privacy and Security of Personal Information: – I have attached the TRS policy on Privacy and Security of Personal Information and Notification of Breach of the Security of a Data System for your review and consideration prior to our board meeting. Denise Pizzini, TRS Chief Legal Counsel, will lead the board through a discussion of the policy during the meeting.

B. Public Comment – Opportunity for any member of the public to comment on the Board Training segment of the meeting.



MONTANA TEACHERS' RETIREMENT SYSTEM

POLICY 2-0500-003

POLICY ON PRIVACY AND SECURITY OF PERSONAL INFORMATION AND NOTIFICATION OF BREACH OF THE SECURITY OF A DATA SYSTEM

Section: Organizational
Implementer: All TRS Personnel

Effective Date: February 2, 2012
Revision Date: February 21, 2020

Purpose

This policy sets forth TRS's objectives for maintaining the privacy and security of personal information gathered, maintained, used, and disclosed by TRS personnel as necessary to conduct the business of TRS and for notification of affected individuals of a breach of the security of a TRS data system.

Definitions

Breach – the unauthorized access to or acquisition of computerized data that materially compromises the security, confidentiality, or integrity of the personal information maintained by TRS or by a third party on behalf of TRS, and causes or is reasonably believed to cause loss or injury to a person.

Individual – a human being.

Person – an individual, a partnership, a corporation, an association, or a public organization of any character.

Personal information – a first name or first initial with a last name in combination with any one or more of the following data elements when the name and data elements are not encrypted, except that the following data elements are not personal information if they are publicly available information that is lawfully made available to the general public from federal, state, local, or tribal government records:

- a. a social security number
- b. a tax identification number
- c. an identity protection personal identification number issued by the IRS
- d. a driver's license number
- e. an identification number issued pursuant to 61-12-501, MCA
- f. a tribal identification number or enrollment number
- g. an identification number issued by any state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, or American Samoa
- h. an account number or credit or debit card number in combination with any required security code, access code, or password that would permit access to a person's financial account
- i. medical record information

Redact – to alter personal information contained within data to make all or a significant part of the data unreadable.

Third party – a person or another state agency who is not a TRS staff member, a third party agent, or the member, retiree, joint annuitant, beneficiary, or alternate payee to whom the personal information pertains.

Third party agent – a person with a contractual obligation to perform a function for TRS, which function requires disclosure by TRS to the third party agent of some personal information data elements, or access to TRS data systems that contain personal information.

TRS Personnel – all members of the TRS board of trustees and all employees of TRS.

Truncate means that no more than the last four digits of an identification number are accessible as part of the data.

Policy:

A. Privacy and Security of Personal Information/Social Security Numbers

1. TRS is required to gather, maintain, use, and disclose personal information, including the social security numbers of members, retirees, joint annuitants, beneficiaries, and alternate payees, in order to administer the retirement system, including in order to comply with state and federal law pertaining to tax reporting of benefits paid by the retirement system. TRS also must obtain financial account information pertaining to individuals to whom it pays benefits for the purpose of effectuating direct deposit or other appropriate transfer of payments due to a retiree, joint annuitant, beneficiary, or alternate payee. TRS will gather, maintain, use and disclose personal information, including social security numbers and financial account information, as necessary to administer the retirement system, including to comply with state and federal law pertaining to tax reporting of benefits paid. TRS must obtain and may disclose medical record information for the purpose of making initial and ongoing determinations of eligibility for disability retirement benefits.
2. TRS will gather, maintain, use and disclose personal information of members, retirees, joint annuitants, beneficiaries, and alternate payees only as necessary to properly administer the retirement system, and as otherwise allowed or required by law. TRS staff shall access, use, and disclose such personal information only as necessary to perform assigned job functions.
3. In order to perform assigned job functions, all TRS staff members will need to acquire personal information and access data systems and documents containing personal information, including social security numbers and financial account information, of any member, retiree, joint annuitant, beneficiary, or alternate payee. All TRS staff members are authorized to acquire and access such personal information as necessary to perform assigned job functions.

4. TRS will gather full social security numbers only as necessary to initially establish the identify of a TRS member, retiree, joint annuitant, beneficiary or alternate payee, or as necessary to verify and document the identity of a specific member, retiree, joint annuitant, beneficiary, or alternate payee related to remittance of contributions or other payments of amounts owed to the retirement system, payment of benefits, distribution of benefits under a family law order, disclosure of personal information pursuant to an authorization to disclose, or in other circumstances in which full match of name and social security number are necessary to verify the identity of the individual. In all other circumstances, TRS will gather, use, and disclose only truncated social security numbers for purposes of verifying the identity of an individual previously identified to the retirement system through submission of a full social security number.
5. TRS may disclose personal information, including full social security numbers, to a third party agent as necessary for the third party agent to perform the functions contracted for, and to maintain the integrity of individual identification in records maintained by TRS and the third party agent. Except as necessary for performance of the contracted functions and to maintain the integrity of individual identification in multiple record sets, TRS shall disclose only truncated social security numbers to a third party agent.
6. Other than as described in this policy, TRS will not disclose personal information to any third party unless such disclosure is expressly authorized by the individual to whom the personal information pertains or by a representative of the individual acting under authority of law (i.e., power of attorney, order of guardianship or conservatorship, order of appointment of personal representative in a probate proceeding, etc.), or as otherwise allowed or required by law.
7. In any circumstance in which any record/document that includes a full social security number is to be disclosed to a third party, TRS staff shall redact or truncate the social security number, if appropriate and as appropriate to the purpose for the disclosure.
8. TRS staff shall dispose of any record/document that contains personal information in conformity with TRS's protocols for secure disposal/shredding of personal information.
9. TRS staff will not store or maintain any unencrypted record or document that includes the personal information of any member, retiree, joint annuitant, beneficiary, or alternate payee on any portable electronic device or media (i.e., laptop or notebook computer, iPad, smart phone, thumb or jump drive, computer disc, or other device or media) except as necessary to perform assigned job functions for which such personal information is necessary. Such personal information may be maintained on a portable device or media only for the period of time necessary to perform the assigned job function, and only while the portable device or media is under the active, personal control of the TRS staff member. Such personal information stored or maintained on a portable device or media must, at a minimum, be protected by a secure password and other security measures and protocols as required by applicable state and TRS security policies.
10. TRS will contractually require that all third-party agents to whom personal information is disclosed by TRS have an information security policy designed to safeguard personal information.

B. Notice of Breach of Security of a Data System

1. Upon discovery or notification of a breach of a TRS data system, TRS shall make reasonable efforts to notify any person whose unencrypted personal information was acquired or is reasonably believed to have been acquired by an unauthorized person. Notice will be provided in writing, without unreasonable delay, except that notice may be delayed if a law enforcement agency determines that notification will impede a criminal investigation and requests a delay of notification.
2. TRS will contractually require that all third party agents to whom personal information is disclosed by TRS will provide notice to TRS and persons of a breach of security of the third party agent's data systems in conformity with (1).
3. If TRS is required to issue a notification of breach, TRS shall simultaneously submit an electronic copy of the notification and a statement providing the date and method of distribution of the notification and the number of individuals entitled to receive the notification to the Attorney General's Office of Consumer Protection. The notification to the Office of Consumer Protection shall not include any information that personally identifies any individual entitled to receive the notification.

Cross References

§§ 2-6-1501 through 2-6-1503, MCA

Signature

By Board action taken on **February 21, 2020**, and by my signature below, the TRS Board has authorized implementation of this original or modified policy. The effective date of this policy is:

 X the date of the Board action set forth above

_____ (date) _____

BY: Kari Peiffer, Board Chair

 /s/ Kari Peiffer
Signature

TRS policies may be amended or revoked from time to time, with amendments and revocations effective from the date of board action or later date as specified in the policy. The official version of any TRS policy is the version posted on the TRS website, which may be accessed at trs.mt.gov/trsinfo/boardpolicies. Any deviation between the official version of a policy and a printed version will be resolved in favor of the official version. Hardcopy prints of policies will be dated as of the date of printing. Please make certain to review the material online prior to placing reliance on a printed version.

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XI. Election of Officers

Action Items

A. Election of Vice-Chair - Due to Sarah Hitchcock's recent resignation from the TRS Board, we need to elect a new Vice-Chair. To be eligible to be elected to the position of Chair or Vice-Chair, members must have served on the Board for a minimum of one year before being elected; all current board members are eligible to serve as the Vice-Chair.

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XII. Disability Applications

CLOSED MEETING

Discussion Item **A. Executive Session to Discuss Disability Applications and Annual Reviews** – The summary of each disability application along with any supporting documentation will be presented during the meeting.

The chair will close the meeting at this time because the matters of individual privacy clearly exceed the merits of public disclosure.

OPEN MEETING

Action Items **B. Approval/Disapproval of Application for Disability Retirement Benefits** – Board votes to approve or disapprove each application for disability retirement benefits.

Discussion Item **C. Public Comment** - This is an opportunity for any member of the public to comment on the Executive Director's report.

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XIII. Adjournment

Action Items **A. Motion to Adjourn**

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