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 8, 2026 board meeting.

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Teachers' Retirement Board

Board Meeting
100 North Park Avenue, Suite 110
Helena, Montana

AGENDA

Friday, August 7, 2026

OPEN MEETING:

All Times Are Tentative

8:30 I. Call to Order

Action Items
A. Adopt Agenda
B. Approval of Minutes – May 8, 2026

8:32 II. Public Comment

CLOSED MEETING

8:35 III. Disability Applications

Discussion Items
A. Executive Session to Discuss Disability Applications

OPEN MEETING

Action Item
B. Applications for Disability Retirement Benefits

Discussion Items
C. Public Comment

8:45 IV. Administrative Business

Discussion Items
A. Investment Report – Daniel Trost
B. FY 2026 Budget Status Report – Nolan Brilz
C. PRISM Conference – John Noble
D. NAPPA Annual Conference – Jim Malizia
E. NCTR Director's Meeting – Shawn Graham
F. Tentative 2026 Meeting Dates - Oct 9, Dec 4
G. Public Comment

Action Item
H. Out of State Travel Requests
1. P2F2 Annual Conference
2. NCTR Annual Conference

Information Item
I. Next Meeting – Oct 9, 2026 – TRS Board Room

9:00 V. 2027 Draft Legislation

Discussion Items
A. Review and Discuss Draft Legislation for 2027 Session
B. Public Comment

9:20 VI. Board Training

Discussion Items

A. Funding and Benefits Policy and Fiduciary Training
B. Public Comment

<u>10:05 BREAK</u>

10:20 VII. Executive Director's Report

Discussion Items

A. Legislative Interim Committee Update
B. Operations Update
C. Active Team Introductions

D. Public Comment

10:45 VIII. Strategic Planning

Discussion Items

A. Long Range Planning

B. Public Comment

11:30 IX. 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 406-444-3395 or by sending an email to: TrsOutreach@mt.gov.

The Teachers' Retirement Board is pleased to make reasonable accommodations for any known disability that may interfere with a person's ability to participate in public meetings. If you need an accommodation, you must notify the Board (call 444-3134, e-mail Mary.Corder@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.

Montana Teachers' Retirement System Board Meeting
May 8, 2026

Official meeting minutes are the recordings posted at Montana Teachers' Retirement System YouTube channel (timestamps may differ)

Board Members Present

Kari Elliott, Chair (*virtual)*

Daniel Chamberlin, Vice Chair

Dee Brown, Member

Elliott Crump, Member

Daniel Trost, Member

Brian Youngren, Member

Staff Present

Shawn Graham, Executive Director

Tammy Rau, Deputy Executive Director

Jim Malizia, Chief Legal Counsel

Nolan Brilz, Accounting/Fiscal Manager

Christian Ward, Accountant

Ali Holland, Accountant

Chris Fish, Auditor

Lexi Newcomer, Communications Specialist

Others Present

Bryan Hoge, CavMac Consulting

Kim Popham, Montana Federation of Public Employees

Rebecca Powell, Legislative Services Division

Nathan Weinstien, Osmosis

I. Call to Order (00:00:05)

Vice Chair Dan Chamberlin called the meeting to order at 8:28 a.m. on May 8, 2026.

A. Adoption of the Agenda

Member Dee Brown moved to adopt the agenda, with Member Dan Trost seconding. The motion was approved by all members present.

B. Approval of Minutes

Member Elliott Crump moved to approve the February 13, 2026 meeting minutes, with Member Trost seconding. The motion was approved by all members present.

II. Public Comment on Board Related Items (00:01:16)

This is an opportunity for members of the public to comment on any public matter not on the agenda and within the jurisdiction of the Board. There was no public comment.

III. Actuarial Experience Study (00:01:25)

A. Bryan Hoge, CavMac Consulting, presented the results and findings of the five-year Actuarial Experience Study, the end of the study period was July 1, 2025.

B. Public Comment

Vice Chair Chamberlin called for public comment on this topic. There was no public comment.

C. Board Consideration of Actuarial Assumption Recommendations

Motion/Vote: Member Trost moved to adopt the actuary recommended changes based on the experience study, with Member Brian Youngren seconding the motion. The motion was approved by all members present.

IV. Administrative Business (01:24:13)

A. Investment Report

Member Trost briefed the board.

B. FY 2025 Legislative Audit Report

Nolan Brilz, TRS Accounting/Fiscal Manager, briefed the board.

C. YTD Financial Statements and Budget Reports

Mr. Brilz briefed the board.

D. Personnel Committee Report

Chair Kari Elliott and Member Crump briefed the board.

E. Budget Committee Report

Vice Chair Chamberlin and Member Youngren briefed the board.

F. Tentative 2026 Meeting Dates- August 7, October 9, December 4

The Board upcoming tentative 2026 meeting dates. The next Board meeting is scheduled for Friday, August 7, 2026.

G. Public Comment

Vice Chair Chamberlin called for public comment on this topic. There was no public comment.

H. Interest Rate Credited to Member Accounts

Motion/Vote: Member Trost moved to adopt the recommended interest rate with Member Crump seconding. The motion was approved by all members present.

I. Renewal of Contracted Service Agreements

Motion/Vote: Member Brown moved to renew contracted services as presented with Member Trost seconding. The motion was approved by all members present.

J. Out of State Travel Requests
   i. NCTR Trustee Workshop

   Motion/Vote: Member Crump moved to approve up to 3 Board Members to attend the NCTR Trustee Workshop, with Member Brown seconding. The motion was approved by all members present.

K. FY 2027 Budget Request

   Motion/Vote: Member Youngren moved to accept the FY 2027 budget as requested with Member Trost seconding. The motion was approved by all members present.

L. Next Meeting

   The Board will meet on August 7, 2026 in the TRS Board Room.

V. Executive Director's Report (02:00:50)

A. 2027 Legislative Concepts

   Executive Director Shawn Graham briefed the Board.

B. Executive Summary

   Executive Director Graham briefed the Board on MASS meetings, a staff update and had members of the TRS Accounting team introduce themselves.

C. Public Comment

   Vice Chair Chamberlin called for public comment on this topic. There was no public comment.

VI. Legal Counsel's Report (02:20:25)

A. Summary of Legal Issues

   Jim Malizia, Chief Legal Counsel, reported no pending legal issues.

B. Ice Miller Compliance Review

   Mr. Malizia briefed the Board.

VII. Board Policy (02:31:25)

A. Adopt Revisions to Privacy and Security of Personal Information Policy

   Motion/Vote: Member Crump moved to approve and adopt revisions to the policy, with Member Brown seconding. The motion was approved by all members present.

B. Public Comment

   Vice Chair Chamberlin called for public comment on this topic. There was no public comment.

VIII. Applications and Benefit Adjustments (02:32:59)

A. Regular, Survivorship, Adjustments & Corrections

Deputy Director Tammy Rau briefed the Board on retirement applications processed from January 2026 to March 31, 2026.

IX. Long Range Planning (2:33:59)

A. Strategic Planning Worksheet Updates

Executive Director Graham briefed the Board.

B. Public Comment

Vice Chair Chamberlin called for public comment on this topic. There was no public comment.

X. My TRS and ID.me (02:43:15)

A. Demonstration of Redesigned My TRS and ID.me

Executive Director Graham gave a demonstration of ID.me use in the redesigned My TRS.

B. Public Comment

Vice Chair Chamberlin called for public comment on this topic. There was no public comment.

XI. Disability Applications (02:50:50)

CLOSED MEETING

A. Executive Session to Discuss Disability Applications

The Board began its executive session at 11:33 a.m. to review applications for disability retirement benefits. This session was closed to the public, as a disability applicant's right to privacy clearly exceeds the merit of public disclosure.

OPEN MEETING

A. Applications for Disability Retirement Benefits

Vice Chair Chamberlin reponed the meeting at 11:39 a.m. and requested a motion for the reviewed disability application.

Motion/Vote: Member Trost moved to approve H. N's request for disability retirement, with Member Youngren seconding. The motion was approved by all members present.

B. Public Comment

Vice Chair Chamberlin called for public comment on this topic. There was no public comment.

XII. Adjournment (02:51:24)

With no other business before the Board, Vice Chair Chamberlin requested a motion to adjourn. *Motion/Vote:* Member Youngren moved to adjourn the meeting with Member Trost seconding. The motion was approved by all members present, and the meeting was adjourned at 11:46 a.m.

Approve: ______________________________ Attest: ________________________________

Date: ____________________

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II. Public Comment

Information Item

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

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III. Disability Applications

CLOSED MEETING

Discussion Item

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

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

OPEN MEETING

Action Items

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

Discussion Item

C. Public Comment – Opportunity for any member of public to provide comment regarding disability applications.

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IV. 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, 2026.

B. FY 2026 Budget Status Report- Nolan Brilz, Accounting Manager for TRS, will present the report and answer any questions you might have during the meeting.

C. PRISM Annual Conference – John Noble's written report is attached for the recent PRISM conference he attended.

D. NAPPA Annual Conference – Jim Malizia will give a verbal update of the recent NAPPA conference he attended.

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

F. Tentative Meeting Dates – Tentative dates are October 9 and December 4, 2026. Cavanaugh Macdonald is scheduled to be here for the October 9th meeting to present the results of the July 1, 2026, Actuarial Valuation Report.

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

Action Item

H***. Out of State Travel Requests***: I've attached out of state travel request for the following conferences:

1. Nolan Brilz - P2F2 Annual Conference October 2026 – Orlando, FL
2. NCTR Annual Conference October 2026 – Coeur d'Alene, ID
   The Executive Director and TRS Board members typically attend this conference:

   Recommended Motion: "The Executive Director and up to **X** Board Members are authorized to attend the 2026 NCTR Annual Conference in Coeur d'Alene, ID".

Information Item

I***. Next Meeting Date*** – October 9, 2026

TEACHERS RETIREMENT PLAN

SUMMARY OF POSITIONS AND RETURNS

June 30, 2026

MONTANA BOARD OF INVESTMENTS

	Units Outstanding	Unit Value	Market Value $(000)*	Allocation (%)
Allocation				
TEACHERS RETIREMENT			5,871,750	100.00
SHORT TERM INVESTMENT POOL	60,946,725.17	100.00000	61,193	1.04
CAPP CONS ASSET PENSION POOL	2,642,107,201.16	219.92132	5,810,557	98.96

	Return	Date
Longest Measurable Plan Return	7.98	07/01/1994

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	20 Years	Plan Benchmark ITD	Benchmark Inception Date
Returns										
TEACHERS RETIREMENT	0.03	7.41	13.21	13.21	10.56	7.00	9.00	7.44	8.70	
TEACHERS RETIREMENT CUSTOM BENCHMARK	0.27	8.86	17.85	17.85	12.82	7.39	9.15		9.02	01/01/2011
SHORT TERM INVESTMENT POOL (STIP) [1]	0.32	0.97	4.20	4.20	4.85	3.71	2.49	1.90	2.57	
SHORT TERM CUSTOM BENCHMARK	*0.30*	*0.93*	*4.02*	*4.02*	*4.83*	*3.71*	*2.44*	*1.83*	*2.50*	*04/01/1997*
CONSOLIDATED ASSET PENSION POOL (CAPP)	0.03	7.48	13.33	13.33	10.63	7.04			8.90	
CAPP CUSTOM BENCHMARK	*0.27*	*8.94*	*18.01*	*18.01*	*12.92*	*7.44*			*9.00*	*04/01/2017*

TEACHERS RETIREMENT PLAN

SUMMARY OF POSITIONS AND RETURNS

June 30, 2026

	Plan Market Value $(000)#	Allocation (%)
Allocation - Asset Class		
TEACHERS RETIREMENT	**5,871,750**	**100.00**
DOMESTIC EQUITY - PAC	1,682,174	28.64
INTERNATIONAL EQUITY - PAC	887,833	15.12
PRIVATE INVESTMENTS - PAC	997,408	16.99
REAL ASSETS - PAC	346,329	5.90
REAL ESTATE - PAC	669,832	11.41
CORE FIXED INCOME - PAC	771,459	13.14
NON-CORE FIXED INCOME - PAC	407,817	6.95
CASH EQUIVALENTS - PAC	47,705	0.81
PENSION CASH - STIP	61,193	1.04

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	20 Years	Inception To Date	Inception Date
Returns										
DOMESTIC EQUITY - PAC	0.10	15.83	24.08	24.08	20.27	12.31	14.76	10.87	11.01	05/01/2003
Domestic Equity - PAC Custom Blend	*-0.32*	*15.70*	*23.29*	*23.29*	*20.55*	*12.49*	*15.17*	*11.28*	*11.63*	*05/01/2003*
INTERNATIONAL EQUITY - PAC [2]	-1.34	14.21	25.97	25.97	18.28	8.05	9.86	5.50	5.96	04/01/1997
International Equity - PAC Custom Blend	*-1.03*	*13.82*	*26.56*	*26.56*	*18.50*	*8.44*	*9.81*	*5.87*	*6.21*	*04/01/1997*
PRIVATE INVESTMENTS - PAC	0.24	1.36	3.52	3.52	3.81	7.03	11.35	10.37	11.77	05/01/2002
Private Equity PAC Custom	*3.90*	*14.91*	*29.16*	*29.16*	*16.23*	*8.24*	*11.70*	*11.53*	*11.14*	*05/01/2002*
REAL ASSETS - PAC	0.74	3.53	9.62	9.62	7.99	9.99			6.39	04/01/2017
Real Assets - PAC Custom Blend	*-5.30*	*-6.21*	*21.21*	*21.21*	*13.42*	*9.11*			*5.95*	*04/01/2017*

TEACHERS RETIREMENT PLAN

SUMMARY OF POSITIONS AND RETURNS

June 30, 2026

	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	20 Years	Inception To Date	Inception Date
REAL ESTATE - PAC	-0.03	1.20	3.96	3.96	0.36	4.10	5.55	4.11	4.12	06/01/2006
Real Estate - PAC Custom Blend	*1.04*	*1.04*	*3.11*	*3.11*	*-2.81*	*2.34*	*2.07*	*3.71*	*3.88*	*06/01/2006*
Core Fixed Income Pre and Post CAPP [3]	0.54	0.82	4.20	4.20	4.25	0.39	1.58	3.69	4.98	04/01/1995
Core Fixed Income Custom Benchmark	0.24	0.67	3.79	3.79	4.16	0.08	1.30	3.20	4.38	04/01/1995
Non-Core Fixed Income Pre and Post CAPP [4]	0.62	4.11	8.99	8.99	9.44	4.10	5.22		6.87	06/01/2009
Bloomberg U.S. HY - 2% Issuer Cap	0.27	2.47	5.91	5.91	8.86	4.17	5.81		7.64	06/01/2009
CASH EQUIVALENTS - PAC	0.80	1.59	4.91	4.91	5.62	4.44			3.05	05/01/2017
SHORT TERM CUSTOM BENCHMARK	*0.30*	*0.93*	*4.02*	*4.02*	*4.83*	*3.71*			*2.60*	*05/01/2017*

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, 2026

	6/30/2026	6/30/2025
	AGENCY ACCOUNT	AGENCY ACCOUNT
ASSETS		
Current Assets		
Cash	14,787,852	13,462,123
Accounts Receivable	19,988,350	23,357,010
Interest Receivable	245,925	238,856
Total Current Assets	**35,022,126**	**37,057,989**
Investments		
Short-term Investment Pool	60,906,862	56,888,738
Consolidated Asset Pension Pool (net)	5,810,529,051	5,325,487,028
Security Lending Collateral	217,090,410	267,981,241
Total Investments	**6,088,526,323**	**5,650,357,007**
Other Assets		
Equipment	16,286	16,286
Accumulated Depreciation Equip	(16,286)	(16,286)
Leashold Improvements	243,881	243,881
Accumulated Dep Leasehold Imp	(226,461)	(191,621)
Intangible Assets	4,287,348	4,287,348
Accumulated Amort Intangible Assets	(4,287,348)	(4,287,348)
Intangible Right to Use Bldg	2,810,123	2,810,123
Accumulated Amort Right to Use Bldg	(826,507)	(661,206)
Total Other Assets	**2,001,037**	**2,201,178**
Deferred Outflows - Pension and OPEB	**394,585**	**451,824**
TOTAL ASSETS	**6,125,944,071**	**5,690,067,998**
LIABILITIES & FUND BAL.		
Liabilities		
Accounts Payable	284,714	213,101
Standard Lease	2,220,283	2,350,979
Uncleared Collections	(0)	0
Compensated Absenses	278,531	258,476
Security Lending	217,090,410	267,981,241
OPEB Implicit Rate Subsidy	84,700	89,791
Net Pension Liability - PERS	1,851,152	1,979,140
Total Liabilities	**221,809,790**	**272,872,728**
Fund Balances		
Pension Accumulation Fund	4,515,440,817	4,280,604,985
Annuity Savings Fund	901,451,731	871,262,845
Year-to-date Income/(Loss)	486,913,252	265,024,718
Adj Fund Bal	0	0
Total Fund Balance	**5,903,805,800**	**5,416,892,548**
Deferred Inflows - Pension and OPEB	**328,480**	**302,723**
TOTAL LIABILITIES & FUND BAL.	**6,125,944,071**	**5,690,067,998**

THE TEACHERS' RETIREMENT SYSTEM
FUND BALANCE STATEMENT
as of June 30, 2026

	6/30/2026 AGENCY ACCOUNT	6/30/2025 AGENCY ACCOUNT
REVENUE		
Contributions	271,753,892	261,205,886
Misc Revenue	27,958	26,501
Investment Revenue	700,817,216	476,639,600
TOTAL REVENUE	**972,599,067**	**737,871,986**
EXPENSES		
Benefits Paid	472,316,116	458,959,746
Withdrawals	9,331,141	10,056,398
Admin. Exp	3,654,305	3,431,705
Depreciation Exp.	34,840	34,840
Amortization Exp.	0	0
Lease Amortization Exp.	165,301	165,301
Lease Principal & Interest	37,806	39,899
OPEB Expense	(2,733)	(4,746)
Pension Expense - PERS	149,039	164,124
TOTAL EXPENSES	**485,685,814**	**472,847,268**
REV OVER EXP	**486,913,252**	**265,024,718**
REV OVER EXP	**486,913,252**	**265,024,718**
BEG FUND BAL	5,416,892,548	5,151,867,830
Adj Fund Bal	0	0
END FUND BAL	**5,903,805,800**	**5,416,892,548**

THE TEACHERS' RETIREMENT SYSTEM
INVESTMENT REVENUE BY SOURCE & ADMINISTRATIVE EXPENSES BY TYPE
as of June 30, 2026

	6/30/2026 AGENCY ACCOUNT	6/30/2025 AGENCY ACCOUNT
Investment Revenue:		
Short-term Investment Pool	2,794,054	3,236,119
Consolidated Asset Pension Pool		
Securities Gains/(Losses)	126,183,538	105,973,493
Investment Appreciation/(Depreciation)	604,209,631	395,548,391
Securities Lending Activity	1,801,135	1,601,293
Administrative Investment Exp.	(34,171,143)	(29,719,695)
Total Investment Rev.	**700,817,216**	**476,639,600**
Administrative Expense:		
Personal Services	2,362,218	2,203,901
Contracted Services	904,520	895,695
Supplies & Material	80,908	72,377
Communications	131,072	131,280
Travel	22,201	18,379
Rent	3,256	3,241
Repairs & Maintenance	43,286	13,859
Other Expenses	106,844	92,973
Depreciation Exp.	34,840	34,840
Amortization Exp.	0	0
Lease Amortization Exp.	165,301	165,301
Lease Interest	37,806	39,899
OPEB Expense	(2,733)	(4,746)
Pension Expense - PERS	149,039	164,124
Total Administrative Exp.	**4,038,558**	**3,831,124**

Teachers' Retirement System
Operating Budget Status Report
as of June 30, 2026

ACCOUNT LEVEL	ACCOUNT CATEGORY	EXPENSE FY 2025	BUDGET FY 2026	EXPENDITURE YEAR TO DATE	% BUDGET SPENT	TOTAL PROJECTED	BUDGET SURPLUS/(DEFICIT)
	PERSONAL SERVICES:						
61100	Salaries	1,759,975	2,011,027	1,893,579	94.2%	1,893,579	117,448
61300	Per Diem	4,800	8,000	4,800	60.0%	4,800	3,200
61403	Health Insurance	286,167	320,100	290,250	90.7%	290,250	29,850
61400	Benefits	299,653	338,000	323,955	95.8%	323,955	14,045
	Total Personal Services	**2,350,595**	**2,677,127**	**2,512,584**	**93.9%**	**2,512,584**	**164,543**
	OPERATING EXPENSES:						
62100	Contract Services	802,391	986,157	813,521	82.5%	813,521	172,636
62200	Supplies/Materials	72,377	84,300	80,908	96.0%	80,908	3,392
62300	Communications	131,280	132,210	131,072	99.1%	131,072	1,138
62400	Travel	18,379	38,000	22,201	58.4%	22,201	15,799
62500	Rent	3,241	3,500	3,256	93.0%	3,256	244
62700	Repairs/Maintenance	13,859	23,825	43,286	181.7%	43,286	(19,461)
62800	Other Expenses	92,973	112,666	106,844	94.8%	106,844	5,822
	Total Operating Expense	**1,134,501**	**1,380,658**	**1,201,088**	**87.0%**	**1,201,088**	**179,570**
62122	Audit Fees - Biennial Amount	93,304	120,000	90,999	75.8%	90,999	29,001
	Total Operating and Personal Services	**3,578,399**	**4,177,785**	**3,804,671**	**91.1%**	**3,804,671**	**373,114**
69501	Capital Lease	163,593	168,501	168,501	0.0%	168,501	(0)
	Subtotal Capital Lease	**163,593**	**168,501**	**168,501**	**0.0%**	**168,501**	**(0)**
	Totals	**3,741,992**	**4,346,286**	**3,973,172**	**91.4%**	**3,973,172**	**373,114**

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

Teachers' Retirement System
Budget Analysis - Contracted Services
as of June 30, 2026

ACCOUNT CODE	ACCOUNT NAME	EXPENSE FY 2025	BUDGET FY 2026	ACTUAL EXP TO DATE	% OF BUDGET
62102	Consulting & Professional	193,841	193,550	172,334	89.0%
62104	Insurance	0	3,002	2,926	97.5%
62104A	INS &Bonds - Non fixed	276	150	0	0.0%
62108	Legal Fees/Court Costs	223	37,500	8,076	21.5%
62113	Warrant Writing Fees	36,081	54,381	50,647	93.1%
62114	Payroll Service Fees	5,780	6,763	6,763	100.0%
62114A	Workers Comp Mgmt	443	688	463	67.2%
62115	Photographic Services	50	50	20	40.0%
62116	Medical Services	6,259	13,000	8,250	63.5%
62136	IT Consult & Prof Servs	267,741	359,000	263,280	73.3%
62145	Food Services Expense	1,188	1,000	892	89.2%
62148	SABHRS Costs/DOA	144,919	153,756	155,619	101.2%
6215A	LinedIn Charge	0	0	228	N/A
62186A	Recycling	832	850	898	105.6%
62187	Records Storage	2,933	3,000	3,117	103.9%
62190	Printing, Pub & Graphics	49,177	50,000	41,547	83.1%
62191	Printing, Other Provider	3,221	4,000	3,011	75.3%
621B1	SITSD Storage Hosting	16,822	19,000	10,666	56.1%
621B2	SITSD Server Hosting Services	30,135	35,000	27,416	78.3%
621B4	SITSD Application Services	117	700	0	0.0%
621B5	SITSD Email	2,752	3,600	3,471	96.4%
621B8	SITSD Operations Support	8,092	6,700	0	0.0%
621B9	SITSD Database Hosting	2,386	3,500	3,419	97.7%
621C2	SITSD Application Development	1,410	2,000	8,448	N/A
621C5	SITSD Enterprise Services	27,714	31,000	40,350	130.2%
621C6	SITSD Professional Services	0	1,000	0	0.0%
621C8	SITSD Email Restore	0	1,000	0	0.0%
621D9	Public Information Requests	0	1,967	1,680	85.4%
	SUBTOTAL	**802,391**	**986,157**	**813,521**	**82.5%**
62122	Audit Fees - Current	93,304	120,000	90,999	75.8%
	TOTAL CONTRACTED SERVICES	**895,695**	**1,106,157**	**904,520**	**81.8%**

Percent of FY Complete: 100%

Teachers' Retirement System
Delinquent Agency Report
7/24/2026

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

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

PRISM Conference 2026

May 18 - 20 San Diego, CA

Hot topics at the 2026 PRISM Conference were, once again, PAS (pension administration system) modernization, security, and AI (artificial intelligence) adoption. I chose to attend sessions focusing on security and AI.

Many member systems are actively working on ways to utilize AI to improve internal business processes, enhance the user experience for members, and to analyze data. Key themes for AI adoption are governance, use case development, data-access controls, and token/cost management. While at the conference, I joined a multi-employer AI working group that meets monthly and am learning how other public pension systems are implementing AI. Rex Merrick is looking into AI tools currently available to state agencies and has joined the state's AI working group.

Fraud detection and risk mitigation, risks associated with AI integration, and the benefits of third-party identity verification were some topics of sessions I attended. Utilization of a third-party identity provider/verifier is a direction many systems are moving towards or have already adopted based upon information from presentations and discussion with peers. I registered TRS to participate in a PERS-ISAO (Public Employees Retirement Systems Information Sharing and Analysis Organization), through NCPERS (National Conference on Public Employee Retirement Systems), to help keep TRS informed of immediate threats and threat intelligence.

TRS' new third-party identity verification provider, ID.me, was a sponsor again this year and I was able to spend some time with ID.me representatives to review our recent go-live and discuss some unanticipated pain points we were experiencing (i.e. fuzzy-name matching - Shawn can provide additional details if desired). I returned from the conference with some ideas that we were able to implement quickly to help mitigate some of the issues.

I very much enjoyed the conference and, once again, learned a lot and brought back ideas that may benefit TRS. I really appreciate the opportunity to attend and look forward to doing so again in the future.

Thanks, John Noble

STATE OF MONTANA

REQUEST AND JUSTIFICATION FOR OUT-OF-STATE TRAVEL

1) Agency Number/Name	**2) Division**
61050	Teachers' Retirement System

3) Org Number	**4) Employees Traveling**
3601	Nolan Brilz

5) Justification

Public Pension Finacial Forum (P2F2) - Annual Conference

6) Alternatives

7) Itinerary

Public Pension Finacial Forum (P2F2) - Annual Conference

October 04-07, 2026 Orlando, FL

8) Lodging Rate

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

☐ Yes Federal 140.00

☒ No Lodging 269.00

(Travel advances should be issued only on an exception basis)

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

☒ 1. Government rates were requested and were not available at the hotel where the employee is staying; **and**

- ☒ a. Government or significantly lower rates are not available at another hotel within a reasonable distance; **or**
- ☒ b. It is necessary for purposes of accessibility and/or security to stay at the hotel in which the conference is being held; **or**
- ☐ c. Emergency or last minute travel arrangements preclude finding accommodations within the federal guidelines; **and**

☐ 2. Reimbursement at actual cost is within the agency's authorized appropriation level.

9) Estimated Cost	Transportation	Meals/Lodging	Registration	Other	Total
	500.00	1,000.00	900.00	200.00	2,600.00

10) Submitted By	Requested By	Title	Date
	Nolan Brilz	Accounting/Fiscal Manager	7/27/2026

Approval - to be Completed by Agency Authorized Personnel

Supervisor	Date	Administrator	Date	Dept Head/Designee	Date

NOTE: A travel expense voucher form must be filed within three months after incurring the travel expenses, otherwise the right to reimbursement will be waived.

REVISED 10/2008

STATE OF MONTANA

REQUEST AND JUSTIFICATION FOR OUT-OF-STATE TRAVEL

1) Agency Number/Name	**2) Division**
61050-Teachers Retirement Board	Teachers' Retirement System

3) Org Number	**4) Employees Traveling**
01	Shawn Graham and Board Members

5) Justification

Travel to and from NCTR Annual Conference in Couer d'Alene, ID - October 2-7th.

6) Alternatives

7) Itinerary

Meeting dates are October 3-6th.

8) Lodging Rate

Within Federal Rate?	If not, enter Federal and Lodging Rates		If requesting travel advance, list amount
☐ Yes	Federal	142.00	
☒ No	Lodging	249.00	*(Travel advances should be issued only on an exception basis)*

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

☒ 1. Government rates were requested and were not available at the hotel where the employee is staying; **and**

- ☒ a. Government or significantly lower rates are not available at another hotel within a reasonable distance; **or**
- ☒ b. It is necessary for purposes of accessibility and/or security to stay at the hotel in which the conference is being held; **or**
- ☐ c. Emergency or last minute travel arrangements preclude finding accommodations within the federal guidelines; **and**

☐ 2. Reimbursement at actual cost is within the agency's authorized appropriation level.

9) Estimated Cost	Transportation	Meals/Lodging	Registration	Other	Total
	450.00	1,300.00	1,340.00		3,090.00

10) Submitted By	Requested By	Title	Date

Approval - to be Completed by Agency Authorized Personnel

Supervisor	Date	Administrator	Date	Dept Head/Designee	Date

NOTE: A travel expense voucher form must be filed within three months after incurring the travel expenses, otherwise the right to reimbursement will be waived.

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V. 2027 Draft Legislation

Discussion Items

A. Review and Discuss Draft Legislation – Shawn Graham and Jim Malizia will review the proposed TRS Board legislation for the 2027 session. These concepts were presented to the State Administration and Veteran Affairs Committee on July 9th for pre-session bill drafting authorization which was granted. The TRS Board will vote on whether to move forward with the actual bill drafts at the October 9, 2026 meeting.

Working Retiree Bill – Remove the Sunset on the 49% Allowable Earnings Limitation in 19-20-731 – Current law (19-20-731, MCA) allows a TRS working retiree to earn up to the greater of 49% of the sum of their average final compensation at the time of retirement or 49% of the median of the average final compensation for members that retired the preceding fiscal year. For the current year, this means that the minimum amount a working retiree can earn in a TRS reportable position without impacting their monthly retirement benefit is $33,497.99 versus $22,787 under the previous 1/3 limitation.

The 49% allowable earnings limitation will sunset on June 30, 2027 and will revert back to the one-third allowable earnings limitation that was in effect prior to the 2023 legislative session. The TRS Board proposed this change during the 2023 session based on feedback we received from School Administrators of Montana, Montana School Boards Association and Montana Association of School Superintendents about the difficulty they are having hiring non-retired teachers to fully staff their schools. The legislature placed a four year sunset on the provision so we could monitor retirement patterns to ensure it did not harm the system. The 49% allowable earnings limitation has not harmed the system and does not violate IRS tax code so we are recommending removal of the sunset on the 49% allowable earnings limitation.

Bill draft is attached.

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 2024 valuation of the university supplemental rate, the current rate needs to be increased from 4.72% to 14.21%; however, the actual rate required will not be known until after the July 1, 2026 valuation has been completed.

Bill Draft is attached.

B. Public Comment– Opportunity for any member of the public to comment on TRS draft legislation.

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*** Bill No. ***

Introduced By *********

By Request of the (Agency or Department)

A Bill for an Act entitled: "An Act to remove the sunset provision of the maximum allowable earnings of a retired Teachers' Retirement System member; amending section 19-20-731, MCA."

Be it enacted by the Legislature of the State of Montana:

Section 1. Section 19-20-731*** Bill No. ***, MCA, is amended to read:

"**19-20-731.** ~~*(Temporary)*~~ **Postretirement employment limitations -- cancellation and recalculation of benefits -- reporting obligation of retired member.** (1) (a) Except as provided in 19-20-732 or as otherwise provided in this section, a retired member may be employed in a position that is reportable to the retirement system and may earn, without an adjustment of retirement benefits, an amount not to exceed the greater of:

(i) 49% of the sum of the member's average final compensation; or

(ii) 49% of the median of the average final compensation for members retired during the preceding fiscal year as determined by the retirement board.

(b) The maximum compensation that a retired member may earn under subsection (1)(a) without an adjustment of retirement benefits includes all amounts paid to or on behalf of the retired member and the value of all benefits provided to or on behalf of the retired member by the employer, including any amounts deferred for payment to a later year, excluding:

(i) health insurance premiums directly paid by the employer on the retired member's behalf for health care coverage provided by the employer;

(ii) the value of housing provided by the employer to the retired member;

(iii) the amount of employment-related travel expenses reimbursed to the retired member by the employer;

(iv) de minimis fringe benefits, as defined in 26 U.S.C. 132(e), paid by the employer to or on behalf of the retired member; and

(v) payroll taxes paid by the employer on behalf of the retired member.

(c) A member applying for a retirement allowance or resumption or recalculation of a retirement allowance based on a termination date of January 1, 2014, or later is required to complete the break-in-service period set forth in 19-20-734 before the retired member may be employed in a position reportable to the retirement system.

(2) On July 1 of each year following the member's retirement effective date, the maximum that a retired member may earn under subsection (1)(a)(i) is increased by an amount equal to the consumer price index increase for urban wage earners compiled by the bureau of labor statistics of the United States department of labor or its successor agency in the preceding calendar year.

(3) Except as provided in 19-20-732, the retirement benefit of a retired member:

(a) employed and earning more than allowed by subsections (1) and (2) must be temporarily reduced by $1 for each dollar earned over the maximum allowed. Monthly benefits must be reduced beginning as soon as practical after the excess earnings have been reported to the retirement system by the employer. The retirement benefit must be suspended if the retired member's earnings over the maximum allowed exceed the gross monthly benefit amount.

(b) employed in one or more part-time positions under one or more contracts providing for an aggregate payment of a total amount that is more than the maximum allowed must be suspended effective on the date on which the retired member returns to employment.

(4) For purposes of this section, the term "employed in a position that is reportable to the retirement system" includes any work performed or service provided by a retired member to or on behalf of an employer, including but not limited to work performed or service provided through a professional employer arrangement, an employee leasing arrangement, as a temporary service contractor, or as an independent contractor.

(5) For purposes of this section, the employment status and maximum compensation of a retired member who is employed in more than one position or under more than one contract, whether with one employer or more than one employer, is the aggregate full-time equivalency and compensation derived from all positions reportable to the retirement system in which the retired member is employed.

(6) Within 30 days of the date of the execution of an agreement for the employment of a retired member or of the first date on which the retired member provides services if no agreement is entered into, the retired member shall provide written notice of the postretirement employment to the retirement system.

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(7) For purposes of this section, if a retired member is employed by an employer in a position that is reportable to the retirement system and the retired member is concurrently working for the employer in another position that is not reportable to the system, the position that is not reportable is considered to be part of the position that is reportable to the retirement system. All earnings of the retired member that are generated by these positions are reportable to the retirement system.

(8) The retirement allowance of any retired member who is employed in a position and who elects to participate in the university system retirement program under Title 19, chapter 21, must be suspended until the member is no longer employed in the position and is no longer participating in the university system retirement program. ~~*(Terminates June 30, 2027--sec. 6, Ch. 135, L. 2023.)*~~

~~**19-20-731.** *(Effective July 1, 2027)* **Postretirement employment limitations -- cancellation and recalculation of benefits -- reporting obligation of retired member.** (1) (a) Except as provided in 19-20-732 or as otherwise provided in this section, a retired member may be employed in a position that is reportable to the retirement system and~~

~~may earn, without an adjustment of retirement benefits, an amount not to exceed the greater of:~~

~~(i) one-third of the sum of the member's average final compensation; or~~

~~(ii) one-third of the median of the average final compensation for members retired during the preceding fiscal year as determined by the retirement board.~~

~~(b) The maximum compensation that a retired member may earn under subsection (1)(a) without an adjustment of retirement benefits includes all amounts paid to or on behalf of the retired member and the value of all benefits provided to or on behalf of the retired member by the employer, including any amounts deferred for payment to a later year, excluding:~~

~~(i) health insurance premiums directly paid by the employer on the retired member's behalf for health care coverage provided by the employer;~~

~~(ii) the value of housing provided by the employer to the retired member;~~

~~(iii) the amount of employment-related travel expenses reimbursed to the retired member by the employer;~~

~~(iv) de minimis fringe benefits, as defined in 26 U.S.C. 132(e), paid by the employer to or on behalf of the retired member; and~~

~~(v) payroll taxes paid by the employer on behalf of the retired member.~~

~~(c) A member applying for a retirement allowance or resumption or recalculation of a retirement allowance based on a termination date of January 1, 2014, or later is required to complete the break-in-service period set forth in 19-20-734 before the retired member may be employed in a position reportable to the retirement system.~~

~~(2) On July 1 of each year following the member's retirement effective date, the maximum that a retired member may earn under subsection (1)(a)(i) is increased by an amount equal to the consumer price index increase for urban wage earners compiled by the bureau of labor statistics of the United States department of labor or its successor agency in the preceding calendar year.~~

~~(3) Except as provided in 19-20-732, the retirement benefit of a retired member:~~

~~(a) employed and earning more than allowed by subsections (1) and (2) must be temporarily reduced by $1 for each dollar earned over the maximum allowed. Monthly benefits must be reduced beginning as soon as practical after the excess earnings have been reported to the retirement system by the employer. The retirement benefit~~

~~must be suspended if the retired member's earnings over the maximum allowed exceed the gross monthly benefit amount.~~

~~(b) employed in one or more part-time positions under one or more contracts providing for an aggregate payment of a total amount that is more than the maximum allowed must be suspended effective on the date on which the retired member returns to employment.~~

~~(4) For purposes of this section, the term "employed in a position that is reportable to the retirement system" includes any work performed or service provided by a retired member to or on behalf of an employer, including but not limited to work performed or service provided through a professional employer arrangement, an employee leasing arrangement, as a temporary service contractor, or as an independent contractor.~~

~~(5) For purposes of this section, the employment status and maximum compensation of a retired member who is employed in more than one position or under more than one contract, whether with one employer or more than one employer, is the aggregate full-time equivalency and compensation derived from all positions reportable to the retirement system in which the retired member is employed.~~

~~(6) Within 30 days of the date of the execution of an agreement for the employment of a retired member or of the~~

~~first date on which the retired member provides services if no agreement is entered into, the retired member shall provide written notice of the postretirement employment to the retirement system.~~

~~(7) For purposes of this section, if a retired member is employed by an employer in a position that is reportable to the retirement system and the retired member is concurrently working for the employer in another position that is not reportable to the system, the position that is not reportable is considered to be part of the position that is reportable to the retirement system. All earnings of the retired member that are generated by these positions are reportable to the retirement system.~~

~~(8) The retirement allowance of any retired member who is employed in a position and who elects to participate in the university system retirement program under Title 19, chapter 21, must be suspended until the member is no longer employed in the position and is no longer participating in the university system retirement program."~~

NEW SECTION. **Section 2. Effective Date.** [This act] is effective on passage and approval.

{*Internal References to 19-20-731:*
19-20-102 19-20-208 19-20-302 19-20-605
19-20-732 19-20-732 19-20-733 19-20-733
19-20-734 19-20-734 19-20-734 19-20-735
19-20-810}

-END-

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*** Bill No. ***

Introduced By *********

By Request of the (Agency or Department)

A Bill for an Act entitled: "An Act increasing the Montana University System Retirement Program supplemental employer contribution rate paid to the Teachers' Retirement System; amending Section 19-20-621, MCA; and providing an effective date; amending section 19-20-621, MCA."

Be it enacted by the Legislature of the State of Montana:

Section 1. Section 19-20-621, MCA, is amended to read:

"**19-20-621. Montana university system retirement program supplemental contributions.** (1) Each employer within the university system with employees participating in the university system retirement program under Title 19, chapter 21, shall contribute to the teachers' retirement system 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.

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(2) The university system retirement program supplemental employer contribution as a percentage of the total compensation of all employees participating in the program is 14.21%.

~~(a) 4.04% beginning July 1, 2001, through June 30, 2007; and~~

~~(b) 4.72% beginning July 1, 2007.~~

(3) 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."

NEW SECTION. **Section 2. Effective Date.** [This act] is effective July 1, 2027.

{*Internal References to 19-20-621:*
19-21-203}

-END-

VI. Board Training

Discussion Item

A. Funding and Benefits Policy and Fiduciary Training – Attached for your review you will find our annual Fiduciary Training presentation and a copy of the TRS Funding and Benefits Policy. It is a good practice to spend some reviewing our Funding and Benefits Policy prior 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.

Jim Malizia will lead the board through our annual Fiduciary Training and Funding and Benefits Policy.

B. Public Comment– Opportunity for any member of the public to comment on TRS Board training.

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Montana Teachers' Retirement System Board Fiduciary Duty Training

August 7, 2025

James Malizia, TRS Chief Legal Counsel

Agenda

- Opening Remarks
- Who is a Fiduciary?
- General Trust Law
- Basic Parties to a Trust and Their Roles
- Duty of Loyalty
- Duty of Prudence
- Duty to Follow Plan Documents
- Fiduciary Liability
- Co-fiduciary Liability
- Prevention and Avoidance of Fiduciary Liability
- Closing Comments
- Ethical Conduct Questionnaire & Per Diem Election Form

Opening Remarks

"*We shall strive for perfection. We shall not achieve it immediately — but we still shall strive. We may make mistakes — but they must never be mistakes which result from faintness of heart or abandonment of moral principle.*"

- FDR, 4th Inaugural, January 20, 1945

Who is a Fiduciary

- Exercises any discretionary authority or discretionary control regarding management of the plan;
- Exercises any authority or control (discretionary or otherwise) regarding management or disposition of its assets;
- Renders investment advice regarding plan assets for a fee or other compensation, or has any authority or responsibility to do so; or
- Has any discretionary authority or discretionary responsibility in the administration of such plan.

IRC § 4975(e)(3)

Who Is A Fiduciary for TRS?

- Members of the TRS Board are trustees over our defined benefit and defined contribution plans and are the highest-level fiduciaries with the broadest responsibility
- Others may be fiduciaries, too, by contract or by virtue of the work they perform
- Some internal (executive) staff are fiduciaries
- Investment managers and consultants for the TRS plan are fiduciaries, but other outside service providers are generally not (auditors, etc.)
- Usually those performing ministerial tasks are not fiduciaries
- A person's fiduciary duty is defined by the scope of responsibility they are delegated or they assume

Why Does It Matter That You Are A Fiduciary?

- In fiduciary relationships, the law demands a higher than ordinary degree of care and responsibility from the dominant or trusted party.

- The 9th Circuit has noted with respect to fiduciary responsibilities that "These duties are the highest known to the law."

Howard v. Shay, 100 F.3d 1484, 1488 (9th Cir. 1996).

Constitutionalized in Montana

Article VIII Sec. 15 Montana Constitution

(1) Public retirement systems shall be funded on an actuarially sound basis. Public retirement system assets, including income and actuarially required contributions, shall 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.

(2) The governing boards of public retirement systems shall administer the system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries.

Sources of Fiduciary Law

- Fiduciary law stems from the common law of trusts

- Public retirement systems and state investment boards across the country are set up as trusts which are distinct legal entities

- Three parties are involved with a trust
  - Settlors
  - Trustees
  - Beneficiaries

The Influence of Federal Law

- The Employee Retirement Income Security Act of 1974 is commonly called **ERISA**
- ERISA, in regulating private sector employee benefit plans, established higher fiduciary standards than had existed for other types of trust fund fiduciaries under the common law
- Technically, ERISA does not apply to public pension plans like TRS
- It is very influential because it reflects relevant trust law and its "spirit" is typically followed by the courts in the absence of a stated standard
- The fiduciary standards of many public pension plans are modeled after ERISA
- Internal Revenue Code

Basic Parties to a Trust and Their Roles

- Trusts are established by a **Settlor**
  - The settlor is the entity that creates the plan and determines what benefits will be provided
  - The Legislature is usually the settlor for statewide public pension plans

- The trusts are overseen and managed by **Trustees**
  - Whenever there is a trust, someone or some entity is a trustee
  - Public pension plans almost always have boards of trustees rather than just one trustee
  - The trustees are responsible for paying the benefits, or making the investments, or handling both responsibilities in some cases

- Those who receive benefits under the trust are **Beneficiaries**

Key Fiduciary Duties

- The three most important duties are the duty of prudence, the duty of loyalty, and the duty to follow the plan documents (i.e. adherence to the trust)
- The **duty of loyalty** requires a steadfast commitment to stay focused on the interests of the members and beneficiaries of the retirement system
- The **duty of prudence** requires expertise, and more than a good faith attempt to try to do the right thing
- The **duty to follow the plan documents** (or adherence to the trust) for a public retirement system means following state laws and administrative rules
- Many other fiduciary duties stem from these key fiduciary duties
- These duties are simple to state, but not always so easy to follow

Duty of Loyalty

"Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. ***A trustee is held to something stricter than the morals of the marketplace.*** *Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior. As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of* ***undivided loyalty*** *by the 'disintegrating erosion' of particular exceptions. Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd."*

Justice Benjamin Cardozo, 1928
Meinhard v. Salmon, 249 N.Y. 458, 464 (Ct. App. 1928)

The Exclusive Benefit Rule

- The duty of loyalty requires that fiduciaries act **“solely”** for the trust and its members and beneficiaries (IRC 401 § (a)(2))

- 19-20-212, MCA - “The assets of the retirement systems, including assets of retirement accounts, may not be used for or diverted to any purpose other than for the exclusive benefit of the members and their beneficiaries and for paying the reasonable administrative expenses of the retirement systems administered by the board.”

- This is known as the **“exclusive benefit rule”**

- Interpretation of loyalty:

  When creating policies or making other decisions for the retirement system, fiduciaries can **“only wear one hat ”** and are not to balance interests of outside parties or act in their own self-interest

Loyalty to Whom?

- Each trustee has a fiduciary duty that is owed to **all** the members and beneficiaries of the trust
- There will be those who expect you to represent them and be their advocates when you serve on the Board, but
  - No **fiduciary** duty is owed to whoever appointed you (Duty of Impartiality)
  - No **fiduciary** duty is owed to the local business community
  - No **fiduciary** duty is owed to taxpayers of the state
  - No **fiduciary** duty is owed to employers who contribute to the plan
  - No **fiduciary** duty is owed to the Legislature or Executive Branch
- **Regardless of how one comes to serve on the Board, the fiduciary duty is the same for all trustees**

Conflicts of Interest

- The law relating to conflicts of interest comes from the duty of loyalty
- **Avoid** conflicts of interest, or even the appearance of conflicts, must avoid self-dealing or self-enrichment
- If avoidance is impossible, **disclose** your conflicts promptly and **manage** them to the best of your ability
- Sometimes this means recusing yourself from votes or forgoing other actions you would like to take. Your fiduciary duty takes precedence over other duties
- You must adhere to state ethics laws for “gifts of substantial value” under 2-2-102, MCA. Acceptance of gifts give the appearance of undue influence
- The laws are complex so if in doubt about whether you have a conflict of interest, seek legal advice from the Board Legal Counsel

Duty of Loyalty - Prohibited Transactions

- Internal Revenue Code Section § 503(a) provides that a governmental plan may lose its tax qualified status if it is deemed to have engaged in a "*prohibited transaction*" as defined in IRC Section 503(b).
- Any such transaction could provide a basis for the IRS to revoke the tax qualified status.
- Examples of prohibited transaction include a
  (1) Loan of assets to the sponsor or trustees, (2) Purchase of property for more than adequate consideration, or (3) Selling property for less than adequate consideration, or

  Any other transaction which results in a diversion of trust assets. Internal Revenue Code, § 503(b)
- **Penalties**: (a) Disgorgement & restoration, (b) excise taxes, (c) civil penalties, and (d) criminal fines & imprisonment

Final Points about the Duty of Loyalty

- An unwavering commitment to act solely for the benefit of the trust and its members and beneficiaries is expected of trustees

- Disappointing others outside the pension fund is not as serious or costly as violating the trust of the membership

Duty of Prudence

***Prudent**: exercising sound judgment in practical matters; cautious in conduct; sensible; not rash*

Webster's Dictionary

*"The test of prudence is one of **conduct** and not a test of the **result** …"*

Donovan v. Cunningham, 716 F.2d 1455, 1467 (5th Cir. 1983))

Duty of Prudence

- **Prudence is an evolving standard, comparing you to similarly situated individuals.**

- **Prudence ≠ perfection, it requires skill, care, & diligence**
  - Trustees are not guarantors that every decision they make will be perfect
  - "[This is not a search for subjective good faith - ***A pure heart and empty head are not enough***. . ."] *Donovan v. Cunningham*, 716 F.2d 1455, 1467 (5th Cir. 1983))
  - However, a pure, thorough, scrupulous, and well-documented process will protect fiduciaries

The Applicable Standard

- **You must act not as a Prudent person, but as a Prudent expert.**
  - **As acquired from ERISA, this is the highest standard of care; this is the recommended standard**
- The duty requires trustees and other fiduciaries:
  - To act with the care, skill, prudence, and diligence used by others under the same circumstances, acting in the same capacity
  - The “prudence standard is not that of a prudent lay person, but . . . rather that of a prudent fiduciary with experience dealing with a similar expertise.” *Whitfield v. Cohen*, 682 F. Supp. 188, 194 (S.D.N.Y. 1998).
  - The peer group for comparisons will be other public retirement systems and investment boards nationwide

Duty of Prudence – Delegation

- The duty to delegate is a sub-duty of the duty of prudence.
- This duty attaches to any responsibilities that the TRS Board delegates to third parties
- ***Prudence*** is the key to all aspects of delegation:
  - Whether to delegate;
  - How to delegate;
  - To whom a task is delegated; and
  - How to supervise

Being Prudent with Expenses

- The duty to pay only reasonable plan expenses stems from the duty of prudence
  - Paying expenses from plan assets is a fiduciary decision
  - This duty can often be the subject of media attention but rarely the basis for fiduciary liability
- **Expenses must only be used for the administration of the plans and not for "settlor functions"**
- Reasonable does not mean the least expensive; no need to be skimpy

Final Points about the Duty of Prudence

- Careful, thorough, and scrupulous behavior is expected of trustees and those who work for them

- From a legal perspective, a good decision-making process is more important than a good outcome

- Trustees are not expected to be perfect, but they are expected to be prudent

Duty to Follow Plan Documents

- "[A fiduciary shall discharge his [or her] duties with respect to the plan . . . in accordance with the documents and instruments governing the plan insofar as such documents and instruments are consistent with the provisions [of ERISA or the Internal Revenue Code]."

ERISA Section 404(a)(1)(D)

- The "plan documents" for public pension funds consist of the statutes (or ordinances) and rules containing benefit provisions, investment parameters, and organizational restrictions

- Sometimes obscure state laws must be considered (banking, insurance, securities, procurement, open meetings/records, etc.)

- Federal laws such as the Internal Revenue Code also must be followed even if they are not specifically mentioned in our state statutes

Legal Interpretations of Plan Documents

- The statutes covering benefit eligibility (including the eligible person, age, service credit, etc.) are usually clear, but sometimes exclude necessary details

- Legal interpretations of statutes are usually necessary for certain circumstances not specifically covered in the law

- Legal opinions from the State Attorney General, in-house legal counsel, and outside legal counsel often address ambiguities in the statutes

- Policies and procedures the Board has adopted, and the past standard practices of the organization come into play; it is important to follow precedents

Compliance with the Duty Can Be Difficult

- The fiduciary role a trustee has is not the same thing as an advocacy role which unions, associations, or plaintiff's attorneys often have

- The law requires that trustees act solely in the "best interest" of the members and beneficiaries. However, this does not mean a board can violate or intentionally misinterpret the statutes; the two duties must be reconciled

- Trustees must be neutral and treat everyone fairly under the provisions in statute which is not the same as treating everyone equally

- Boards must be reasonable and cannot be arbitrary and capricious (unpredictable)

Final Points - Duty to Follow Plan Documents

- The plan documents are created by our legislature through the state statutes they enact; sometimes state constitutional provisions are also part of the plan documents
- A board's administrative rules also become part of the overall plan documents for a public retirement system
- Frequently boards of trustees and staffs find they need legal interpretations of plan documents in order to comply with them
- The fiduciary duty to follow plan documents is one of the most difficult for trustees because it directly impacts the financial well-being of individual members and beneficiaries

Fiduciary Liability

- The laws governing public fund fiduciaries may impose liability for a breach of duty;
- Generally, fiduciaries who fail to discharge any of their fiduciary responsibilities:
    - shall be personally liable to make good to such plan any losses to the plan resulting from each such breach
    - shall also be personally liable to restore any profits which have been made through use of plan assets
    - shall be subject to such other equitable or remedial relief as a court may deem appropriate
- A trustee acting within the scope of his or her responsibility may be protected but if acting outside the scope, protection is rarely afforded even through insurance

Co-Fiduciary Liability

- Co-fiduciary liability means "**you are your brother or sister's keeper**"
- Liability can result if a fiduciary enables, knowingly participates in, or knowingly undertakes to conceal a breach by another fiduciary
- For liability to attach, you must have actual knowledge of an action that you know to be a breach
- A fiduciary has a duty to speak up and take reasonable steps to prevent or halt a co-fiduciary's breach
- Resignation from a board of trustees is usually not sufficient
- Remember this as the **"duty to speak up"**

TRS

Prevention and Avoidance of Fiduciary Liability

- Thoughtfully establish and carefully document prudent processes
- Maintain a good governance structure
  - A thorough decision-making process
  - Rigorous risk identification and management
  - Clearly defined roles and responsibilities
- When delegating duties, perform on-going oversight
- Establish appropriate reporting and disclosure
- Follow the policies and processes you have in place
- Periodically review policies and processes and, if needed, revise them
- Obtain independent expert advice when needed (law, actuarial, benefits, audits, investments, etc.)

Closing Comments

Always ask yourself these 3 questions:

- **<u>Duty of Loyalty</u>** – Can I be objective in reaching a decision?

- **<u>Duty of Prudence</u>** – Am I armed with the necessary information and/or expertise to make the decision?

- **<u>Duty to Follow Plan Documents</u>** – Is there a clear procedure or process to follow in making my decision?

- The TRS Board must use informed judgment and act in the overall best interest of system members/beneficiaries in a manner that is consistent with applicable laws when exercising its authority over administration of its systems, and its actions *must be rationally related* to *the information* presented to the Board.

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Montana Teachers' Retirement System
Policy 3-0200-001
Funding and Benefits

Section: Administrative
Implementer: TRS Board Members
Effective 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 – the 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 Reference:

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 (date) 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 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, 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 currently posted on the TRS Board Policies webpage and deviation will be resolved in favor of the official version. Please review the material online prior to placing reliance on printed or archived versions.

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VII. Executive Director's Report

Discussion Items

A. Legislative Interim Committee Update – The State Administration and Veteran Affairs committee (SAVA) met on July 9th where they heard the results of our recently completed experience study and they approved our two legislative requests for pre-session bill drafting.

B. Operations Update – Hannah Thorne was hired to fill our Communications Manager position. Hannah comes to TRS as an experienced communications professional. Most recently she was the Business Communication Manager for SITSD and prior to that she was the Director of Fundraising, Marketing and Communications for Westminster University. Please welcome Hannah to the TRS team.

C. Active Team Introductions – Johnelle Sedlock (Active Team Supervisor) will introduce her team which in addition to herself, consists of two Benefit Officers (Jessie Hill and Sherry Smith) and two Benefit Specialists (Cathy Leonard and Jaxon Simonson). Each member of the team will tell you a little bit about themselves and their primary duties at TRS. We want these team introductions to be interactive so the Board should feel free to ask questions or make comments as appropriate.

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

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VIII. 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 2025-2027 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 2025-2027 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.

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2025 STRATEGIC PLANNING SUMMARY

September 2025

Prepared for

THE MONTANA TEACHERS' RETIREMENT SYSTEM

Communication and Management Services, LLC
PO Box 1251, Helena MT 59624
Tel: (406) 442-4934 ◆ Email: jkerins@cmsmontana.net

Table of Contents

Please see pages 14 – 15 for a glossary of terms and a guide to acronyms relevant to the summary.

Introduction

The Montana Teachers' Retirement System (TRS) Board met on August 1st, 2025, 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 state legislation. The Board considered survey responses and input from members, affiliates, staff, and leadership. The Board updated the agency operational and environmental assessment and established strategic goals and objectives for 2025 – 2027.

The following participants attended the 2025 strategic planning meeting:

- Kari Elliott — Board Chair (active member)
- Daniel Chamberlin — Vice Chair (public member)
- Dee Brown — Board Member (retired member)
- Elliott Crump — Board Member (active member)
- Daniel Trost — Board Member (public member)
- Brian Youngren — Board Member (active member)
- Shawn Graham — Executive Director
- Tammy Rau — Deputy Executive Director
- Nolan Brilz — Accounting/Fiscal Manager
- Darla Fitzpatrick — Communications Manager
- Lexi Newcomer — Communications Specialist
- John Noble — Information Technology Manager
- Jim Malizia — Chief Legal Counsel
- 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:

Period	Activity	Achievements
2009	Initial strategic planning	Completed an operational and environmental assessment, defined the mission statement and guiding principles, and established goals and objectives.

Period	Activity	Achievements
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.
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: • Maintain an actuarially sound qualified retirement plan. • Sustain a high-performance workforce through staff and Board development, innovative leadership and management strategies, and expanded organizational capacity. • Expand system communication efforts to increase member and employer knowledge and involvement, to educate stakeholders, and to foster support.
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.

Period	Activity	Achievements
2021 – 2023	Plan implementation	Participated in legislative pension study, enhanced computer systems and online functionality, developed and identified needs for procedural documentation, expanded outreach and networking, maintained pay plan, succession planning, etc.
2025	Strategic planning	Considered legislative updates; stakeholder and member input; communication, outreach, and documentation needs; online member service initiatives and accessibility requirements; potential cost saving initiatives (e.g., electronic newsletter) and other opportunities to develop the summary and objectives documented herein.

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:

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

Operational and Environmental Assessment

The Board reviewed and updated the 2023 Operational and Environmental Assessment by identifying and considering internal strengths and challenges and 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 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.
- Staff focus on members and provide prompt and courteous customer service.

Culture

- The Board and staff demonstrate integrity and willingness to make tough decisions in the best interest of the system and are open to innovative ideas.
- Leadership is effective and values succession planning.
- Staff enjoy working with teachers and receive positive feedback.
- Board members bring strong institutional knowledge and openness to new ideas.
- The Board and staff have good rapport and close alignment. The Board supports and respects staff.

Communication

- TRS maintains excellent internal communication and effectively addresses problems.

Training

- TRS provides effective training for employers at Montana Association of School Business Officials (MASBO) events and by request.
- TRS provides member training relevant to career stages, including "TRS 101" for early- and mid-career members, and "Ready, Set, Retire!" for those approaching retirement.
- TRS provides staff training on policy compliance to reduce risk.

Infrastructure

- TRS systems include full redundancy and backup capacity for disaster recovery using state resources.
- Information Technology (IT) staff adhere to technology replacement and support plans.
- TRS has an effective workspace with individual offices.
- M-Trust is an independently developed and customized system that effectively supports operational efficiency and member services.

Member Benefits and Plans

- Members do not have to manage their own investments (defined benefit).

- TRS is a qualified plan that meets Internal Revenue Service (IRS) rules and that is certified by the Government Finance Officers Association (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 a rate of return that exceeds our assessment rate.
- 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), the National Association of State Retirement Administrators (NASRA), the School Administrators of Montana (SAM), the Montana Retired Educators Association (MREA), the Montana Rural Education Association (MREA), the Montana Federation of Public Employees (MFPE), school boards and other groups.

Internal Challenges

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

Staff

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

Communication

- Reaching all constituents and stakeholders is challenging due to differing communication needs and interests.
- Active, inactive, and retired members have differing communication needs.
- Legislators, members, and taxpayers may undervalue TRS because they do not understand the economic benefits the plan provides to the State.
- Members may not engage and take advantage of opportunities to educate themselves about the system (e.g., information on the website or webinars).

Training

- Members do not always understand the need for financial planning or the fact that their pension plan provides guaranteed benefits.

Resources

- Information systems may require modification to meet accessibility guidelines.
- TRS must improve and expand business process documentation to support continuity and internal training.

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 TRS can activate.
- Maintain our partnerships 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) including the Montana Association of School Superintendents (MASS), Montana Retired Educators Association (MREA), and the Montana Rural Education Association (MREA).
- Maintain our relationship with experienced tax counsel.
- Engage stakeholders who have the capacity to collaborate and support the system.

Training

- Utilize educational resources such as National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR), and National Institute on Retirement Security (NIRS) websites, reports, and documents.
- Maintain adequate Board and staff training, such as by engaging in educational opportunities through 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).
- Continue to provide in-person MASS and MASBO training.
- Encourage Superintendents to bring information from MASS meetings to their boards and staff.
- Continue sending Board members to formal training.

Infrastructure

- Improve or expand information systems and develop operational efficiencies within the M-Trust system (e.g., implementing an online retirement application and updating systems to comply with Section 508 of the Rehabilitation Act and ensure technology is inclusive and usable for everyone).
- Maintain data validation and audit processes.

- Increase capacity by establishing and maintaining agreements and contracts for system support, modification, enhancement, and process/system documentation.
- Streamline workflow and redefine business processes and/or roles to better utilize staff time.
- Ensure strategic plans address changing demographics and funding requirements.
- Encourage employers to distribute information to members.

Communication

- Communicate to school districts the value of TRS in attracting and retaining quality teachers.
- Build on the quality communication program and expand public relations (e.g., meeting with regional superintendent groups).
- Advocate for appropriate and enhanced regulatory requirements.
- Encourage the University System to adequately fund its participation in the program.
- Survey members to engage individuals and elicit feedback for service improvements.
- Communicate the positive impact of TRS on the state and local economy by providing members and the public with clear, accessible information.
- Expand website information and webinars to help promote understanding of TRS benefits and address member and employer misconceptions.

Operations

- Utilize external consultants to ensure the plan complies with state and federal law and administrative rules to reduce the risk of compliance failure and to enable the board to fulfill its duty of prudence as fiduciaries.
- Continue to evaluate 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.

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.
- If membership or wages do not increase according to actuarial assumptions, TRS can fall behind in amortizing unfunded liabilities.
- Actual market volatility may impact funding levels, unfunded liabilities, funding requirements, and investment returns.
- Perceived market 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.

Workforce

- Declining membership due to decentralization of education may decrease contributions to the system and increase our unfunded liability.
- Teacher shortages will continue to increase pressure on TRS to reduce working retiree limitations.
- Factors such as retirement, illnesses and disabilities, school closures and consolidations, and family care may lead to workforce shortages.
- Projections indicate changing demographics in the next 15 – 20 years may impact TRS participation.

Goals and Objectives

2023 – 2025 Goals Assessment

The Board confirmed the 2023–2025 organizational goals remain appropriate and aligned with current initiatives:

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.

2023 – 2025 Objectives Assessment

The Board evaluated the 2023 – 2025 Strategic Planning Commitment Worksheet and determined TRS met several key objectives:

- Participated in the interim study of Montana's defined benefit public retirement systems (Senate Joint Resolution 4).
- Enhanced computer systems and online functionality by designing a modern, responsive website and identifying best practices in system security.
- Developed information systems procedural documentation and identified documentation needs for other programs.

- Implemented Board, Executive Director, and staff participation in external meetings, conferences, and informational opportunities.
- Completed a member survey regarding the defined benefit program.
- Hired a Communications Specialist to support outreach.
- Maintained the employee pay plan, training, and succession planning.
- Implemented business process and workflow improvements.
- Continued implementing the TRS audit program.

2025 Contemporary Issues and Surveys

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

1. Recent state legislation such as:
    - HB67, the TRS "Housekeeping bill," which clarifies existing law and expands certain provisions to the benefit of members including allowing school district teachers, teacher's aides, paraprofessionals, and administrators to receive service credit and/or salary credit for certain "extra duties" involving student supervision (e.g., playground duty or study hall monitor).
    - HB 359, which expands the exception allowing recently retired members to substitute teach or mentor newly hired teachers during the required 120-day break in service before returning to work in a reportable position.
    - HB 158, which temporarily expands an existing exception allowing smaller school districts to fill critical vacancies with TRS retirees who had at least 27 years of creditable service at the time of retirement, and HB 349, which creates a similar "exception for the Office of Public Instruction.
    - HB 924, a major funding bill that contains provisions that could benefit TRS by creating a pension reserve fund and by raising employer contribution rates (not member rates) by 0.1% each year for 20 years, beginning July 1, 2027.

2. Survey input from the following groups:
    - Montana Association of School Business Officials (MASBO) — Shelley Turner
    - Montana Federation of Public Employees (MFPE) — Kim Popham
    - Montana Retired Educators Association (MREA) — Marilyn Hamer
    - Teachers' Retirement System Board
    - Teachers' Retirement System Staff
    - Teachers' Retirement System members

A sample of the survey comments considered by the Board include:

"I received necessary information that answered my questions quickly and satisfactorily."
– Member Survey Response

"I think you are doing a fine job with customer service. TRS personnel seem to be knowledgeable in all my interactions with them, as both an active and as a retired member"
– Member Survey Response

"TRS is always looking out for ways to serve its members. They are always in tune with what is in the legislature, keeping members informed of any changes in TRS."
– Affiliate Survey Response

"I see one of TRS's greatest strengths as its dedicated staff, who work tirelessly to ensure members receive the best possible service and support. Their commitment and strong work ethic help maintain the system's stability and efficiency. The dedication of the team plays a key role in building trust and delivering on TRS's mission for educators' retirement security."
– Board Survey Response

"Thank you for the wage increases. It is appreciated however, access to procedure manuals would improve my day-to-day work."
– Staff Survey Response

"It is my opinion that TRS should look at continuing to change how it reaches out to its membership. Placing more energy into online and app driven communication will make it much more efficient for the staff and easier for all members to make time attend events and ask questions."
– 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, 2025.

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: ethical standards; honesty, integrity, and impartiality; dignity, respect, and mutual support.
- Continue and expand board and staff training to maintain knowledgeable, proactive leadership and to identify system improvements.
- Identify, catalog, and prioritize potential information technology (IT) enhancements including a responsive and accessible web presence.
- Maintain best practices in system security.
- 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.
- Implement succession planning to include internal development and experiential learning opportunities for staff.
- Maintain market and performance-based pay to attract and retain employees in compliance with State Pay Plan Policy and Broadband 25.
- Meet or exceed industry best practice standards (e.g., Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting Program).

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 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.

- Improve procedural documentation for TRS employers.
- Promote a deferred compensation system for teachers and communicate options to superintendents.
- 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 2025 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 actions 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 Association of School Superintendents (MASS)
Works toward the continuing improvement in educational procedures, techniques, administration, supervision, and public relations.

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

Montana Conference of Education Leadership (MCEL)
Education conference jointly planned and provided by MASBO, MREA, MTSBA and SAM.

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
The member portal to TRS online services.

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.

National Institute on Retirement Security (NIRS)
A non-profit research and education organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy.

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.

TRS 2025 – 2027 Strategic Planning Commitment Worksheet

Goal/Objective	Outcome/Measure	Status/Outcome	Responsible Party	Resources Required
Maintain an actuarially sound qualified retirement plan Conduct periodic tax qualification reviews (every 5 years) to support our goal of maintaining an actuarially sound "qualified" retirement plan using the established process and experts. Discontinue if IRS resumes doing qualification letters.	Documented compliance of plan terms with the Montana State Constitution and State and Federal laws and regulations.	Every 5 years. FY2026.	Executive Director, Chief Legal Counsel	Staff time, Contractor fees
Maintain an actuarially sound qualified retirement plan Conduct an experience study for the five-year period ending July 1, 2025.	Updated actuarial assumptions.	Starts July 1, 2025, with completion in May of 2026.	Executive Director, Board	Staff time, Contractor fees
High-performance work culture and service excellence Modernize TRS website with mobile responsiveness and accessible design to improve member service and information sharing and ensure Section 508 compliance.	Improved functionality and member convenience and legal compliance.	2026.	Information Systems Manager, Communications Manager	Staff time, Licensing fees
High-performance work culture and service excellence Continue business process and workflow improvements while building online processes to achieve a paperless process with priority on major business processes (e.g., online retirement application (ORA) functionality).	Automation and improved processes.	Implement ORA 2026 – 2027. Other enhancements are ongoing.	M-Trust Steering Team	Staff time
High-performance work culture and service excellence Create and update comprehensive desk/function manuals and update M-Trust online help to ensure business continuity, support knowledge transfer/succession planning, and support partners.	Improved internal documentation and business processes.	Ongoing.	Management Team, Staff	Staff time, Possible contractor fees
High-performance work culture and service excellence Continue strategic planning every 2 years.	Comprehensive and timely strategic goals.	Board Update 2026 Formal Strategic Planning 2027.	Management Team, Board	Staff time, Contractor fees

Goal/Objective	Outcome/Measure	Status/Outcome	Responsible Party	Resources Required
High-performance work culture and service excellence Maintain best practices in system security and proactively assess options. Pursue identity verification and e-signature options to improve member convenience while ensuring continued transaction security for all online forms.	Improved functionality and member convenience with continued system security.	ID Verification roll out after web redesign is complete in FY 2026.	Information Systems Manager, Communications Manager	Staff time, Licensing fees
High-performance work culture and service excellence Succession planning to prepare for turnover (e.g., retirement of key staff). Consider internal development, cross-training, limited double-filling of positions, and documentation of retired payroll processes.	Improved process documentation; knowledge transfer; cross-training.	2026.	Management Team	Staff time, Contractor fees
High-performance work culture and service excellence Maintain and enhance TRS competitiveness related to staff compensation under the State Pay Plan Policy and Broadband 25	Competitive pay in relation to Broadband 25.	Ongoing.	Executive Director, Deputy Executive Director	Staff time.
Communication and Outreach Integrate Board and Executive Director participation in superintendent meetings, staff engagement in key conferences (educator, MASBO, SAM, MCEL), collaboration with partners such as MFPE	Consistent attendance at annual conferences and superintendent meetings (non-legislative years), sustain or increase participation via webinars,	Annual schedule with adjustments based on effectiveness (e.g., leveraging webinars where appropriate).	Executive Director, Board, Communications Manager	Staff time, Board time
Communication and outreach (member communication) Continue Member Surveys to inform our strategic direction, increase retirement awareness, and promote engagement. Distribute results to legislators and other interested parties.	An informed and engaged constituency. Valuable data for interim study.	2025 Survey in progress.	Communications Manager	Staff time
Communication and outreach Promote the system as a benefit to help school districts attract and retain teachers.	Promotional materials and information illustrating TRS benefits for employer use.	Ongoing.	Communications Manager	Staff time
Communication and outreach (member communication) Transition newsletter to an electronic-only format over the next 12 months.	Cost savings and improved member convenience and accessibility	July 2026.	Communications Manager	Staff time

TRS 2025 – 2027 Strategic Planning Commitment Worksheet

Goal/Objective	Outcome/Measure	Status/Outcome	Responsible Party	Resources Required
Maintain an actuarially sound qualified retirement plan. Conduct periodic tax qualification reviews (every 5 years) to support our goal of maintaining an actuarially sound "qualified" retirement plan using the established process and experts. Discontinue if IRS resumes doing qualification letters.	Documented compliance of plan terms with the Montana State Constitution and State and Federal laws and regulations.	Every 5 years. Completed May 8, 2026	Executive Director, Chief Legal Counsel.	Staff time, Contractor fees.
Maintain an actuarially sound qualified retirement plan. Conduct an experience study for the five-year period ending July 1, 2025.	Updated actuarial assumptions.	Starts July 1, 2025, with completion in May of 2026.Completed May 8, 2026	Executive Director, Board.	Staff time, Contractor fees
High-performance work culture and service excellence Modernize TRS website with mobile responsiveness and accessible design to improve member service and information sharing and ensure Section 508 compliance.	Improved functionality and member convenience and legal compliance.	TRS Website is fully responsive. My TRS is nearly fully responsive. 508 compliance is mostly complete but will be ongoing.	Information Systems Manager, Communications Manager	Staff time, Licensing fees
High-performance work culture and service excellence. Continue business process and workflow improvements while building online processes to achieve a paperless process with priority on major business processes (e.g., online retirement application (ORA) functionality).	Automation and improved processes.	Implement ORA 2027 – 2028. Other enhancements are ongoing. Fully online Online Withdrawal, Responsive Online Beneficiary Designation, Benefit Recipient online address and bank update will likely happen before ORA now that ID.me is in place.	M-Trust Steering Team	Staff time
High-performance work culture and service excellence. Create and update comprehensive desk/function manuals and update M-Trust online help to ensure business continuity, support knowledge transfer/succession planning, and support partners.	Improved internal documentation and business processes.	Ongoing.	Management Team, Staff.	Staff time, Possible contractor fees.
High-performance work culture and service excellence. Continue strategic planning every 2 years.	Comprehensive and timely strategic goals.	Board Update 2026 Formal Strategic Planning 2027.	Management Team, Board.	Staff time, Contractor fees.

TRS 2025 – 2027 Strategic Planning Commitment Worksheet (continued)

Goal/Objective	Outcome/Measure	Status/Outcome	Responsible Party	Resources Required
High-performance work culture and service excellence. Maintain best practices in system security and proactively assess options. Pursue identity verification and e-signature options to improve member convenience while ensuring continued transaction security for all online forms.	Improved functionality and member convenience with continued system security.	ID Verification roll out in two phases with completion by end of FY 2026. Completed in one rollout May 1, 2026	Information Systems Manager, Communications Manager.	Staff time, Licensing Fees.
High-performance work culture and service excellence. Succession planning to prepare for turnover (e.g., retirement of key staff). Consider internal development, cross-training, limited double-filling of positions, and documentation of retired payroll processes.	Improved process documentation; knowledge transfer; cross-training.	Retired Payroll in FY 2026 – And Ongoing	Management Team.	Staff time, Contractor fees.
High-performance work culture and service excellence. Maintain and enhance TRS competitiveness related to staff compensation under the State Pay Plan Policy and Broadband 25	Competitive pay in relation to Broadband 25.	Ongoing.	Executive Director, Deputy Executive Director.	Staff time.
Communication and Outreach. Integrate Board and Executive Director participation in superintendent meetings, staff engagement in key conferences (educator, MASBO, SAM, MCEL), collaboration with partners such as MFPE	Consistent attendance at annual conferences and superintendent meetings (non-legislative years), sustain or increase participation via webinars,	Annual schedule with adjustments based on effectiveness (e.g., leveraging webinars where appropriate).Completed May 6, 2026	Executive Director, Board, Communications Manager	Staff time, Board time.
Communication and outreach (member communication). Continue Member Surveys to inform our strategic direction, increase retirement awareness, and promote engagement. Distribute results to legislators and other interested parties.	An informed and engaged constituency. Valuable data for interim study.	2025 Survey completed Fall of 2026.	Communications Manager.	Staff time.
Communication and outreach Promote the system as a benefit to help school districts attract and retain teachers.	Promotional materials and information illustrating TRS benefits for employer use.	Ongoing.	Communications Manager.	Staff time.
Communication and outreach (member communication) Transition newsletter to an electronic-only format over the next 12 months.	Cost savings and improved member convenience and accessibility	July 2026 Final hard copy mailed Jan 2026. News Carousel implemented on web	Communications Manager.	Staff time.

IX. Adjournment

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