

**AGENDA**  
Friday, August 2, 2024

**OPEN MEETING:**

*All Times Are Tentative*

**8:30            I.            Call to Order**

- Action Items*
- A. Adopt Agenda
  - B. Approval of Minutes – May 17, 2024

**8:35            II.            Public Comment**

**8:40            III.            2024 Agency IT Plan**

- Information Item*
- A. Approved by SITSD

**8:45            IV.            Responsive Website Demonstration**

- Discussion Items*
- A. Responsive Website Demo
  - B. Public Comment

**9:00            V.            2025 Draft Legislation**

- Discussion Items*
- A. Review and Discuss Draft Legislation for 2025 Session
  - B. Public Comment

**9:30            VI.            Board Training**

- Discussion Items*
- A. Funding and Benefits Policy
  - B. Public Comment

**10:00 BREAK**

**10:15           VII.            Strategic Planning**

- Discussion Items*
- A. Long Range Planning
  - B. Public Comment

**11:05 VIII. Executive Director's Report**

- Discussion Items*
- A. Legislative Interim Committee Update
  - B. Operations Update
  - C. Public Comment

**11:15 IX. Administrative Business**

- Discussion Items*
- A. Investment Report – Daniel Trost
  - B. FY 2024 Budget Status Report – Nolan Brilz
  - C. NCTR Customer Service Workshop – Darla Fitzpatrick
  - D. NCTR Director's Meeting – Shawn Graham
  - E. Tentative 2024 Meeting Dates - Oct 4, Dec 6
  - F. Public Comment

- Information Item*
- G. Next Meeting – Oct 4, 2024 – TRS Board Room

**11:35 X. Adjournment**

NOTE: This will be an in-person board meeting; 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](mailto: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](mailto: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 May 17, 2024 board meeting.

**Montana Teachers' Retirement System Board Meeting  
May 17, 2024**

**BOARD MEMBERS PRESENT**

Kari Elliott, Chair  
Daniel Chamberlin, Vice Chair (*virtual*)  
Daniel Trost, Member  
Dee Brown, Member (*virtual*)  
Elliott Crump, Member  
Brian Youngren, Member

**STAFF PRESENT**

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

**OTHERS PRESENT**

No members of the public were present.

**Call to Order**

Chairperson Kari Elliott called the meeting to order at 8:30 a.m.

**Adoption of the Agenda**

Chairperson Elliott requested a motion to adopt the meeting agenda.

*Motion/Vote:* Member Daniel Trost moved to adopt the agenda and Member Elliott Crump seconded. It was approved by all members.

**Approval of Minutes**

Chairperson Elliott requested a motion to approve the minutes from the February 21, 2024 meeting.

*Motion/Vote:* Member Crump moved to approve the February 21, 2024 minutes as written. Member Trost seconded the motion and it 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.

No members of the public attended the meeting in person or online.

## **Executive Director's Report**

### **Legislative Concepts**

Executive Director Shawn Graham reviewed two legislative proposals TRS has submitted to the Governor's Office of Budget and Program Planning as placeholders for the 2025 legislative session. The first, a placeholder for a general revisions ("housekeeping") bill, would clarify or correct statute as necessary for administrative and/or IRS tax qualification purposes. The other placeholder bill would recommend an increase to the employer supplemental contribution rate paid to TRS by the Montana University System (MUS).

Director Graham reviewed the history of the MUS supplemental contribution rate and explained that, under §19-20-621, MCA, the Board must periodically review and determine whether that rate (currently 4.72%) is sufficient to amortize, by July 1, 2033, the unfunded liability created in 1993 when TRS was closed to new hires of the University System. If the supplemental contribution rate is not sufficient, the Board must recommend an increase to the Legislature and has done so for many years. However, no Legislature since 2007 has acted on those recommendations and the unfunded liability for MUS's remaining TRS members has continued to increase. The actual rate necessary to amortize that unfunded liability will not be known until the July 1, 2024 actuarial valuation of TRS has been completed. The Board will review the valuation at the October 2024 meeting, at which time they may determine the MUS employer supplemental contribution rate to be recommended in the placeholder bill.

Director Graham answered additional questions about recent legislation and possible future legislation affecting TRS. No additional suggestions were made for the two TRS placeholder bills.

### **Executive Summary**

Director Graham has presented to eight of the nine regional Montana Association of School Superintendents (MASS) groups thus far and is scheduled to attend the Western MASS meeting in September. Superintendents seem to appreciate the 2023 working retiree bill (HB 117) that has helped them fill vacant teaching positions, but they realize it is not a permanent solution.

TRS recently welcomed two new employees, Hays Bartruff and Brittany Black, who filled the vacant Benefit Specialist positions on the TRS Retired Payroll team. Robert Grotzke, one of TRS's imaging technicians, will move out of state soon and TRS has begun recruiting for that position.

Director Graham then provided a summary of the March 14, 2024 joint meeting of the State Administration and Veterans' Affairs (SAVA) committee and SJ 4 Pension Study Group, which included presentations from several consulting firms about pension funding. Another meeting is scheduled for May 23, 2024 and Director Graham will testify on the history of the MUS supplemental contribution rate, as well as on TRS's role in teacher recruitment and retention. Results from the 2023 survey of active TRS members indicated that most respondents believe the Defined Benefit pension is an important tool to help attract and retain qualified teachers.

### **Public Comment**

No members of the public were present.

## Administrative Business

### Investment Report

Member Daniel Trost, who represents TRS on the Montana Board of Investments (BOI), reported that the BOI has achieved at least \$25 million in administrative cost savings so far this year, in part through renegotiation of contracts with the State of Montana. When administrative costs are lower, dividends back to the retirement systems are greater. He commented that, as someone who works in the financial services industry, he is impressed by the amount of money the BOI manages on behalf of the State for such a low cost.

At its last meeting, the BOI also discussed investment strategies and how best to maintain consistent benchmarks against which to measure performance year over year. Member Trost reviewed the investment report for March 31, 2024, which show that for the year to date, TRS returns are exceeding the actuarially assumed rate of return (currently set at 7.30%).

### FY 2023 Legislative Audit Report

TRS Accounting/Fiscal Manager Nolan Brilz reported that TRS's FY 2023 legislative audit resulted in an unmodified opinion with no findings or recommendations. Chairperson Elliott congratulated Mr. Brilz on another successful audit.

### FY 2024 YTD Financial Statements and Budget Reports

Mr. Brilz reviewed the March 31, 2024 fiscal reports, which present the fund's assets, liabilities, revenue and expenses as compared to the same period last year. Revenue for fiscal year 2024 has increased by approximately \$100 million, primarily due to investment growth, and the overall fund balance has risen above \$5 billion once again. There were no questions from Board members.

Mr. Brilz then provided an overview of the Operating Budget Status Report and stated that TRS is likely to have a budget surplus up to \$200,000 by the end of the fiscal year, due primarily to staff vacancy savings as well as audit fees. He explained that the Legislative Audit Division performs two annual audits for TRS; however, their fees are budgeted on a two-year basis and approximately \$100,000 of the surplus in that category will carry over to fiscal year 2025.

### Personnel Committee Report

Chairperson Elliott and Member Crump recently met with Jim Kerins of Communication Management Services to review survey responses from Board and staff members on Director Graham's performance in 2024. Chairperson Elliott commented that he receives consistently high ratings and keeps the Board well informed of progress on the strategic plan, which is an important tool for evaluating his performance. Members Crump and Brown noted that he is well respected among legislators, superintendents, and other stakeholders and is a great advocate for TRS.

### Budget Committee Report and Budget Justification

Members Daniel Chamberlin and Brian Youngren met with Director Graham and Mr. Brilz to review each line item in the TRS budget request for fiscal year 2025. Member Chamberlin commented that, while costs continue to increase in some categories due to inflation and other factors, TRS consistently keeps administrative expenses far below the limit set in statute. He believes this is a testament to TRS's effective leadership and administration. Member Youngren said

that as a new member of the Board, he asked many questions about the budget and he appreciated the clear answers he received from Mr. Brilz.

Chairperson Elliott noted that, although the Board is kept well informed on the budget status at every meeting, members should discuss any questions or concerns about the FY 2025 budget now as they would be asked to approve it later in the meeting. No concerns were raised.

#### PRISM Verbal Report

John Noble, TRS Information Systems Manager, recently attended the Public Retirement Information Systems Management (PRISM) conference in Austin, Texas. He reported that many other systems around the country are expanding online services to members and that cybersecurity and fraud prevention continue to be common topics of discussion. He had an opportunity to speak with peers from other systems who are using services that TRS intends to use, such as GitLab for source code management and DocuSign for member services. He has arranged a virtual meeting with a representative from a pension system in Texas to learn how they use DocuSign.

Mr. Noble answered questions from Board members about the online security methods currently used by TRS and ways in which DocuSign might help expand online services to TRS members.

#### Tentative 2024 Meeting Dates

Members of the Board reviewed tentative dates for the remainder of 2024 (August 2, October 4, and December 6). Chairperson Elliott is unable to attend in person on August 2, but may attend virtually. No scheduling conflicts were noted for the October and December 2024 meetings.

#### Public Comment

No members of the public were in attendance.

#### Interest Rate Credited to Member Accounts

Director Graham provided a summary of all agenda items requiring Board action, beginning with the interest rate credited to active TRS members' accounts.

Each May, the Board sets the interest rate for the next fiscal year, and historically has used the Montana Board of Investments' Short Term Investment Pool (STIP) rate as a point of reference. Currently, STIP earns more than 5.00%, although the rate has fluctuated throughout the year.

TRS recommends increasing the interest rate from 4.00% to 4.50% for fiscal year 2025. However, members Trost and Chamberlin suggested a smaller increase may be prudent, given that the Federal Reserve Board is expected to reduce interest rates in the coming months.

*Motion/Vote:* After discussion, Member Trost moved to increase the interest rate credited to member accounts from 4.00% to 4.25% effective July 1, 2024. Member Crump seconded the motion, and a rate of 4.25% was approved by all members.

#### Renew Cavanaugh Macdonald Contract

Director Graham reviewed the renewal addendum for TRS's actuarial consulting firm and he clarified that the new contract rate will remain fixed for four years. He believes the requested increase is reasonable, given Cavanaugh Macdonald's consistent service to TRS and their ability to

respond quickly to questions. Member Brown asked whether TRS has considered soliciting bids from other actuaries. Director Graham indicated that doing so would almost certainly increase costs, as significant staff time and additional programming would be required to provide member data in a format that meets the new actuarial firm's specifications.

*Motion/Vote:* After discussion, Member Chamberlin made a motion to approve the contract renewal for Cavanaugh Macdonald Consulting, with Member Trost seconding. The motion was approved by all members.

#### Renew Ice Miller Contract

TRS has maintained an annual contract with Ice Miller, LLP since 1993 for tax counsel services. TRS Chief Legal Counsel Denise Pizzini stated that few firms, and none within the state of Montana, have Ice Miller's particular expertise in IRS tax qualification standards for public pensions and she values their guidance.

*Motion/Vote:* After discussion, Member Youngren moved to approve the contract renewal for Ice Miller. Member Trost seconded the motion and it was approved by all members.

#### Renew Drake Law Firm Contract

This four-year contract provides for outside counsel on contested case matters. TRS pays only for services provided, and with no contested cases in fiscal year 2024, none of the budgeted amount has been spent. When contested case matters do arise, Ms. Pizzini represents the retirement system while an attorney with the Drake Law Firm is brought in to represent the Board.

*Motion/Vote:* After discussion, Member Trost moved to approve the contract renewal for Drake Law Firm with Member Crump seconding. The motion was approved by all members.

#### Milliman Actuarial Audit Contract

The Board's strategic plan requires that TRS obtain an actuarial audit every five years, with the next audit scheduled to occur in fiscal year 2025. The purpose of the actuarial audit will be to provide an outside opinion of Cavanaugh Macdonald's July 1, 2024 actuarial valuation of TRS and ensure their actuarial methodology is appropriate. Director Graham explained that TRS chose to contract with Milliman because the company now employs the actuary who performed the last actuarial audit of TRS.

*Motion/Vote:* After discussion, Member Crump moved to approve the contract with Milliman to conduct an actuarial audit. Member Trost seconded the motion and it was approved by all members.

#### FY 2025 TRS Budget Request

Chairperson Elliott provided another opportunity for members of the Board to ask questions or seek clarification on specific line items within the budget request. TRS Fiscal Manager Nolan Brilz pointed out that while the overall budget request has increased by approximately \$200,000 (or 4.79%), \$130,000 of that increase is due to a statutory pay raise granted to all State employees by the 2023 Montana Legislature.

Chairperson Elliott requested a motion to approve the TRS budget for fiscal year 2025.

Motion/Vote: Member Trost made a motion to approve the FY 2025 budget request. Member Crump seconded the motion, and it was approved by all members.

### Out-of-State Travel Requests

Director Graham reviewed two requests for out-of-state travel to National Conference on Teacher Retirement (NCTR) events. Board members have an opportunity to attend the NCTR Trustee Workshop in July 2024, which provides valuable information that is highly relevant to their role. This request would authorize a designated number of Board members to attend. NCTR also will host a Customer Service Workshop in June 2024, and this request would authorize TRS Communications Manager Darla Fitzpatrick to attend.

Chairperson Elliott requested a motion on out-of-state travel requests.

Motion/Vote: Member Brown moved to allow up to two Board members to attend the 2024 NCTR Trustee Workshop and the TRS Communications Manager to attend the 2024 NCTR Customer Service Workshop. Member Trost seconded the motion, and it was approved by all members.

### Next Meeting Date

The next Board meeting is scheduled for Friday, August 2, 2024.

## **Board Training**

### Non-Discrimination in Employment and Provision of Services

Chief Legal Counsel Denise Pizzini began by confirming that members of the Board who are currently employed receive period training on nondiscrimination. She also invited Board members to make use of online training modules available through the Department of Administration. Those modules cover both state and federal law on accessibility and non-discrimination.

Ms. Pizzini then provided an overview of the TRS Policy of Non-Discrimination in Employment and Provision of Services, noting that it incorporates the State of Montana policy and expands on it. The policy describes how TRS ensures compliance with federal and state law in hiring employees and providing services to TRS members, beneficiaries, and others. Ms. Pizzini then answered procedural questions from members of the Board.

### **Legal Counsel's Report**

Ms. Pizzini announced there are currently no contested case matters and she is unaware of any pending issues that may become contested cases.

## **Applications and Benefit Adjustments**

### Regular, Survivorship, Adjustments and Corrections

Deputy Director Tammy Rau reported that staff had processed 62 applications for retirement benefits between February 1 and April 30, 2024. These retirees' average age was 60.48 years and they had an average 15.39 years of creditable service with TRS.

## **Long Range Planning**

### **2023-2025 Strategic Planning Commitment Worksheet Updates**

Chairperson Elliott explained for newer Board members that every meeting includes a status update on objectives listed in the Commitment Worksheet. These updates help the Board understand the day-to-day operations of TRS and evaluate Director Graham's performance each year.

Director Graham then described how TRS has made progress on several objectives, including a design for a responsive website and a potential way to use DocuSign to verify a user's identity for certain online transactions rather than requiring a notarized signature. Other ongoing activities include his attendance at regional MASS meetings, which is nearly complete for this year.

He also spoke about TRS's role in encouraging school districts to offer optional retirement savings plans to TRS members, such as the MPERA 457(b) plan. While TRS cannot offer such a plan to school districts, Director Graham obtained information from MPERA that he includes in his presentation to MASS groups. Member Trost indicated the MPERA 457(b) would provide more investment options to members at a lower cost than would a 403(b) plan set up with a private investment firm. Member Crump asked whether MPERA might provide information on the number of districts currently offering the 457(b) option to employees.

There were no additional questions or comments about items on the Commitment Worksheet.

### **Public Comment**

No members of the public were present.

## **Disability Applications**

### ***Closed Meeting***

#### **Executive Session to Discuss Disability Applications**

The Board began its executive session at 10:52 a.m. to review one application for disability retirement benefits. This session was closed to the public, as a disability applicant's right to privacy clearly exceeds the merits of public disclosure.

### ***Open Meeting***

Chairperson Elliott reopened the meeting at 10:59 a.m. and requested a motion.

#### **Approval/Disapproval of Applications for Disability Retirement Benefits**

***Motion/Vote:*** Member Trost moved to approve member J.W.'s request for disability retirement and Member Youngren seconded the motion. The request for disability retirement benefits was approved by all members.

### **Public Comment**

No members of the public were present.

**Adjournment**

With no other business before the Board, Chairperson Elliott requested a motion to adjourn.

*Motion/Vote:* Member Trost moved to adjourn, with Member Crump seconding. The meeting was adjourned at 11:00 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.

### **III. 2024 Agency IT Plan**

*Information Items* **A. Agency IT Plan** – Attached for your reference is a copy of our Agency IT plan for the upcoming biennium as well as an approval email/letter from State Information Technology Division. The report in your packet is simply an export they use to capture all of the information that our IT Manager, John Noble, entered into their system. The final product is not currently available, but it will be formatted and easier to read once SITSD generates the final reports.

# Teacher's Retirement System

The mission of the TRS Information Technology department is to apply appropriate technology solutions that help achieve the TRS Board's vision and objectives. TRS IT will work closely with the state's IT Services Division to maintain a highly secure, highly available environment and will prioritize technological enhancements that improve business processes and efficiency in service of our members.

## Goals

[Agency Goals and Objectives \(https://trs.mt.gov/trs-info/about\)](https://trs.mt.gov/trs-info/about)

Modernize TRS website and online services to improve availability, accessibility, and service delivery for TRS members and visitors

State Strategic Plan Goal Reference: Digitization  
Reduce Technical Debt

### Objectives

Redesign the TRS website to make it fully responsive and accessible for all visitors  
State Strategic Plan Objective Reference: Design for Human Experience  
Streamline and Elevate Customer Interactions  
Improve Service Delivery

Migrate the TRS website to the state-hosted enterprise CMS environment  
State Strategic Plan Objective Reference: Enable Strategic Solutions  
Improve Strategic Partnerships

Increase online services available to TRS members

State Strategic Plan Goal Reference: Digitization  
Be Business Consultants

### Objectives

Develop and deploy online services available to members to replace legacy paper processes  
State Strategic Plan Objective Reference: Design for Human Experience  
Streamline and elevate customer interactions  
Improve Business Value  
Improve Digital Transformation

Secure online transactions and services

State Strategic Plan Goal Reference: Digitization  
Be Business Consultants

### Objectives

Leverage available enterprise resources to enhance security for online services and transactions  
State Strategic Plan Objective Reference: Provide Security by Design  
Improve Digital Transformation  
Improve Service Delivery  
Improve Business Value

Leverage enterprise solutions to provide services in a cost-effective manner

State Strategic Plan Goal Reference: Reduce Technical Debt

### Objectives

Implement new and existing enterprise service offerings to enhance services available to members  
State Strategic Plan Objective Reference: Enable Strategic Solutions  
Improve Business Value  
improve Service Delivery

## Information Technology Resources and Capabilities

IT

Number of FTE: 2

Support TRS business operations and members

## Projects

Division	
Project / Program Purpose and Objectives	
State Strategic Plan Goal/Objective Reference	
Estimated Start	Estimated Delivery
Estimated Cost	Comment
HB 10 Request	Funding Sources :- Comment:
Annual Costs Upon Completion	Comment
Status of the project as of March 31, even numbered years. Indicate % completed and status of funds expended.	

## Summary of Hardware

I have reviewed all of my agency's systems in Assurance CM and certify that it is accurate: Yes

Total Number of Appliances	0
Total Number of Physical Servers	0
Total Number of Virtualized Servers	0
Total Usable Storage Space	0 GB

Device Type	Quantity	Estimated Replacement Value	Comments
Desktop PC	6	600	
Laptop PC	21	900	
Laptop Docking Station	19	200	
Printer	12	600	
Computer Monitor	50	300	
Flat-Screen Television	2	800	Meeting room displays
Scanner	2	5000	
Check Scanner	2	500	

## Agency Contact Information

Agency Director / Administrator

**Shawn Graham**  
 📞 406-444-3134  
 @ ShawnGraham@mt.gov  
 ✉ PO Box 200139, Helena, MT 59620-0139

IT Contact (CIO / IT Manager)

**John Noble**  
 📞 406-444-3395  
 @ jnoble@mt.gov  
 ✉ PO Box 200139, Helena, MT 59620-0139

Information Security Manager

**John Noble**  
 📞 406-444-3395  
 @ jnoble@mt.gov  
 ✉ PO Box 200139, Helena, MT 59620-0139

**From:** [Noble, John](#)  
**To:** [Graham, Shawn](#)  
**Subject:** FW: [EXTERNAL] IT Plan Approved for Teachers-Retirement-System  
**Date:** Tuesday, July 9, 2024 7:51:08 AM

John Noble  
IT Manager  
State of Montana  
Teachers' Retirement System  
406-444-3395

**From:** Cascade CMS <noreply@cascadecms.com>  
**Sent:** Monday, July 8, 2024 5:28 PM  
**To:** Noble, John <JNoble@mt.gov>  
**Subject:** [EXTERNAL] IT Plan Approved for Teachers-Retirement-System



Jul 8, 2024

The IT Plan for [Teachers-Retirement-System](#) [[link.cascadecms.com](#)] has now been approved & published.

### History

**MAY 28, 2024**

[Noble, John](#) [[link.cascadecms.com](#)] started workflow

**MAY 28, 2024**

[Noble, John](#) [[link.cascadecms.com](#)] initialize from initialize to review-approver

**JUN 06, 2024**

[Arredondo, Elle](#) [[link.cascadecms.com](#)] approve from review-approver to review-manager

**JUL 08, 2024**

[Gilbertson, Kevin](#) [[link.cascadecms.com](#)] approve from review-manager to finalize

This workflow was initiated by [Noble, John](#) [[link.cascadecms.com](#)] on **May 28, 2024** and is due on **Jun 28, 2024** .

#### **IV. Responsive Website Demonstration**

*Discussion Item*     **A. Responsive Website Demo** – Our Communications team will provide an update on progress made on our website redesign along with a demonstration of a few responsive webpages built on our new template.

**B. Public Comment**– Opportunity for any member of the public to comment on TRS website demonstration.

## **V. 2025 Draft Legislation**

### *Discussion Items*

**A. Review and Discuss Draft Legislation** – Shawn Graham and Denise Pizzini will lead the Board through proposed concepts for 2025 bill drafts. These concepts will be presented to the State Administration and Veteran Affairs Committee on July 31<sup>st</sup> for pre-session bill drafting authorization. The TRS Board will vote on whether to move forward with the actual bill drafts at the October 4, 2024 meeting.

**Housekeeping Bill** – The housekeeping bill is broken out into four parts in the attached summary of 2025 general revisions for initial review by the Board (the four sections will be combined into one bill for the legislative session). The content of our housekeeping bill will be finalized at our October meeting.

**University Supplemental Contribution Rate** – When the Optional Retirement Plan was created in 1987 for university system TRS-eligible members, section 19-20-621, MCA, required each employer within the university system with employees participating in the optional retirement program to contribute to TRS a supplemental employer contribution sufficient to amortize, by July 1, 2033, the past service liability of the teachers' retirement system for the university system members who do not participate in TRS. The law also requires that the supplemental rate be periodically reviewed and updated. Based on the 2022 valuation of the university supplemental rate, the current rate needs to be increase from 4.72% to 13.53%; however, the actual rate required will not be known until after the July 1, 2024 valuation has been completed.

**B. Public Comment**– Opportunity for any member of the public to comment on TRS strategic planning issues.



## Montana Teachers' Retirement System

### Summary of TRS 2025 General Revisions Bill

#### Part 1: Extra Duty Service by a Teacher, Teacher's Aide/Paraprofessional, or Administrator for Student Supervision That is Not Service in an Educational Services Capacity

Current TRS law provides a definition of “Extra Duty Service” (19-20-101) and describes how creditable service will be calculated for extra duty service (19-20-401(8)) but limits reportable extra duty service to service in an educational services capacity. Therefore, current law excludes additional service provided by teachers, teacher aides/paraprofessionals, and administrators specifically for supervision of students that are not contracted and/or compensated as part and parcel of their regular TRS reportable position from being reported to TRS if the service would not independently entitle the individual to TRS membership. For example, a teacher, aide/para, or administrator assigned to monitor students in the lunchroom or on the playground, assigned to be a crossing guard, or assigned to supervise students on school trips, etc., does not currently receive TRS credit for those additional services if they are not assigned/contracted as part of the member’s regular duties and functions and compensated as part of the member’s regular/contracted salary (for example, if they are separately assigned and paid at an hourly rate of pay or by stipend). If such services are assigned/contracted as part of the member’s regular duties and functions and compensated as part of the member’s regular/contracted salary, the member does receive TRS credit for the additional services. In order to make sure all similarly situated TRS members are treated the same, regardless of their employer’s practice regarding assignment of and compensation for such duty assignments, the following modification of TRS law is necessary.

- 19-20-101(14) “Extra duty service” means service in an educational services capacity that is not compensated as part of the normally assigned duties and functions of a school district teacher, administrator, or other employee but is regularly assigned to one or more school district teachers, administrators, or other employees as part of the regular operation of the school district's curricular and extracurricular program *or service not in an educational services capacity that is regularly assigned to a school district teacher, teacher's aide/paraprofessional, or administrator for purposes of student supervision in school functions that are not part of the school district's regular curricular or extra-curricular program.*

#### Part 2: Definition of “Educational Services Capacity”

Current TRS law (19-20-302) identifies the individuals employed in public education in Montana who are required participants of the retirement system. Some required participants are described by their expected professional job titles (e.g., superintendent, teacher, principal), which positions are clearly fundamentally engaged in the provision of educational services. Given the continuing evolution of public education objectives, methodologies, and services, as well as the evolution of job

titles (for example, the older term “teacher’s aide” has largely been overtaken by the newer term “paraprofessional”), it is not possible to identify all required TRS participants by job title. Therefore, TRS law includes the following “catch-all” description of required TRS participants:

19-20-302(1)(d) – A person employed in a teaching or an educational services capacity by the office of a county superintendent, an education cooperative, a public institution of the state of Montana, the Montana state school for the deaf and blind, or a school district.

It is important that TRS law be as clear as possible in communicating to TRS employers which of their employees are employed in an “educational services capacity” and required to participate in TRS. While TRS has long communicated to TRS employers its criteria for construing the term and has, for many years, published a Fact Sheet regarding determination of positions reportable to TRS and including the criteria and examples of application of the term “educational services capacity,” TRS still discovers a substantial number of individuals who should be reported to TRS but are not. Typically, these individuals are reported in error to PERS. In order to effectuate broader employer understanding of the employees required to be reported to TRS, TRS proposes moving the basic criteria for determining “educational services capacity” to statute.

Proposed statutory modifications include:

- 19-20-101, Definitions – add a definition of “educational services capacity,” probably by reference to 19-20-302, and
- 19-20-302, Active membership – add a subpart that includes the criteria for application of the term as currently contained in TRS’s Fact Sheet, as follows:

A position of a TRS employer is an educational services position if the individual:

1. Directly teaches or instructs students.
2. Provides professional or educationally-related services that assist students in participating in and/or receiving the full benefit of an educational program.
3. Evaluates the competencies and/or the proper placement of students; determines or implements student-specific educational programs or plans; and/or disciplines students.
4. Determines the proper curriculum and/or educational standards applicable to the program; determines the appropriate educational and instructional methodologies; selects or creates the instructional materials, and/or trains teachers or other staff responsible for implementing the curriculum, standards, and methodology of the program.
5. Directs, supervises, or oversees the work of other individuals employed in an educational/instructional services capacity.
6. Is the primary administrator of an employer entity that provides educational services or the primary administrator of an educational program of such an employer.

### Part 3: Non-Contributing Substitute Teachers/Paras

TRS law (19-20-302(4)) allows substitute teachers and part-time teachers' aides/paraprofessionals to elect to participate from their first date of service or to defer TRS participation unless and until they have worked for 210 hours (30 days X 7 hours/day) in any fiscal year. Employers are responsible to track the individual's work time and to begin reporting them after they have reached the 210 hour threshold. A problem arises when an individual elects to defer participation while working for more than one TRS employer and each employer is not aware that the individual has exceeded the 210 hour threshold. Employers requested that TRS develop an employer reporting process that allows employers to report the time worked by these individuals (now referred to as "non-contributing substitute teachers/paras") without contributions required so their hours worked for multiple employers will be aggregated and all employers will know when the individual has reached or exceeded the 210 hour threshold and must now be reported as an active member with contributions paid to TRS.

TRS has implemented the requested employer reporting functionality. Statutory changes are necessary to communicate to all employers that reporting of the relevant individual workers is mandatory. Due to timing issues related to monthly employer reporting, it is necessary to modify TRS law to establish that an individual working under an election with one or multiple employers will automatically be changed to active/contributing member status on the first of the month following the month in which total hours reported by any TRS employer(s) reach or exceed 210 hour threshold. These individuals will almost certainly have accrued more than exactly 210 hours of service prior to the change to active membership. Since individuals are allowed to purchase the deferred service time once they become active members, the relevant service purchase provision needs to be amended to clarify that the member will be allowed to purchase all service hours accrued in the fiscal year prior to being changed to active member status.

Proposed statutory modifications include:

- 19-20-208, Duties and Liability of Employer – modify to require employer reporting of non-contributing substitute teachers/paras.
- 19-20-417(1), Credit for Substitute Teaching Service, Teacher's Aide Service, or Other Service Not Reported – clarify that a non-contributing substitute teacher/para will not be limited to subsequent purchase of only 210 hours, but will be allowed to purchase all hours accrued in the fiscal year prior to change to active membership.

### Part 4: Subsequent Retirement Calculation for Disability Retirees Returned to Active Member Status

Current TRS law provides limitations to be applied to the subsequent retirement benefit calculated for a disability retiree who has returned to work in a TRS reportable position in excess of their earnings limitation and been returned to active member status. The statute does not specifically describe how the subsequent retirement benefit is to be calculated, though TRS understands the expectation when the statute was drafted was that the benefit would be recalculated as any non-disabled TRS retiree's benefit would have been recalculated at the time – as a total "do-over" of the benefit calculation at the time of subsequent retirement based on all creditable service earned by the

member while an active member and with AFC determined including consideration for earned compensation earned in active membership years after the first retirement. TRS law no longer provides for a “do-over” recalculation upon a subsequent retirement but, instead, provides for calculation of a second benefit to be added to the first retirement benefit that was suspended at the time of return to active member status.

TRS has not previously had to calculate a subsequent retirement benefit for a disability retiree returned to active member status. Due to medical advancements, the occurrence of disabled retirees who regain enough function to return to work in TRS reportable positions is becoming more common. Therefore, it is necessary to clarify TRS law so the manner in which a subsequent retirement benefit will be calculated is clear to affected retirees and can be reliably estimated.

Proposed statutory modifications:

- 19-20-905(2), Cancellation of Allowance and Restoration of Membership
  - A. – modify to clarify that calculation of subsequent benefit will be made as “do-over” by application of calculation methodology set forth in 19-20-802 (early retirement) or 19-20-804 (regular retirement), whichever the member is eligible for at the time of subsequent retirement and subject to all other benefit calculation limitations under TRS law (110% cap, benefit cannot be accrued for any period during which the member receives a retirement benefit, etc.).
  - B. – modify to clarify that the benefit calculated cannot exceed, and will be reduced, if applicable, to the lesser of the following. (These calculations are made only to determine if reduction of the benefit calculated in A. is required; they will not determine the subsequent benefit amount if higher than the benefit amount calculated in A.)
    - the benefit the member would have received if the member remained in service during the period of the member’s disability retirement. (Creditable service and earned compensation will be attributed to the period of disability retirement as if the member continued working in a TRS reportable position prior to return to active member status at the same FTE and at the same annual earned compensation as actually earned in the last full fiscal year preceding the year in which the member became disabled. The calculation will not include a creditable service minimum enhancement received for the original disability retirement benefit calculation.) or
    - The amount of the suspended disability retirement benefit plus a second benefit calculated based on the creditable service accrued and earned compensation received for the period of service after the return to active member status, without consideration for vesting in the second benefit.

## **VI. Board Training**

*Discussion Item*

**A. Funding and Benefits Policy Review** – Attached for your review you will find a copy of the TRS Funding and Benefits Policy. It is a good practice to spend some time during a board meeting to review our Funding and Benefits Policy leading up to a legislative session. The policy provides a framework for making decisions about proposed legislation and it reiterates many of the Board’s specific constitutional and statutory duties.

In our most recent Actuarial Audit, Ryan Falls from GRS made the following comment regarding our policy: “The Board’s Funding and Benefit Policy is a thorough document that thoughtfully monitors the health of M-TRS from many perspectives. We believe that this funding policy continues to serve as a model to other retirement systems.”

**B. Public Comment**– Opportunity for any member of the public to comment on TRS Funding and Benefits review.



**MONTANA TEACHERS' RETIREMENT SYSTEM**  
**POLICY 1-0600-001**  
**FUNDING AND BENEFITS**

**Section:** Administrative  
**Implementer:** TRS Board Members

**Revised Date:** May 13, 2016

**Purpose**

It is the purpose of the Teachers' Retirement System to provide lifelong post-retirement benefits to its members. The fundamental financial objective of the Teachers' Retirement Board (Board) in meeting that purpose is to perform its retirement fund management functions, with due regard for the complementary responsibilities of the legislature, the governor's office, and the Board of Investments, in a manner that best maintains the long-term stability of the retirement fund through a systematic and disciplined accumulation of resources for the purpose of paying promised benefits to plan participants over their lifetimes. It is the goal of the Board to eliminate the unfunded actuarial accrued liability of the retirement system and to establish a stabilization reserve equal to at least 10% of the actuarial accrued liability.

In establishing policy pertaining to actuarial funding and benefit modifications, the Board takes notice of the following specific constitutional and statutory requirements:

1. Pursuant to Article VIII, Section 15, of the Constitution of Montana, the Board members administer the retirement system, including making actuarial determinations, as fiduciaries of system participants and their beneficiaries. Pursuant to §19-20-203, MCA, the Board is responsible to employ technical or administrative employees necessary for the transaction of the business of the retirement system, and to designate an actuary to assist the Board with the technical actuarial aspects of the operation of the retirement system.
2. Pursuant to Article VIII, Section 15, of the Constitution of Montana, the Teachers' Retirement System is required to be funded on an actuarially sound basis; assets of the retirement system may not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses.
3. Pursuant to 19-20-102, MCA, it is the policy of the state to provide equitable retirement benefits to members of the Teachers' Retirement System based on each member's normal service and salary; limit the effect on the retirement system of isolated salary increases received by a member, including but not limited to end-of-career promotions or one-time salary enhancements during the member's last years of employment; and, limit the compensation that a retired member may earn after retirement while working in a position that would normally be covered under the Teachers' Retirement System to the amount determined under §19-20-731.

4. Pursuant to §19-20-501, MCA, the Board members are trustees of all money collected for the retirement system and shall provide for the financial administration of the money as required by the Montana Constitution and §19-20-501.
5. Pursuant to §19-20-201, MCA, the board is required to: keep the data necessary for actuarial valuation of the various funds of the retirement system and analysis of the experience of the retirement system; prepare an annual valuation of the assets and liabilities of the retirement system including an analysis of how market performance is affecting the actuarial funding of the retirement system (called the Comprehensive Annual Financial Report); and make available to the legislature copies of the Comprehensive Annual Financial Report.
6. Pursuant to Article VIII, Section 13, of the Constitution of Montana, §17-6-201, MCA, and §19-20-501, MCA, the funds of the Teachers' Retirement System are invested solely at the discretion of the Board of Investments, which is required to act in accordance with the prudent expert principle.
7. Pursuant to §19-20-215, MCA, the Board must annually present to the Board of Investments a financial and actuarial report of the retirement system and brief the Board of Investments on any benefit changes being considered by the Board that may affect trust fund obligations.
8. Pursuant to §19-20-621, MCA, the Board shall periodically review the supplemental employer contribution rate and recommend adjustments to the legislature as needed to maintain the amortization of the University System's past service liability by July 1, 2033.
9. Income to the retirement fund is derived from the following sources:
  - a. contributions from active retirement system members paid as percentage of earned compensation as set forth in §19-20-602 and §19-20-608
  - b. temporary contributions from the state general fund paid as a percentage of the compensation of members participating in the system on or after July 1, 1999, as set forth in §19-20-604
  - c. contributions from employers paid as a percentage of total earned compensation paid by the employer as set forth in §19-20-605 and § 19-20-609
  - d. supplemental contributions from the state general fund as set forth in §19-20-607
  - e. supplemental contributions from the Montana university system paid as a percentage of total compensation of all employees participating in the optional retirement program as set forth in §19-20-621
  - f. gains and losses on investments of retirement system assets as made by the board of investments

The Board further takes notice of the following points pertaining to administration of the retirement system funds. While not all of these points are expressly set forth in statute, they are recognized as immutable restrictions on the board's ability, unilaterally, to establish standards intended to actuarially fund the retirement system:

10. The employee and employer contribution rates, the state's contribution rates, the university system supplemental contribution, as well as the benefit multiplier and other

terms of benefit payment, are set forth in statute and may only be amended through the legislative process. While the Board has the responsibility and ability to obtain actuarial valuations for purposes of determining the actuarially recommended rates of contributions and benefit payments, the governor's office, including the Office of Budget and Program Planning, plays a fundamental role in the review and approval of legislation proposed by the Board, and the legislature has full and final authority to make, or not, recommended changes.

11. The rate of return on the investments of the retirement system funds are dependent upon investment directives set forth in statute, investment decisions that are wholly within the discretion of the Board of Investments pursuant to §17-6-201, MCA, and market factors that are wholly outside the control of the Board or the Board of Investments. As well, substantial decreases in the market value of retirement system assets based on sharp market downturns are outside of the Board's ability to predict or prevent.
12. The actual experience of the retirement system may, from time to time, differ substantially from the expected experience as evidenced by the retirement system's actuarial assumptions. Such deviations of actual experience from the actuarial assumptions typically occur based on school funding/staffing needs and determinations driven by overall economic pressures, demographic changes, and other factors not within the Board's ability to control.

## **Definitions**

*Board* – TRS Board of Trustees.

*Board of Investments or BOI* – the administrative body charged with administering Montana's unified investment program pursuant to §17-6-201, MCA, and with investing the funds of the teachers' retirement system.

*Office of Budget and Program Planning or OBPP* – the budget management division within the governor's office

## **Policy:**

- A. The Board will contract with a qualified actuary to assist the Board in:
  1. conducting statutorily required actuarial valuations and experience analyses
  2. establishing appropriate actuarial assumptions and making other actuarial determinations
  3. providing required reports to the Board of Investments and the Office of Budget and Program Planning regarding retirement system valuation and funding status
  4. determining the appropriate apportionment of net pension liabilities to each TRS employer as required by Statements 67 and 68 issued by the Governmental Accounting Standards Board
  5. assuring compliance with the 25% of benefit cost safe harbor in applying the incidental benefit rule to pre-retirement death benefits by annually determining the percentage of normal cost attributable to pre-retirement death benefits

- B. Actuarial cost, Smoothing, & Amortization methods
1. The actuarial valuations will be prepared using the Entry Age Normal cost method (EAN). The EAN method helps provide for a more level contribution rate over time compared to other funding methods.
  2. Any difference between the expected market value return and the actual market value return is recognized evenly over a period of four years. The actuarial value of assets is not allowed to be greater than 120% or less than 80% of the market value of assets.
  3. It is the desire of the Board to fully fund TRS. However, until the system becomes fully funded, any unfunded liability will be amortized over a closed period of no more than 30 years and funded as a level percent of pay. At such time as the system becomes fully funded and has a stabilization reserve of at least 10% of the actuarial accrued liability, the allowed amortization period for any subsequent unfunded liabilities will be reduced to a closed period of not greater than 20 years.
- C. The Board will direct its contracted actuary to produce an actuarial valuation of the retirement system annually. In each even numbered year the actuary will also review the supplemental employer contribution rate required by 19-20-621, MCA, and recommend adjustments as needed to maintain the amortization of the University System's past service liability by July 1, 2033.
- D. At least once every four years, the Board shall direct the actuary to conduct an experience study to confirm the appropriateness of its actuarial assumptions and to make recommendations for revising some or all actuarial assumptions and/or various factors used to calculate benefits and the cost to purchase additional service.
- E. The Board will direct its contracted actuary to project forward any recommended contribution rate increase resulting from the annual actuarial valuations for purposes of determining the actuarially recommended contribution rate effective at the beginning of the biennium following the next regular legislative session, based on the following:
1. If the amortization period is greater than 30 years, the actuary will recommend the single contribution rate increase that can be reasonably expected to fully amortize the UAAL over a closed 30-year period effective July 1, following the next regular legislative session.
  2. If the amortization period is less than 30 years, but greater than 0, and it is projected to continue to decline over the remainder of the closed period, the actuary will not recommend a change in the statutory contribution rates.
  3. If the amortization period is less than 30 years, but has increased over prior valuations and is projected to continue to grow, the actuary will recommend a contribution rate increase that is reasonably expected to reverse the recent trend and reestablish a closed amortization period equal to that of the last valuation.
- F. The Board will engage a qualified actuary to peer review the contracted actuary's actuarial valuation at least every five years.
- G. Asset allocations and investment time horizons are established by policy by the BOI. The Board will ask its actuary to recommend an investment return assumption based on

- the past investment returns of TRS, the asset allocation and latest capital market assumptions adopted by the BOI, and the professional judgment of the actuary.
- H. The Board will recommend to the governor and the legislature that funding of the retirement system be increased and/or liabilities of the retirement system be reduced, whenever the most recent actuarial valuation shows that the amortization period of the unfunded liabilities:
    1. Exceeds 30 years, and the Board cannot reasonably anticipate that the amortization period will decline or the funded ratio will improve without an increase in funding and/or a reduction in liabilities, or
    2. Is less than 30 years, but has increased over prior valuations and is projected to continue to grow.
  - I. The Board will direct their contract actuary to periodically stress test the funding of TRS to verify the adequacy of current funding levels against adverse market experience and recessions.
  - J. The Board may determine that surplus funds are available and recommend contribution reductions and/or benefit enhancements only when the retirement system has no unfunded actuarial accrued liability, a stabilization reserve fund equal to at least 10% of the actuarial accrued liability is established, and the Board determines that sufficient additional reserves are retained to reasonably allow for adverse experience. The Board will not make a recommendation to reduce contribution rates or increase benefits which would result in contribution rates being less than the rate required to meet the normal cost plus 1.0%.
  - K. Pursuant to 19-20-102, MCA, benefit enhancements should provide equitable retirement benefits to members of the Teachers' Retirement System based on each member's normal service and salary, limit the effect on the retirement system of isolated salary increases received by a member, including but not limited to end-of-career promotions or one-time salary enhancements during the member's last years of employment, and be equitably allocated among active members and retirees with consideration for intergenerational equity. Any recommendation for a benefit enhancement must include recommendations for necessary additional funding or other benefit reductions to cover any increase in normal cost arising from the recommended enhancement and to amortize any increase in the unfunded actuarial accrued liabilities arising from the recommended enhancement over a period not to exceed 15 years.
  - L. The Board will determine its position with respect to supporting or opposing legislation, on a case-by-case basis, and will apply this policy, actuarial funding standards, and other industry-standard information and resources it finds persuasive, as decision guides. The Board may not support legislation to enhance benefits or reduce contributions if the funded ratio is less than 90%, the amortization period is greater than 15 years, or the guaranteed annual benefit adjustment ("GABA") then being paid is less than 1.5% or the actuarial assessment of the proposed legislation indicates the GABA will have to be reduced from 1.5% due to the benefit enhancement or contribution reduction.
  - M. The Board will ensure that reports regarding the funding status of the retirement system are made as required by statute.

### Policy Review and Revision

This policy will be reviewed by the Board at least every two years, in even numbered years.

### Cross References

Art. VIII, Section 13, Constitution of Montana

Art. VIII, Section 15, Constitution of Montana

- §19-20-102, MCA      §19-20-104, MCA      §19-20-201, MCA      §19-20-203, MCA
- §19-20-206, MCA      §19-20-501, MCA      §19-20-502, MCA      §19-20-601, MCA
- §19-20-602, MCA      §19-20-604, MCA      §19-20-605, MCA      §19-20-607, MCA
- § 19-20-608, MCA      §19-20-609, MCA      §19-20-621, MCA      §19-20-701, MCA
- §17-6-201, MCA

### History

- Adopted May 2002
- Amended May 2006
- Amended May 2008
- Amended May 2010
- Amended May 2016

### Signature

By Board action taken on September 28, 2012 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 [www.trs.mt.gov/trs-info/boardpolicies](http://www.trs.mt.gov/trs-info/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.***

## **VII. Strategic Planning**

*Discussion Item*

**A. Long Range Planning** – Attached for your review and consideration you will find a copy of our current Strategic Planning Summary, Goals & Objectives and Strategic Planning Commitment Worksheet. Last August we conducted comprehensive strategic planning for the 2023-2025 time period which was facilitated by Jim Kerins from CMS. Our goal this August isn't to completely replicate or replace last year's strategic planning session; alternatively, we will review the objectives that we have completed, the objectives that remain, and we will decide whether we need to reprioritize or add additional items to the strategic planning worksheet. An updated copy of the 2023-2025 Strategic Planning Commitment Worksheet is attached for your reference.

### **Effective Strategic Planning:**

As a primer, here are some bullet points regarding effective strategic planning from our session last year:

- Effective strategic planning is a process, not an event or point in time. TRS routinely reviews our progress toward completion of items listed on our strategic planning worksheet at each board meeting with the opportunity to reprioritize as necessary.
- The framework utilized by TRS for strategic planning is fairly straightforward.
  - Where we are now
  - Where do we want to be
  - How we will get there including what capabilities we need to develop.
- Stakeholder Involvement
- TRS defines specific outcomes, priorities, timelines, responsible parties, and resources (commitment worksheet)
- Accountability and alignment (define responsible parties and align the plan with operational plans and individual performance plans and evaluations)
- The plan is actively monitored and part of the organizational culture
- TRS leadership focuses on “important” issues

### **Commitment Worksheet:**

As we review the remaining objectives to be completed on the current commitment worksheet, we should consider the following:

- Are the objectives and timelines still realistic?

- Should we change the priorities to put more focus on achieving the objectives?
- Should we change the objectives?
- Can certain objectives be consolidated?

**B. Public Comment**– Opportunity for any member of the public to comment on TRS strategic planning issues.



# 2023 STRATEGIC PLANNING SUMMARY

**September 2023**

*Prepared for*

## THE MONTANA TEACHERS' RETIREMENT SYSTEM

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## Introduction

The Montana Teachers' Retirement System (TRS) Board met on August 10<sup>th</sup>, 2023, to evaluate and update the agency's strategic plan.

The Board assessed and confirmed the TRS mission, vision, and guiding principles.

The planning session included review of previous strategic planning efforts, evaluation of progress on strategic goals and objectives, and discussion of federal regulatory issues, potential actuarial changes, and state legislation. The Board carefully considered survey responses and input from members, affiliate organizations (i.e., the School Administrators of Montana, Montana Retired Educators Association, Montana Rural Education Association, Montana Federation of Public Employees, and Montana Association of School Business Officials), and TRS staff and leadership. The Board updated the agency operational and environmental assessment and established strategic goals and objectives for 2023 – 2025.

The following participants attended the 2023 strategic planning meeting:

- Kari Elliott Board Chair (active member)
- Daniel Chamberlin Vice Chair (public member)
- Dee Brown Board Member (retired member)
- Daniel Trost Board Member (public member)
- Shawn Graham Executive Director
- Tammy Rau Deputy Executive Director
- Nolan Brilz Accounting/Fiscal Manager
- Darla Fitzpatrick Communications Manager
- John Noble Information Technology Manager
- Denise Pizzini Chief Legal Counsel
- Larry Crowder Executive Director, Montana Rural Education Association
- Marilyn Hamer Executive Director, Montana Retired Educators Association
- Jim Kerins Communication & Management Services, LLC, Facilitator

## Background

The TRS Board invests in an established and ongoing process of identifying goals and objectives. Strategic planning efforts and achievements include:

Timeframe	TRS Board Efforts	Achievements
2009	Initial strategic planning	Completed an operational and environmental assessment, defined the mission statement and guiding principles, and established goals and objectives.
2010 - 2013	Plan implementation	Implemented outreach program, evaluated system design alternatives to ensure long-term system stability, hired an Executive Director, and developed staffing plans.
2014	Strategic plan update	Updated the operational and environmental assessment, affirmed the mission and guiding principles, developed a vision statement, and updated goals and objectives.

## Background (continued)

Timeframe	TRS Board Efforts	Achievements
2015 - 2016	Plan implementation	Implemented Governmental Accounting Standards Board requirements and a disaster recovery and business resumption plan, improved workplace efficiency, and developed information systems including M-Trust.
2017	Strategic planning	Created new overarching goals including: <ul style="list-style-type: none"> <li>• Maintain an actuarially sound qualified retirement plan.</li> <li>• Sustain a high-performance workforce through staff and Board development, innovative leadership and management strategies, and expanded organizational capacity.</li> <li>• Expand system communication efforts to increase member and employer knowledge and involvement, to educate stakeholders, and to foster support.</li> </ul>
2017 - 2019	Plan implementation	Transitioned to new facility and improved operations, workflow, services, outreach, customer service and recordkeeping.
2019	Strategic planning	Affirmed the previously established operational and environmental assessment and goals and developed 2019 - 2021 objectives.
2019 - 2021	Plan implementation	Completed Risk Report and tax qualification review, continued M-Trust enhancement, implemented online member services, sold former TRS building, implemented clarifying legislation, and expanded member outreach and education.
2021	Strategic planning	Considered progress and discussed federal regulatory issues, potential actuarial changes, and recent state legislation to develop 2021 – 2023 strategic objectives.
2021 - 2023	Plan implementation	Participated in legislative pension study, completed tax qualification review and experience study, completed online withdrawal application, initiated online member services, increased external communication, continued member surveys and promotion of online services.
2023	Strategic planning	Considered regulatory and actuarial practice changes; state legislation; legislative initiatives; stakeholder and member input; communication, outreach, and documentation needs; online member service initiatives; and other contemporary issues to develop the summary and objectives documented herein.

*Please see pages 15 – 16 for a glossary of terms and a guide to acronyms relevant to the summary.*

## Mission, Vision, Guiding Principles

The Board affirmed the following Mission, Vision, and Guiding principles:

### Mission

Our mission is to promote long-term financial security for our members while proactively maintaining the stability of the system.

### Vision

The Montana Teachers' Retirement System (TRS) is the trusted partner for retirement services and security. TRS strives to earn the respect of our members, the public education community, and citizens of Montana. We accomplish this by communicating effectively to our constituents, being responsive to their needs, and employing an effective and empowered professional staff and board well-versed in state and national issues impacting our members.

### Guiding Principles

To earn the respect and trust of our members, we adhere to the following values:

- High ethical standards
- Honesty, integrity, and impartiality
- Dignity, respect, and mutual support
- Service excellence

## Operational and Environmental Assessment

The Board reviewed and updated the 2021 Operational and Environmental Assessment by identifying and considering internal strengths and challenges as well as external opportunities and challenges.

### Internal Strengths

Qualities enabling TRS to address issues and opportunities in a determined and effective way include:

#### *Staff*

- Employees are respected, experienced, dedicated, and knowledgeable.
- Staff retention rates are good due to the work environment, workforce development, and pay rates.
- Management and staff quickly adapt to meet system needs and to improve capacity and service.
- TRS provides cross-training within departments and positions are interrelated resulting in a strong understanding of others' roles within the organization.

#### *Culture*

- The Board and staff demonstrate integrity and willingness to make tough decisions in the best interest of the system.
- Leadership is effective and values succession planning.
- Staff enjoy working with teachers and receive positive feedback.
- Board members have strong institutional knowledge.

#### *Communication*

- TRS maintains excellent internal and external communication and effectively addresses problems.
- M-Trust is improving operational efficiency and member services.
- Staff provide prompt and courteous customer service.

## Internal Strengths (continued)

### *Training*

- TRS provides effective training for employers at Montana Association of School Business Officials (MASBO) events and by request.
- High quality training is available for Board members and staff including the National Council on Teacher Retirement (NCTR), the Government Finance Officers Association (GFOA), Public Retirement Information System Management (PRISM), the Public Pension Financial Forum (P2F2), and the National Association of Public Pension Attorneys (NAPPA).
- Training is available for members at all stages of their career, including “TRS 101” for early- and mid-career members, and “Ready, Set, Retire!” for those approaching retirement.

### *Infrastructure*

- TRS systems include full redundancy and backup capacity for disaster recovery using the state data center.
- Information Technology (IT) staff adhere to technology replacement and support plans.
- TRS has an effective workspace with individual offices.

### *Member Benefits and Plans*

- Members don’t have to manage their own investments (defined benefit).
- TRS is a qualified plan that meets Internal Revenue Service (IRS) rules and is certified by the GFOA.
- Two membership tiers help ensure the retirement system remains sound.
- TRS maintains automated processes to generate introductory letters and communication at key milestones, yearly statements, newsletters, etc.

### *Partnerships*

- TRS leverages the expertise of outside agencies, organizations, and consultants including accountants and actuaries.
- The Board and staff collaborate with other boards including the Montana Board of Investments (MBOI) and the Montana Public Employees Retirement Administration (MPERA).
- TRS receives support from the Montana Legislature.
- The Board of Investments provides investment management and over time has provided an estimated rate of return of 7.7%.
- TRS benefits from collaboration with organizations such as the Montana Association of School Business Officials (MASBO), the National Council on Teacher Retirement (NCTR), the National Institute on Retirement Security (NIRS), and the National Association of State Retirement Administrators (NASRA).

## Internal Challenges

Vulnerabilities and limitations that are regarded as disadvantageous where TRS can leverage strengths to predict challenges and solve current problems include:

### *Staff*

- Retirements and turnover could disrupt operations or impact our knowledge base.

### *Communication*

- It is challenging to reach all constituents to ensure they are adequately educated about the system.
- Benefits and programs are undervalued by legislators, members, and taxpayers due to a lack of understanding of the economic benefits of the plan to the State.
- Communicating our mission is an ongoing challenge.
- Members may not engage and take advantage of opportunities to educate themselves about the system (e.g., information on the website or webinars).
- Active, inactive, and retired members have differing communication needs.

### *Training*

- It is difficult to provide training for school boards about the advantages of a defined benefit pension plan. TRS maintains a dedicated school board webpage which may be underutilized.
- Members do not always understand the need for financial planning or the fact that their pension plan provides guaranteed benefits.
- There is limited discussion about Teachers' Retirement among school boards. School boards are concerned about retention and TRS is a significant retention factor.

## External Opportunities

External opportunities suited to TRS strengths exist within situations or conditions that are favorable for goal attainment and advancement of the organization.

### *External Partnerships*

- Maintain relationships with committed, valuable external partners as well as a large, engaged constituency that can be activated.
- Develop constituent group resources and connections in partnership with the Montana Federation of Public Employees (MFPE), the American Federation of Labor/Congress of Industrial Organizations (AFL/CIO), the Montana School Boards Association (MTSBA), School Administrators of Montana (SAM), Montana Association of School Superintendents (MASS), the Montana Retired Educators Association (MREA), and the Montana Rural Education Association (MREA).
- Encourage Superintendents to bring information from MASS meetings to their boards.
- Engage stakeholders who have the capacity to collaborate and support the system.
- Send more Board members to formal training on topics related to public pensions to support development and create consistency.

### *Training*

- Use resources such as NASRA, NCTR, and NIRS websites, reports, documents, etc. for Board and staff training.
- Develop training for school board trustees and consider virtual delivery.

## External Opportunities (continued):

### *Infrastructure*

- Improve or expand IT systems, access to new software and hardware, and develop operational efficiencies within the M-Trust system.
- Develop data validation and audit processes.
- Increase capacity through contracting and staffing.
- Establish agreements and contracts for system support, modification, enhancement, and process/system documentation.
- Streamline workflow, redefine business processes, and redefine roles to better utilize staff time.
- Ensure strategic plans address changing demographics and funding requirements.
- Initiate an online retirement application system (business analysis).
- Increase use of My TRS including encouraging employers to distribute information to members and encouraging members to set up individual My TRS accounts (including sending a letter to new members encouraging participation).

### *Communication*

- Communicate to employers the value of TRS in attracting and retaining quality teachers. School boards are concerned about retention and TRS is a significant retention factor.
- Encourage members to use online resources; expand website information and webinars.
- Build on the quality communication program and expand public relations (e.g., meeting with regional superintendent groups and school board members with Board members).
- Maintain a national advocacy presence with agencies including the IRS and Social Security.
- Identify and discuss competing ideas regarding retirement in the political environment and address organizations that provide inaccurate information regarding defined benefit pensions.
- Advocate for appropriate and enhanced regulatory requirements.
- Encourage the University System to adequately fund its participation in the program.
- Educate employees and members about online security threats.
- Survey members to engage individuals and elicit feedback for service improvements.
- Manage perceptions to ensure public assumptions reflect reality and encourage trained representatives to perform local outreach.
- Incentivize the teaching profession by creating a greater understanding of the value of defined benefits through career fairs and information to educational institutions.
- Electronic information addressing misconceptions (informing new teachers that the system isn't taking 8% of their wages; it is providing an opportunity to participate in a quality retirement plan).
- Make internet-based resources available to members.
- Share and illustrate the positive aspects and benefits of TRS on the state and local economy (e.g., during fiscal year 2022, TRS paid out over \$400 million in benefits, with the bulk of that amount – over \$347 million – paid to 14,212 recipients living in Montana).
- Regularly attend SAM and MASBO meetings.
- Strive for more clear and concise communication with members.
- Educate employers to mitigate individual efforts to manipulate the system for personal gain.
- Educate members about deferred compensation programs as an opportunity to enhance their financial security.

## External Challenges

Disadvantageous limitations where TRS can leverage strengths to preemptively address issues:

### *Advocacy*

- Legislation could adversely affect the system.
- Inadequate funding for teacher wages puts pressure on TRS to provide additional benefits or to use the System as a supplemental plan.
- When membership or salaries do not increase, TRS falls behind in amortizing current unfunded liabilities.
- Actual volatility may impact funding levels, unfunded liabilities, funding requirements, and investment returns.
- Perceived volatility may impact public or policymakers' perception.
- The economic climate and market volatility are outside of TRS's control.
- Shifting demographics are resulting in longevity (retirees living longer) beyond current actuarial assumptions.
- Increases in property values and cost of living make it difficult for new teachers to afford housing or to live in Montana.

### *Workforce*

- Teachers moving out of state or working in private or online schools can reduce the workforce contributing to TRS.
- Education is being decentralized (e.g., digital academy, sanctioned education from 3<sup>rd</sup> party contractors/administrators, education cooperatives). Certain educators may not be TRS employees which could reduce member contributions.
- Charter schools may or may not be public schools and teachers may or may not be eligible to participate in TRS which could reduce TRS membership. Status may vary from entity to entity. Determinations will include whether the Charter Schools are established as Public Charter Schools. State law and IRS code will govern determinations.
- Teacher shortages will continue to increase pressure on TRS to reduce working retiree limitations.
- Factors such as retirement, illnesses and disabilities, school, and family care may lead to workforce shortages.

### *Operations*

- Evaluate utilization of external consultants to ensure the plan complies with applicable state and federal law and administrative rules to reduce the risk of failure to comply.
- Continue to evaluate needs of staffing requirements in the TRS system to ensure we cover and have backups for key functions.
- Assess business processes to ensure continuity of operations in the face of external challenges.

### *Training*

- Take advantage of educational opportunities to maintain adequate Board training.
- Provide staff training on policy compliance to reduce risk.

## Goals and Objectives

### 2021 – 2023 Goals Assessment

The Board evaluated the 2021 – 2023 overarching organizational goals and determined they remain appropriate and capture current Board initiatives and direction:

1. Maintain an actuarially sound “qualified” retirement plan in compliance with the Montana State Constitution and State and Federal laws and regulations governing such plans.
2. Sustain a high-performance work culture and service excellence through staff and board development, innovative leadership and management strategies, and expansion of organizational capacity.
3. Continue and expand communication and outreach efforts to increase member and employer knowledge of and involvement with the system, to educate and inform other stakeholders about the system, and to foster support for the system.

### 2021 – 2023 Objectives Assessment

The Board evaluated the 2021 – 2023 Strategic Planning Commitment Worksheet and determined TRS met several key objectives including but not limited to:

- Participating in the interim study of Montana’s defined benefit public retirement systems (House and Senate joint resolution 8).
- Completing the Fiscal Year (FY) 2021 tax qualification review documenting compliance of TRS law with federal tax qualification standards.
- Implementing TRS’ “housekeeping bill” (House Bill 88) providing clarification of cash paid in lieu of benefits, making other clarifications and technical corrections to existing TRS law, and implementing an IRS law affecting required minimum distributions.
- Implementing enhanced security features for My TRS users.
- Completing the online withdrawal application.
- Hiring, training, and cross-training qualified staff.
- Updating the pay plan.
- Developing processes and metrics to assess potential information technology enhancements and effectively manage enhancement projects.
- Planning the implementation of the online retirement application.
- Identifying and gaining Board approval of a responsive web design concept.
- Implementing business process and workflow improvements.
- Implementing automated status-oriented communication to members.
- Conducting member surveys and promoting the use of online services.
- Hiring an Auditor to develop internal and external audit capacity.
- Improving outreach efforts, including staff attendance at conferences, member outreach, improved M-Trust communication.

In addition to achieving the preceding strategic objectives, TRS staff responded to several regulatory issues that arose between 2021 and 2023. These efforts include:

- Implementing IRS regulatory changes including the Secure Act 2.0. Efforts related to maintaining compliance with IRS regulations are ongoing (e.g., treating spouse as a member, surviving beneficiary).
- Addressing new Actuarial Standards of Practice (ASOP) 4 Low-Default-Risk Obligation Measure (LDRM) requiring the calculation of liability at the low-risk default rate.

The Board considered the fact that the requirement to implement regulatory or actuarial changes in a short short-time frame may impact strategic objectives. The Board considered the need to respond to regulatory and actuarial changes when planning and implementing strategic objectives (i.e., organizational capacity impacts).

### 2023 Contemporary Issues and Surveys

The Board also evaluated the following information to develop objectives for the coming biennium:

1. Federal regulatory issues including the Secure Act 2.0, Required Minimum Distribution (RMD) changes (increased age for RMD, required programming and testing to modify letters), and other IRS regulations (e.g., treating a spouse or surviving beneficiary as a member).
2. Actuarial Standards of Practice (ASOP) 4 Low-Default-Risk Obligation Measure (LDRM) requiring the calculation of liability at the low-risk default rate.
3. Recent state legislation such as:
  - 2023 House Bill (HB) 117, introduced at the request of the TRS Board, relaxing certain restrictions on working retirees to provide additional hiring flexibility for TRS employers.
  - 2023 HB 135, the TRS "housekeeping bill," making several language clarifications and technical fixes in TRS law. It also provided a more stringent process for TRS employers to establish that an individual is an independent contractor (effective July 1, 2024).
  - 2023 Senate Bill (SB) 18 inserting a benefit policy statement to each pension system requiring that any future benefit addition must be fully funded. TRS supported this policy change as it mirrored the TRS Board's own Funding and Benefits Policy.
  - 2023 Senate Joint Resolution (SJ) 4 requesting another interim study of TRS and PERS Defined Benefit plans to develop recommendations for a long-term, strategic approach to funding. TRS supported this joint resolution to increase lawmakers' understanding of defined benefit pensions and the consequences of legislative funding decisions.
  - Recent changes to layered amortization on safety systems (this may be considered part of SJ4).
  - Required revisions to the public information process and policy to reflect substantial changes in the law (e.g., public right to know statutes).

4. Survey input from the following stakeholders and partners:
- School Administrators of Montana Dr. Rob Watson
  - Montana Retired Educators Association Marilyn Hamer
  - Montana Rural Education Association Larry Crowder
  - Montana Rural Education Association Dennis Parman
  - Montana Assoc. of School Business Officials Shelley Turner
  - Montana Federation of Public Employees Amanda Curtis
  - Teachers' Retirement System Board
  - Teachers' Retirement System Staff

A sample of survey findings considered by the Board include:

*"Keeping a [Defined Benefit (DB)] plan is so important in a state like ours with some of the lowest salaries in the country!" – Active Member Survey Response*

*"A DB plan is a huge retention incentive and if you get rid of it, we will lose good teachers – even more than we already are." – Active Member Survey Response*

*"The TRS benefits are outstanding for those who commit to stay in the system. I believe as graduates come out of college and take that first teaching job, retirement is not really on their mind. School districts and TRS could do a better job of explaining the advantages of a defined retirement benefit. A guaranteed retirement benefit is not common in today's world, and it should really be something to be proud of, which makes it a huge potential advantage or strength for TRS." – Affiliate Survey Response*

*"[We can better serve our customers through] more community outreach for teachers relating to the importance of retirement planning...." -Board Survey Response*

*"I think we do a wonderful job serving our customers. I know they would appreciate more online avenues to complete forms. I know we have projects in place for that to come." – Staff Survey Response*

*"M-Trust is a great pension administration system. TRS has quality leadership and staff with good industry knowledge." – Staff Survey Response*

## Organizational Goals and Objectives

The TRS Board established or updated the following objectives and goals based on the operational and environmental assessment, evaluation of organizational accomplishments, and consideration of contemporary issues and surveys:

**Goal 1: Maintain an actuarially sound “qualified” retirement plan in compliance with the Montana State Constitution and State and Federal laws and regulations governing such plans.**

### Objectives:

- Conduct periodic tax qualification reviews and maintain qualified plan status by ensuring the plan complies with the Federal Internal Revenue Code, state and federal law, and the Montana State Constitution.
- Proactively address legislative initiatives through risk analysis, active participation in legislative studies and dissemination of accurate system information.
- Eliminate the unfunded actuarial accrued liability and establish a stabilization reserve.
- Provide a comprehensive annual financial report prepared in accordance with Generally Accepted Accounting Principles (GAAP) and applicable Governmental Accounting Standards Board (GASB) standards.
- Conduct an experience study for the five-year period ending July 1, 2026.

**Goal 2: Sustain a high-performance work culture and service excellence through staff and board development, innovative leadership and management strategies, and expansion of organizational capacity.**

### Objectives:

- Promote a work environment in which staff adheres to TRS principles: high ethical standards; honesty, integrity and impartiality; dignity, respect and mutual support.
- Continue to develop and expand board and staff training and education to maintain knowledgeable and proactive leadership and expertise and identify ideas and opportunities to improve the system.
- Identify, catalog, and prioritize potential information technology (IT) enhancements including a responsive web design.
- Continue business process and workflow improvements and develop procedural documentation for each team.
- Maintain formal strategic planning efforts to identify, prioritize and achieve goals and objectives that are in the best interest of the system.
- Maintain best practices in system security.
- Implement succession planning to include internal development and experiential learning opportunities for staff.
- Maintain TRS’s market and competency/performance-based pay systems to help attract, retain, and motivate competent employees who support the organization’s guiding principles.
- Meet or exceed industry best practice standards (e.g., Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting Program).

## Organizational Goals and Objectives (continued)

Goal 3: Continue and expand communication and outreach efforts to increase member and employer knowledge of and involvement with the system, to educate and inform other stakeholders about the system, and to foster support for the system.

### Objectives:

- Facilitate Executive Director and Board member attendance at school superintendent meetings and staff attendance at conferences and outreach opportunities.
- Continue external communication including promoting communication with members and employers about system functions, improvements, processes, and transactions.
- Continue with Member Surveys to inform our strategic direction, increase retirement awareness, promote engagement, and inform policymakers.
- Promote the system as a benefit to help school districts attract and retain teachers.
- Hire additional staff (one full-time equivalent) and contractors to support communication initiatives including outreach and procedural documentation.
- Research available options for TRS to support or promote a deferred compensation system for teachers.
- Provide membership with retirement seminars, periodic newsletters and memos containing pertinent information in a timely manner.
- Utilize technology to enhance communication with members and other constituents.
- Maintain communication with national organizations to stay abreast of recent and on-going pension related issues and disseminate this information to policymakers and stakeholders.
- Research retirement options and be prepared to inform policymakers on how options will impact the system and members.

## Plan Implementation

The Board concluded the 2023 strategic planning session by providing guidance to staff related to the implementation of the defined goals and objectives.

Implementation steps for the upcoming biennium include:

1. Develop a written work plan to implement Board-approved goals and objectives and document the plan in a Strategic Planning Commitment Worksheet (attached).
2. Establish specific action strategies to accomplish the objectives documented in the workplan and include these actions in staff performance objectives as appropriate.
3. Provide regular updates to the Board on progress toward goals and objectives.
4. Evaluate the plan and commitment worksheet regularly and update or modify the documents as needed.

## Glossary

Following is a glossary of partner organizations and terms (including acronyms) relevant to TRS and the planning summary.

**American Federation of Labor/Congress of Industrial Organizations (AFL/CIO)** – a democratically governed federation of unions, each with its own distinct membership and unique voice.

**Financial Accounting Standards Board (FASB)** – an independent nonprofit organization responsible for establishing accounting and financial reporting standards.

**Generally Accepted Accounting Principles (GAAP)** – a common set of accounting principles, standards, and procedures issued by the FASB.

**Governmental Accounting Standards Board (GASB)** – the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States.

**Government Finance Officers Association (GFOA)** – an association of public finance officials aligned to advance excellence in public finance. Members are federal, state/provincial, and local finance officials who are deeply involved in planning, financing, and implementing governmental operations.

**Montana Association of School Business Officials (MASBO)** – a non-profit dedicated to training and supporting the people responsible for business operations in Montana schools.

**Montana Board of Investments (MBOI)** – an agency of state government that provides prudent investment management of state and local government funds.

**Montana Federation of Public Employees (MFPE)** – a union of professionals that promotes the welfare of its members by representing them to all terms and conditions of employment.

**Montana Public Employees Retirement Administration (MPERA)** – an agency of state government that administers eight different retirement systems including the Public Employees, Judges, Highway Patrol Officers, Sheriffs, Game Wardens and Peace Officers, Municipal Police Officers, Firefighters, and Volunteer Firefighters' Compensation Act systems as well as the State's Deferred Compensation Plan.

**Montana Rural Education Association (MREA)** – an organization which is concerned about all aspects of the K-12 public education system in rural Montana.

**Montana School Boards Association (MTSBA)** – a private non-profit membership organization with the Core Purpose of maximizing the potential of each child in Montana's public schools through school board leadership.

**My TRS** – member portal to TRS online services.

## Glossary (continued)

**National Association of Public Pension Attorneys (NAPPA)** – a professional legal, educational and information resource organization that consists exclusively of attorneys who represent public pension funds.

**National Association of State Retirement Administrators (NASRA)** - serves the members in managing sustainable public employee retirement systems through research, education, and collaboration.

**National Council on Teacher Retirement (NCTR)** – dedicated to safeguarding the integrity of public retirement systems in the United States and its territories to which teachers belong and to promoting the rights and benefits of all present and future members of the systems.

**Public Pension Financial Forum (P2F2)** – serves its membership through education, pension advocacy, and networking by promoting financial excellence for public pension plans.

**Public Retirement Information System Management (PRISM)** – provides a forum for Information Technology (IT) managers of public pension funds where they could share information, as well as their experiences, as they strive to provide “state-of-the-art” technology and systems support to the retirement funds they serve.

**School Administrators of Montana (SAM)** – a member-led, model education organization dedicated to developing instructional leaders advocating for student success.

# MONTANA TEACHERS' RETIREMENT SYSTEM

## GOALS AND OBJECTIVES

MISSION: TO PROMOTE LONG-TERM FINANCIAL SECURITY FOR OUR MEMBERS  
WHILE PROACTIVELY MAINTAINING THE STABILITY OF THE SYSTEM.

### 1. **Maintain an actuarially sound “qualified” retirement plan in compliance with the Montana State Constitution and State and Federal laws and regulations governing such plans.**

- Conduct periodic tax qualification reviews and maintain qualified plan status by ensuring the plan complies with the Federal Internal Revenue Code, state and federal law, and the Montana State Constitution.
- Proactively address legislative initiatives through risk analysis, active participation in legislative studies and dissemination of accurate system information.
- Eliminate the unfunded actuarial accrued liability and establish a stabilization reserve.
- Provide a comprehensive annual financial report prepared in accordance with Generally Accepted Accounting Principles (GAAP) and applicable Governmental Accounting Standards Board (GASB) standards.
- Conduct an experience study for the five-year period ending July 1, 2026.

### 2. **Sustain a high-performance work culture and service excellence through staff and board development, innovative leadership and management strategies, and expansion of organizational capacity.**

- Promote a work environment in which staff adheres to TRS principles: high ethical standards; honesty, integrity and impartiality; dignity, respect and mutual support.
- Continue to develop and expand board and staff training and education to maintain knowledgeable and proactive leadership and expertise and identify ideas and opportunities to improve the system.
- Identify, catalog, and prioritize potential information technology (IT) enhancements including a responsive web design.
- Continue business process and workflow improvements and develop procedural documentation for each team.
- Maintain formal strategic planning efforts to identify, prioritize and achieve goals and objectives that are in the best interest of the system.
- Maintain best practices in system security.
- Implement succession planning to include internal development and experiential learning opportunities for staff.
- Maintain TRS's market and competency/performance-based pay systems to help attract, retain, and motivate competent employees who support the organization's guiding principles.
- Meet or exceed industry best practice standards (e.g., Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting Program).

**3. Continue and expand communication and outreach efforts to increase member and employer knowledge of and involvement with the system, to educate and inform other stakeholders about the system, and to foster support for the system.**

- Facilitate Executive Director and Board member attendance at school superintendent meetings and staff attendance at conferences and outreach opportunities.
- Continue external communication including promoting communication with members and employers about system functions, improvements, processes, and transactions.
- Continue with member surveys to inform our strategic direction, increase retirement awareness, promote engagement, and inform policymakers.
- Promote the system as a benefit to help school districts attract and retain teachers.
- Hire additional staff (one full-time equivalent) and contractors to support communication initiatives including outreach and procedural documentation.
- Research available options for TRS to support or promote a deferred compensation system for teachers.
- Provide membership with retirement seminars, periodic newsletters and memos containing pertinent information in a timely manner.
- Utilize technology to enhance communication with members and other constituents.
- Maintain communication with national organizations to stay abreast of recent and ongoing pension-related issues and disseminate this information to policymakers and stakeholders.
- Research retirement options and be prepared to inform policymakers on how options will impact the system and members.

## 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, 2025.</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 <b>(Underway - Approximately 50% of redesign is complete with assistance from SITSD)</b>	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 <b>(Enterprise Contract for DocuSign, ID Verification budgeted FY 2025)</b>	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. <b>All meetings are scheduled.</b></p>	<p>Spring of 2024 (ongoing) <b>Completed – May 8, 2024</b></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 &amp; 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><b>2023 survey completed in October 2023, next survey 2025.</b></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. <b>New FTE starts 12/18/23</b></p>	<p>Fall 2023/Spring 2024 <b>Complete December 18, 2024</b></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 <b>In presentation to MASS with MPERA 457B handout/contact info.</b></p>	<p>Executive Director/Chief Legal Counsel</p>	<p>Staff time.</p>

## **VIII. Executive Director's Report**

### *Discussion Items*

**A. Legislative Interim Committee Update** – The State Administration and Veteran Affairs committee (SAVA) is scheduled to meet on July 31st. They have requested our presence to present our draft legislation for pre-session drafting approval. In addition, I will attend their October meeting to present the results of the July 1, 2024 actuarial valuation.

**B. Operations Update** – TRS has experienced a few vacancies since our May meeting and we have successfully filled some of them as follows.

1. **TRS Imaging Technician (*filled*)**: Stephanie Reynolds was selected as the successful candidate to fill the vacancy created when Robert Grotzke left TRS to relocate to Minnesota. Stephanie is proving to be a quick study and we are excited to have her on board at TRS.
2. **TRS Retired Payroll Technician (*filled*)**: Tina West was our successful candidate for the vacancy in retired payroll created when Janine Whitley announced her retirement. Tina has served as our Administrative Assistant for the past two years and she will be able to leverage her experience in her new role with retired payroll.
3. **Administrative Assistant (*vacant*)**: This position is currently advertised as a result of Tina West being promoted to the Retired Payroll Technician position. We will schedule interviews as soon as the posting closes.

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

## **IX. 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 June 30, 2024.

**B. FY 2022 Budget Status Report** – I will update the board packet with a copy of the budget status reports thru June 30, 2024 as soon as possible after SABHRS closes on 7/25/24. Nolan Brilz, Accounting Manager for TRS, will present the report and answer any questions you might have during the meeting.

**C. NCTR Customer Service Workshop** – Darla Fitzpatrick will give a verbal update of the recent NCTR conference she attended.

**D. NCTR Director's Meeting** – Shawn Graham will give a verbal update of the recent NCTR conference he attended.

**E. Tentative Meeting Dates** – Tentative dates are October 4 and December 6, 2024. Cavanaugh Macdonald is scheduled to be here for the October 4<sup>th</sup> meeting to present the results of the July 1, 2024, Actuarial Valuation Report.

**F. Public Comment** – Opportunity for any member of public to provide comment regarding administrative business.

*Information Item*    **G. Next Meeting Date** – October 4, 2024

<u>Allocation</u>	<u>UNITS OUTSTANDING</u>	<u>UNIT VALUE</u>	<u>MARKET VALUE\$(000)</u>	<u>ALLOCATION (%)</u>
<b>TEACHERS RETIREMENT</b>			5,120,170	100.00
SHORT TERM INVESTMENT POOL (STIP)	55,503,307.43	100.00000	55,798	1.09
Consolidated Asset Pension Pool (CAPP)	2,858,019,763.42	177.19862	5,064,372	98.91

	<u>ITD</u>	<u>INCEPTION DATE</u>
Longest Measurable Plan Return	7.77	7/1/1994

<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>
TEACHERS RETIREMENT	1.06	1.17	9.06	9.06	4.21	8.23	7.40	7.17	7.77	1/1/2011
TEACHERS RETIREMENT CUSTOM BENCHMARK (YWN2D) - BLDR	0.42	0.53	9.72	9.72	2.96	7.29	7.09		8.25	
SHORT TERM INVESTMENT POOL (STIP) [1]	0.44	1.35	5.53	5.53	3.18	2.27	1.65	1.78	2.43	4/1/1997
SHORT TERM CUSTOM BENCHMARK (MONSTCB) - BLDR	0.45	1.38	5.68	5.68	3.25	2.20	1.61	1.74	2.36	
Consolidated Asset Pension Pool (CAPP)	1.06	1.15	9.11	9.11	4.23	8.31	-	-	8.21	4/1/2017
CAPP CUSTOM BENCHMARK (MONCAPP) - BLDR	0.42	0.51	9.77	9.77	2.96	7.34	-	-	7.52	

<u>Allocation - Asset Class</u>	<u>Plan Market Value \$(000)</u>	<u>Allocation (%)</u>
TEACHERS RETIREMENT	5,120,170	100.00
Domestic Equity - PAC	1,397,944	27.30
International Equity - PAC	714,885	13.96
Private Investments - PAC	859,211	16.78
Real Assets - PAC	306,555	5.99
Real Estate - PAC	621,396	12.14
Core Fixed Income - PAC	740,257	14.46
Non-Core Fixed Income - PAC	356,967	6.97
Cash Equivalents - PAC	67,155	1.31
PENSION CASH	55,798	1.09

<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	2.81	2.90	22.46	22.46	7.93	14.03	11.78	9.68	10.26	5/1/2003
Domestic Equity - PAC Custom Blend (MONDE) - BLDR	3.14	3.35	23.31	23.31	8.23	14.34	12.38	10.21	10.94	
International Equity - PAC	(0.34)	0.68	10.69	10.69	(0.49)	5.49	4.11	5.28	4.85	4/1/1997
International Equity - PAC Custom Blend (MONIE) - BI [2]	(0.23)	0.92	11.57	11.57	0.19	5.62	3.92	5.68	5.13	
Private Investments - PAC	0.04	1.08	3.95	3.95	9.29	13.79	12.05	11.69	12.52	5/1/2002
Private Equity PAC Custom (MONPE) - BLDR	(0.89)	(2.13)	10.84	10.84	1.59	9.10	10.16	11.09	10.65	
Real Assets - PAC	0.90	1.02	6.65	6.65	10.87	5.98	-	-	5.77	4/1/2017
Real Assets - PAC Custom Blend (MU7EBM) - BLDR	(2.39)	0.10	6.63	6.63	4.07	1.47	-	-	3.06	

	<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>
<b>Returns</b>										
Real Estate - PAC	0.06	(0.93)	(4.16)	(4.16)	5.04	4.87	7.51	-	4.27	6/1/2006
Real Estate - PAC Custom Blend (MONRE) - BLDR	(2.58)	(2.58)	(12.00)	(12.00)	2.47	(0.99)	4.06	-	4.07	
Core Fixed Income Pre and Post CAPP [3]	1.45	0.29	2.83	2.83	(2.55)	0.07	1.48	3.61	4.97	4/1/1995
Core Fixed Income Custom Benchmark (CFIBM1)	0.95	0.07	2.63	2.63	(3.02)	(0.42)	1.09	3.00	4.35	
Non-Core Fixed Income Pre and Post CAPP [4]	0.62	0.62	9.03	9.03	0.54	2.93	3.44	-	6.50	6/1/2009
Bloomberg U.S. HY - 2% Issuer Cap (WE6D)	0.94	1.09	10.43	10.43	1.64	3.90	4.30	-	7.58	
Cash Equivalents - PAC	0.95	1.95	6.26	6.26	3.86	2.68	-	-	2.43	5/1/2017
SHORT TERM CUSTOM BENCHMARK (MONSTCB) - BLDR	0.45	1.38	5.68	5.68	3.25	2.20	-	-	2.10	

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 5/31/2024: 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).

6/1/2024 to present: The portfolio weighted average of MSCI AC World Commodity Prod Net, MSCI ACWI Infrastructure Total, BBG Inf-Lk US TIPS (Dly), and Short Term Custom Benchmark.

**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 June 30, 2024

	6/30/2024	6/30/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
<b>ASSETS</b>		
Current Assets		
Cash	14,293,201	8,541,995
Accounts Receivable	19,970,783	24,571,800
Interest Receivable	294,700	266,894
<b>Total Current Assets</b>	<b>34,558,684</b>	<b>33,380,689</b>
Investments		
Short-term Investment Pool	55,483,020	54,469,383
Consolidated Asset Pension Pool (net)	5,064,347,302	4,835,048,177
Security Lending Collateral	180,557,395	49,737,244
<b>Total Investments</b>	<b>5,300,387,717</b>	<b>4,939,254,803</b>
Other Assets		
Equipment	16,286	16,286
Accumulated Depreciation Equip	(16,286)	(16,286)
Leashold Improvements	243,881	243,881
Accumulated Dep Leasehold Imp	(156,780)	(121,940)
Intangible Assets	0	171,633
Intangible Right to Use Bldg	2,810,123	2,810,123
Accumulated Amort Right to Use Bldg	(495,904)	(330,603)
<b>Total Other Assets</b>	<b>2,401,320</b>	<b>2,773,094</b>
<b>Deferred Outflows - Pension and OPEB</b>	<b>424,170</b>	<b>504,594</b>
<b>TOTAL ASSETS</b>	<b>5,337,771,890</b>	<b>4,975,913,180</b>
<b>LIABILITIES &amp; FUND BAL.</b>		
Liabilities		
Accounts Payable	258,000	179,747
Standard Lease	2,474,672	2,595,184
Uncleared Collections	(0)	0
Compensated Absenses	256,558	218,004
Security Lending	180,557,395	49,737,244
OPEB Implicit Rate Subsidy	54,636	53,547
Net Pension Liability - PERS	1,957,160	1,851,315
<b>Total Liabilities</b>	<b>185,558,422</b>	<b>54,635,041</b>
Fund Balances		
Pension Accumulation Fund	4,094,743,044	3,943,830,737
Annuity Savings Fund	826,100,069	780,618,747
Year-to-date Income/(Loss)	231,024,716	196,393,630
Adj Fund Bal	0	0
<b>Total Fund Balance</b>	<b>5,151,867,830</b>	<b>4,920,843,113</b>
<b>Deferred Inflows - Pension and OPEB</b>	<b>345,639</b>	<b>435,025</b>
<b>TOTAL LIABILITIES &amp; FUND BAL.</b>	<b>5,337,771,890</b>	<b>4,975,913,180</b>

**THE TEACHERS' RETIREMENT SYSTEM**  
**FUND BALANCE STATEMENT**  
as of June 30, 2024

	6/30/2024	6/30/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
REVENUE		
Contributions	255,387,309	248,904,127
Misc Revenue	48,689	55,137
Investment Revenue	432,590,569	388,445,976
<b>TOTAL REVENUE</b>	<b>688,026,567</b>	<b>637,405,240</b>
EXPENSES		
Benefits Paid	444,438,589	429,121,173
Withdrawals	8,574,536	7,830,941
Admin. Exp	3,286,299	3,086,422
Depreciation Exp.	34,840	34,840
Amortization Exp.	171,633	411,920
Lease Amortization Exp.	165,301	165,301
Lease Principal & Interest	38,316	47,309
OPEB Expense	(6,571)	7,070
Pension Expense - PERS	298,906	306,634
<b>TOTAL EXPENSES</b>	<b>457,001,851</b>	<b>441,011,610</b>
<b>REV OVER EXP</b>	<b>231,024,716</b>	<b>196,393,630</b>
<b>REV OVER EXP</b>	<b>231,024,716</b>	<b>196,393,630</b>
BEG FUND BAL	4,920,843,113	4,724,449,484
Adj Fund Bal	0	0
<b>END FUND BAL</b>	<b>5,151,867,830</b>	<b>4,920,843,113</b>

**THE TEACHERS' RETIREMENT SYSTEM**  
**INVESTMENT REVENUE BY SOURCE & ADMINISTRATIVE EXPENSES BY TYPE**  
as of June 30, 2024

	6/30/2024	6/30/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
<b>Investment Revenue:</b>		
Short-term Investment Pool	3,374,708	2,241,955
Consolidated Asset Pension Pool		
Securities Gains/(Losses)	91,755,507	77,924,849
Investment Appreciation/(Depreciation)	367,146,423	334,855,956
Securities Lending Activity	1,259,153	1,047,139
Administrative Investment Exp.	(30,945,222)	(27,623,923)
<b>Total Investment Rev.</b>	<b>432,590,569</b>	<b>388,445,976</b>
<b>Administrative Expense:</b>		
Personal Services	2,089,000	1,904,084
Contracted Services	840,239	893,907
Supplies & Material	70,732	43,974
Communications	142,483	113,119
Travel	21,937	26,547
Rent	3,241	2,993
Repairs & Maintenance	27,594	16,006
Other Expenses	91,074	85,793
Depreciation Exp.	34,840	34,840
Amortization Exp.	171,633	411,920
Lease Amortization Exp.	165,301	165,301
Lease Principal & Interest	38,316	47,309
OPEB Expense	(6,571)	7,070
Pension Expense - PERS	298,906	306,634
<b>Total Administrative Exp.</b>	<b>3,988,725</b>	<b>4,059,496</b>

**Teachers' Retirement System  
Operating Budget Status Report  
as of June 30, 2024**

ACCOUNT LEVEL	ACCOUNT CATEGORY	EXPENSE FY 2023	BUDGET FY 2024	EXPENDITURE YEAR TO DATE	% BUDGET SPENT	TOTAL PROJECTED	BUDGET SURPLUS/(DEFICIT)
	<b>PERSONAL SERVICES:</b>						
61100	Salaries	1,512,007	1,688,034	1,633,775	96.8%	1,633,775	54,259
61300	Per Diem	4,250	8,000	4,700	58.8%	4,700	3,300
61403	Health Insurance	265,608	287,905	278,256	96.6%	278,256	9,649
61400	Benefits	261,176	297,023	281,451	94.8%	281,451	15,572
	<b>Total Personal Services</b>	<b>2,043,041</b>	<b>2,280,963</b>	<b>2,198,182</b>	<b>96.4%</b>	<b>2,198,182</b>	<b>82,780</b>
	<b>OPERATING EXPENSES:</b>						
62100	Contract Services	800,328	870,298	756,410	86.9%	756,410	113,888
62200	Supplies/Materials	43,974	63,550	70,732	111.3%	70,732	(7,182)
62300	Communications	113,119	133,725	142,483	106.5%	142,483	(8,758)
62400	Travel	26,547	34,500	21,937	63.6%	21,937	12,563
62500	Rent	2,993	3,500	3,241	92.6%	3,241	259
62700	Repairs/Maintenance	16,006	21,669	27,594	127.3%	27,594	(5,925)
62800	Other Expenses	85,793	112,035	91,074	81.3%	91,074	20,961
	<b>Total Operating Expense</b>	<b>1,088,760</b>	<b>1,239,277</b>	<b>1,113,470</b>	<b>89.8%</b>	<b>1,113,470</b>	<b>125,807</b>
62122	Audit Fees - Biennial Amount	93,579	178,287	83,829	47.0%	83,829	94,458
	<b>Total Operating and Personal Services</b>	<b>3,225,379</b>	<b>3,698,527</b>	<b>3,395,482</b>	<b>91.8%</b>	<b>3,395,482</b>	<b>303,045</b>
69501	Capital Lease	135,889	158,828	158,828	0.0%	158,828	0
	<b>Subtotal Capital Lease</b>	<b>135,889</b>	<b>158,828</b>	<b>158,828</b>	<b>0.0%</b>	<b>158,828</b>	<b>0</b>
	<b>Totals</b>	<b>3,361,268</b>	<b>3,857,355</b>	<b>3,554,310</b>	<b>92.1%</b>	<b>3,554,310</b>	<b>303,045</b>

Percent of FY Complete                      100%  
Percent of Payroll Complete                100%

**Teachers' Retirement System**  
**Budget Analysis - Contracted Services**  
as of June 30, 2024

ACCOUNT CODE	ACCOUNT NAME	EXPENSE FY 2022	BUDGET FY 2023	ACTUAL EXP TO DATE	% OF BUDGET
62102	Consulting & Professional	147,651	148,930	141,862	95.3%
62104	Insurance & Bonds	6,397	0	0	N/A
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	35,499	95.4%
62114	Payroll Service Fees	5,455	5,791	5,791	100.0%
62114A	Workers Comp Mgmt	215	529	449	84.9%
62115	Photographic Services	30	45	50	111.1%
62116	Medical Services	683	1,500	9,056	603.7%
62136	IT Consult & Prof Servs	336,721	359,000	271,628	75.7%
62145	Food Services Expense	0	800	431	53.9%
62148	SABHRS Costs/DOA	132,419	145,660	152,281	104.5%
62186A	Recycling	745	800	780	97.6%
62187	Records Storage	2,580	3,000	2,896	96.5%
62190	Printing, Pub & Graphics	31,403	35,000	40,217	114.9%
62191	Printing, Other Provider	2,523	4,000	3,022	75.5%
621B1	SITSD Storage Hosting	13,103	16,500	18,061	109.5%
621B2	SITSD Server Hosting Services	28,970	28,000	27,906	99.7%
621B4	SITSD Application Services	576	200	1,165	582.4%
621B5	SITSD Email	2,676	3,000	2,720	90.7%
621B8	SITSD Operations Support	6,263	8,200	8,092	98.7%
621B9	SITSD Database Hosting	1,674	2,500	2,387	95.5%
621C2	SITSD Application Development	0	0	4,290	N/A
621C5	SITSD Enterprise Services	31,264	30,000	27,714	92.4%
621C6	SITSD Professional Services	0	1,000	0	0.0%
621C8	SITSD Email Restore	0	1,000	0	0.0%
	<b>SUBTOTAL</b>	<b>787,583</b>	<b>870,298</b>	<b>756,410</b>	<b>86.9%</b>
62122	Audit Fees - Current	73,644	178,287	83,829	47.0%
	<b>TOTAL CONTRACTED SERVICES</b>	<b>861,227</b>	<b>1,048,585</b>	<b>840,239</b>	<b>80.1%</b>

Percent of FY Complete: 100%

**Teachers' Retirement System  
Delinquent Agency Report  
7/26/2024**

<b>Employer Number</b>	<b>Employer Name</b>	<b>Reports Outstanding</b>	<b>Estimated Employee Contributions</b>	<b>Estimated Employer Contributions</b>
440061	Lame Deer PS	06/2024	12,000	14,000
		<b>Total</b>	<b>12,000</b>	<b>14,000</b>
		<b>Total Due</b>	<b>26,000</b>	

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

**X. Adjournment**

*Action Items*      **A. Motion to Adjourn**