

# FISCAL YEAR 2023 REPORT ON RETIREMENT SYSTEM TRUST FUND INVESTMENTS AND BENEFITS

As required by 17-6-230, MCA

Dan Villa, Executive Director  
February 2023

# STRATEGIC ASSET ALLOCATION

2023

Asset Class Allocations		
Asset Class	Range Low	Range High
Domestic Equities	23	35
International Equities	10	20
Private Investments	12	20
Real Assets	3	9
Real Estate	7	15
Core Fixed Income	9	19
Non-Core Fixed Income	5	9
Cash <sup>1</sup>	0	5
<b>Total</b>		
<sup>1</sup> The combined cash at the plan level and the CAPP level is subject to the range.		
<sup>2</sup> 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	6/30/2023	8.46%	9.84%	7.55%	8.17%	7.72%	07/01/1994
Public Employee	6/30/2023	8.50%	9.86%	7.56%	8.17%	7.71%	07/01/1994
Firefighters	6/30/2023	8.50%	9.85%	7.56%	8.18%	7.59%	07/01/1994
Highway Patrol	6/30/2023	8.50%	9.87%	7.57%	8.18%	7.62%	07/01/1994
Game Wardens	6/30/2023	8.50%	9.86%	7.56%	8.17%	7.63%	07/01/1994
Police Officers	6/30/2023	8.50%	9.85%	7.56%	8.18%	7.59%	07/01/1994
Sheriffs	6/30/2023	8.50%	9.87%	7.56%	8.17%	7.62%	07/01/1994
Judges	6/30/2023	8.48%	9.86%	7.56%	8.17%	7.62%	07/01/1994
Volunteer Firefighters	6/30/2023	8.46%	9.85%	7.56%	8.17%	7.45%	07/01/1994



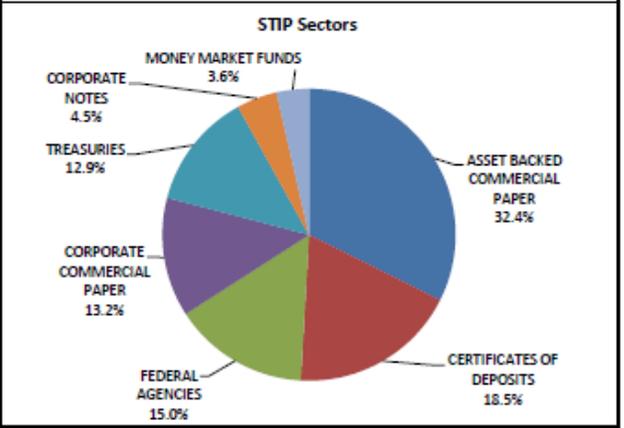
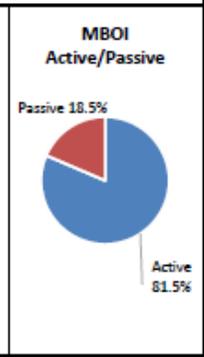
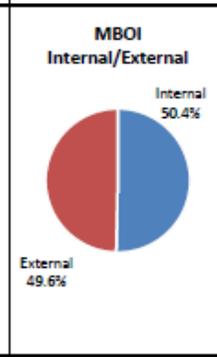
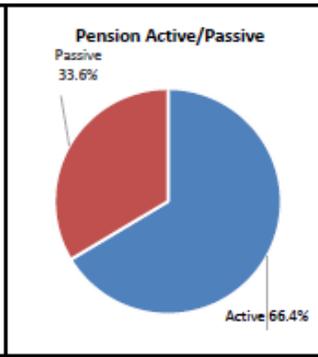
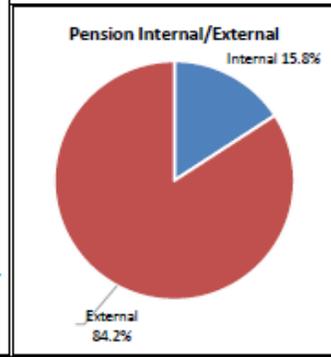
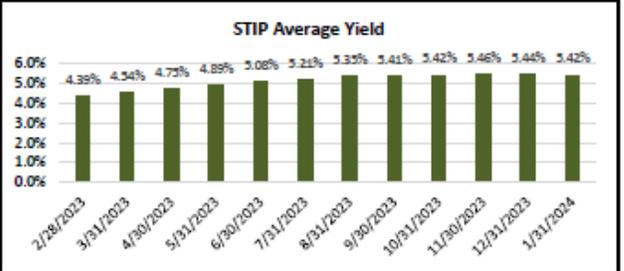
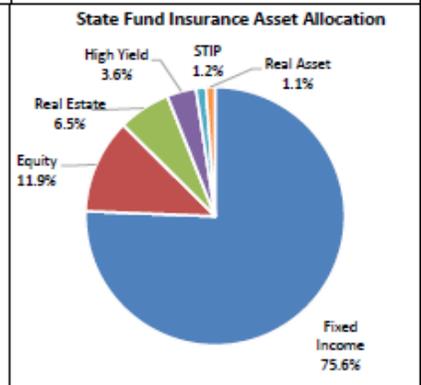
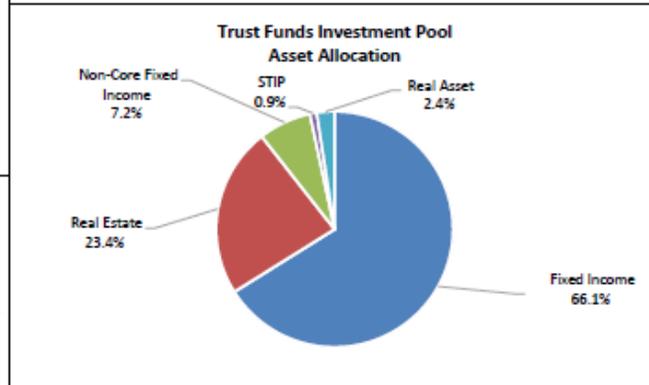
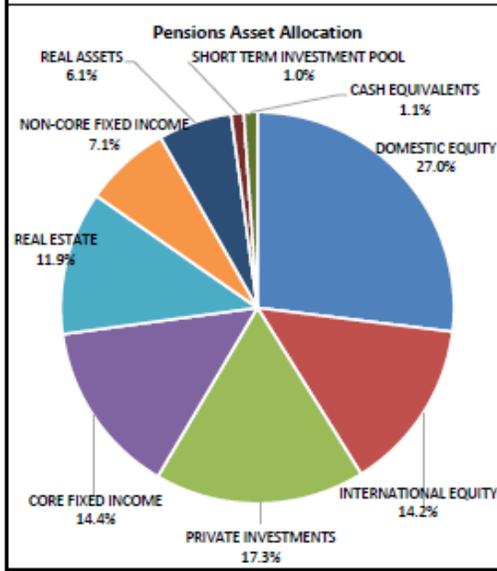
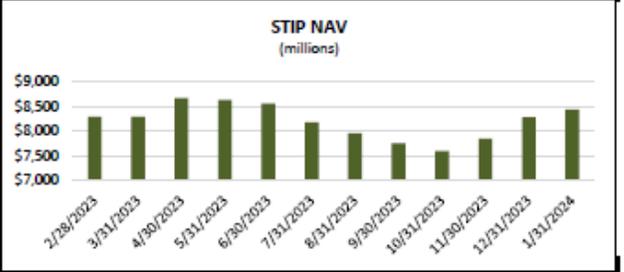
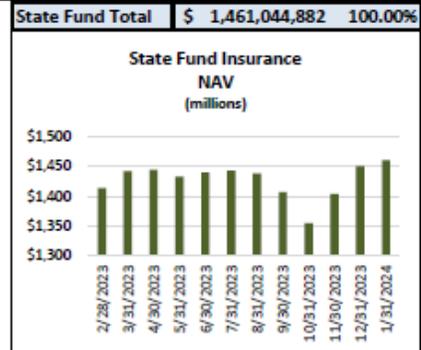
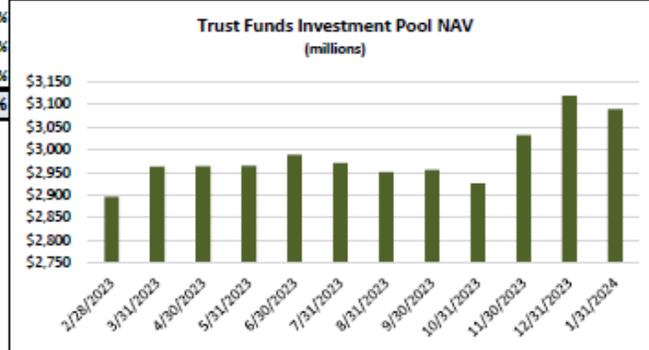
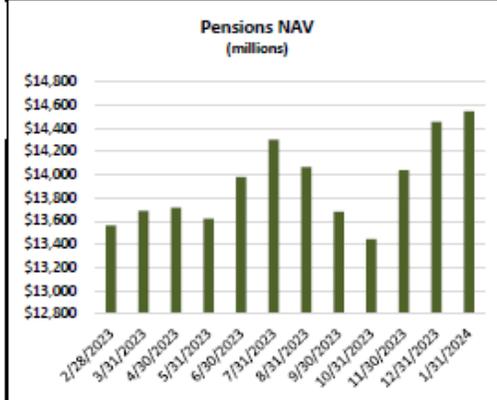
**MBOI Snapshot**  
**Asset Management View**  
**1/31/2024 Unaudited**  
**Assets Under Management \$27,522,993,101**

Pensions	NAV	%
DOMESTIC EQUITY	\$3,920,551,662	26.95%
INTERNATIONAL EQUITY	\$2,064,909,117	14.20%
PRIVATE INVESTMENTS	\$2,517,879,463	17.31%
CORE FIXED INCOME	\$2,092,618,795	14.39%
REAL ESTATE	\$1,724,879,378	11.86%
NON-CORE FIXED INCOME	\$1,031,985,269	7.09%
REAL ASSETS	\$880,294,583	6.05%
SHORT TERM INVESTMENT POOL	\$150,773,624	1.04%
CASH EQUIVALENTS	\$161,497,578	1.11%
<b>Pensions Total</b>	<b>\$14,545,389,470</b>	<b>100.00%</b>

Fixed Income	NAV	%
Fixed Income	\$ 2,041,743,641	66.10%
Real Estate	\$ 721,355,418	23.35%
Non-Core Fixed Income	\$ 222,584,816	7.21%
Real Asset	\$ 74,639,081	2.42%
STIP	\$ 28,735,674	0.93%
<b>Total</b>	<b>\$ 3,089,058,629</b>	<b>100.00%</b>

State Fund	NAV	%
Fixed Income	\$ 1,104,750,450	75.61%
Equity	\$ 173,505,982	11.88%
Real Estate	\$ 94,851,069	6.49%
High Yield	\$ 53,170,849	3.64%
STIP	\$ 18,008,341	1.23%
Real Asset	\$ 16,758,191	1.15%
<b>State Fund Total</b>	<b>\$ 1,461,044,882</b>	<b>100.00%</b>

Other Fixed Income & Pending	\$	(31,858,774)
<b>STIP*</b>	<b>NAV</b>	<b>%</b>
ASSET BACKED COMMERCIAL PAPER	\$2,741,071,308	32.40%
CERTIFICATES OF DEPOSITS	\$1,564,571,251	18.50%
FEDERAL AGENCIES	\$1,268,912,367	15.00%
CORPORATE COMMERCIAL PAPER	\$1,114,527,500	13.18%
TREASURIES	\$1,092,131,103	12.91%
CORPORATE NOTES	\$377,624,464	4.46%
MONEY MARKET FUNDS	\$300,520,901	3.55%
<b>STIP Total</b>	<b>\$8,459,358,894</b>	<b>100.00%</b>



# 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.

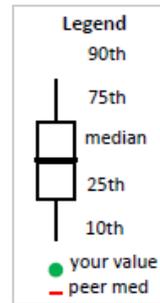
# Your 5-year policy return of 10.9% was above both the U.S. Public median of 10.7% and the peer median of 10.8%.

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

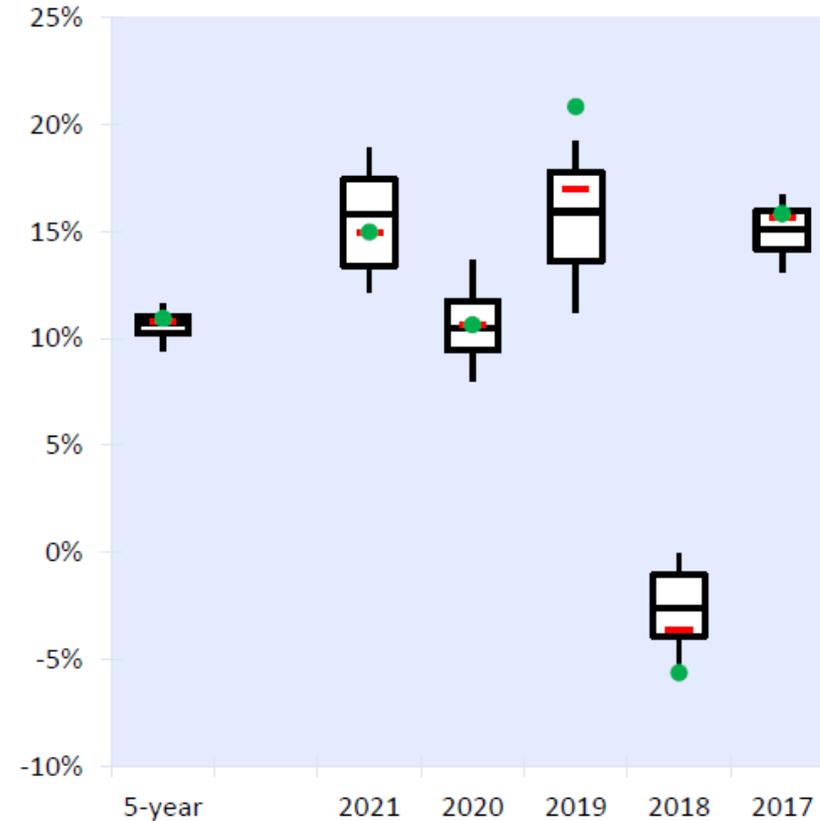
Having a higher or lower relative policy return is not necessarily good or bad. Your policy return reflects your investment policy, which should reflect your:

- 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.

# Key Takeaways

## 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
2023	\$ 26,401,951,388	\$ 71,881,000	0.27%*
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%

*\*Does not include dividend payments from BOI to participants.*