

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

AGENDA
February 21, 2024

OPEN MEETING

All Times Are Tentative

8:30 I. Call to Order

- Action Items* A. Adopt Agenda
- B. Approval of Minutes – November 30, 2023

8:35 II. Public Comment

8:40 III. Administrative Business

- Discussion Items* A. Investment Report – Dan Trost
- B. FY 2023 Annual Comprehensive Financial Report – Nolan Brilz
- C. FY 2024 YTD Financial Statements and Budget Reports – Nolan Brilz
- D. Tentative 2024 Meeting Dates – May 3, Aug 2, Oct 4, Dec 6

- Action Items* E. Out of State Travel
 - John Noble PRISM Annual Conference (May 2024)
 - Tammy Rau GFOA Conference (May 2024)
 - Denise Pizzini NAPPA Legal Education Conference (June 2024)
 - Shawn Graham NCTR Director Meeting (June 2024)

- Discussion Item* F. Public Comment

- Information Item* G. Next Meeting Date – May 3, 2024 – TRS Board Room

9:15 IV. Executive Director's Report

- Discussion Items* A. Executive Summary
 - 1. Operations Update
 - 2. Staff Update
- B. Legislative Interim Committee Update
- C. Public Comment

9:35 V. Communication Manager's Report

- Discussion Items* A. TRS Communication Manager's Report – Darla Fitzpatrick
- 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

10:45 VIII. Applications and Benefit Adjustments

Information Item A. Regular, Survivorship, Adjustment & Corrections

10:50 IX. Long Range Planning

Discussion Items A. 2023-2025 Strategic Planning Commitment Worksheet – Updates
 B. Public Comment

11:00 X. Board Training

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

11:20 XI. Board Committee Appointments

Action Item A. Committee Appointments
 1. Budget & Audit Committee
 2. Personnel & Policy Committee
 3. Legislation & Litigation Committee

CLOSED MEETING

11:30 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 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 November 30, 2023 board meeting.

Montana Teachers' Retirement System Board Meeting November 30, 2023

BOARD MEMBERS PRESENT

Kari Elliott, Chair (*joined virtually at 9:58 a.m. and departed at 10:57 a.m.*)

Daniel Chamberlin, Vice Chair

Dee Brown, Member (*virtual*)

Elliott Crump, Member

- *A quorum is reached when three members are present. Member Crump was recently appointed to the Board and one seat remains vacant.*

BOARD MEMBERS ABSENT

Daniel Trost, Member

STAFF PRESENT

Shawn Graham, Executive Director

Tammy Rau, Deputy Executive Director (*virtual*)

Denise Pizzini, Chief Legal Counsel

Nolan Brilz, Accounting/Fiscal Manager

Darla Fitzpatrick, Communication Manager

John Noble, Information Systems Manager

OTHERS PRESENT

Erik Burke, Montana Federation of Public Employees

Ben Ternes, Governor's Office of Budget and Program Planning (*virtual*)

Catrina Moura, Reorg Research (*virtual*)

Call to Order

As Chairperson Kari Elliott was unable to attend the entire meeting, Vice Chair Daniel Chamberlin called the meeting to order at 8:32 a.m.

Adoption of the Agenda

Member Chamberlin requested a motion to adopt the meeting agenda.

Motion/Vote: Member Dee Brown moved to adopt the agenda. Member Elliott Crump seconded the motion, which was approved by those present.

Approval of Minutes

Member Chamberlin requested a motion to approve the minutes from the October 6, 2023 meeting.

Motion/Vote: Member Crump moved to approve the October 6 minutes as written, and Member Brown seconded the motion. Minutes were approved by all members present.

Public Comment on Board Related Items

This is an opportunity for members of the public to comment on any public matter not on the agenda and within the jurisdiction of the Board.

There was no public comment.

Administrative Business

Investment Report

TRS Executive Director Shawn Graham provided a report from the Board of Investments (BOI) on Member Daniel Trost's behalf. The return on investments for the first four months of the fiscal year (through October 2023) was negative, but markets have rebounded in November and TRS's rate of return is above zero currently. If trends continue, TRS may be able to reach its assumed rate of return by the end of FY2024.

Director Graham also reported that the BOI just wrapped up its annual audit and there were no findings or recommendations. He spoke with BOI Executive Director Dan Villa, who reported assets are up and the BOI's expense ratio remains flat. Their board is scheduled to review asset allocations in December and Director Villa is recommending no changes to current allocations for TRS. Member Chamberlin commented that he agrees there is room for optimism in the markets.

Budget Status and Financials Report

TRS Accounting/Fiscal Manager Nolan Brilz reviewed the October 31, 2023 fund balance sheet, which shows that total assets declined since the last report but increased by \$250 million compared to one year ago. Expenses (including benefit payments) currently exceed revenue and the current fund balance is approximately \$4.7 billion. Member Crump asked for clarification on the target rate of return. Director Graham explained that TRS's actuarially assumed rate of return of 7.30% is the target over a long period of time (30-50 years), with the understanding that returns will be higher in some years and lower in other years. To date, TRS's overall rate of return still exceeds 7.30%.

Mr. Brilz then reviewed the TRS operating budget and noted everything seems to be on track. Director Graham noted that inflation has driven up prices, and this is reflected in line items for things like software enterprise agreements and other fixed costs billed by SITSD. Some expenses, such as legal services and medical review fees, vary from year to year based on circumstances.

Member Crump asked questions about the two school districts that are delinquent in remitting contributions to TRS. Director Graham indicated this is not a common occurrence and reflects unusual circumstances with those employers. The main concern is that members' account balances and service credit will be inaccurate until their employers remit all contributions owed to TRS.

P2F2 Annual Conference Report

Mr. Brilz thanked the Board for the opportunity to attend the Public Pension Financial Forum (P2F2) conference to network with and learn from his counterparts at other systems. Ethics is always a popular topic covered at this event, and Mr. Brilz also was impressed by the employer education programs offered by some of the larger plans. He reported that TRS seems to be ahead of the curve in providing an electronic wage and contribution reporting system for our employers.

NCTR Annual Conference Report

Director Graham reported that the annual conference provides an opportunity for both directors and trustees to network with their counterparts from other systems. It was mentioned in an actuarial panel discussion that some systems may have reduced their assumed rates of return too low in the years following the Great Recession. TRS kept its rate well above 7.00%, a level to which some plans now are returning. Actuaries also noted that, in a mature system like TRS, it is normal for expenses to exceed revenue. Member Crump asked for clarification and Director Graham explained that in the early years of a pension plan, before members have begun retiring, the plan is collecting contributions and building assets to be invested. As more members begin receiving retirement benefits, ideally the growth on investments will cover the largest share of those expenses.

Cybersecurity and IRS rule changes on Required Minimum Distributions (RMDs) were other topics of discussion at the conference. Member Brown and Chairperson Kari Elliott also attended the conference, and Member Brown commented on the value of meeting trustees from other public retirement systems to learn about the differences and similarities between systems.

Tentative 2024 Meeting Dates

Proposed meeting dates for 2024 were February 16, May 3, August 2, October 4, and December 6. Due to scheduling conflicts, the February meeting was rescheduled for February 21, 2024.

Public Comment

Erik Burke of MFPE introduced himself and stated his appreciation for the work of this Board.

Request for Public Information or Records – Fees Policy

Director Graham provided a brief summary of the policy, a previous version of which was reviewed at a previous meeting. Prior to its adoption, the Department of Administration (DOA) issued a new policy and procedures to implement provisions enacted by the 2023 Montana Legislature. They also established a new Office of Public Information Requests (OPIR) to collect and track all requests for affected agencies. All Executive Branch agencies, including TRS, were instructed to update their public information policies to mirror the new DOA policy.

Member Chamberlin requested a motion to adopt TRS's updated policy.

Motion/Vote: Member Brown moved to adopt the Requests for Public Information or Records – Fees policy. Member Crump seconded the motion and it was approved by all members present.

Next Meeting Date

The Board's first meeting of the new year will be held on Wednesday, February 21, 2024.

Executive Director's Report

Executive Summary – Staff and Operations Update

After the October 2023 meeting in which the Board authorized a budget amendment to hire an additional communications specialist, TRS advertised and received several applications for that position. Jennifer Van Syckle, who holds a related position with another state agency, was selected for her combination of education, skills, and experience. She will join TRS on December 18, 2023 and will occupy an underutilized training room that has been converted to office space.

Director Graham also reported that he is scheduled to attend meetings in each Montana Association of School Superintendents (MASS) region in the spring.

SAVA Committee Update

Director Graham presented the 2023 TRS actuarial valuation results to the State Administration and Veterans' Affairs (SAVA) committee on November 8, 2023. A significant portion of that meeting was set aside for the first meeting of the SJ 4 Pension Study Group, comprised of all SAVA committee members and four members of the Legislative Finance Committee (LFC). The study group also has set their work plan for the next meeting, which will include a review of pension reforms implemented by the 2013 Legislature. That meeting is scheduled for January 25, 2024.

BOI Update

As required by statute, Director Graham will attend the Board of Investments' December 12, 2023 meeting to present the TRS actuarial valuation results.

LFC Update

On December 14, 2023, Director Graham will present the results of the 2023 TRS actuarial valuation to the Legislative Finance Committee.

Public Comment

There was no public comment.

Board Training

Ethics/Conflict of Interest Policy

Chief Legal Counsel Denise Pizzini led the Board through a review of the TRS policy on the ethical obligations of staff, which includes members of the Board. The TRS policy encompasses the State's policy but provides more stringent protections with respect to the fiduciary duties of Board members. TRS employees and members of the Board act in the exclusive interest of TRS members and beneficiaries and must not use their position at TRS to advance any private interest.

Ms. Pizzini provided examples of actions and situations that may represent unethical conduct or the appearance of a conflict of interest. Board and staff members must report any violation of the policy or law or any conflict of interest of which they become aware. In response to a question from Member Crump, Ms. Pizzini clarified that his status as a TRS member and his role as a school superintendent are not themselves conflicts of interest, but if (for example) TRS receives an application for disability retirement from a teacher in his school district, he may need to abstain from the discussion and Board action to avoid the appearance of a conflict of interest.

Director Graham and Ms. Pizzini then described the Ethical Conduct/Conflict of Interest Annual Disclosure Statement that would be forthcoming from TRS for electronic signature.

Per Diem Election Form

Each year, members of the Board elect to receive either the TRS per diem or their regular salary for the time they spend preparing for and attending TRS Board meetings. Board members who are also public employees may not receive duplicate compensation for the same hours of service.

Chairperson Kari Elliott joined the meeting remotely at 9:58 a.m.

IT Manager's Report

TRS IT Manager John Noble reviewed a status report on TRS information technology initiatives and expenditures. He described a recent change to the way the State Information Technology Services Division (SITSD) manages IT infrastructure. TRS no longer manages its own servers and virtual desktop environments but pays SITSD for software and platform as a service.

Mr. Noble stated that expenditures for software and infrastructure will increase for the next biennium. He reviewed some current and planned software expenses and described some technical challenges his staff is currently working to resolve with vendors. He then provided an update on IT projects completed over the last year as well as some projects planned for 2024.

Tier 2 Contribution Rate

§19-20-608(2), MCA

At Member Chamberlin's request, Chairperson Elliott provided a brief summary of a bill passed in 2013 that instructs the TRS Board to consider, on or after January 1, 2023, whether the contribution rate for Tier 2 members should be increased. The provision defines three triggers that may prompt the Board to impose an increase and Chairperson Elliott asked Director Graham to clarify these triggers to help all Board members understand their responsibility.

Director Graham's understanding is that the Board is authorized (but not required) to increase the Tier 2 contribution rate by 0.50% if, based on the last three actuarial valuations, TRS's funded ratio is less than 80% (currently it is 72.49%) and the period necessary to amortize all liabilities of the system is greater than 20 years (currently the amortization period is 24 years). The third trigger considers the amount of any state or employer rate increase or flat dollar contribution to the retirement system trust fund as compared to the value of any Tier 2 supplemental contribution imposed by the Board.

He pointed out that, if actuarial assumptions are met, the funded ratio and amortization period should improve each year and the triggers may no longer apply in a few years. Importantly, TRS's actuarial consultants have determined that increasing the Tier 2 contribution rate by 0.50% would improve TRS's funded ratio and amortization period only slightly. In addition, if a rate increase were imposed, the Board could not decrease or eliminate it until the funded ratio reached 90% and the amortization period decreased to 15 or fewer years.

Member Brown voiced support for increasing the contribution rate on Tier 2 members now rather than waiting to see what happens in the future. Chairperson Elliott stated that Tier 2 members generally are paid lower salaries and she feels it is unfair to ask them to pay more than Tier 1 members for a lesser benefit. She believes that because the 2013 reforms have worked well, the retirement system is in good financial shape and there is no reason to increase the contribution rate.

Member Crump requested clarification on the state's annual contribution of \$25 million. Director Graham explained it is a statutory appropriation from the general fund that would not be affected by the provision being discussed. He also clarified that the current meeting agenda allows only for discussion, although the Board can request to place an action item on the February 2024 agenda.

Today's discussion satisfies their statutory obligation to consider whether an increase is necessary, and they may decide to take no action at all.

Member Brown suggested the Board postpone any action and discuss this issue again a year from now so that Board action, if any, could occur at the February 2025 meeting. Chairperson Elliott, Member Chamberlin, and Member Crump agreed. Director Graham asked for clarification that the Board intends to discuss §19-20-608(2), MCA again at the December 2024 meeting. Member Brown agreed and commented that TRS should know by then whether lawmakers intend to propose legislation affecting TRS during the 2025 session.

Public Comment

Eric Burke of MFPE strongly encouraged the Board to exercise caution before asking Tier 2 members to pay additional contributions. He believes TRS benefits play a role in attracting and retaining educators, and asking more of the lowest paid teachers could harm that. He supports the Board's decision to revisit the issue a year from now.

Chairperson Elliott left the meeting at 10:57 a.m.

Strategic Planning

2023-2025 Strategic Planning Summary and Commitment Worksheet

Director Graham mentioned for Member Crump's benefit that TRS just completed its two-year strategic planning process in August 2023 and will do a shorter review in August 2024. He reviews the commitment worksheet at each meeting and Board members may recommend adding, removing, or changing objectives on the worksheet at any time.

He provided an update on the objective related to system security and identity verification. TRS received a cost estimate to implement LexisNexis security and identity verification services for online transactions in *My TRS* (the online member portal). Contracting with LexisNexis would cost approximately \$30,000 per year, but the objective to implement an online retirement application and other online services will depend on having adequate security measures in place.

As mentioned earlier in the meeting, TRS has completed the objective to hire a communications specialist to assist with member outreach and other communications objectives. Mr. Graham also is fulfilling his commitment to attend regional MASS meetings next spring.

Public Comment

No members of the public were present.

Legal Counsel's Report

Ms. Pizzini reported there are no contested case matters at this time, but there is one unusual situation that may come before them at the next meeting. TRS issued a final staff determination to an employer regarding their failure to correctly report a working retiree. The letter notified them of their right to request an informal board review, but TRS received no response from the employer. She will notify Board members of the status of this matter prior to the February 2024 meeting.

Applications and Retirement Benefits

Regular, Survivorship, Adjustments and Corrections

Deputy Executive Director Tammy Rau reported that TRS staff had processed 48 applications for retirement benefits since September 1, 2023. These retirees averaged 61.46 years of age and 17.76 years of creditable service.

Member Crump asked whether it is common for members to retire during the school year. Director Graham explained that often these applications are from members who left their teaching position some time ago or who were late turning in all necessary paperwork.

Disability Applications

There were no applications to be reviewed at this meeting.

Adjournment

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

Motion/Vote: Member Crump moved to adjourn the meeting and Member Brown seconded. The meeting was adjourned at 11:18 a.m.

Chairperson _____

Executive Director _____

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, 2023. The Fiscal Year to Date return is 4.28%. Our net ITD return is now 7.74% 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 2023 Annual Comprehensive Financial Report – Nolan Brilz will hand out hard copies and touch on the highpoints of our FY 2023 ACFR. The electronic version of this report is available on the TRS website by following this link: [TRS Annual Comprehensive Financial Report 2023 \(mt.gov\)](https://www.tn.gov/office-of-the-comptroller/annual-comprehensive-financial-report-2023)

C. YTD Financial Statements and Budget Reports – Attached for the Board's information are the fiscal reports thru January 31, 2024. Nolan Brilz, Accounting Manager for TRS, will present the financial statements and budget reports and answer questions from the Board.

D. Tentative 2024 Meeting Dates – Tentative 2024 meeting dates: May 3, August 2, October 4, December 6.

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

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

- John Noble – PRISM conference May 2024
- Tammy Rau – GFOA conference May 2024
- Denise Pizzini – NAPPA conference June 2024
- Shawn Graham – NCTR Director's Conference June 2024

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

Information Item **G. Next Meeting Date** – May 3, 2024.

	<u>UNITS OUTSTANDING</u>	<u>UNIT VALUE</u>	<u>MARKET VALUE\$(000)</u>	<u>ALLOCATION (%)</u>
Allocation				
TEACHERS RETIREMENT			4,997,258	100.00
SHORT TERM INVESTMENT POOL (STIP)	51,620,955.52	100.00000	51,621	1.03
Consolidated Asset Pension Pool (CAPP)	2,919,405,520.31	169.40563	4,945,637	98.97

	<u>ITD</u>	<u>INCEPTION DATE</u>
Longest Measurable Plan Return	7.74	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	3.29	6.30	4.28	11.44	6.24	9.41	7.55	7.05	8.27	1/1/2011
TEACHERS RETIREMENT CUSTOM BENCHMARK (YWN2D) - BLDR	4.47	8.13	5.25	12.70	4.56	9.09	7.34		8.23	
SHORT TERM INVESTMENT POOL (STIP) [1]	0.46	1.38	2.75	5.13	2.28	1.97	1.38	1.67	2.37	4/1/1997
SHORT TERM CUSTOM BENCHMARK (MONSTCB) - BLDR	0.47	1.41	2.82	5.28	2.31	1.89	1.34	1.63	2.30	
Consolidated Asset Pension Pool (CAPP)	3.32	6.36	4.31	11.51	6.29	9.53	-	-	8.12	4/1/2017
CAPP CUSTOM BENCHMARK (MONCAPP) - BLDR	4.52	8.22	5.28	12.80	4.59	9.19	-	-	7.43	

<u>Allocation - Asset Class</u>	<u>Plan Market Value \$(000)</u>	<u>Allocation (%)</u>
TEACHERS RETIREMENT	4,997,258	100.00
Domestic Equity - PAC	1,364,455	27.31
International Equity - PAC	714,279	14.29
Private Investments - PAC	870,255	17.41
Real Assets - PAC	295,455	5.91
Real Estate - PAC	581,254	11.63
Core Fixed Income - PAC	700,882	14.03
Non-Core Fixed Income - PAC	352,727	7.06
Cash Equivalents - PAC	66,330	1.33
PENSION CASH	51,621	1.03

<u>Returns</u>	<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>
Domestic Equity - PAC	5.68	12.26	8.51	25.70	9.00	15.25	11.16	9.12	9.88	5/1/2003
Domestic Equity - PAC Custom Blend (MONDE) - BLDR	5.31	12.14	8.50	26.25	8.75	15.36	11.71	9.72	10.53	
International Equity - PAC	5.10	9.71	5.08	14.91	0.69	7.29	4.09	5.21	4.73	4/1/1997
International Equity - PAC Custom Blend (MONIE) - E [2]	5.21	9.81	5.98	15.62	1.53	7.18	3.95	5.64	5.02	
Private Investments - PAC	0.75	1.05	2.18	6.07	16.26	14.49	12.88	12.16	12.74	5/1/2002
Private Equity PAC Custom (MONPE) - BLDR	9.12	11.39	7.98	17.47	5.65	12.30	11.38	11.82	10.77	
Real Assets - PAC	(0.32)	2.02	2.60	8.48	15.08	5.23	-	-	5.62	4/1/2017
Real Assets - PAC Custom Blend (MU7EBM) - BLDR	2.76	5.01	3.91	4.49	6.27	3.53	-	-	2.90	

	<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	0.84	(0.44)	(1.58)	(5.76)	8.19	6.19	8.42	-	4.56	6/1/2006
Real Estate - PAC Custom Blend (MONRE) - BLDR	(2.10)	(2.10)	(4.93)	(12.88)	6.19	3.90	5.41	-	4.65	
Core Fixed Income Pre and Post CAPP [3]	4.11	7.06	3.19	5.44	(2.94)	1.14	1.92	3.64	5.07	4/1/1995
Core Fixed Income Custom Benchmark (CFIBM1)	3.83	6.82	3.37	5.53	(3.31)	0.67	1.55	3.04	4.45	
Non-Core Fixed Income Pre and Post CAPP [4]	3.66	6.81	6.42	11.05	0.56	4.28	3.73	-	6.54	6/1/2009
Bloomberg U.S. HY - 2% Issuer Cap (WE6D)	3.73	7.15	7.65	13.44	1.98	5.35	4.59	-	7.66	
Cash Equivalents - PAC	0.44	1.61	2.65	6.01	2.70	2.24	-	-	2.06	5/1/2017
SHORT TERM CUSTOM BENCHMARK (MONSTCB) - BLDR	0.47	1.41	2.82	5.28	2.31	1.89	-	-	1.83	

TEACHERS RETIREMENT PLAN
END NOTES

Dec 31, 2023

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 1 QTR LAG (NET)

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, 2024

	1/31/2024	1/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
ASSETS		
Current Assets		
Cash	371,463	1,662,841
Accounts Receivable	17,108	27,387
Interest Receivable	0	0
Total Current Assets	388,571	1,690,228
Investments		
Short-term Investment Pool	52,304,277	50,584,202
Consolidated Asset Pension Pool (net)	4,933,909,459	4,608,827,105
Security Lending Collateral	0	0
Total Investments	4,986,213,736	4,659,411,307
Other Assets		
Equipment	16,286	16,286
Accumulated Depreciation Equip	(16,286)	(16,286)
Leashold Improvements	243,881	243,881
Accumulated Dep Leasehold Imp	(142,264)	(107,424)
Intangible Assets	0	343,266
Intangible Right to Use Bldg	2,810,123	2,810,123
Accumulated Amort Right to Use Bldg	(427,029)	(261,727)
Total Other Assets	2,484,712	3,028,120
Deferred Outflows - Pension and OPEB	504,594	619,530
TOTAL ASSETS	4,989,591,612	4,664,749,185
LIABILITIES & FUND BAL.		
Liabilities		
Accounts Payable	31,939	15,096
Standard Lease	2,523,635	2,637,775
Uncleared Collections	979,312	2,297,228
Compensated Absenses	218,004	216,437
Security Lending	0	0
OPEB Implicit Rate Subsidy	53,547	235,221
Net Pension Liability - PERS	1,851,315	1,394,112
Total Liabilities	5,657,752	6,795,869
Fund Balances		
Pension Accumulation Fund	4,118,052,313	3,933,621,182
Annuity Savings Fund	802,790,800	790,828,302
Year-to-date Income/(Loss)	62,655,722	(67,201,489)
Adj Fund Bal	0	0
Total Fund Balance	4,983,498,835	4,657,247,995
Deferred Inflows - Pension and OPEB	435,025	705,321
TOTAL LIABILITIES & FUND BAL.	4,989,591,612	4,664,749,185

THE TEACHERS' RETIREMENT SYSTEM
FUND BALANCE STATEMENT
as of January 31, 2024

	1/31/2024	1/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
REVENUE		
Contributions	113,513,520	109,532,855
Misc Revenue	0	0
Investment Revenue	213,679,283	78,072,829
TOTAL REVENUE	327,192,803	187,605,684
EXPENSES		
Benefits Paid	257,025,066	248,155,259
Withdrawals	5,259,062	4,471,609
Admin. Exp	1,943,471	1,797,619
Depreciation Exp.	20,323	20,323
Amortization Exp.	171,633	240,286
Lease Amortization Exp.	96,426	96,426
Lease Principal & Interest	21,101	25,651
OPEB Expense	0	0
Pension Expense - PERS	0	0
TOTAL EXPENSES	264,537,082	254,807,173
REV OVER EXP	62,655,722	(67,201,489)
REV OVER EXP	62,655,722	(67,201,489)
BEG FUND BAL	4,920,843,113	4,724,449,484
Adj Fund Bal	0	0
END FUND BAL	4,983,498,835	4,657,247,995

THE TEACHERS' RETIREMENT SYSTEM
INVESTMENT REVENUE BY SOURCE & ADMINISTRATIVE EXPENSES BY TYPE
as of January 31, 2024

	1/31/2024	1/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
Investment Revenue:		
Short-term Investment Pool	1,595,503	793,069
Consolidated Asset Pension Pool		
Securities Gains/(Losses)	55,976,510	48,801,663
Investment Appreciation/(Depreciation)	156,107,270	28,478,097
Securities Lending Activity	0	0
Administrative Investment Exp.	0	0
Total Investment Rev.	213,679,283	78,072,829
Administrative Expense:		
Personal Services	1,188,539	1,083,212
Contracted Services	512,688	553,322
Supplies & Material	50,837	35,641
Communications	97,752	39,302
Travel	11,745	15,658
Rent	1,890	1,643
Repairs & Maintenance	9,931	7,893
Other Expenses	70,090	60,948
Depreciation Exp.	20,323	20,323
Amortization Exp.	171,633	240,286
Lease Amortization Exp.	96,426	96,426
Lease Principal & Interest	21,101	25,651
OPEB Expense	0	0
Pension Expense - PERS	0	0
Total Administrative Exp.	2,252,954	2,180,305

**Teachers' Retirement System
Operating Budget Status Report
as of January 31, 2024**

ACCOUNT LEVEL	ACCOUNT CATEGORY	EXPENSE FY 2023	BUDGET FY 2024	EXPENDITURE YEAR TO DATE	% BUDGET SPENT	TOTAL PROJECTED	BUDGET SURPLUS/(DEFICIT)
	PERSONAL SERVICES:						
61100	Salaries	1,512,007	1,688,034	875,421	51.9%	1,651,681	36,353
61300	Per Diem	4,250	8,000	3,000	37.5%	3,500	4,500
61403	Health Insurance	265,608	287,905	161,262	56.0%	293,012	(5,107)
61400	Benefits	261,176	297,023	150,919	50.8%	286,764	10,259
	Total Personal Services	2,043,041	2,280,963	1,190,602	52.2%	2,234,958	46,005
	OPERATING EXPENSES:						
62100	Contract Services	800,328	870,298	465,741	53.5%	754,669	115,629
62200	Supplies/Materials	43,974	63,550	50,797	79.9%	62,510	1,040
62300	Communications	113,119	133,725	97,752	73.1%	165,271	(31,546)
62400	Travel	26,547	34,500	11,745	34.0%	35,134	(634)
62500	Rent	2,993	3,500	1,890	54.0%	4,795	(1,295)
62700	Repairs/Maintenance	16,006	21,669	9,931	45.8%	21,669	-
62800	Other Expenses	85,793	112,035	70,090	62.6%	105,959	6,076
	Total Operating Expense	1,088,760	1,239,277	707,945	57.1%	1,150,008	89,269
62122	Audit Fees - Biennial Amount	93,579	178,287	46,947	26.3%	89,144	89,144
	Total Operating and Personal Services	3,225,379	3,698,527	1,945,494	52.6%	3,474,109	224,417
69501	Capital Lease	135,889	158,828	92,650	0.0%	158,828	-
	Subtotal Capital Lease	135,889	158,828	92,650	0.0%	158,828	-
	Totals	3,361,268	3,857,355	2,038,144	52.8%	3,632,938	224,417

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

Teachers' Retirement System
Budget Analysis - Contracted Services
as of January 31, 2024

ACCOUNT CODE	ACCOUNT NAME	EXPENSE FY 2022	BUDGET FY 2023	ACTUAL EXP TO DATE	% OF BUDGET
62102	Consulting & Professional	147,651	148,930	101,367	68.1%
62104	Insurance & Bonds	6,397	0	0	#DIV/0!
62104A	INS & Bonds - Non fixed	169	150	115	76.7%
62108	Legal Fees/Court Costs	1,780	37,500	0	0.0%
62113	Warrant Writing Fees	34,287	37,193	17,805	47.9%
62114	Payroll Service Fees	5,455	5,791	5,791	100.0%
62114A	Workers Comp Mgmt	215	529	529	100.0%
62115	Photographic Services	30	45	20	44.4%
62116	Medical Services	683	1,500	7,008	467.2%
62136	IT Consult & Prof Servs	336,721	359,000	146,243	40.7%
62145	Food Services Expense	0	800	431	53.9%
62148	SABHRS Costs/DOA	132,419	145,660	114,211	78.4%
62186A	Recycling	745	800	390	48.8%
62187	Records Storage	2,580	3,000	1,677	55.9%
62190	Printing, Pub & Graphics	31,403	35,000	24,559	70.2%
62191	Printing, Other Provider	2,523	4,000	1,827	45.7%
621B1	SITSD Storage Hosting	13,103	16,500	8,272	50.1%
621B2	SITSD Server Hosting Services	28,970	28,000	13,878	49.6%
621B4	SITSD Application Services	576	200	1,165	582.4%
621B5	SITSD Email	2,676	3,000	1,357	45.2%
621B8	SITSD Operations Support	6,263	8,200	4,046	49.3%
621B9	SITSD Database Hosting	1,674	2,500	1,193	47.7%
621C5	SITSD Enterprise Services	31,264	30,000	13,857	46.2%
621C6	SITSD Professional Services	0	1,000	0	0.0%
621C8	SITSD Email Restore	0	1,000	0	0.0%
	SUBTOTAL	787,583	870,298	465,741	53.5%
62122	Audit Fees - Current	73,644	178,287	46,947	26.3%
	TOTAL CONTRACTED SERVICES	861,227	1,048,585	512,688	48.9%

Percent of FY Complete: 58%

**Teachers' Retirement System
Delinquent Agency Report
2/5/2024**

Employer Number	Employer Name	Reports Outstanding	Estimated Employee Contributions	Estimated Employer Contributions
059991	Carbon County	DEC 2023	0	200
370011	Heart Butte PS	DEC 2023	11,000	13,000
479991	Silver Bow County	DEC 2023	550	650
Total			11,550	13,850
Total Due			25,400	

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: 4/21 & 4/24
Austin, Texas

8) Lodging Rate

Within Federal Rate? If not, enter Federal and Lodging Rates If requesting travel advance, list amount

Yes Federal 170.00

No Lodging 300.00 *(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>900.00</u>	<u>1,100.00</u>	<u>1,300.00</u>	<u>200.00</u>	<u>3,500.00</u>

10) Submitted By	Requested By	Title	Date
	John Noble	IT Manager	2/5/2024

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 Orlando, FL June 8-13, 2024

6) Alternatives**7) Itinerary**

Destination: Helena, MT to Orlando, FL
Travel Dates: June 8 - June 13, 2024

8) Lodging Rate

Within Federal Rate? If not, enter Federal and Lodging Rates If requesting travel advance, list amount

Yes Federal 140.00

No Lodging 249.00 *(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>1,243.00</u>	<u>1,569.00</u>	<u>550.00</u>	<u>102.00</u>	<u>3,464.00</u>

10) Submitted By	Requested By	Title	Date
	Tammy Rau	Deputy Executive Director	1/30/2024

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 - 2024

6) Alternatives

None

7) Itinerary

Bozeman to Fort Lauderdale, FL on June 25, 2024; Fort Lauderdale, FL to Bozeman on June 29, 2024.

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>158.00</u>	_____
<input checked="" type="checkbox"/> No	Lodging <u>250.00</u>	<i>(Travel advances should be issued only on an exception basis)</i>

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>1,200.00</u>	<u>1,250.00</u>	<u>850.00</u>	_____	<u>3,300.00</u>

10) Submitted By	Requested By Denise Pizzini	Title Chief Legal Counsel	Date 2/5/2024
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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 New York City. .

6) Alternatives**7) Itinerary**Travel dates are June 11-15th.**8) Lodging Rate**

Within Federal Rate? If not, enter Federal and Lodging Rates If requesting travel advance, list amount

Yes Federal 258.00 _____

No Lodging 269.00 _____
(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>650.00</u>	<u>1,300.00</u>	<u>1,590.00</u>	<u>150.00</u>	<u>3,690.00</u>

10) Submitted By	Requested By Shawn Graham	Title Executive Director	Date 1/30/2024
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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:** Verbal update on progress towards identity verification for online transactions and potential budget request for MMRO in May.
2. **Staff Update:** Jennifer Van Syckle was hired to fill our newly created Communications Specialist position. More details about her background is included in the Communications Manager Report. We are excited to have her join TRS.

Becca Bremmer decided to resign from TRS to stay home with her newborn. TRS is in the process of recruiting for the Retired Payroll Benefit Specialist position that Becca previously filled. Interviews are scheduled for early February so we may be able to announce her replacement by the time the board meeting takes place on February 21st.

B. Legislative Interim Committee Update: The SJ 4 Pension Study Group met on January 25th from 8:30 to 11:30. Topics covered and discussed during the meeting included the following:

- TRS and PERS investment performance history (BOI)
- History of Assumed Rate of Return (TRS & PERS)
- History of Legislative Changes and Impact (TRS – HB377, PERS – HB 454)
- History of TRS and PERS Contribution Rates
- History of Statutory Appropriations for TRS and PERS
- Various NASRA Reports

SJ 4 Pension Study Tasks and Topics for Future Meetings:

- **Topic 1 – Using Retirement Benefit as a Recruitment and Retention Tool**
 - Assess how our current plans are working to attract and retain employees.
 - Review the benefits of the DB plans in relation to competitiveness (private sector and other states) and in relation to cost to the state.
- **Topic #2 – Evaluating Risks**
 - Assess the risks associated with the pension systems and determine which to assume in our plans for the state budget and taxpayers.
 - Develop a comprehensive list of risks associated with the systems, rank them according to severity, and develop recommendations to deal with the risks.
 - Examine the rate of return assumption to learn what it is based on and what factors are considered when setting it.

- Topic #3 – Contributions
 - Assess the impact of SB 29 (2023) for PERS.
- Topic #4 – DB to DC transition (risks, pros, cons, other states)
 - Study the pros and cons of DB vs DC, and how either impacts the risk allocation of current pension assets.
 - Look at the results in other states that have gone to DC or hybrid plan (strength of the plan, cost, employee satisfaction, etc.).
 - Look at other states that have moved from DB to DC and what changes they made to their pension portfolios.
 - Assess the benefits and risks associated with switching the PERS default plan from DB to DC.
 - Assess how our current plans are working to attract and retain employees
- Topic #5 – Changing the Existing Plan Design
 - Assess the possible cost of changes to the existing plan design for PERS and TRS and how they would be funded.
 - Study the potential impacts to TRS and PERS of moving to layered amortization (HB 569 and HB 226).

SJ 4 Scope of Work and Deliverables for PEW Technical Assistance:

- Pew will provide research, analysis, and technical guidance on key pension questions of concern to Montana policymakers, including tools to better manage risk and ensure fiscal sustainability. This support will include research into the funding policies, plan designs, and actuarial assumptions and methods used in state pension systems as well as examination of issues specific to Montana's current policy and actuarial situation.
- Provide research supporting TRS and ERS moving to an actuarially determined funding policy.
- Analysis of tools available to states to make sure actuarial funding can be achieved with a minimum of volatility in contribution rates including limits on the year over year change in contributions and the use of reserve funds.
- Analysis into plan design considerations including an examination of hybrid plan designs with risk mitigation and a review of issues in transition between plan types.
- Provide updated guidance on applying stress testing and risk reporting of Montana's pension plans including a scenario with stubborn inflation.
- Recommendations for applying stress testing results to existing financial and risk reporting tools used for state budget decisions.

SJ 4 Scope of Work and Deliverables for Cheiron Actuarial Services:

- The Legislative Fiscal Division received an OTO general fund appropriation of \$65,000 in FY 2024 and an additional \$50,000 in FY 2025 to conduct their own actuarial analysis to support the SJ 4 study group as well as the overall LFC

committee activities. The scope of work and deliverables are yet to be determined but there is a joint meeting of the LFC and SAVA scheduled for March. I expect this topic to be addressed during that meeting. They have decided to contract with Cheiron for this service. Cheiron used to be the consulting actuary for PERS.

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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V. Communication Manager's Report

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

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



Montana Teachers'
Retirement System

Communication Manager's Report
Darla Fitzpatrick • February 21, 2024

Communication and Outreach Activities

Additional staff person

The most significant change in this area is the recent hiring of a second communications specialist. This would not have been possible without the Board's support for the additional FTE and approval of the associated budget amendment last fall.

Jennifer Van Syckle, who most recently held a communications position with the Department of Public Health and Human Services, joined TRS on December 18, 2023. In her first two months, Jennifer ("Jen") has eagerly taken on some creative projects that will help achieve Board objectives. These include the public website redesign, the goal of which is to apply a clean, modern design that automatically adjusts to the size of the user's device. This spring, with assistance from Darla, she will work with SITSD staff to design a new TRS template in the Cascade CMS platform. Once a template is built, Jen and Darla will plan for the eventual migration of existing content to the new website.

Jen is also creating a video tutorial to help members complete the retirement application packet. For this project she has worked effectively with other staff to learn about this complex process. Her skills and positive attitude make her a great fit for TRS and we are thrilled to have her on board!

Employer outreach activities

Over the past several months, Darla has worked closely with Nolan Brilz and other staff to prepare educational materials for MASBO virtual and in-person events. She also has written several memos, bulletins, and other communications to inform employers about legislative and procedural changes, GASB 68 reports, Wage and Contribution Reporting System enhancements, and other topics. These communications are distributed to employer contacts using the GovDelivery bulk email distribution tool, which tracks the delivery status of emails. As an added benefit, a delivery failure is often an indicator for TRS that a staffing change has occurred in the school district.

Darla recently collected information from Chris Fish (internal/external auditor) on the most common employer reporting errors and she plans to use this information to create new reference materials for employers, such as an updated employer manual, a FAQ list, or both.

Member outreach activities

In the summer of 2023, Darla updated the existing "*TRS 101: Retirement System Basics*" and "*Ready, Set, Retire!*" presentations to incorporate recent legislative changes and then worked with MFPE staff to publicize fall workshops in Whitefish, Eureka, Wolf Point, Havre, Butte, and Dillon. She also coordinated TRS's attendance at the annual MFPE educator conference in Billings. Attendance at fall

workshops was disappointingly low, but all TRS presentations at the annual conference (two “*TRS 101*” and two “*Ready, Set, Retire*” sessions) were well attended.

Following the conference, Darla arranged webinars for members who were unable to attend an in-person event. For the third year, she also provided OPI renewal certificates for fall workshop and webinar attendees, with a total of 201 certificates distributed. In late December she wrapped up the fall season with new *TRS 101* and *Ready, Set, Retire* videos for members to watch anytime. In two months, these videos have been viewed on the TRS YouTube channel nearly 100 times each.

Member survey

TRS typically conducts a member survey every two years, and the 2023 survey sought to gather active members’ opinions about Defined Benefit and Defined Contribution plans. During the 2023 Legislature, some lawmakers claimed that teachers would prefer a DC plan if given the option; however, this was not borne out by survey responses from current DB plan members. That survey may become a topic of discussion at a future meeting of the SJ 4 Pension Study group.

“TRS Horizons” member newsletter

TRS produces two issues of the newsletter in legislative years and one issue in even-numbered years. In 2023, the Spring/Summer issue provided an update from the legislative session and also promoted the survey mentioned above. The Fall/Winter issue was largely dedicated to summarizing the results of that survey. As of this writing, links to that newsletter and a survey summary report can be found at the top of the TRS homepage (trs.mt.gov).

Forms, Fact Sheets, Correspondence, and Web Content

Creating and updating TRS forms, fact sheets, and other documents can occupy a significant portion of Darla’s time, particularly in a legislative year. In 2023 she posted updates to the website throughout the session and then updated several forms and documents to incorporate legislative changes, including new working retiree provisions (HB 117). She also worked closely with Deputy Director Tammy Rau and Chief Legal Counsel Denise Pizzini to develop a new set of complex forms and letters for minor child benefits and other benefits available to survivors.

Involvement in Technology

In early 2023, Darla participated in an SITSD workgroup that was tasked with evaluating whether an enterprise DocuSign or Adobe Sign agreement would encourage more agencies to accept digital signatures and improve efficiency. In June 2023, SITSD chose to contract with DocuSign, and TRS obtained access to the platform in November 2023.

Darla has coordinated TRS’s initial use of DocuSign, which included forms signed by Board members following the November 2023 meeting. She continues to develop possible use cases for DocuSign, which may include parts of the TRS retirement application process and other transactions that currently require a signed paper form. She also is assisting Director Graham and IT Manager John Noble to determine whether identity authentication services can be added to DocuSign transactions under the enterprise agreement.

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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 2023 and the current market volatility and expectation for future performance. A copy of Director Villa's presentation will be provided during the meeting.

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.

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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** - Attached are a list of members who have retired from 11/12024 through January 31, 2024 and any adjustments made since that time. We had 51 retirees with avg. termination pay of \$4,804.58, avg. monthly benefits of \$1,103.27, avg. age of 61.65 and avg. years of service of 15.10.

The Quarterly Report is purposely excluded from your electronic board packet because it includes what could be considered Personally Identifiable Information (PII). The report will be included in your hard copy at the meeting.

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IX. Long Range Planning

Discussion Items **A. Strategic Planning**– I have attached a copy of the 2023-2025 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.

TRS 2023 – 2025 Strategic Planning Commitment Worksheet

Goal/Objective	Outcome/Measure	Priority/ Timeline	Responsible party	Resources Required
<p><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.</p>	Documented compliance of plan terms with the Montana State Constitution and State and Federal laws and regulations.	Every 5 years. FY2021 complete. Next review FY2026)	Executive Director Chief Legal Counsel	Tax counsel fees.
<p><i>Maintain an actuarially sound qualified retirement plan.</i> Actively participate in the interim study (Senate Joint Resolution - SJ 4). Be responsive to Pension Study requests. Address any issues resulting from the Pension Study Group.</p>	Well-informed policy makers.	FY2024 & FY2025	Executive Director Chief Legal Counsel Board	Staff time, actuarial service fees.
<p><i>Maintain an actuarially sound qualified retirement plan.</i> Conduct an experience study for the five-year period ending July 1, 2026.</p>	Updated actuarial assumptions.	Next study starts July 1, 2025 with completion in May of 2026	Executive Director Board	Contracted actuarial service fees.
<p><i>High-performance work culture and service excellence</i> Identify, catalog, and prioritize potential information technology (IT) enhancements including periodic IT enhancement budget and planning Board sessions. The Board will provide guidance on the level of investment in the system. Establish metrics for certain enhancements where appropriate to illustrate the return on investment. <i>Maintain data for cost/benefit analyses of system enhancements and development options (e.g., utilization of online withdrawals, costs of self-provided, contracted, or Information Technology Services Division, services etc.) as needed.</i></p>	Automation and improved processes. Specific budgets and defined level of investment in IT systems. 2024 – 2025 efforts relate to member convenience and operational efficiency.	Ongoing	Board, M-Trust Steering Team	Staff time, contractor fees.
<p><i>High-performance work culture and service excellence</i> Implement online retirement application (ORA) functionality.</p>	Member ability to apply for retirement online.	FY2024 planning 2025 – 2026 implementation	M-Trust Steering Team	Staff time, contractor fees.
<p><i>High-performance work culture and service excellence</i> Implement a responsive web design (i.e., when the user accesses the website, it determines and renders itself based on the device type). Redesign is necessary to remain current with contemporary web expectations and support member convenience.</p>	Mobilize resources to implement a modern website. Position TRS to implement online retirement application (ORA).	FY2024 – FY2025 (template approved prototype to come).	Information Systems Manager and Communications Manager	Staff time, contracted services (vendor or ITSD) Budget adjustment

TRS 2023 – 2025 Strategic Planning Commitment Worksheet (continued)

Goal/Objective	Outcome/Measure	Priority/ Timeline	Responsible party	Resources Required
<p><i>High-performance work culture and service excellence.</i> Continue business process and workflow improvements while building online processes to achieve a paperless process with a priority on major business processes.</p>	Automation and improved processes.	Ongoing	M-Trust Steering Team	Staff time, contractor fees.
<p><i>High-performance work culture and service excellence.</i> Develop procedural documentation for each team (e.g., desk manuals). Documentation will ensure business continuity and support knowledge transfer/succession planning.</p>	Improved internal documentation and business processes.	Ongoing	Management Team (and staff)	Staff time.
<p><i>High-performance work culture and service excellence.</i> Continue with a formal strategic planning every 2 years.</p>	Comprehensive and timely strategic goals.	Review 2024 Formal Planning August 2025	Management Team Board	Staff/Board time, contractor fees.
<p><i>High-performance work culture and service excellence.</i> <i>Maintain best practices in system security and proactively assess options.</i> <i>Pursue identity verification and e-signature options to improve member convenience while ensuring continued transaction security.</i> This will affect any online form we use (e.g., OWA).</p>	Improved functionality and member convenience with continued system security.	Would like to implement with OWA and will be part of ORA. Determine system and develop plan in FY24	Information Systems Manager and Communication s Manager	Staff time, vendor fees, contractor fees.
<p><i>High-performance work culture and service excellence.</i> Succession planning – a number of key staff are retirement eligible, and we have limited options for succession planning. Consider internal development, provide experiential opportunities for staff where applicable.</p>	Improved process documentation; knowledge transfer; cross-training.	Ongoing	Executive Director/Deputy Executive Director	Staff Time
<p><i>High-performance work culture and service excellence.</i> Maintain TRS Pay Plan to keep it current with contemporary practices and markets.</p>	Contemporary pay plan.	ongoing.	Executive Director, Deputy Executive Director	Staff time.

TRS 2023 – 2025 Strategic Planning Commitment Worksheet (continued)

Goal/Objective	Outcome/Measure	Priority/ Timeline	Responsible party	Resources Required
<p><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.</p>	<p>Increased communication to Superintendents. All meetings are scheduled.</p>	<p>Spring of 2024 (ongoing)</p>	<p>Executive Director and Board</p>	<p>Executive Director and Board time and travel.</p>
<p><i>Communication and outreach (public relations).</i> Continue external communications including staff attendance at the annual educator conference, legislator education and outreach, collaboration with MFPE as appropriate, and attendance at MASBO and SAM conferences.</p>	<p>Continued staff attendance at strategic events. (webinars are better attended than in-person).</p>	<p>Ongoing</p>	<p>Management Team & Active Team</p>	<p>Staff time and travel expense.</p>
<p><i>Communication and outreach (member and employer communication).</i> Continue to promote communication with members and employers about system functions, improvements, processes, and transactions including using timeline and status-oriented system communications (e.g., anniversary, RMD and GABA letters).</p>	<p>Strategic promotion of online services.</p>	<p>Ongoing</p>	<p>Management Team Communications Manager</p>	<p>Staff time, mailing, etc.</p>
<p><i>Communication and outreach (member communication).</i> Continue with Member Surveys to inform our strategic direction, increase retirement awareness, and promote engagement. Distribute member survey results to legislators and other interested parties (including emphasizing the powerful graphs and comments).</p>	<p>An informed and engaged constituency. Valuable data for interim study</p>	<p>2023 survey completed in October 2023, next survey 2025.</p>	<p>Communications Manager</p>	<p>Staff time.</p>
<p><i>Communication and outreach (member communication).</i> <i>Promote the system as a benefit to help school districts attract and retain teachers.</i></p>	<p>Promotional materials and information illustrating the benefits of TRS for use by employers.</p>	<p>Ongoing</p>	<p>Communications Manager</p>	<p>Staff time.</p>
<p><i>Communication and Outreach</i> <i>Hire an additional 1 FTE Communication Professional to support outreach. Retain contracted services to develop procedural manuals.</i></p>	<p>Acquire qualified staff and contractors to address communication opportunities. New FTE starts 12/18/23</p>	<p>Fall 2023/Spring 2024</p>	<p>Executive Director and Communications Manager</p>	<p>Staff time. FTE funding. Contracted services budget.</p>
<p><i>Communication and Outreach</i> Research available options for TRS to support or promote a deferred compensation system for teachers.</p>	<p>Provide information and options to Superintendents at MASS Meetings.</p>	<p>Spring 2024</p>	<p>Executive Director/Chief Legal Counsel</p>	<p>Staff time.</p>

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. Committee Appointments

Action Items

A. Appointment of Committee Members – Now that all six board seats are filled, we need to appoint two members to each of the standing committees. Here are the appointments from last year:

Budget/Audit

Legislation/Litigation

Personnel/Policy

Dan Chamberlin and *vacant*

Dan Trost and Dee Brown

Kari Elliott and *vacant*

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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**