

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 August 2, 2024 board meeting.

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

AGENDA
Friday, October 4, 2024

OPEN MEETING

All Times Are Tentative

8:30 I. Call to Order

Action Items

- A. Adopt Agenda
- B. Approval of Minutes – August 2, 2024

8:35 II. Public Comment

8:40 III. Actuarial Valuation

Discussion Items

- A. Actuarial Valuation – Cavanaugh Macdonald
 - 1. July 1, 2024 Valuation Results
- B. Public Comment

Action Item

- C. Adopt July 1, 2024 Actuarial Valuation Results

9:40 IV. Administrative Business

Discussion Items

- A. Investment Report – Daniel Trost
- B. Financial Statements and Budget Reports – Nolan Brilz
- C. Tentative **2025** Meeting Dates – Feb 21, May 9, Aug 1, Oct 3, Dec 5
- D. Public Comment

Action Items

- E. Out of State Travel – P2F2 October 27-30

Information Item

- F. Next Meeting Date – December 6, 2024

9:50 V. Executive Director's Report

Information Items

- A. Executive Summary
 - 1. Staff/Operations Update
- B. Legislative Interim Committee Update
- C. Public Comment

10:00 BREAK

10:15 VI. 2025 Board Legislation

Discussion Items

- A. Review and Discuss Board Legislation for 2025 Session
- B. Public Comment

Action Item

- C. Approve TRS Legislation for 2025 Session

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- 10:40 VII. TRS Internal Auditor Report**
- Discussion Items*
 - A. Review and Discuss TRS Internal Auditor Report
 - B. Public Comment

- 10:50 VIII. Strategic Planning**
- Discussion Items*
 - A. Strategic Planning Worksheet Updates
 - B. Public Comment

- 11:00 IX. Applications and Benefit Adjustments**
- Information Item*
 - A. Regular, Survivorship, Adjustment & Corrections

- 11:05 X. Legal Counsel's Report**
- Information Item*
 - A. Summary of Legal Issues

- 11:15 XI. Election of Officers**
- Action Items*
 - A. Election of Chair and Vice-Chair
 - B. Committee Appointments
 - 1. Budget & Audit Committee
 - 2. Personnel & Policy Committee
 - 3. Legislation & Litigation Committee

CLOSED MEETING

- 11:20 XII. Disability Applications**
- Discussion Item*
 - A. Executive Session to Discuss Disability Applications

OPEN MEETING

- Action Item*
 - B. Applications for Disability Retirement Benefits
- Discussion Item*
 - C. Public Comment

- 11:30 XIII. Adjournment**

NOTE: This will be an in-person board meeting; to join virtually, members of the public can request meeting login information by calling TRS at 406-444-0139 or by sending an email to: TrsOutreach@mt.gov.

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 406-444-3134, e-mail TrsOutreach@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 August 2, 2024

BOARD MEMBERS PRESENT

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

STAFF PRESENT

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

OTHERS PRESENT

Kim Popham, Montana Federation of Public Employees
 Dr. Rob Watson, School Administrators of Montana
 Jennie Youngren, Ronan School District

Call to Order

Chairperson Kari Elliott, who was attending the meeting virtually, asked Vice Chair Daniel Chamberlin to facilitate and he called the meeting to order at 8:34 a.m.

Adoption of the Agenda

Vice Chair Chamberlin requested a motion to adopt the meeting agenda.

Motion/Vote: Member Brian Youngren moved to adopt the agenda. Member Elliott Crump seconded the motion and it was approved by all members.

Approval of Minutes

Vice Chair Chamberlin requested a motion to approve the minutes from the May 17, 2024 meeting.

Motion/Vote: Member Daniel Trost moved to approve the May 17, 2024 minutes as written, and Member Brian Youngren seconded. The motion was approved by all members.

Public Comment on Board Related Items

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

There was no public comment.

2024 Agency IT Plan

TRS Executive Director Shawn Graham reported that TRS IT Manager John Noble had previously submitted an agency IT plan to the State Information Technology Services Division for the next biennium and recently received confirmation that SITSD has approved the plan. The plan outlines IT-related goals and objectives that help achieve the TRS Board's vision and objectives. These include modernizing the TRS website, ensuring system security, and developing online services to replace legacy paper processes while providing more efficient service to members.

Public Comment

There was no comment.

Responsive Website Demonstration

Darla Fitzpatrick and Jennifer Van Syckle of the TRS Communications team provided an update on progress toward a new, responsive design for the TRS public website.

Ms. Fitzpatrick began with an update on new Americans with Disability Act (ADA) accessibility requirements for public websites. While the law has applied to commercial websites for many years, soon they also will apply to state and local government websites to ensure all citizens have equal access to web content, including PDF documents, images, and videos. TRS agrees with the requirements and has begun implementing them, even though full compliance will not be required until April 2026. Full compliance will take significant time and effort by the Communications team.

Ms. Van Syckle, who has been largely responsible for the public website redesign, then provided a preview for the Board. Unlike TRS's current website, the new design will adjust automatically to the user's screen size and will meet accessibility requirements for color contrast, font size, navigability, and support for assistive technologies such as screen readers for blind and low-vision users. She will continue working to bring current materials into compliance with the new accessibility rules while moving existing content over to the new design template.

Public Comment

There was no comment.

2025 Draft Legislation

Director Graham attended the State Administration and Veterans' Affairs (SAVA) committee meeting held on July 31, 2024. The purpose of the meeting was to describe TRS's legislative ideas and obtain authorization for legislative staff to draft the bills prior to the start of the 2025 legislative session for efficiency.

He then reviewed the main points within TRS's two proposed bills. One would request an increase in the MUS-RP supplemental employer contribution rate as required under §19-20-621, MCA. Director Graham reviewed the history of this contribution rate, which stems from the Montana University System's decision in 1993 to close TRS to new hires. The TRS Board is required to recommend an increase to the Legislature if the current MUS supplemental contribution rate is not sufficient to amortize the past service liability of their TRS members by July 1, 2033.

The current rate of 4.72% was set in 2007 and no Legislature has acted on subsequent requests to increase it. The actual contribution rate and/or dollar amount to be included in the MUS-RP supplemental employer contribution bill will be based on the July 1, 2024 actuarial valuations of TRS and MUS, which will be presented to the Board in October.

Director Graham then reviewed four main sections of the TRS General Revisions (“housekeeping”) bill. The first part would modify the existing definition of “extra duty service” to ensure that all TRS members who are regularly assigned and compensated for extra duties outside their regular job description are treated equally with respect to accrual of salary and service credit for those duties.

The second part of the housekeeping bill would insert a definition of the term “educational services capacity” to clarify which positions of a TRS employer must be reported to TRS. Some job titles (e.g., teacher, superintendent, principal) are specified in TRS law as required participants, but other job titles are less clear as to whether the employee is fundamentally engaged in providing educational services. The bill inserts language to describe the criteria applied by TRS to determine whether such positions are reportable to TRS based on job duties and functions.

The third part of the proposed housekeeping bill relates to an existing provision that allows substitute teachers and part-time teachers’ aides/paraprofessionals to elect to postpone active TRS membership until they have worked at least 210 hours in a single fiscal year. School business officials have requested that TRS modify its Wage and Contribution Reporting System to track those hours, and TRS is accommodating that request; however, corresponding changes are needed in TRS law, such as to require school districts to report hours and wages monthly for those who qualify as non-contributing employees under this provision.

The fourth part of the housekeeping bill clarifies how TRS would recalculate benefits for members who return to active membership after receiving disability retirement and who subsequently re-retire with TRS after accruing three or more years of additional service credit.

Public Comment

Dr. Rob Watson, Executive Director of the School Administrators of Montana, suggested some language changes in “extra duty service” and “educational services capacity” provisions to help ensure the housekeeping bill does not inadvertently exclude some valid programs and positions that exist in the public school system. Director Graham thanked Dr. Watson for his input and indicated his suggestions will be incorporated into the bill draft.

Board Training

Funding and Benefits Policy

Chief Legal Counsel Denise Pizzini reminded members of the Board that the TRS Funding and Benefits Policy is reviewed every two years prior to the upcoming Legislative session. As fiduciaries of the retirement system, the TRS Board sometimes must recommend changes to the Legislature to help ensure the system remains adequately funded, and the policy provides guidelines for doing so. The policy also helps the Board determine whether to take a position on bills introduced by others that could affect TRS. Member Dee Brown commented that Director Graham is an excellent spokesperson for the Board when testifying at legislative hearings.

Public Comment

There was no comment.

Strategic PlanningLong Range Planning

The Board's meeting packet included a complete copy of the 2023-25 Strategic Plan developed in August 2023. Director Graham explained that today's agenda item represents the Board's opportunity to review that plan and to revise the stated goals or objectives as needed. He then reviewed the three overall goals and provided a progress report on specific objectives listed on the Commitment Worksheet.

After discussion, Director Graham agreed to modify one of the objectives related to public relations to include his possible participation in the annual Montana Conference of Education Leadership (MCEL). It was also agreed that because the objective to develop desk-level procedural documentation for TRS staff has not yet been prioritized, it may need to be revisited and modified next year when the strategic plan for 2025-27 is developed.

Public Comment

There was no comment.

Executive Director's ReportLegislative Interim Committee Update

As previously reported, Director Graham presented legislative concepts to the SAVA committee on July 31, 2024 and received approval for pre-session drafting of the two proposed TRS bills. Board members will review the bill drafts at the October 4, 2024 meeting.

Operations Update

There have been some staffing changes since the May Board meeting. One of TRS's imaging technicians, Robert Grotzke, moved out of state and TRS has hired a new employee, Stephanie Reynolds, to fill that vacancy. A technician on the Retired Benefits team, Janine Whitley, decided to retire from State government and TRS has filled the position internally. Tina West, the current Administrative Assistant, was the successful candidate for that position and Director Graham soon will schedule interviews with applicants for her vacant position at the front desk.

Public Comment

There was no comment.

Administrative BusinessInvestment Report

Member Trost provided a report from the Montana Board of Investments (BOI), which last met in May 2024. The BOI plans to review the contract they have held for many years with investment consulting firm RVK and may issue a Request for Proposals next year to ensure they are getting the best value for the service provided. The BOI operating budget for FY 2024 showed a surplus in

nearly every category, and a recent analysis by RVK confirmed that most fees paid to outside investment managers were lower than those paid by peers.

Member Trost then discussed the BOI's investment portfolio and reported that, as of June 30, 2024, investment returns for the public pension funds including TRS exceeded their actuarially assumed rates of return. Growth was strong compared to the previous year and, although there has been some recent volatility due to inflation fears and other factors, investments continue to do well overall.

FY 2024 Budget Status Report

Nolan Brilz, TRS Accounting/Fiscal Manager, presented the TRS balance sheet as of June 30, 2024 as compared to the previous fiscal year. As reported by Member Trost, market performance has been strong and TRS total assets now exceed \$5.3 billion. He then discussed certain expense categories and reported that revenue (contributions and investment earnings) exceeded expenses (primarily benefit payments) by approximately \$230 million for FY 2024.

The TRS operating budget for FY 2024 resulted in an overall surplus of approximately \$200,000. Mr. Brilz noted that TRS paid no fees for legal services in FY 2024, which accounts for some of that surplus. Member Trost commended TRS for consistently keeping administrative expenses far below the amount allowed by state law.

NCTR Customer Service Workshop – Verbal Report

Darla Fitzpatrick, TRS Communications Manager, attended the NCTR Customer Service Workshop hosted by New York City TRS in June. She had hoped to connect with representatives from CalSTRS regarding their use of DocuSign for member forms, but none of their staff were in attendance. There were 15 systems represented at these meetings and topics of discussion included cybersecurity, fraud detection and prevention, use of artificial intelligence (AI), member outreach, and expansion of online member services. She noted there was wide variety between the various systems in how they approach online security.

NCTR Directors' Meeting – Shawn Graham

Director Graham also attended the NCTR Director's Meeting in New York City in June. There were 28 system directors in attendance and, while all plans share common challenges, it is always interesting to learn how each plan manages them. One example is how strict or lenient each system is with respect to working retirees. The potential uses for artificial intelligence and concerns over security of plan data also were discussed. While AI tools may be valuable for performing certain tasks, the State of Montana does not yet have an AI policy, and access to AI tools is blocked until a usable policy can be adopted. An emerging concern is the enormous amount of energy consumed by AI technologies and whether the U.S. can supply enough energy to meet those demands.

Tentative 2024 Meeting Dates

Tentative dates for the remainder of 2024 are October 4 and December 6. No conflicts were noted.

Public Comment

Kim Popham, MFPE Public Policy and Research Director, introduced herself and thanked the TRS Board for all they do for our shared members. She currently is working with TRS staff to confirm locations and dates for fall pre-retirement education sessions.

Next Meeting Date

The next Board meeting will be held Friday, October 4, 2024.

Adjournment

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

Motion/Vote: Member Trost moved to adjourn, with Member Brown seconding. The meeting was adjourned at 12:00 p.m.

Chairperson _____

Executive Director _____

II. Public Comment

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

III. Actuarial Valuation

Discussion Items **A. July 1, 2024 Actuarial Valuation**– Todd Green and Bryan Hoge from CavMac will present the results of the July 1, 2024, actuarial valuation.

We will have hard copies of the valuation available for each Board member at the meeting.

The TRS valuation can be viewed prior to the board meeting by following this link:

https://trs.mt.gov/miscellaneous/PdfFiles/Information/ActuarialValuations/2024_TRSvaluation.pdf

The MUS-RP valuation can be viewed prior to the meeting by following this link:

https://trs.mt.gov/miscellaneous/PdfFiles/Information/ActuarialValuations/2024_MUSvaluation.pdf

According to the valuation, TRS amortizes in **21 years** as of July 1, 2024, and is **74.27%** funded. This represents a **decrease of 3 years** to the amortization period and an **increase in the funded status of 1.78%** versus the 2023 valuation.

Our actuarial rate of return (smoothed over 4 years) was 9.09% which exceeded the assumed rate by 1.79% for FY 2024. The actuarial value of assets was about \$65M more than the market value of assets. If the market value of assets were used instead of the actuarial value, we would amortize in 23 years and the funded ratio would be 73.34%.

The MUS RP Supplemental Contribution valuation indicates that the current supplemental contribution rate of 4.72% would need to increase to 14.21% in order to amortize the past service liability of University members of the Teachers' Retirement System by July 1, 2033. Alternatively, it would require a lump sum payment of \$214.5 Million on July 1, 2025 in order to maintain the 4.72% contribution rate and payoff the unfunded liability by July 1, 2033.

As stated earlier in this section, the actuary will be at our October 4th meeting to present the results of the valuation in person but if you have any questions beforehand, please feel free to give me a call or send me an email.

B. Public Comment - This is an opportunity for any member of the public to comment on the actuarial valuation.

Action Items: **C. Adopt July 1, 2024 Valuation Results:** Staff recommends that the Board adopt the July 1, 2024 valuation results.

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 August 31, 2024.

B. FY 2025 Budget Status and Financials Report –Nolan Brilz, Accounting Manager for TRS, will present the budget status and financial statement reports through August 31st and answer any questions you might have during the meeting.

C. Tentative 2025 Meeting Dates – Tentative dates are February 21, May 9, August 1, October 3 and December 5th.

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

Action Item **E. Out of State Travel** – Approve out of state travel request for TRS Accounting/Finance Manager to attend the P2F2 Annual Conference in Indianapolis Oct 27-30th. Funding for attendance was included in the FY 2025 budget already approved by the board in May.

Information Item **F. Next Meeting Date** – December 6, 2024

<u>Allocation</u>	<u>UNITS OUTSTANDING</u>	<u>UNIT VALUE</u>	<u>MARKET VALUE\$(000)</u>	<u>ALLOCATION (%)</u>
TEACHERS RETIREMENT			5,262,576	100.00
SHORT TERM INVESTMENT POOL (STIP)	55,751,573.28	100.00000	55,752	1.06
Consolidated Asset Pension Pool (CAPP)	2,851,367,065.53	182.60801	5,206,825	98.94

	<u>ITD</u>	<u>INCEPTION DATE</u>
Longest Measurable Plan Return	7.83	7/1/1994

<u>Returns</u>	<u>MONTH</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>ITD</u>	<u>INCEPTION DATE</u>
TEACHERS RETIREMENT	1.57	4.12	3.03	11.94	4.16	8.88	7.57	7.42	8.44	07/01/1994
TEACHERS RETIREMENT CUSTOM BENCHMARK (YWN2D) - BLDR	1.44	4.42	3.98	13.31	3.67	8.29	7.37		8.45	
SHORT TERM INVESTMENT POOL (STIP) [1]	0.45	1.35	0.90	5.53	3.49	2.37	1.74	1.82	2.45	4/1/1997
SHORT TERM CUSTOM BENCHMARK (MONSTCB) - BLDR	0.47	1.39	0.94	5.68	3.57	2.32	1.70	1.78	2.38	
Consolidated Asset Pension Pool (CAPP)	1.57	4.15	3.05	12.01	4.18	8.97	-	-	8.46	4/1/2017
CAPP CUSTOM BENCHMARK (MONCAPP) - BLDR	1.45	4.46	4.02	13.41	3.68	8.35	-	-	7.91	

	<u>Plan Market Value \$(000)</u>	<u>Allocation (%)</u>
Allocation - Asset Class		
TEACHERS RETIREMENT	5,262,576	100.00
Domestic Equity - PAC	1,437,979	27.33
International Equity - PAC	762,864	14.50
Private Investments - PAC	872,477	16.58
Real Assets - PAC	310,658	5.90
Real Estate - PAC	630,058	11.97
Core Fixed Income - PAC	767,499	14.58
Non-Core Fixed Income - PAC	379,539	7.21
Cash Equivalents - PAC	45,752	0.87
PENSION CASH	55,752	1.06

	<u>MONTH</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>ITD</u>	<u>INCEPTION DATE</u>
Returns										
Domestic Equity - PAC	1.97	7.16	4.23	25.64	7.89	15.14	12.00	10.11	10.38	5/1/2003
Domestic Equity - PAC Custom Blend (MONDE) - BLDR	2.16	7.27	4.01	26.20	7.97	15.37	12.57	10.61	11.06	
International Equity - PAC	2.72	4.83	5.18	17.22	0.95	7.39	4.70	5.68	5.00	4/1/1997
International Equity - PAC Custom Blend (MONIE) - BL [2]	2.71	5.05	5.30	17.78	1.71	7.63	4.51	6.10	5.29	
Private Investments - PAC	0.99	1.14	1.10	4.00	7.46	13.38	11.85	11.63	12.48	5/1/2002
Private Equity PAC Custom (MONPE) - BLDR	(0.09)	4.98	5.92	15.97	3.48	11.00	10.44	11.40	10.85	
Real Assets - PAC	0.65	2.83	1.92	8.15	10.99	7.00	-	-	5.91	4/1/2017
Real Assets - PAC Custom Blend (MU7EBM) - BLDR	2.17	2.76	5.27	11.96	5.62	4.78	-	-	3.70	

	<u>MONTH</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>ITD</u>	<u>INCEPTION DATE</u>
Returns										
Real Estate - PAC	0.15	0.23	0.17	(2.80)	3.19	4.56	7.31	-	4.24	6/1/2006
Real Estate - PAC Custom Blend (MONRE) - BLDR	-	(2.58)	-	(12.00)	2.47	(1.90)	4.06	-	4.03	
Core Fixed Income Pre and Post CAPP [3]	1.82	5.33	3.83	7.60	(1.61)	0.45	1.77	3.65	5.08	4/1/1995
Core Fixed Income Custom Benchmark (CFIBM1)	1.44	4.79	3.81	7.30	(2.11)	(0.01)	1.39	3.04	4.45	
Non-Core Fixed Income Pre and Post CAPP [4]	1.87	4.22	3.57	11.67	1.44	3.38	3.78	-	6.68	6/1/2009
Bloomberg U.S. HY - 2% Issuer Cap (WE6D)	1.63	4.59	3.61	12.53	2.54	4.44	4.65	-	7.74	
Cash Equivalents - PAC	0.46	1.41	0.46	6.40	4.02	2.70	-	-	2.44	5/1/2017
SHORT TERM CUSTOM BENCHMARK (MONSTCB) - BLDR	0.47	1.39	0.94	5.68	3.57	2.32	-	-	2.18	

TEACHERS RETIREMENT PLAN
END NOTES
 Aug 31, 2024

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 Cap 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 August 31, 2024

	8/31/2024	8/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
ASSETS		
Current Assets		
Cash	676,609	1,553,509
Accounts Receivable	10,399	2,929
Interest Receivable	0	0
Total Current Assets	687,008	1,556,438
Investments		
Short-term Investment Pool	55,751,573	49,901,960
Consolidated Asset Pension Pool (net)	5,141,819,864	4,941,097,528
Security Lending Collateral	0	0
Total Investments	5,197,571,438	4,990,999,488
Other Assets		
Equipment	16,286	16,286
Accumulated Depreciation Equip	(16,286)	(16,286)
Leashold Improvements	243,881	243,881
Accumulated Dep Leasehold Imp	(162,587)	(124,844)
Intangible Assets	0	137,307
Intangible Right to Use Bldg	2,810,123	2,810,123
Accumulated Amort Right to Use Bldg	(523,454)	(344,378)
Total Other Assets	2,367,963	2,722,089
Deferred Outflows - Pension and OPEB	424,170	504,594
TOTAL ASSETS	5,201,050,578	4,995,782,609
LIABILITIES & FUND BAL.		
Liabilities		
Accounts Payable	24,133	14,629
Standard Lease	2,454,198	2,585,499
Uncleared Collections	471,888	33,057,335
Compensated Absenses	256,558	218,004
Security Lending	0	0
OPEB Implicit Rate Subsidy	54,636	53,547
Net Pension Liability - PERS	1,957,160	1,851,315
Total Liabilities	5,218,574	37,780,329
Fund Balances		
Pension Accumulation Fund	4,246,878,288	4,061,376,611
Annuity Savings Fund	904,989,542	859,466,502
Year-to-date Income/(Loss)	43,618,535	36,724,142
Adj Fund Bal	0	0
Total Fund Balance	5,195,486,365	4,957,567,255
Deferred Inflows - Pension and OPEB	345,639	435,025
TOTAL LIABILITIES & FUND BAL.	5,201,050,578	4,995,782,609

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

	8/31/2024	8/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
REVENUE		
Contributions	30,636,478	30,976,920
Misc Revenue	0	0
Investment Revenue	90,596,416	80,846,965
TOTAL REVENUE	121,232,893	111,823,885
EXPENSES		
Benefits Paid	74,745,833	72,484,614
Withdrawals	2,385,392	2,172,708
Admin. Exp	442,984	387,866
Depreciation Exp.	5,807	2,903
Amortization Exp.	0	34,327
Lease Amortization Exp.	27,550	13,775
Lease Principal & Interest	6,791	3,550
OPEB Expense	0	0
Pension Expense - PERS	0	0
TOTAL EXPENSES	77,614,358	75,099,743
REV OVER EXP	43,618,535	36,724,142
REV OVER EXP	43,618,535	36,724,142
BEG FUND BAL	5,151,867,830	4,920,843,113
Adj Fund Bal	0	0
END FUND BAL	5,195,486,365	4,957,567,255

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

	8/31/2024	8/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
Investment Revenue:		
Short-term Investment Pool	445,936	292,176
Consolidated Asset Pension Pool		
Securities Gains/(Losses)	16,126,227	4,303,159
Investment Appreciation/(Depreciation)	74,024,252	76,251,630
Securities Lending Activity	0	0
Administrative Investment Exp.	0	0
Total Investment Rev.	90,596,416	80,846,965
Administrative Expense:		
Personal Services	282,232	259,881
Contracted Services	89,042	65,196
Supplies & Material	40,050	24,328
Communications	4,540	23,090
Travel	1,620	940
Rent	540	270
Repairs & Maintenance	0	0
Other Expenses	24,960	14,161
Depreciation Exp.	5,807	2,903
Amortization Exp.	0	34,327
Lease Amortization Exp.	27,550	13,775
Lease Principal & Interest	6,791	3,550
OPEB Expense	0	0
Pension Expense - PERS	0	0
Total Administrative Exp.	483,133	442,421

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

ACCOUNT LEVEL	ACCOUNT CATEGORY	EXPENSE FY 2024	BUDGET FY 2025	EXPENDITURE YEAR TO DATE	% BUDGET SPENT	TOTAL PROJECTED	BUDGET SURPLUS/(DEFICIT)
	PERSONAL SERVICES:						
61100	Salaries	1,633,775	1,795,000	200,006	11.1%	1,781,632	13,368
61300	Per Diem	4,700	8,000	1,100	13.8%	8,000	-
61403	Health Insurance	278,256	292,000	46,903	16.1%	301,444	(9,444)
61400	Benefits	281,451	315,000	34,223	10.9%	311,008	3,992
	Total Personal Services	2,198,182	2,410,000	282,232	11.7%	2,402,084	7,916
	OPERATING EXPENSES:						
62100	Contract Services	756,410	951,941	89,042	9.4%	932,663	19,278
62200	Supplies/Materials	70,732	84,300	40,050	47.5%	55,717	28,583
62300	Communications	142,483	149,625	4,540	3.0%	130,463	19,162
62400	Travel	21,937	37,000	1,620	4.4%	9,719	27,281
62500	Rent	3,241	3,500	540	15.4%	3,500	-
62700	Repairs/Maintenance	27,594	23,198	-	0.0%	22,698	500
62800	Other Expenses	91,074	112,666	24,960	22.2%	95,654	17,012
	Total Operating Expense	1,113,470	1,362,230	160,752	11.8%	1,250,414	111,816
62122	Audit Fees - Biennial Amount	83,829	94,458	-	0.0%	94,458	-
	Total Operating and Personal Services	3,395,482	3,866,688	442,984	11.5%	3,746,956	119,732
69501	Capital Lease	158,828	158,828	27,266	0.0%	163,593	(4,765)
	Subtotal Capital Lease	158,828	158,828	27,266	0.0%	163,593	(4,765)
	Totals	3,554,310	4,025,516	470,250	11.7%	3,910,549	110,203

Percent of FY Complete 17%
Percent of Payroll Complete 11%

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

ACCOUNT CODE	ACCOUNT NAME	EXPENSE FY 2024	BUDGET FY 2025	ACTUAL EXP TO DATE	% OF BUDGET
62102	Consulting & Professional	141,862	201,450	638	0.3%
62104A	INS & Bonds - Non fixed	115	150	0	0.0%
62108	Legal Fees/Court Costs	0	37,500	0	0.0%
62113	Warrant Writing Fees	35,499	37,494	3,058	8.2%
62114	Payroll Service Fees	5,791	5,780	1,445	25.0%
62114A	Workers Comp Mgmt	449	548	534	97.4%
62115	Photographic Services	50	50	0	0.0%
62116	Medical Services	9,056	13,000	0	0.0%
62136	IT Consult & Prof Servs	271,628	359,000	33,911	9.4%
62145	Food Services Expense	431	800	491	61.4%
62148	SABHRS Costs/DOA	152,281	144,919	36,230	0.0%
62186A	Recycling	780	850	130	15.3%
62187	Records Storage	2,896	3,000	487	16.2%
62190	Printing, Pub & Graphics	40,217	50,000	4,213	8.4%
62191	Printing, Other Provider	3,022	4,000	356	8.9%
621B1	SITSD Storage Hosting	18,061	18,000	1,449	8.0%
621B2	SITSD Server Hosting Services	27,906	31,000	2,454	0.0%
621B4	SITSD Application Services	1,165	700	0	0.0%
621B5	SITSD Email	2,720	3,000	224	7.5%
621B8	SITSD Operations Support	8,092	8,200	674	8.2%
621B9	SITSD Database Hosting	2,387	2,500	199	8.0%
621C2	SITSD Application Development	4,290	0	240	N/A
621C5	SITSD Enterprise Services	27,714	28,000	2,309	8.2%
621C6	SITSD Professional Services	0	1,000	0	0.0%
621C8	SITSD Email Restore	0	1,000	0	0.0%
	SUBTOTAL	756,410	951,941	89,042	9.4%
62122	Audit Fees - Current	73,644	94,458	0	0.0%
	TOTAL CONTRACTED SERVICES	830,054	1,046,399	89,042	8.5%

Percent of FY Complete: 17%

**Teachers' Retirement System
Delinquent Agency Report
9/11/2024**

Employer Number	Employer Name	Reports Outstanding	Estimated Employee Contributions	Estimated Employer Contributions
440061	Lame Deer PS ???	06/2024	12,000	14,000
039951	Bear Paw Co-Op	07/2024	0	0
059991	Carbon County	07/2024	0	0
Total			12,000	14,000
Total Due			26,000	

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

STATE OF MONTANA

REQUEST AND JUSTIFICATION
FOR OUT-OF-STATE TRAVEL

1) Agency Number/Name 61050-Teachers' Retirement Board		2) Division Teachers' Retirement System	
3) Org Number 01	4) Name of Person(s) Traveling/Employee ID# Nolan Brilz - 037219		

5) Justification

Public Pension Financial Forum (P2F2) - Annual Conference

6) Itinerary**Destination:** Indianapolis, Indiana**Travel Dates:** October 27-30, 2024**7) Estimated Costs**

Transportation \$ 600	Meals \$ 150	Lodging \$ 720	Other \$ 825
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Total estimated cost \$ 2,295

Provide details to support estimated costs:

(Example: registration, taxi, etc. Provide Hotel Name and Phone Number if your Agency requires this information)

Airfare + ground transportation estimated at \$600

Conference hotel - \$204 x 3 nights + \$105 taxes/fees

Registration \$825

8) Submitted By	Title	Date
<i>Nolan Brilz</i>	Accounting/Fiscal Manager	9/11/2024

Approval of Authorized Agency Personnel per Department Policy

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.

V. Executive Director's Report

Discussion Items **A. Executive Summary**

Operations Update: TRS Benefit Officers have started the fall Ready Set Retire Workshops. These workshops are scheduled to be held in the following cities:

1. Glendive, Sept 25
2. Billings, Sept 26
3. Cut Bank, Oct 2
4. Great Falls, Oct 3
5. Stevensville, Oct 9
6. Missoula, Oct 10
7. Bozeman MFPE Annual Conference, Oct 17-18
8. Webinars, TBD

Staffing Update: Mary Corder was hired as our new Executive Secretary effective August 26th. Mary most recently worked as a long term substitute teacher for Cascade Public Schools. Please join me in welcoming Mary to TRS when you meet her.

B. Legislative Interim Committee Update – The State Administration and Veteran Affairs committee (SAVA) met on September 5th where they reviewed a draft SJ 4 Final Report and provided feedback to LSD staff for final approval at their October meeting. Discussion mainly centered around adding language to the draft report that all of Montana's defined benefit plans amortize in under 30 years and appear to be adequately funded. It appears that the overall sentiment of the SJ4 Study report will be positive. I am scheduled to present the results of the July 1, 2024 actuarial valuation to the SAVA committee on October 24th.

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

VI. 2025 Board Legislation

Discussion Items **A. Review and Discuss Legislation** – Our two legislative concepts were presented to the State Administration and Veteran Affairs Committee on July 31st and they were authorized by the committee for pre-session drafting. The TRS Board will discuss and finalize the actual bill language we will introduce during the 2025 legislative session.

Housekeeping Bill – The housekeeping bill is attached for review and approval by the Board and is summarized as follows:

19-20-101 “Extra Duty Service” includes student supervision:

1. Add specific language to “Extra Duty Service” definition to prospectively include student supervision in school functions that are not part of the school district’s regular curricular, co-curricular or extra-curricular programs as reportable duties/compensation to TRS. This will allow members to get full salary/service credit for some stipends or additional duties that are not on their own reportable to TRS.

19-20-208 Non-Contributing Substitutes, Part-Time Teacher Aides and Paraprofessionals:

1. Require Employers to report time worked and gross earnings for first 210 hours for substitute teachers, teachers’ aides and paraprofessionals that opt out of TRS membership to avoid potential service not reported issues for those that exceed the 210 hour threshold.

19-20-302(4) Clarification of Deferred Membership for Substitutes, Part-Time Teacher Aides and Paraprofessionals:

1. Provide mechanism in statute for TRS tracking of the first 210 hours for non-members and clarify that they are required to become an active member of the system the first of the month following the month in which they meet or exceed the 210 hour threshold.

19-20-302(10) Provide definition of “Educational Services Capacity”:

1. Provide statutory definition of educational services capacity. TRS membership is required for those working in and educational services capacity for certain TRS employers but it is not defined in statute. This definition matches the language we have been using in our fact sheet for many years.

19-20-417 Clarify Eligible Amount of Service to be Purchased for Substitute Teachers, Part-Time Teacher Aides and Paraprofessionals that Opt Out of TRS:

1. Clarify elective service purchase for first 210 or more hours for substitute teacher, part-time teachers’ aide or paraprofessional that opts out of TRS membership under 19-20-302. With new system tracking of first 210 hours in

19-302(4), it is possible that an individual will have more than 210 hours available to purchase in the fiscal year that they are required to participate in TRS.

19-20-703 Required Minimum Distributions:

1. Incorporate IRS changes required in Secure 2.0 into TRS statute by including updated required minimum distribution ages and dates in statute.

19-20-905 Clarify Calculation Methodology for a Disability Benefit when Member Returns to Active Status and Subsequently Retires:

1. This language is necessary to clarify how TRS will calculate retirement benefits for a disabled member receiving a benefit who is returned to active member status for some period of time and subsequently retires from TRS. Current law is nearly indecipherable so this change is necessary to make it clear how benefits will be calculated for a previously disabled member that is returned to active member status for some period of time and subsequently re-retires.

University Supplemental Contribution Rate Bill – 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 increase from 4.72% to 14.21%.

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

Action Item:

C. Approve TRS Legislation for 2025 Session – Finalize and approve TRS legislation for bill drafting.

TRS 2025 General Revisions

19-20-101. Definitions. As used in this chapter, unless the context clearly indicates otherwise, the following definitions apply:

(1) "Accumulated contributions" or "account balance" means the sum of all the amounts deducted from the compensation of a member or paid by a member and credited to the member's individual account in the annuity savings account, together with interest, minus any amount deducted for correction of errors and the aggregate amount of all retirement benefit payments and refunds of accumulated contributions paid to or on behalf of the member.

(2) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the mortality table and interest rate assumption set by the retirement board.

(3) "Alternate beneficiary" means an estate or an individual not designated as a beneficiary but that becomes a beneficiary pursuant to **19-20-1005**.

(4) "Average final compensation" means a member's highest average earned compensation, determined pursuant to **19-20-805**, on which all required contributions have been made.

(5) "Beneficiary designation" means the process that the retirement system prescribes pursuant to this chapter by which a person authorized by law designates one or more beneficiaries.

(6) "Beneficiary designation record" means either the hard copy form or electronic record prescribed by the retirement system and used by a person authorized by law to designate one or more beneficiaries.

(7) "Benefit recipient" means a retired member, a joint annuitant, or a beneficiary who is receiving a retirement allowance.

(8) "Contingent beneficiary" means a designated beneficiary with the right to receive any benefit or refund of accumulated contributions payable if there is no eligible primary beneficiary.

(9) "Creditable service" is that service defined by **19-20-401**.

(10) "Date of termination" or "termination date" means the last date on which a member performed service in a position reportable to the retirement system.

(11) "Designated beneficiary" means one or more primary beneficiaries or contingent beneficiaries designated pursuant to **19-20-1006**.

(12) (a) "Earned compensation" means, except as limited by subsections (12)(b) and (12)(c) or by **19-20-715**, remuneration paid for the service of a member out of funds controlled by an employer before any pretax deductions allowed under the Internal Revenue Code are deducted.

(b) Earned compensation does not include:

(i) direct employer premium payments on behalf of members for medical, pharmaceutical, disability, life, vision, dental, or any other insurance;

(ii) any direct employer payment or reimbursement for:

(A) professional membership dues;

(B) maintenance;

(C) housing;

(D) day care;

- (E) automobile, travel, lodging, or entertaining expenses; or
 - (F) any similar form of maintenance, allowance, or expenses;
 - (iii) the imputed value of health, life, or disability insurance or any other fringe benefits;
 - (iv) any noncash benefit provided by an employer to or on behalf of a member;
 - (v) termination pay unless included pursuant to **19-20-716**;
 - (vi) compensation paid to a member from a plan for the deferral of compensation under section 457(f) of the Internal Revenue Code, 26 U.S.C. 457(f);
 - (vii) payment for sick, annual, or other types of leave paid to a member prior to termination from employment or accrued in excess of that normally allowed;
 - (viii) incentive or bonus payments paid to a member that are not part of a series of annual payments;
 - (ix) a professional stipend paid pursuant to **20-4-134**;
 - (x) any similar payment or reimbursement made to or on behalf of a member by an employer;
- (c) (i) Adding a direct employer-paid or noncash benefit to an employee's contract or subtracting the same or a similar amount as a pretax deduction is considered a fringe benefit and not earned compensation.
- (ii) Cash paid in lieu of any direct employer-paid or noncash benefit that has previously been or would be paid or provided to or on behalf of the employee at the employee's request or direction is considered a fringe benefit and not earned compensation.

(13) "Educational services capacity" has the meaning set forth in 19-20-302.

~~(13)~~ (14) "Employer" means:

- (a) the state of Montana;
- (b) a public school district, as provided in **20-6-101** and **20-6-701**;
- (c) the office of public instruction;
- (d) the board of public education;
- (e) an education cooperative;
- (f) the Montana school for the deaf and blind, as described in **20-8-101**;
- (g) the Montana youth challenge program, as defined in **10-1-101**;
- (h) a correctional facility, as defined in **41-5-103**;
- (i) the Montana university system;
- (j) a community college; or
- (k) any other agency, political subdivision, or instrumentality of the state that employs a person who is designated a member of the retirement system pursuant to **19-20-302**.

~~(14)~~(15) "Extra duty service" means service in an educational services capacity that is not compensated as part of the normally assigned duties and functions of a school district teacher, administrator, or other employee but is regularly assigned to one or more school district teachers, administrators, or other employees as part of the regular operation of the school district's curricular, co-curricular and or extracurricular programs or service not in an educational services capacity that is

regularly assigned to a school district teacher, teacher's aide/paraprofessional, or administrator for purposes of student supervision in school functions that are not part of the school district's regular curricular, co-curricular or extra-curricular programs.

~~(15)~~(16) "Full-time service" means service that is:

(a) at least 180 days in a fiscal year;

(b) at least 140 hours a month during at least 9 months in a fiscal year; or

(c) at least 1,080 hours in a fiscal year under an alternative school calendar adopted by a school board and reported to the office of public instruction as required by **20-1-302**. The standard for full-time service for a school district operating under an alternative school calendar must be applied uniformly to all employees of the school district required to be reported to the retirement system.

~~(16)~~(17) "Individual" means a human being.

~~(17)~~(18) "Internal Revenue Code" has the meaning provided in **15-30-2101**.

~~(18)~~(19) "Joint annuitant" means the one person that a retired member who has elected an optional allowance under **19-20-702**(2), (4), or (5) has designated to receive a retirement allowance upon the death of the retired member.

~~(19)~~(20) "Member" means a person who has an individual account in the annuity savings account. Unless otherwise specified, "member" refers to a tier one member or a tier two member.

~~(20)~~(21) "Normal form" or "normal form benefit" means a monthly retirement benefit payable only for the lifetime of the retired member.

~~(21)~~(22) "Normal retirement age" means an age no earlier than 60 years of age.

~~(22)~~(23) "Part-time service" means service that is not full-time service. Part-time service must be credited in the proportion that the actual time worked compares to full-time service.

~~(23)~~(24) "Position reportable to the retirement system" means a position in which an individual performs duties that would entitle the person to active membership in the retirement system under the provisions of **19-20-302**.

~~(24)~~(25) "Primary beneficiary" means a designated beneficiary with a first right to receive any benefit or refund of accumulated contributions payable upon the death of the individual authorized by law to make the designation.

~~(25)~~(26) "Regular interest" means interest at a rate set by the retirement board in accordance with **19-20-501**(2).

~~(26)~~(27) "Retired", "retired member", or "retiree" means a person who is considered in retired member status under the provisions of **19-20-810**.

~~(27)~~(28) "Retirement allowance" or "retirement benefit" means a monthly payment due to a retired member who has qualified for service or disability retirement or due to a joint annuitant or beneficiary.

~~(28)~~(29) "Retirement board" or "board" means the retirement system's governing board provided for in **2-15-1010**.

~~(29)~~(30) "Retirement system", "system", or "plan" means the teachers' retirement system of the state of Montana provided for in **19-20-102**.

~~(30)~~(31) "Service" means the performance of duties that would entitle the person to active membership in the retirement system under the provisions of **19-20-302**.

~~(31)~~(32) "Termination" or "terminate" means that the employment relationship between the member and the member's employer has been terminated as required in **19-20-810**.

~~(32)~~(33) (a) "Termination pay" means any form of bona fide vacation leave, sick leave, severance pay, amounts provided under a window or early retirement incentive plan, or other payments contingent on the employee terminating employment.

(b) Termination pay does not include:

(i) amounts that are not wages under section 3121 of the Internal Revenue Code, determined without regard to the wage base limitation; and

(ii) amounts that are payable to a member from a plan for the deferral of compensation under section 457(f) of the Internal Revenue Code, 26 U.S.C. 457(f).

~~(33)~~(34) "Tier one member" means a person who became a member before July 1, 2013, and who has not withdrawn the member's account balance.

~~(34)~~(35) "Tier two member" means a person who became a member on or after July 1, 2013, or who, after withdrawing the member's account balance, became a member again after July 1, 2013.

~~(35)~~(36) "Vested" means that a member has been credited with at least 5 full years of membership service upon which contributions have been made and has a right to a future retirement benefit.

~~(36)~~(37) "Written application" or "written election" means a written instrument, required by statute or the rules of the board, properly signed and filed with the board, that contains all the required information, including documentation that the board considers necessary.

19-20-208. Duties and liability of employer. (1) Each employer shall:

(a) (i) each month, report the name, social security number, time worked, and gross earnings of each employed member; and

(ii) pick up the contributions of each employed member at the rate prescribed pursuant to **19-20-602** and **19-20-608** and transmit the contributions to the executive director of the retirement board;

(b) transmit to the retirement system the employer's contributions prescribed by **19-20-605** and **19-20-609** at the time that the employee contributions are transmitted;

(c) keep records and, as required by the retirement system, furnish information that is required in the discharge of the retirement system's duties, including financial, personal services, or other information or documentation requested by the retirement system to verify proper retirement system reporting and contribution remittance related to any individual hired by, working for, or paid by the employer, whether as a common law employee, an independent contractor, an employee or contractor of a third party, a volunteer, or in any other capacity;

(d) on the employment of a person who is required to become a member of the retirement system, inform the person of the rights and obligations relating to the retirement system;

(e) each month, report the name, social security number, time worked, and gross earnings of each retired member of the system who has been employed in a position that is reportable to the retirement system pursuant to **19-20-731**;

(f) whenever applicable, inform an employee of the right to elect to participate in the university system retirement program under Title 19, chapter 21; **and**

(g) at the request of the retirement system, certify the names of all persons who are eligible for membership or who are members of the retirement system **-. and**

(h) each month, report the name, social security number, time worked, and gross earnings of each substitute teacher, teachers' aide, and paraprofessional who, pursuant to 19-20-302(4), has elected not to participate in the retirement system prior to completing 210 hours of employment in any fiscal year.

(2) An employer shall submit a wage and contribution report to the retirement system every month, including for any month in which the employer does not pay compensation reportable to the retirement system.

19-20-302. Active membership. (1) Unless otherwise provided by this chapter, the following persons employed by an employer must be active members of the retirement system:

(a) a person who is a teacher, principal, or district superintendent as defined in **20-1-101**;

(b) a person who is an administrative officer or a member of the instructional or scientific staff of a unit of the Montana university system and who has not elected or is not required to participate in the university system retirement program under Title 19, chapter 21;

(c) a person employed as a speech-language pathologist, school nurse, professionally qualified person as defined in **20-7-901**, paraprofessional who provides instructional support, dean of students, or school psychologist;

(d) a person employed in a teaching or an educational services capacity by the office of a county superintendent, an education cooperative, a public institution of the state of Montana, the Montana state school for the deaf and blind, or a school district;

(e) a person who is an administrative officer or a member of the instructional staff of the board of public education;

(f) the superintendent of public instruction or a person employed as a teacher or in an educational services capacity by the office of public instruction;

(g) except as provided in subsection (2), a person elected to the office of county superintendent of schools;

(h) a person who is an administrative officer or a member of the instructional or scientific staff of a community college; and

(i) a person employed in a nonclerical position and who is reported on an employer's annual data collection report submitted to the office of public instruction.

(2) A retired member elected to the office of county superintendent of schools or appointed to complete the term of an elected county superintendent of schools after July 1, 1995, is not eligible for optional membership in the public employees' retirement system under the provisions of **19-3-412** or **19-3-413** and shall, within 30 days of taking office, file an irrevocable written election to become or to not become an active member of the teachers' retirement system. The retirement system membership of an elected county superintendent of schools as of June 30, 1995, must remain unchanged for as long as the person continues to serve in the capacity of county superintendent of schools.

(3) In order to be eligible for active membership, a person described in subsection (1) or (2) must:

(a) be employed in the capacity prescribed for the person's eligibility for at least 30 days in any fiscal year; and

(b) have the compensation for the person's creditable service totally paid by an employer.

(4) (a) A substitute teacher or a part-time teacher's aide;

(i) shall file an irrevocable written election determining whether to become an active member of the retirement system on the first day of employment; or

(ii) is required to become an active member of the retirement system after completing 210 hours of employment in any fiscal year if the substitute teacher or part time teacher's aide has not elected membership under subsection (4)(a)(i). or paraprofessional who is not already an active, inactive or retired member of the retirement system shall make an irrevocable written election to become an active member of the retirement system on the first day of employment or to defer membership in the retirement system until they have completed 210 hours of service in any fiscal year.

(b) Once a part time teacher's aide becomes a member, the aide is required to remain an active member as long as the aide is employed in that capacity. Once a substitute teacher becomes a member, the substitute teacher is required to remain a member as long as the teacher is available for employment in that capacity. Upon completing 210 hours of service in a fiscal year for one employer or in aggregate for two or more employers, the individual must become an active member of the retirement system. Active membership will be effective the first of the month following the month in which aggregate service reported by all employers equals or exceeds 210 hours. Once a substitute teacher or part-time teacher's aide or paraprofessional becomes a member, they are required to remain an active or inactive member until they meet requirements and either withdraw from the retirement system or become a retired member.

(c) The employer shall give written notification to a substitute teacher or part time teacher's aide on the first day of employment of the option to elect membership under subsection (4)(a)(i). An employer shall provide an election form to an eligible substitute teacher or part-time teacher's aide or paraprofessional on the first day of employment, shall require submission of the election form back to the employer, and shall maintain the election form permanently.

(d) If a substitute teacher or part time teacher's aide declines to elect membership during the election period, the teacher or part time teacher's aide shall file a written statement with the employer waiving membership and the employer shall retain the statement.

(5) A school district clerk or business official may not become a member of the teachers' retirement system. A school district clerk or business official who is a member of the system on July 1, 2001, is required to remain an active member of the system while employed in that capacity, and any postretirement earnings from employment as a school district clerk or school business official are subject to the limit on earnings provided in **19-20-731**.

(6) At any time that a person's eligibility to become a member of the retirement system is in doubt, the retirement board shall determine the person's eligibility for membership. All persons in similar circumstances must be treated alike.

(7) As used in this section, "part-time teacher's aide or paraprofessional" means an individual who works less than 7 hours a day assisting a certified teacher in a classroom.

(8) (a) An active member of the system concurrently employed in a position identified in subsection (1)(b) may not elect to participate in the university system retirement program under Title 19, chapter 21.

(b) An employee of the Montana university system who is a participant in the university system retirement program under Title 19, chapter 21, and who is concurrently employed in a position identified in subsections (1)(a) or (1)(c) through (1)(i) is ineligible to be an active member of this system.

(9) (a) A position is not reportable to the retirement system if the position is a bona fide volunteer position.

(b) A position is a bona fide volunteer position if all of the following criteria are met:

(i) The individual in the position receives no salary, stipend, remuneration of any kind, reimbursement of expenses, or in-kind benefits or services for service in the position. Employer payments of premiums for required insurance coverage directly related to the volunteer service, such as workers' compensation coverage or personal or professional liability coverage, do not constitute remuneration.

(ii) The position was not a paid position with the employer within the 12 months prior to being designated as a volunteer position by the employer.

(iii) The position does not become a paid position for at least 12 months following the employer's designation of the position as a volunteer position.

(iv) The employer does not have any other individual working as a paid employee in the same position while the position is designated as a volunteer position.

(v) The individual in the position does not perform work in the volunteer position in excess of:

(A) 4 hours in a day, 12 hours in a week, and 312 hours in a fiscal year if the service is performed during regular business days of the employer; or

(B) 312 hours in a fiscal year if the service is performed primarily at times other than during regular business days of the employer.

(c) The retirement system may require the employer to provide information and documentation to verify that a position designated as a volunteer position meets all requirements set forth in this subsection (9).

(10) As used in this chapter, an individual is employed in an "educational service capacity" if the individual:

(a) Directly teaches or instructs students.

(b) Provides professional or educationally-related services that assist students in participating in and/or receiving the full benefit of an educational program.

(c) Evaluates the competencies and/or the proper placement of students; determines or implements student-specific educational programs or plans; and/or provides direct/indirect support for academic or behavior intervention.

(d) Determines the proper curriculum and/or educational standards applicable to the program; determines the appropriate educational and instructional methodologies; selects or creates the instructional materials, and/or trains teachers or other staff responsible for implementing the curriculum, standards, and methodology of the program.

(e) Directs, supervises, or oversees the work of other individuals employed in an educational/instructional services capacity.

(f) Is the primary administrator of an employer entity that provides educational services or the primary administrator of an educational program of such an employer.

19-20-303. Inactive membership -- dormant membership status. (1) A nonvested or vested member's active membership in the retirement system terminates and the member becomes an inactive member when the member ceases to be employed in a position reportable to the retirement system.

(2) A vested member becomes an inactive member of the teachers' retirement system if the member becomes an active member of another retirement or pension system supported wholly or in

part by the money of another government agency, except the federal social security retirement system, and the membership in the other retirement system would allow credit for the same employment service in both retirement systems. However, the member may not be excluded from active membership in the teachers' retirement system solely because the person is receiving or is eligible to receive retirement benefits from another retirement system.

(3) A vested inactive member who does not must be transferred to dormant membership status if the member fails to take one of the following actions by April 1 following the calendar year in which the member attains the age of 70 1/2 if the member was born before July 1, 1949, or the age of 72 if the member was born on or after July 1, 1949 their required minimum distribution beginning date and cannot be located for involuntary retirement as described in 19-20-703(3) must be transferred to dormant member status:

(a) elect to terminate membership by withdrawing from the retirement system and taking a refund of the member's accumulated contributions under **19-20-603**;

(b) apply to receive retirement benefits under part 8 or part 9 of this chapter; or

(c) return to active membership.

(4) A nonvested inactive member must be transferred to dormant membership status if the member fails to take one of the following actions within 7 years after becoming an inactive member:

(a) elect to terminate membership by withdrawing from the retirement system and taking a refund of the member's accumulated contributions under **19-20-603**; or

(b) return to active membership.

(5) With respect to a member in dormant membership status:

(a) the retirement system shall no longer attempt to locate or contact the member or send communications or annual statements to the member; and

(b) the retirement system shall transfer the amount in the member's annuity savings account to the pension accumulation account and the amount may not be credited with additional interest while the member is in a dormant membership status.

(6) If a vested inactive member in dormant membership status takes an action described in subsection (3), the member is no longer in dormant membership status and the retirement system shall restore the member's account balance to the member's annuity savings account and credit the account balance with the interest that would have been earned if the amount had remained in the annuity savings account member had not been transferred to dormant status.

(7) If a nonvested inactive member in dormant membership status takes an action described in subsection (4), the member is no longer in dormant membership status and the retirement system shall restore the member's account balance to the member's annuity savings account and credit the account balance with the interest that would have been earned if the amount had remained in the annuity savings account member had not been transferred to dormant status.

(8) Nothing in this section affects the rights, benefits, obligations, or liabilities provided for under this chapter if a member dies in a dormant membership status.

19-20-417. Credit for substitute teaching service, or part-time teacher's aide or paraprofessional service, or other service not reported. (1) A substitute teacher or part-time teacher's aide who has filed an irrevocable election with their employer not to participate in the retirement system for the first 210 hours of service under **19-20-302** and who subsequently becomes a member within the same fiscal year must be awarded creditable service for the first 210 hours of

service if the member contributes the employee and employer contributions that would have been made if the member had been a member from the first date of service in that fiscal year, plus interest at the current actuarial assumed rate of investment return.) A substitute teacher or part-time teacher's aide or paraprofessional who has filed an irrevocable election not to participate in the retirement system for the first 210 hours of service under **19-20-302** and who later becomes an active member may be awarded creditable service for the 210 or more hours of service provided in the single fiscal year in which the individual met the 210 hour threshold resulting in the individual's active membership. In order to be awarded the creditable service, the member must contribute the regular employee and employer contributions that would have been made if the member had elected membership from the first date of service in that fiscal year, plus interest at the current actuarial assumed rate of investment return.

(2) A person who was employed in a capacity that would have been eligible for membership except for the fact that the person was employed for less than 30 days and who subsequently becomes an active member within the same fiscal year may purchase the first 30 days of service if the member contributes the employee and employer contributions that would have been made if the person had been a member from the first date of service in that fiscal year, plus interest at the current actuarial assumed rate of investment return.

(3) If an employer fails to report a person who was eligible for membership under **19-20-302**, the employee and employer shall make the contributions required by this chapter, plus interest at the current actuarial assumed rate of investment return.

(4) The contributions and interest may be made in a lump-sum payment or in installments as agreed to between the person and the board.

(5) Only one service purchase may be made by any member under subsection (1) or (2).

19-20-703. Payments to be monthly – required minimum distributions. (1) All retirement allowances must be paid in equal monthly installments.

(2) Except as provided in subsection (5), the retirement allowance may commence:

(a) no earlier than the first day of the month following the member's termination date or on the first day of the month following the date when the member first becomes eligible, whichever date is later; or

(b) if requested by the inactive member in writing:

(i) on the first day of a later month; or

(ii) on the first day of the month following the member's 60th birthday.

(3) Distribution of an inactive member's benefit must begin by the later of the April 1 following the calendar year in which a member attains the age of 70 1/2 if the member was born before July 1, 1949, or the age of 72 if the member was born on or after July 1, 1949, or April 1 of the year following the calendar year in which the member terminates. If a member fails to apply for retirement benefits by the later of either of those dates, the board shall begin distribution of the monthly benefit as provided in **19-20-702(3)(a)(i)**. (a) Distribution of an inactive member's benefit must begin or a refund of their accumulated contributions must be made by their required minimum distribution beginning date, which is the later of the April 1 following the calendar year in which the member terminates employment in all TRS reportable positions or the April 1 following the calendar year in which the member attains the age of:

(i) 70 1/2 if the member was born before July 1, 1949.

(ii) 72 if the member was born between July 1, 1949 and December 31, 1950;

(iii) 73 if the member was born between January 1, 1951 and December 31, 1959; or

(iv) 75 if the member was born on or after January 1, 1960.

(b) If a member fails to apply to receive retirement benefits by their required minimum distribution beginning date, the retirement system shall begin distribution of the monthly benefit under the monthly benefit option described in in **19-20-702(3)(a)(i)** without consideration for the member's age.

(4) The life expectancy of a member or the member's joint annuitant may not be recalculated after benefits commence.

(5) If a member terminates within 30 days of the last day of the school year, the member is considered to have terminated at the end of the member's contract, and the retirement allowance may not commence earlier than the first day of the month following the last scheduled pupil-instruction day or pupil-instruction-related day as described in **20-1-304**, whichever is later.

19-20-905. Cancellation of allowance and restoration of membership. (1) If a disabled retiree is employed in a position reportable to the retirement system and earns compensation in any calendar year in excess of the limitation provided in **19-20-904**, the retiree's retirement allowance must cease and the retiree must again become an active member of the retirement system effective on the first day of the month following the month in which the earnings limitation was exceeded. The member will be deemed to be no longer disabled.

~~(2) If the member is restored to active membership on or after the attainment of the age of 55 years, the member's retirement allowance upon subsequent retirement may not exceed the retirement allowance that the member would have received had the member remained in service during the period of the member's previous retirement or the sum of the retirement allowance that the member was receiving immediately prior to the member's last restoration to service and the retirement allowance that the member would have received on account of the member's service since the member's last restoration had the member entered service at that time as a new member.~~ (a) Upon subsequent termination of employment in all TRS reportable positions, a member who would then be eligible based on age and/or service for either an early retirement allowance under 19-20-802 or a regular retirement allowance under 19-20-804 may immediately apply for a retirement allowance. Eligibility for retirement based on service will be determined based on the creditable service credited to the member at the time of disability retirement excluding any creditable service enhancement applied pursuant to 19-20-902(1)(b). The retirement allowance payable upon subsequent retirement will be the lesser of:

(i) The early or regular service retirement allowance the member is eligible to receive based on the creditable service and earned compensation credited to the member at the time of their disability retirement but excluding any creditable service or earned compensation enhancement applied as provided in 19-20-902(1)(b), plus the additional creditable service and earned compensation credited to the member after the return to active member status; or

(ii) An amount equal to the disability retirement benefit being received prior to the return to active member status plus a second benefit amount calculated based on the creditable service accrued and average earned compensation credited for all years of service during the return to active member status.

(b) Upon subsequent termination of employment in all TRS reportable positions, a member not then eligible for an early or regular service retirement allowance under (a) must wait to apply for a subsequent retirement allowance until eligible under (a) or may make a new application for a disability retirement allowance.

(c) A member who originally retired on a disability allowance and later returned to active member status may not make and their subsequent retirement allowance will not be enhanced by any permissive service purchase not used in the calculation of their original disability retirement allowance.

610501-002F

*** 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."

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.

(2) The university system retirement program supplemental employer contribution as a percentage of the

610501-002F

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."

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

NEW SECTION. **Section 2. {standard} Effective date.**

[This act] is effective July 1, 2025.

-END-

VII. Annual TRS Internal Auditor Report

Discussion Items **A. Review and Discuss Annual TRS Internal Auditor Report**– Chris Fish, TRS Internal Auditor, will lead the board through a discussion of the attached annual internal auditor report.

B. Public Comment – Opportunity for any member of the public to comment on the TRS Internal Auditor Report.



Montana Teachers'
Retirement System

TRS Audit Report – Fiscal Year 2023

Chris Fish, TRS Auditor • October 4, 2024

TRS Employer Wage and Contribution Audits

TRS has completed its second year of audits on employer wage and contribution reports. All audits were conducted by Chris Fish between the months of September 2023 and August 2024.

Reports and Documents Reviewed for Each Audit

1. Full worker roster, including names, job titles, and extracurricular assignments
2. Complete payroll reports from employer payroll software for fiscal year 2023
3. Timesheets (hourly employees only) for fiscal year 2023
4. I-9, W-4 paperwork, personnel documents, or membership forms for a sample size of employees in TRS reportable positions
5. List of all workers being paid as independent contractors (paid through accounts payable and not included on the employer's regular payroll)
6. Other documents as requested by TRS

Audit Process

The following steps to begin an audit:

1. Employer is contacted via email stating TRS will be performing a review of payroll reports.
2. Engagement letter mailed to the clerk along with steps on securely transferring documents via ePass.
3. One week before reports are due, the clerk is contacted via email or phone to see if there are any questions.
4. Contact with the clerk is ongoing throughout the review process.
5. A spreadsheet with questions, clarifications, and/or requests for additional information to the clerk is emailed after all reports are reviewed.

After all requested information is received and reviewed, the following procedures are completed:

6. Spreadsheets are created for the TRS Active Membership unit to make service credit corrections and create buybacks or refunds for service reported in error and salary/service not reported.

7. Spreadsheets are generated for the TRS Accounting unit with working retiree contribution corrections and other reporting errors identified for the current fiscal year so that adjustment reports can be created for the employer's next wage and contribution report.
8. A preliminary audit report is sent by email to the clerk for the employer's records, and any questions the clerk has on the findings are answered.
9. A final report and cover letter is mailed them to the clerk for the employer's records. This report outlines the steps TRS will take to review wage and contribution reports from the current fiscal year to verify the same errors do not continue to occur.
10. A calendar date is set up 2 to 3 months in the future is scheduled to verify that:
 - a. the TRS Active Membership unit has begun processing the necessary buybacks, transfers, and service credit corrections, and
 - b. the employer has corrected all issues identified in the audit report, such as using the correct work status (full-time, part-time, hourly), reporting extracurricular service correctly, and updating employee name changes in wage and contribution reports.

Note: Because the Accounting unit creates adjustments immediately for current fiscal year issues and wages not reported for working retirees, it has not been necessary to schedule follow-up dates for these situations.

Audit Findings

Service Not Reported, Salary Not Reported

Service and/or salary not reported errors arise when an employer has neglected to report a current member or a prospective member to TRS for wages earned or time worked in a TRS reportable position. For the reported audit period, these issues included substitute teachers/teachers' aides exceeding the 210-hour threshold for mandatory TRS participation, coaching stipends not being reported, and various TRS reportable positions being omitted from wage and contribution reports.

Some of these errors go back several years; all salary not reported in the past is included in the totals below. To collect the contributions owed to TRS, the Active Membership unit sets up Service/Salary Not Reported buybacks that include interest.

Service Not Reported errors	Salary Not Reported errors	Total salary not reported	Estimated contributions owed to TRS
231	234	\$1,767,976.25	\$353,772.05

*One school district missed a complete payroll report which will add an additional **\$93,777.56** to the Estimated contributions owed to TRS.

Reported in Error to PERS

These issues arise when an employer has reported a current or prospective TRS member to PERS in error. The issues included in the table below occurred when three school districts, one Community College and one State Agency reported multiple TRS reportable positions to PERS for several years. The Active Membership unit sets up Reported in Error to PERS buybacks and PERS remits the funds to TRS.

Reported in error to PERS	Total salary reported in error to PERS	Estimated contributions owed to TRS
25	\$1,740,899.03	\$348,353.90

Reported in Error to TRS

These issues arise when an employer has reported a current or prospective PERS member to TRS in error or has reported extra duties performed that are not reportable to TRS.

The issues found for this reporting period were primarily wages paid for non-educational lunch duty, ticket-taking, and activity bus driver duties, and in most cases, full-time teachers were performing these extra duties. The Active Membership unit works to submit refunds for the employer and employee contribution reported in error to TRS. One school district and one State Agency reported PERS reportable positions to TRS in error for several years. The Active Membership unit works with PERS to resolve these issues and TRS remits the funds to PERS.

Reported in error to TRS	Total salary reported in error to TRS	Estimated contributions refunded to PERS or SD
33	\$ (253,467.42)	\$ (50,718.83)

Working Retiree Salary Not Reported / Required Documentation Not Submitted

Working Retiree Salary Not Reported issues arise when an employer has neglected to report a retired member to TRS for wages earned in a TRS or PERS reportable position. These errors usually occurred because the employee and employer did not communicate regarding the individual's status as a TRS retiree and/or did not complete and submit TRS Form 146 as required when a TRS retiree provides service to or on behalf of a TRS employer.

Some of the errors date back several years and the total dollars in the table below include salary not reported for all previous years. In these situations, no adjustment to the member's service credit is involved and no buyback is necessary. Instead, the TRS Accounting unit creates an adjustment for the employer to correct the reporting for the working retiree.

Form 146 not submitted	Number of working retirees not reported	Total working retiree salary not reported	Estimated contributions owed to TRS
25	16	\$206,215.02	\$24,230.26

Total Audit Findings for FY 2023

Findings from 30 employer audits are included in the totals below.

Estimated contributions owed to TRS – SALARY NOT REPORTED	Estimated contributions owed to TRS – REPORTED IN ERROR TO PERS	Estimated contributions refunded to PERS – REPORTED IN ERROR TO TRS	Estimated contributions owed to TRS – WORKING RETIREE WAGES NOT REPORTED	TOTAL CONTRIBUTIONS OWED TO TRS
\$447,549.61	\$348,353.90	\$ (50,718.83)	\$24,230.26	\$769,414.94

Other Common Reporting Errors

TRS audits have revealed several instances of employers not reporting extracurricular stipends for employees who work less than full time or reporting incorrect service credit for extracurricular duties. TRS created a new Fact Sheet titled "Calculating and Reporting Extra Duty Service Credit to assist the clerks with reporting these stipends and service credit to TRS.

Incorrectly reporting an employee's work status (full time, part time, hourly) is another common finding that can result in the incorrect calculation of the member's service credit. Payroll data to correct these errors is given to the Active Membership unit and the clerk is directed to update the work status when submitting their next wage and contribution report.

Audits Planned for FY 2024

Thirty-one employer audits are scheduled for FY 2024, with a target of completing three audits per month. The schedule includes 27 school districts, two cooperatives, one community college, and one unit of the Montana University System. One school district audited in FY '23 requested to be audited again for FY '24 so the school administration and board can see the errors have been corrected. (See appendix A)

APPENDIX A

Employers Audited – FY 2023

Audits of the following TRS employers were completed between September 2023 and August 2024.
(Audits that remain in progress, if any, are noted below.)

Absarokee Public Schools

Broadus Public Schools

Browning Public Schools

Choteau Public Schools

Columbus Public Schools

Dodson Public Schools

Ennis K-12 Schools

Evergreen Elementary

Flathead Community College

Gardiner Public Schools

Garrison School

Glendive Public Schools

Havre Public Schools

Judith Gap Public Schools

Lame Deer Public Schools*

Liberty Elementary School District

Monforton Elementary **

Northern Montana College

Commissioner of Higher Education (OCHE)

Superintendent of Public Education (OPI)

Plevna K-12 Schools

Prickly Pear Special Services COOP

Ronan Public Schools

Roundup Public Schools

Ryegate K-12 Schools

Shepherd Public Schools

St. Regis K-12 Schools

Stanford K-12 Schools

Three Forks Public Schools

Winifred K-12 Schools

Winnett K-12 Schools

** Only working retiree information is included in FY '23 totals. Findings from this employer's active employee errors in FY '23 and FY '24 reports will be included in the FY 2024 audit report.*

*** Requested to have FY '24 wage and contribution reports reviewed.*

VIII. Strategic Planning

Discussion Items **A. Strategic Planning**– I have attached a copy of the 2023-2025 commitment worksheet for Board discussion.

B. Public Comment – Opportunity for any member of the public to comment on the Strategic Plan Summary and Commitment Worksheet.

TRS 2023 – 2025 Strategic Planning Commitment Worksheet

Goal/Objective	Outcome/Measure	Priority/ Timeline	Responsible party	Resources Required
<p><i>Maintain an actuarially sound qualified retirement plan.</i> Conduct periodic tax qualification reviews (every 5 years) to support our goal of maintaining an actuarially sound “qualified” retirement plan using the established process and experts. Discontinue if IRS resumes doing qualification letters.</p>	Documented compliance of plan terms with the Montana State Constitution and State and Federal laws and regulations.	Every 5 years. FY2021 complete. (Next review FY2026)	Executive Director Chief Legal Counsel	Tax counsel fees.
<p><i>Maintain an actuarially sound qualified retirement plan.</i> Actively participate in the interim study (Senate Joint Resolution - SJ 4). Be responsive to Pension Study requests. Address any issues resulting from the Pension Study Group.</p>	Well-informed policy makers.	FY2024 & FY2025	Executive Director Chief Legal Counsel Board	Staff time, actuarial service fees.
<p><i>Maintain an actuarially sound qualified retirement plan.</i> Conduct an experience study for the five-year period ending July 1, 2025.</p>	Updated actuarial assumptions.	Next study starts July 1, 2025 with completion in May of 2026	Executive Director Board	Contracted actuarial service fees.
<p><i>High-performance work culture and service excellence</i> Identify, catalog, and prioritize potential information technology (IT) enhancements including periodic IT enhancement budget and planning Board sessions. The Board will provide guidance on the level of investment in the system. Establish metrics for certain enhancements where appropriate to illustrate the return on investment. <i>Maintain data for cost/benefit analyses of system enhancements and development options (e.g., utilization of online withdrawals, costs of self-provided, contracted, or Information Technology Services Division, services etc.) as needed.</i></p>	Automation and improved processes. Specific budgets and defined level of investment in IT systems. 2024 – 2025 efforts relate to member convenience and operational efficiency.	Ongoing	Board, M-Trust Steering Team	Staff time, contractor fees.
<p><i>High-performance work culture and service excellence</i> Implement online retirement application (ORA) functionality.</p>	Member ability to apply for retirement online.	FY2024 planning 2025 – 2026 implementation	M-Trust Steering Team	Staff time, contractor fees.
<p><i>High-performance work culture and service excellence</i> Implement a responsive web design (i.e., when the user accesses the website, it determines and renders itself based on the device type). Redesign is necessary to remain current with contemporary web expectations and support member convenience.</p>	Mobilize resources to implement a modern website. Position TRS to implement online retirement application (ORA).	FY2024 – FY2025 (Underway - Approximately 50% of redesign is complete with assistance from SITSD)	Information Systems Manager and Communications Manager	Staff time, contracted services (vendor or ITSD) Budget adjustment

TRS 2023 – 2025 Strategic Planning Commitment Worksheet (continued)

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

TRS 2023 – 2025 Strategic Planning Commitment Worksheet (continued)

Goal/Objective	Outcome/Measure	Priority/ Timeline	Responsible party	Resources Required
<i>Communication and outreach (public relations).</i> Coordinate Executive Director and Board member (contingent on location and availability) attendance at School Superintendent meetings in non-legislative years.	Increased communication to Superintendents. All meetings are scheduled.	Spring of 2024 (ongoing) Completed – May 8, 2024	Executive Director and Board	Executive Director and Board time and travel.
<i>Communication and outreach (public relations).</i> Continue external communications including staff attendance at the annual educator conference, legislator education and outreach, collaboration with MFPE as appropriate, and attendance at MASBO, SAM and MCEL conferences.	Continued staff attendance at strategic events. (webinars are better attended than in-person).	Ongoing	Management Team & Active Team	Staff time and travel expense.
<i>Communication and outreach (member and employer communication).</i> Continue to promote communication with members and employers about system functions, improvements, processes, and transactions including using timeline and status-oriented system communications (e.g., anniversary, RMD and GABA letters).	Strategic promotion of online services.	Ongoing	Management Team Communications Manager	Staff time, mailing, etc.
<i>Communication and outreach (member communication).</i> Continue with Member Surveys to inform our strategic direction, increase retirement awareness, and promote engagement. Distribute member survey results to legislators and other interested parties (including emphasizing the powerful graphs and comments).	An informed and engaged constituency. Valuable data for interim study	2023 survey completed in October 2023, next survey 2025.	Communications Manager	Staff time.
<i>Communication and outreach (member communication).</i> <i>Promote the system as a benefit to help school districts attract and retain teachers.</i>	Promotional materials and information illustrating the benefits of TRS for use by employers.	Ongoing	Communications Manager	Staff time.
<i>Communication and Outreach</i> <i>Hire an additional 1 FTE Communication Professional to support outreach. Retain contracted services to develop procedural manuals.</i>	Acquire qualified staff and contractors to address communication opportunities. New FTE starts 12/18/23	Fall 2023/Spring 2024 Complete December 18, 2023	Executive Director and Communications Manager	Staff time. FTE funding. Contracted services budget.
<i>Communication and Outreach</i> Research available options for TRS to support or promote a deferred compensation system for teachers.	Provide information and options to Superintendents at MASS Meetings.	Spring 2024 In presentation to MASS with MPERA 457B handout/contact info.	Executive Director/Chief Legal Counsel	Staff time.

IX. Applications and Retirement Benefits

Information Item **A. Regular, Survivorship, Adjustments, and Corrections** – In your hard copy board packet, you will have a listing of members who have retired from 05/01/2024 through 08/31/2024 and any adjustments made during that time period.

We had 474 retirees from 05/01/2024 – 08/31/2024 with average termination pay of \$14,876.41, average monthly benefits of \$2,580.90 average age of 59.77 and average years of service of 25.05.

The quarterly report is purposely excluded from your electronic board packet because it includes what could be considered Personally Identifiable Information (PII).

X. Legal Counsel's Report

Information Items **A. Legal Issues** – Denise Pizzini will report on pending cases, and recent legal issues.

XI. Election of Officers

Action Items

A. Election of Chair and Vice-Chair - The Board Member Policy Manual provides that the Board shall elect a Chair and Vice-Chair annually at the September/October meeting. To be eligible to be elected to the position of Chair or Vice-Chair, members must have served on the Board for a minimum of one year before being elected.

The current Chair is Kari Elliott

The current Vice-Chair is Dan Chamberlin

B. Committee Appointments –The standing committees and current members are:

Budget/Audit

Dan Chamberlin and Brian Youngren

Legislation/Litigation

Dan Trost and Dee Brown

Personnel/Policy

Kari Elliott and Elliott Crump

XII. Disability Applications

CLOSED MEETING

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

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

OPEN MEETING

Action Items **B. Approval 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.

XIII. Adjournment

Action Items **A. Motion to Adjourn**