



Montana Teachers' Retirement System

BOARD ORIENTATION MANUAL

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Montana Teachers' Retirement System

The Montana Teachers' Retirement System ("TRS") has designed this Board Orientation Manual ("Manual") to provide basic information and guidance to TRS Board members regarding the retirement system and their responsibilities and activities in administering it.

Law and other authority expressly or impliedly incorporated in this Manual may change from time to time. The provisions of this Manual do not supersede state or federal law or other authority applicable to the issues covered in this manual.

TRS Overview

TRS, established in Montana law in 1937, is a defined-benefit pension plan providing retirement benefits to teachers, administrators, and other professionals employed in public education in the state of Montana. As of Fiscal Year 2023, TRS had 22 full-time employees (see [TRS organizational chart](#)) and provided benefits and service to approximately 50,000 active, inactive and retired members. The TRS trust fund was valued at just under \$5 billion and TRS paid nearly \$430 million in benefits. For payment statistics from the most recent fiscal year, see the [TRS website](#).

TRS management staff include its Executive Director, Deputy Executive Director, Chief Legal Counsel, IT Manager, Accounting/Fiscal Manager, and Communications Manager.

Appointment of Board Members

The TRS Board is composed of [six members](#) appointed by the Governor to five-year terms. Three members are appointed from the teaching profession and must be active members of TRS at the time of appointment; at least one must be an active classroom teacher. One Board member must be a retired member of the retirement system who was an active member of the retirement system at the time of retirement. The other two Board members are appointed from the general public.

New Board members will receive an "Oath of Office" form from the Secretary of State that must be signed and returned to the Secretary of State's office. Upon receipt of the signed oath by the Secretary of State, the new appointee may be seated as a member of the Board.

Investment of TRS Funds and Appointee to Board of Investments

One member of the Board is also appointed by the Governor to serve on the Montana Board of Investments ("BOI"). The BOI is responsible for investing the retirement system's funds. BOI maintains a separate investment policy strategy for the TRS trust fund to ensure investments made on behalf of the fund are appropriate. Pension funds are managed as long-term, tax-exempt accounts with time horizons well beyond normal market cycles. Investment objectives are to maximize the total rate of return through a broadly diversified portfolio of assets.

Autonomy and Authority of the Board

TRS is attached to the Montana Department of Administration ("DofA") for administrative purposes only. Administrative functions performed by DofA for the retirement system include (not an exhaustive list): employee recruitment, new hire orientation, and other human resources functions; administrative rule notice technical reviews; printing and mailing of most retirement system publications and mailings; and other strictly administrative functions and services, many of which are provided by DofA to all State agencies.

TRS is, like all other State agencies, required to be managed and operated in conformity with state of Montana law and policy generally pertaining to the management and operation of State government, including but not limited to: law and policy on employment of and benefits to state

employees (including TRS employees); public information and public records; the public's right to know and participate in governmental functions; use and security of state information systems; competitive procurement of products and services by state agencies, etc. The Board's authority with respect to these laws and policies is, by and large, limited to ensuring compliance with them.

However, the Board is charged by the Montana Constitution and statutes with the responsibility to substantively apply the law and policy applicable to the retirement system, including but not limited to:

- determining the eligibility of an individual to participate as a member of TRS, and
- determining an individual's eligibility for benefits.

The Board exercises quasi-judicial, quasi-legislative, and policy making functions in substantively applying the law and policy applicable to TRS, and must do so independent of and without the approval or control of DofA.

Primary Objective and Functions of the Board – Applicable Law – Fiduciary Duties

The primary objective of the Board is to ensure administration of the retirement system in the best interests of all TRS members and in conformity with all applicable law and policy. To meet that objective, the Board is expressly authorized and obligated to perform the following functions (not an exhaustive list):

- ensure the retirement system is funded on an actuarially sound basis, including by ensuring that required contributions are remitted and overpaid benefits are recovered;
- hire an executive director and other staff who are qualified and trained to manage and conduct the day-to-day business of the retirement system;
- hire a consulting actuary to perform actuarial valuations and make actuarial recommendations to the Board and staff and, with the consulting actuary's professional recommendations, establish actuarial assumptions and factors to be employed by the retirement system;
- hire other qualified experts and consultants, as necessary, to assist in the conduct of the business of the retirement system;
- with the executive director and staff, advise and work with the Governor and Legislature to ensure Montana law regarding administration of the retirement system is consistent with the federal and state law and the fiduciary obligations applicable to the retirement system;
- promulgate administrative rules and Board policies, as necessary, to implement state and federal law applicable to the retirement system and effectively and efficiently manage the business of the retirement system; and
- make determinations regarding eligibility for membership and benefits.

Applicable Law

Article VIII, Section 15 of the Montana Constitution provides that TRS Board members must administer the retirement system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries. The same section also requires the retirement system be funded on an actuarially sound basis and that system assets be held in trust and spent only to pay participant benefits and administrative expenses of the retirement system.

Federal Tax Law – TRS is a governmental, defined-benefit pension plan, required by Montana statute to be tax-qualified under **Section 401(a) of the United States Internal Revenue Code** (“IRC”). As such, TRS is required to comply with all applicable tax-qualification standards as set forth in the IRC (Title 26 of United States Code) and the corresponding federal regulations, and as construed through various pronouncements and guidance issued by the Internal Revenue Service (“IRS”).

Title 19, Chapter 20, of the **Montana Code Annotated** (“MCA”) contains the primary statutes governing the administration and operation of TRS. The statutes were enacted and are amended, as necessary, through the legislative process. **Title 2, Chapter 44** of the Administrative Rules of Montana (“ARM”) contains the agency-developed rules (regulations) necessary to ensure administration of TRS consistent with its statutes. The ARMs are recommended by TRS staff, approved by the TRS Board, and adopted in conformity with the process mandated by the Montana Administrative Procedures Act (“MAPA”).

Together, the constitutional and statutory provisions and administrative rules governing TRS constitute our “plan terms.” The IRS requires that a qualified plan must have written plan terms and the plan must be administered in conformity with those plan terms. Board members are encouraged to become familiar with TRS’s plan terms as they will be central to many of the Board’s most pressing obligations on behalf of TRS and its members.

Board Policies – The Board may adopt policies it deems necessary for proper administration of the retirement system. Board policies, generally, speak to the conduct of Board members and TRS staff in the administration and operation of TRS; they do not establish the rights and obligations of members in and to membership and benefits of the retirement system. In other words, Board policies are used, primarily, to direct how TRS Board members and staff conduct themselves in performing the duties and functions set forth in the law applicable to TRS.

Board members should review the policies and direct any questions they may have to the Executive Director. Many of the policies will also be the subject of regular refresher training to comply with State of Montana requirements.

Fiduciary Duties

TRS Board members are trustees of the TRS trust fund and are constitutionally required to act as fiduciaries of the members of the retirement system – the beneficiaries of the TRS trust. In its simplest terms, the primary fiduciary duty of a trustee is the duty of loyalty – to administer the retirement system and expend trust assets for the sole benefit of the beneficiaries of the trust. This primary trustee duty is commonly referred to as the “exclusive benefit rule,” and is expressly contained in the Montana Constitution, TRS statute, and IRS qualification standards. In addition to the exclusive benefit rule, Board members are subject to fiduciary duties of impartiality, delegation, and care/prudence.

Use these links to read about [general fiduciary duties](#) and [avoiding conflicts of interest](#). In addition, the [Board policies](#) entitled *Ethical Conduct/Conflict of Interest* and *Board Communications with Members, Employers, and Others* are directly related to fiduciary obligations of Board members. It is important that new Board members carefully read these materials and direct any questions they may have about them to the Executive Director or Chief Legal Counsel. Board members will annually attend refresher training on ethical conduct and conflicts of interest and must annually complete a conflict-of-interest questionnaire.

Ensuring Actuarially Sound Funding of TRS

A defined benefit pension plan is fully funded if the plan's assets will exactly pay off all benefit and administrative expense liabilities of the system upon the death of the last benefit recipient. Of course, neither the actual total costs of future benefits and administrative expenses nor the actual total value of future contributions and investment earnings can be exactly determined today. Therefore, TRS relies on annual actuarial valuations to provide the most reasonably accurate picture of the retirement system's current "funded status," from which the Board and the Legislature make decisions regarding future funding needs of the retirement system (i.e., whether to increase or decrease future contribution rates or increase or decrease future benefits).

An actuarial valuation relies on a number of assumptions, including assumptions about the amount of contributions to be received and the rate of investment return to be earned on those contributions and when members will retire and how long they will receive retirement benefits after they retire, in valuing the future assets of the retirement system and determining the funded status. While a fully funded system is the ultimate goal, the goal line exists only at the end of the life of the retirement system – upon the death of the last living benefit recipient (and TRS plans to enroll new members and retire new retirees far into the future). In the interim, the funded status of the retirement system can fall short of "fully funded" due to actual experience of the retirement system differing from our actuarial assumptions. Even if less than fully funded, the retirement system is funded on an actuarially sound basis as long as the funding shortfall is within reasonable parameters (amortizes in 30 years or less) and the funding trajectory is headed in the right direction.

It is important for Board members to understand the basics of actuarial valuations and the interrelationship of TRS funding (contributions and investment returns) and TRS expenditures (benefits and administrative expenses), as the funded status of the plan will influence Legislative initiatives related to TRS. Past actuarial valuations may be reviewed on the [TRS website](#).

The Board's *Funding and Benefits Policy* describes the Board's objectives for actuarially sound funding of TRS and parameters for the Board's position on funding and benefits legislation.

Legislative Oversight and the Board's Quasi-Legislative Authority

The statutes governing TRS are enacted by the [Montana Legislature](#) and Governor. These statutes provide the legal foundations of the rights and obligations of TRS members and employers, including, but not limited to: who is eligible/required to be a member of TRS, employer and member contribution rates, when a member will be eligible for retirement benefits and how those benefits will be calculated, and limitations and requirements applicable to retired members who return to work in TRS reportable positions. The TRS Board may recommend legislation it deems necessary to ensure the retirement system is funded on an actuarially sound basis, ensure compliance with IRS tax-qualification standards, and ensure effective and efficient administration of the retirement system.

The Legislature has substantial oversight authority over State agencies, including TRS, and TRS has significant reporting requirements to the Legislature. When the Legislature is not in session, the State Administration and Veterans' Affairs Interim Committee ("SAVA") has administrative rule review, draft legislation review, and program oversight and monitoring responsibilities for TRS.

The Board exercises quasi legislative authority through promulgation of administrative rules. Administrative rules provide detail, when necessary, regarding how the retirement system will implement the statutes enacted by the Legislature and Governor. Administrative rules are promulgated through the administrative rules process set forth in Montana's Administrative Procedures Act ("MAPA"), and include publishing of the proposed rule, a public comment period and/or public hearing, and publication of the final rule adoption. Administrative rule proposals and finalized administrative rules are subject to review by the Legislature/SAVA.

Administrative rule proposals will generally be made by TRS staff for Board consideration and approval on two Board meeting agendas to allow for adequate public consideration and comment prior to the Board taking action, though non-controversial rule proposals may be acted on by the Board following one meeting. Following Board action, the proposed rule will be noticed by publication in the Montana Administrative Register and are subject to additional public scrutiny and comment. Following consideration of public comment, a final rule will be published.

Both with respect to recommendations of legislation and promulgation of administrative rules, the board should be particularly mindful of its fiduciary duties and its self-imposed obligations set forth in Board policy, in particular, the *Funding and Benefits* policy and the *Board Communications with Members, Employers, and Others* policy.

The Board's Quasi-Judicial Authority and Court Review

The Board is statutorily authorized to make determinations regarding eligibility for membership and entitlement to benefits. From time to time, a member will disagree with a final determination issued by TRS staff. In such cases, the member has a right to "appeal" the staff determination by, first, requesting informal review by the Board. The informal review will be noticed on a Board meeting agenda. The Board will receive copies of the TRS staff final determination and any written statement of disagreement from the member, as well as copies of any relevant documents. The member may attend the Board meeting to explain their position to the Board. The Board may disagree with the final staff determination, or may concur with the final staff determination subject to the member's right to request a contested case hearing.

If the Board agrees with the final staff determination, the member will be given 30 days to request a “contested case hearing.” A contested case hearing, conducted under the contested case provisions of MAPA, is a formal administrative process similar to court proceedings culminating in a full evidentiary hearing. The Board is the ultimate “finder of fact and concluder of law” in a contested case, though the Board generally will appoint a hearing examiner to manage the contested case and preside at the hearing. The hearing examiner will draft a recommended order including proposed findings of fact and conclusions of law, on which the Board must take action.

Prior to the Board making a final decision, TRS and the member will have a period of time to file “exceptions” to the recommended order. Either party may request that the Board hear oral arguments on the exceptions filed. After receiving exceptions, if any, and hearing oral arguments, the Board will take action in the matter by adopting the recommended order without changes, by amending the recommended order, or by remanding for further process before the hearing examiner.

If the Board’s final decision in a contested case is adverse to the member, the member may file a petition in district court for judicial review of the final administrative decision. Judicial review proceeds very much as any other civil matter in district court, and the district court’s order in the matter may then be appealed to the Montana Supreme Court.

TRS’s Chief Legal Counsel represents the retirement system in any contested case process/hearing and, for due process reasons, may not also advise/represent the Board in its official duties in the contested case. Therefore, the Board maintains a legal representation contract with an outside law firm to advise and represent the Board in contested case matters. During the pendency of a contested case, the TRS Board as a whole or any individual Board member may not discuss the facts or law of the contested case with TRS’s Chief Legal Counsel or any TRS staff member (in legal terms, these would be *ex-parte communications*) but must direct any questions regarding the contested case to their outside counsel.

Board Officers, Subcommittees

Election of Board Officers

The officers of the Board are the Chair and Vice-Chair. The officers are elected annually at the first regular Board meeting of the fiscal year. To be eligible to be Chair or Vice-Chair, members must have served on the Board for a minimum of one year before being elected. A member may be re-elected to an officer position without limitation.

Subcommittees

The Board Chair will periodically make assignments for each Board member to advisory subcommittees on Personnel, Legislation, and Fiscal matters. Each Board member will serve on only one subcommittee at a time and each subcommittee will have only two members assigned.

The purpose of the subcommittees is purely advisory. A subcommittee does not independently take or direct final action on any issue, but merely reviews and provides information to the full Board on issues for Board discussion or action.

Board Meetings

Meeting Schedule

There are **four regular meetings** of the Board in each fiscal year (July 1 through June 30) typically held during:

- The first two weeks of October,
- The first two weeks of December,
- The first two weeks of February, and
- The first two weeks of May.

In addition, an annual **strategic planning meeting** typically is held during the first two weeks of August. Additional special meetings of the Board may be called by the Board Chair or by a majority of the Board members.

Meeting Location

Board meetings are generally held in the TRS Board room at 100 North Park Avenue, Suite 110, in Helena, Montana. A Board meeting may be held or an individual Board member's participation in a Board meeting may occur telephonically or virtually with the approval of the Board Chair or of a majority of the Board members.

Board Quorum

The Board is legally constituted and empowered to act when a quorum is present. A quorum of the TRS Board is reached when three members are in attendance.

Meeting Agenda, Packet, and Minutes

The Board meeting agenda is the responsibility of the Board Chair in concert with the Executive Director. Agenda items may be submitted by the Executive Director, a TRS member or beneficiary or their representative, a TRS employer, a member of the Board, or any other interested party. Agenda item requests should be submitted through the Executive Director but may be submitted through the Board Chair to be forwarded to the Executive Director. Petitions or requests from members for Board action are included as agenda items if all supporting documentation has been received in the TRS office at least 20 days before the meeting.

All agenda items will be designated as action items, discussion items, or information items. Action items require a motion and second for action or a motion to table followed by a vote to dispense with the agenda item. Discussion items are not voted on but are designed to prompt discussion of items of interest to TRS or on issues that will be future action items. Informational items may be included on the agenda and in Board meeting materials and are not acted on nor discussed, ordinarily, but may be discussed upon request of a board member.

The meeting agenda and related materials ("meeting packet") will be drafted and compiled by the Executive Director and will be sent to each board member and publicly posted on the [TRS Board](#) webpage approximately 7 days in advance of the meeting.

The agenda must be adopted by vote of the Board at the beginning of the Board meeting. No items may be added to the agenda once the agenda is adopted for a given meeting. Any additional issues raised at a Board meeting for Board consideration, discussion, or action must be included on the agenda of a future meeting.

Written minutes of the previous meeting will be included as an action item for approval or correction and sent to each Board member with the new agenda. Any corrections or additions will be corroborated with the video or audio recording of the meeting or by consensus of fellow Board members before being approved as amended.

Meeting Procedure and Board Votes

Roberts Rules of Order shall be used to guide meeting protocol. New Board members may wish to read [this simplified description](#) of the rules.

The Board Chair is charged with supervising the conduct of the meetings. If the Board Chair is absent, the Vice Chair will conduct the meeting. All discussion, questions, and other matters will be addressed to and through the Board Chair. The Board Chair is a fully participating member of the Board for all meeting purposes including discussion, motions, seconds, and voting.

A simple majority vote of the Board members in attendance at any meeting is sufficient to approve or disapprove any action item. Roll call votes will be taken upon request. All Board members present are entitled to vote and are required, except for good cause shown, to vote on every issue properly before the Board. A member who has a conflict of interest related to any action item must make the conflict of interest known prior to discussion of the item and must abstain from both discussion of and voting on the matter. A Board member abstaining from a vote for any other reason must state the reason for their abstention prior to the vote being taken.

Open Meetings and Public Participation

All Board meetings will comply with the public right to know and public right to participate provisions of Montana law. The upcoming date, time, and location of all regular and special Board meetings will be publicly posted at least 72 business hours prior to the meeting. In-person meetings will be open to the public and information regarding telephonic and virtual opportunities to attend and/or participate in Board meetings will be provided. All official Board action and votes will be taken in an open session.

A video or audio recording of each regular or special Board meeting will be publicly posted on the [TRS Board Minutes](#) webpage the following business day. All matters discussed and Board actions taken will be recorded in the written minutes of the Board.

Though all Board meetings are open to the public, not all Board business during a meeting is subject to public comment and/or participation. The public has the right to watch and listen but may speak only when allowed to by the Board Chair. Members of the audience who wish to address an item on the agenda should make that desire known in advance to the Executive Director who will inform the Board Chair. The Board will hear the comments at an appropriate time indicated by the Board Chair and the Board Chair has the option to limit the comments to a specific time frame. No general audience participation is permitted once the Board begins deliberation of a motion, although an exception will be made when a Board member requests clarification.

Public comment is not allowed on disability applications or contested case or other adjudicative proceedings. The Board Chair will close the meeting when the rights of individual privacy exceed the public's right to know or when the Board will discuss litigation strategy.

Board Education

The Board members' fiduciary duties of care and prudence, essentially, require Board members to act with the skill, care, and knowledge necessary for the proper administration and operation of a tax-qualified, governmental, defined-benefit pension plan. While the expertise necessary to operate TRS is substantially obtained through the hiring of qualified staff and contracting with qualified consultants, Board members still must develop and maintain the personal knowledge base to understand the requirements and issues of TRS administration and to direct and evaluate TRS staff and consultants in their conduct of TRS business. Regular, periodic education of Board members is essential.

TRS is a member of the [National Council on Teacher Retirement](#) ("NCTR"), which provides high quality educational opportunities specifically directed to Board members and executives of governmental teachers' retirement systems. Board members are provided the opportunity and are encouraged to attend NCTR's educational convention on a rotational basis. Typically, two or three members of the Board and the Executive Director attend the NCTR convention as delegates of TRS, with preference given to any new Board member who has not attended in the past.

Board Member Per Diem and Travel Reimbursement – No Duplicate Public Payment Allowed

For each Board meeting, Board members will receive a payment of \$100.00 for time spent outside their regular work schedule preparing for the meeting. Board members will receive \$100.00 per diem for attendance at a Board meeting, at an educational conference, or otherwise in Board-approved performance of duties on behalf of TRS.

Board members also receive reimbursement for travel, lodging, and meals for attendance at Board meetings and educational conferences, in conformity with the State's current state employee travel policy. Expenses are generally paid through reimbursement following the travel and submission of a travel voucher and receipts. However, conference registrations will be paid by TRS in advance and a travel advance may be approved for a trip of significant expense if requested at least two weeks prior to the scheduled departure.

Board members using their own vehicles for Board travel will receive mileage reimbursement at the current IRS rate based on specified map miles from point A to point B and back plus an appropriate amount for in-town mileage.

The [Montana Code of Ethics](#) prohibits a TRS Board member from receiving both the \$100.00 per diem from TRS and compensation from another public employer for the same period of time unless the compensation from other public employment is due to use of accrued leave time. Members must annually complete a form indicating whether they have other public employment and whether they will receive per diem for their TRS service.

Effective Board Practice Points and Principles

Keeping the following principles in mind will help individual Board members and the Board as a whole to build strong relationships and high regard for TRS with all TRS stakeholders, and to be efficient and effective in their governance of the retirement system.

1. Every Board member, regardless of the constituency from which they were appointed, represents and must act in the best interests of every TRS beneficiary and of the retirement system as a whole. A Board member does not advocate for the individual interests of individual beneficiaries or groups of beneficiaries except as consistent with the common interests of all TRS beneficiaries as set forth in TRS law. Nor does a Board member advocate for the interests of TRS employers, the state of Montana or its taxpayers, or any other individual or entity related to the administration of the retirement system except as such interest is consistent with the Board's fiduciary duties or derives from the application of TRS law.
2. The Board speaks with one voice. While each Board member must exercise and express their individual judgment and thoughts in discussion of and voting on matters before the Board, all discussion must be conducted with consideration and respect for other Board members' viewpoints. When a final decision is reached by majority vote of the Board, every member must recognize and support the decision.
3. A Board member should be an advocate of and an ambassador for TRS, both in the conduct of their Board duties and in their interactions in private life. While well-informed, constructive criticism can contribute positively to the healthy operation of the Board and the retirement system, such criticism should be voiced, respectfully, at the appropriate place and time. The objective and outcome of criticism must be to move the retirement system forward, not to denigrate individuals or the retirement system. Therefore, critical concerns should be raised with the Board Chair, with the whole Board at a Board meeting, or with the Executive Director.

Liability Protection

Board members are protected under state law from most personal liability when acting in their official capacity. [Section 2-9-305](#) provides for the immunization, defense, and indemnification of public officers and employees civilly sued for their actions taken within the course and scope of their employment.