

**AGENDA**  
**Friday, December 6, 2024**

**OPEN MEETING**

*All Times Are Tentative*

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

*Action Items*

- A. Adopt Agenda
- B. Approval of Minutes – October 4, 2024

**8:31            II.        Public Comment**

**8:35            III.        Cyber Security Insurance**

*Discussion Items*

- A. Brett Dahl – Risk Management & Tort Defense
- B. Public Comment

**10:00 BREAK**

**10:15           IV.        Administrative Business**

*Discussion Items*

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

*Information Item*

- F. Next Meeting Date – February 21, 2025

**10:30           V.        Executive Director’s Report**

*Information Items*

- A. Executive Summary
  - 1. Staff Update
  - 2. Operations Update
- B. 2025 Legislation Update
- C. SAVA Update – Met on Oct 24<sup>th</sup>
- D. BOI Update – Met on Nov 20<sup>th</sup>
- E. LFC Update – Meeting on Dec 17<sup>th</sup>
- F. Public Comment

*Discussion Items*

**11:00           VI.        Strategic Planning**

*Discussion Items*

- A. Strategic Planning Summary & Commitment Worksheet Update
- B. Public Comment

**11:10 VII. Board Training**

- Discussion Items*
- A. Ethics/Conflict of Interest
  - B. Per Diem Election Form

**11:20 VIII. Applications and Benefit Adjustments**

- Information Item*
- A. Regular, Survivorship, Adjustment & Corrections

**11:25 IX. Legal Counsel's Report**

- Information Item*
- A. Summary of Legal Issues

**CLOSED MEETING**

**11:30 X. 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

**11:45 XI. Adjournment**

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

The Teachers' Retirement Board is pleased to make reasonable accommodations for any known disability that may interfere with a person's ability to participate in public meetings. If you need an accommodation, you must notify the Board (call 444-3134, e-mail [Mary.Corder@mt.gov](mailto:Mary.Corder@mt.gov), or write to P.O. Box 200139, Helena, Montana 59620) no later than 5 working days prior to the meeting to advise of the nature of the accommodation you need.

**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 October 4, 2024 board meeting.

## **Montana Teachers' Retirement System Board Meeting October 4, 2024**

### **BOARD MEMBERS PRESENT**

Kari Elliott, Chair  
 Daniel Chamberlin, Vice Chair (*by telephone*)  
 Daniel Trost, Member  
 Dee Brown, Member (*virtual; departed meeting at 10:05 a.m.*)  
 Elliott Crump, Member  
 Brian Youngren, Member

### **STAFF PRESENT**

Shawn Graham, Executive Director  
 Tammy Rau, Deputy Executive Director  
 Nolan Brilz, Accounting/Fiscal Manager  
 John Noble, Information Systems Manager  
 Darla Fitzpatrick, Communications Manager  
 Jennifer Van Syckle, Communications Specialist  
 Chris Fish, Internal Auditor

### **OTHERS PRESENT**

Todd Green, CavMac Actuarial Consulting Services  
 Bryan Hoge, CavMac Actuarial Consulting Services  
 Kim Popham, Montana Federation of Public Employees  
 Ben Ternes, Governor's Office of Budget and Program Planning (*virtual*)

### **Call to Order**

Chairperson Kari Elliott called the meeting to order at 8:35 a.m.

### **Adoption of the Agenda**

Chairperson Elliott requested a motion to adopt the meeting agenda.

*Motion/Vote:* Member Elliott Crump made a motion to adopt the agenda with the following changes: Move agenda items VI (2025 Board Legislation) and XI (Election of Officers) to follow item III (Actuarial Valuation). Member Crump's motion was seconded by Member Daniel Trost and approved by all members.

### **Approval of Minutes**

Chairperson Elliott requested a motion to approve the minutes from the August 2, 2024 meeting.

*Motion/Vote:* Member Brian Youngren moved to approve the August 2, 2024 minutes as written. Member Trost seconded the motion, which 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.

### **Actuarial Valuation**

Todd Green began by announcing to the Board that his firm, Cavanaugh Macdonald, has rebranded and now is known as CavMac. He then described the actuary's role in pension funding and reviewed the results of the July 1, 2024 actuarial valuation of TRS.

Mr. Green stated that the results are very good this year. He noted they use actuarial value of assets which smooths in gains and losses over a four-year period instead of market value. This reduces volatility in results. The plan earned 8.9% on a market value but on a smoothed value it earned 9.1% due to deferred asset gains being recognized. Unfunded liability went down by \$78 million. The funded ratio increased from 72.5% to 74.3%. The amortization period declined from 24 to 21 years.

Bryan Hoge then shared how these numbers were determined and historical information. There was a 9% return for both market and actuarial return when a return of 7.3% was expected each year. This creates an actuarial gain. Based on current predictions, the system is expected to be 100% funded in 2045. Gains and losses were reviewed with the largest gains being in investment income and largest losses were due to age and service retirements (more teachers retiring earlier or living longer than expected). Discussion around the normal cost rate and this plan vs. other plans ensued.

### **Public Comment**

There was no comment.

Chairperson Elliott requested a motion to adopt the July 1, 2024 actuarial valuation results.

*Motion/Vote:* Member Trost moved to adopt the actuarial valuation results. Member Crump seconded the motion, which was approved by all members.

### **2025 Board Legislation**

Executive Director Shawn Graham reported that the proposed TRS General Revisions (“housekeeping”) bill and University System Supplemental Contribution Rate bill have been submitted to the Governor’s office for review. Earlier versions were discussed in the August Board meeting and Director Graham provided a final review of the language in each bill and answered several questions from members of the Board.

The Board then discussed possible funding approaches for the University System bill but ultimately agreed to ask the Legislature to increase the MUS employer supplemental contribution rate from 4.72% to 14.21% to fully amortize, by July 1, 2033, the past service liability of their TRS members. While the Legislature has not voted to increase the MUS supplemental contribution rate since 2007 and funding remains inadequate, each session provides an opportunity for Director Graham to educate SAVA committee members on the unintended consequences of closing a retirement system to new members without paying off the unfunded liability for existing members.

Public Comment

There was no comment.

Chairperson Elliott requested a motion to approve TRS legislation for the 2025 session.

*Motion/Vote:* Member Dee Brown moved to approve TRS's 2025 legislation, with Member Trost seconding. The motion was approved by all members.

Election of Officers

Chairperson Elliott reviewed the Board's current officers and committee assignments, which are:

Chair:	Kari Elliott
Vice Chair:	Daniel Chamberlin
Budget/Audit Committee:	Daniel Chamberlin and Brian Youngren
Legislation/Litigation Committee:	Dee Brown and Daniel Trost
Personnel/Policy Committee:	Kari Elliott and Elliott Crump

After discussing each member's preferences, Chairperson Elliott requested a motion.

*Motion/Vote:* Member Trost moved to retain the current Chair, Vice Chair, and committee assignments. Member Youngren seconded the motion and it was approved by all members.

Administrative BusinessInvestment Report

Member Trost reported that the Montana Board of Investments (BOI) would meet the following week. Returns have been good, with US equity driving those returns. He also answered questions about assets, BOI plans for selling assets, and smoothing in the actuarial report from CavMac.

FY 2024 Budget Status Report

Nolan Brilz, TRS Accounting/Fiscal Manager, presented the TRS balance sheet for August 31, 2024 as compared to the previous fiscal year. The Consolidated Asset Pension Pool (CAPP) is up \$200 million compared to prior year. The M-Trust Project was completely amortized in 2024.

For the budget report, he noted TRS is currently fully staffed, so there are fewer vacancy savings compared to last year. Mr. Brilz expects around \$100,000 surplus by the end of the year. Currently there are two delinquent agencies, but they have been in contact with TRS and are working to resolve the issues.

Tentative 2025 Meeting Dates

Meeting dates for 2025 tentatively are scheduled for February 21, May 9, August 1, October 3, and December 5. No conflicts were noted.

Public Comment

There was no comment.

### Out of State Travel Request

Director Graham presented a request to authorize Mr. Brilz to travel to the Public Pension Financial Forum (P2F2) conference in Indianapolis, Indiana, in late October. He noted the costs for this annual conference were included in the approved FY 2025 budget.

*Motion/Vote:* Member Crump moved to approve the out-of-state travel request for Mr. Brilz. Member Youngren seconded the motion and it was approved by all members.

### Next Meeting Date

The final Board meeting of 2024 will be held Friday, December 6, 2024.

Chairperson Elliott announced a break at 10:05 a.m., at which time Member Brown departed the meeting.

### **Executive Director's Report**

#### Staff/Operations Update

Benefit officers are currently conducting pre-retirement workshops around the state and four TRS staff also will attend the annual MFPE Educator Conference in Bozeman later this month. Director Graham also recently attended the southwest MASS (Montana Association of School Superintendents) meeting, which completes his objective of speaking to all regional MASS groups this year.

Tina West was promoted to Retired Payroll Technician and Mary Corder was hired to replace Ms. West as the Administrative Assistant.

#### Legislative Interim Committee Update

Director Graham indicated the SAVA committee / SJ 4 Pension Study Group should publish their report soon and he expects it to be largely positive in its evaluation of the pension systems. He is scheduled to present the July 1, 2024 actuarial valuation results to SAVA on October 24, 2024.

#### Public Comment

There was no comment.

### **TRS Internal Auditor Report**

TRS Internal Auditor Chris Fish provided an annual report on findings from 30 employer audits she conducted on FY 2023 wage and contribution reports. This was the second year of audits and her process hasn't changed. However, she has worked more closely with the Active Team to assist and gain insights from them. Currently, during review, she looks at every TRS and non-TRS employee to ensure the employer is reporting them correctly. This year's audits included some larger employers, which explains the higher number of errors and the increase in contributions due TRS compared to last year.

The most common errors were not reporting service or salary to TRS, reporting employees to PERS in error, not submitting documentation for working retirees, and not reporting hourly employees

correctly. In total, nearly \$760,000 in contributions is owed to TRS and buyback transactions will be set up to recover the unpaid amounts.

A new fact sheet was created to explain how to calculate and report service credit for non-full-time employees, such as coaches, and this seems to have helped. Ms. Fish noted that several employers audited last year have called this year to make sure they are reporting such service correctly.

Ms. Fish said her goal is to conduct 30 employer audits each year, and Member Trost asked whether she expects the number of errors to remain high. She anticipates her audits will uncover a large number of reporting errors for the next few years, but due to the amount of education and follow-up that takes place, errors should begin to decrease. Member Crump asked how collections have gone. It was noted that often the employer is required to pay both the employer and member share, with interest, so they usually are eager to pay the amount due as soon as possible.

#### Public Comment

There was no comment.

#### Strategic Planning

Director Graham provided an update on objectives listed on the Strategic Planning and Commitment Worksheet. Great progress has been made on the responsive web design and the TRS management team has begun their review of content. The hope is to roll the new site out in the next few months.

DocuSign ID verification for online withdrawals is in the works. While TRS now has access to the ID verification features, more time is needed to implement them. Realistically, the enhancement may not happen until Fiscal Year 2026.

Director Graham now has attended a MASS meeting in each region and has shared information obtained from MPERA about the 457 plan available to school districts. Many do offer a 403(b) or 457 plan to employees, but the TRS survey last year indicated many members are unaware of this.

Aside from preparing for Legislative session, there were no additional updates on the strategic plan.

#### Public Comment

There was no comment.

#### Applications and Benefit Adjustments

Deputy Executive Director Tammy Rau reported that TRS processed 474 applications for retirement benefits between May 1 through August 31, 2024. The average age of these retirees was 59.77 years and they had, on average, slightly more than 25 years of creditable service. She also noted the vast majority are Tier 1 members, who are eligible to retire at any age with 25 or more years of service.

#### Public Comment

There was no comment.



**Legal Counsel’s Report**

Chief Legal Counsel Denise Pizzini was unable to attend the meeting, but Director Graham stated there are currently no legal matters or pending issues on which to report.

**Disability Applications**

***Closed Meeting***

**Executive Session to Discuss Disability Applications**

The Board began its executive session at 10:46 a.m. to review one application for disability retirement benefits. This session was closed to the public, as a disability applicant’s right to privacy clearly exceeds the merits of public disclosure.

***Open Meeting***

Chairperson Elliott reopened the meeting at 10:58 a.m. and requested a motion.

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

***Motion/Vote:*** Member Trost moved to disapprove member C.H.’s request for disability retirement. Member Youngren seconded the motion and it was passed by all members present.

**Public Comment**

No members of the public remained in attendance.

**Adjournment**

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

***Motion/Vote:*** Member Youngren moved to adjourn, with Member Elliott seconding. The meeting was adjourned at 10:59 a.m.

Chairperson \_\_\_\_\_

Executive Director \_\_\_\_\_

## **II. Public Comment**

*Information Item*

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

### **III. Cyber Security Insurance**

*Discussion Items*

**A. Cyber Security Insurance/Coverage** – Brett Dahl from the Department of Administration Risk Management and Tort Defense Division will provide a presentation on our cyber insurance coverage and process. Cyber Security and Cyber Insurance is a topic that we all hear about every time we attend one of our national conferences. Mr. Dahl will discuss our cyber insurance coverage as well as recommended steps to take in the event we encounter a cyber security incident in the future. His presentation will be attached to your electronic packet as soon as it is available; hard copies will be provided during the meeting.

**B. Public Comment** - This is an opportunity for any member of the public to comment on the Cyber Security Insurance agenda item.

# CYBER INSURANCE & INCIDENT RESPONSE

Teacher's Retirement System  
Board

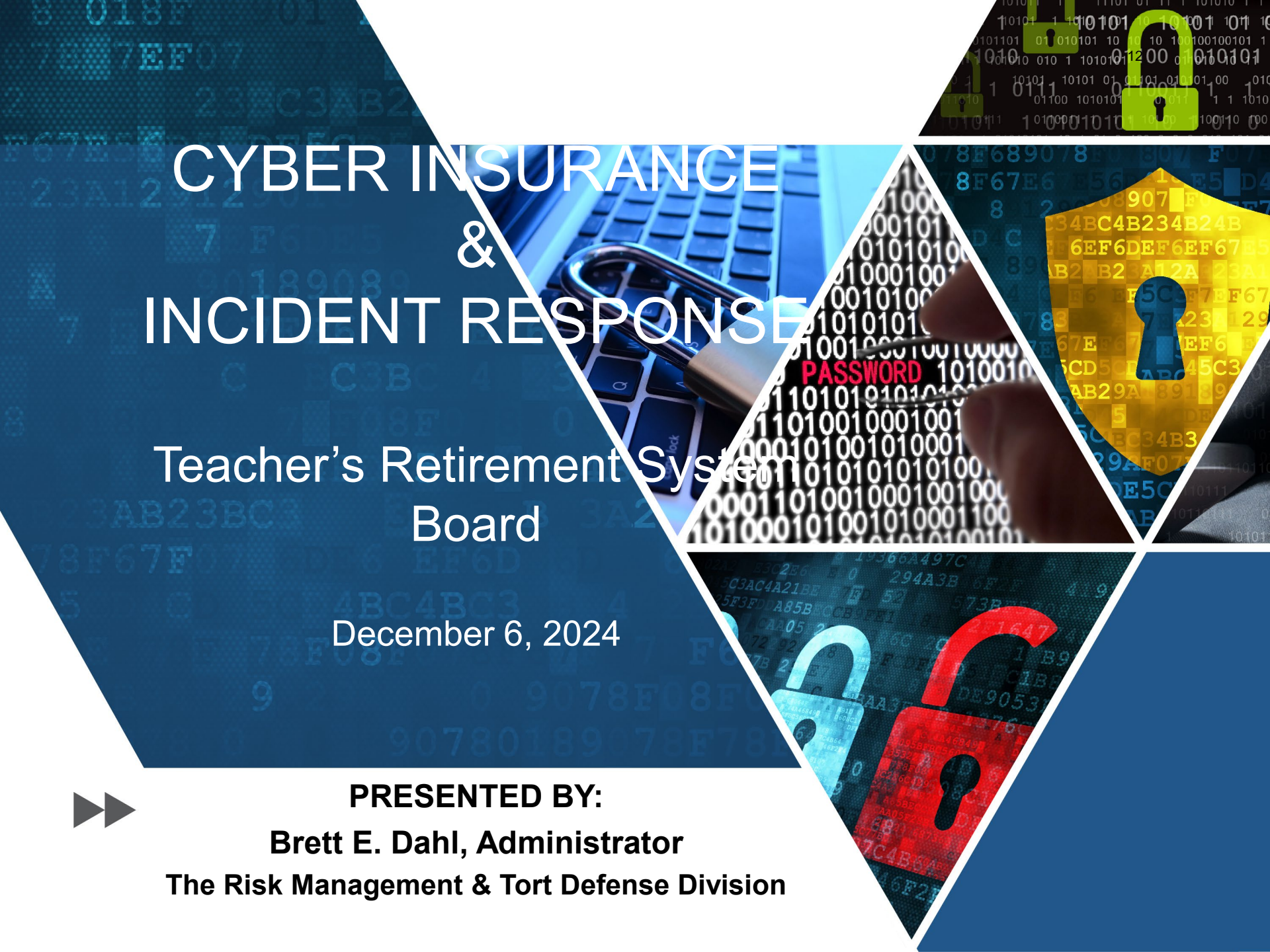
December 6, 2024



**PRESENTED BY:**

**Brett E. Dahl, Administrator**

**The Risk Management & Tort Defense Division**



# DISCLAIMER



Some of the material contained in this presentation may represent the Risk Management & Tort Defense Division's opinions and is not to be construed as the opinions of the state's insurance carriers or privacy counsel.

# Agenda

The header features a dark blue background with a pattern of binary code (0s and 1s) and hexadecimal characters (A-F, 0-9) in a lighter blue color. On the right side, there is a photograph of a laptop keyboard with a silver padlock attached to it. In the foreground, there are three padlocks: one red and two blue, all appearing to be open or in a state of being unlocked.

- Personal & Private Information
- Information Security/Trends & Threats
- What's at Stake?
- What are the Costs?
- Breach Examples
- Cyber/Information Security Insurance
- Incident Response
- Risk Management
- Questions

# PERSONAL & PRIVATE INFORMATION

- Security “breaches” may result in identity theft and require disclosure and mitigation.
- Protected by laws in 47 states, D.C., & U.S. territories and by federal law.
- Laws vary between jurisdictions.
- Limited precedent
  - What does “access” mean?
  - What is reasonable notice time?



# "Personal & Private Information" (cont'd)

Per Montana Code 2-6-1501, "Personal Information" means

- (a) First name or first initial and last name in combination with the following data elements when unencrypted:
  - (i) Social security number;
  - (ii) Driver's license number, state identification card number pursuant to 61-12-501, MCA, or tribal identification or enrollment number;
  - (iii) account number or credit or debit card number, in combination with any required security code, access code, or password that would permit access to a person's financial account;
  - (iv) Medical record information as defined in 33-19-104 MCA;
  - (v) A taxpayer identification number; or
  - (vi) An identity protection personal identification number issued by the United States Internal Revenue Service.
  
- (b) "Personal Information" does not include publicly available information from federal, state, local, or tribal government records.



# Personal & Private Information (cont'd)

## What is A Breach?

- The term "breach" has legal significance and the definition varies based upon a multitude of applicable state and federal laws. A potential cyber/data information security issue should be referred to as an "incident" and not a "breach" until a final determination has been made by the Department of Administration and the state's commercial excess insurance carriers.
- For purposes of reporting potential incidents to the Department of Administration, breach means the unauthorized acquisition of data/information that:
  - (a) materially compromises the security, confidentiality, or integrity of the personal information maintained by a state agency or by a third party on behalf of the state agency; and
  - (b) causes or is reasonably believed to cause loss or injury to a person.

# Information Security Trends and Threats 2024



## Innovation is increasing the cyber attack surface

Automation, AI, and Data Analytics are increasing technology dependence, in addition to potentially expanding vulnerabilities and potential attack vectors



## Heavy reliance on third parties & business partners

Pervasive usage of contractors, subcontractors, temporary workers, and third parties can reduce the organization's level of security control, while increasing potential exposures



## Evolving cyber-regulatory requirements

Various regulators are enhancing their focus on to mandatory cyber requirements, including focus on data protection, breach notification, disclosures, privacy, & controls



## Legacy infrastructure

Many organizations are not known for heavy investment in IT, OT, and Security innovation and architecture, and their environments may include significant deprecated systems



## Constrained resources/ economic uncertainty

Many organization have lean IT, cyber security, and risk management teams and budgets, which may exasperate cyber exposures



## Attractive target for cyber crime

Targeted by Cyber Threat actors due to massive amounts of sensitive data or IP



## Cyber Threats

Ransomware

Data Breach

Insider Threats

Wire Fraud

Business email Compromise

Phishing

Business Disruption

Nation State Actors

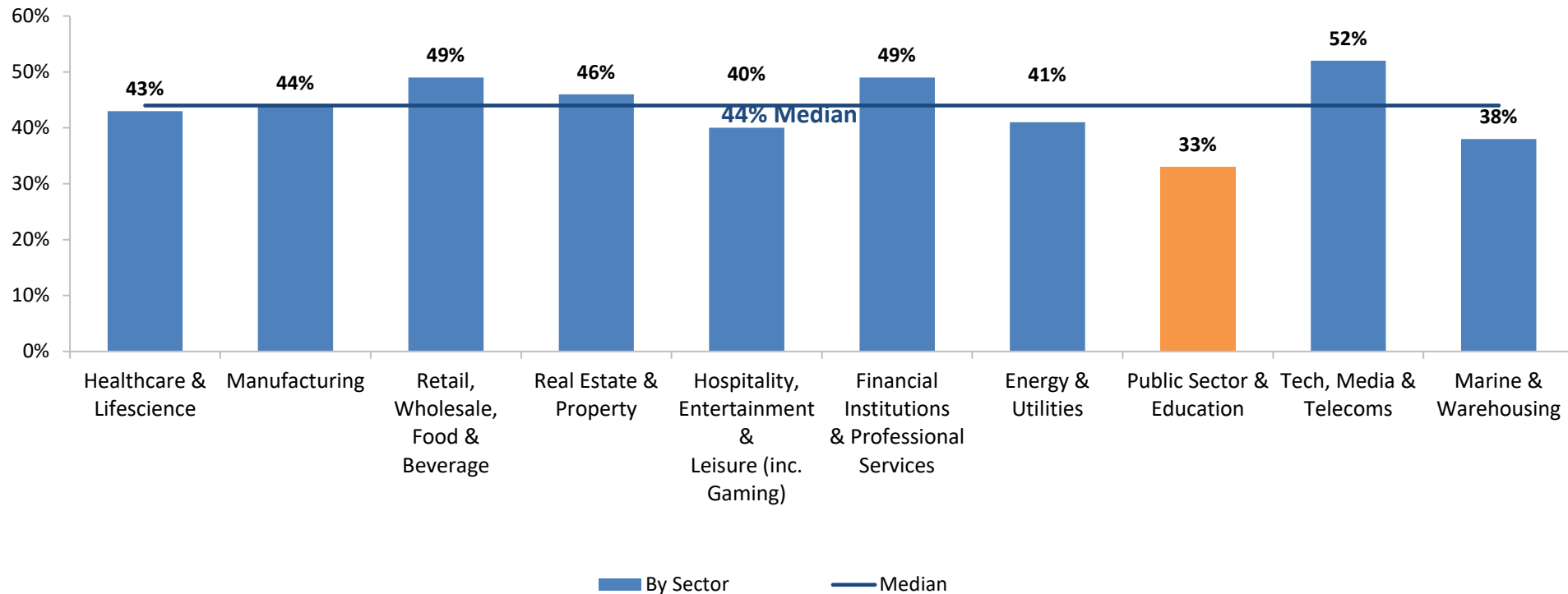
3<sup>rd</sup> Party Compromise

Extortion



# Information Security Trends & Threats 2024 (cont'd)

## Sector view on resilience\* to cyber risk



\*Percentage of US and UK companies feeling 'very prepared' to anticipate and respond to cyber risk in 2024. Median line indicates the mid-point of the data set across all industries surveyed.

# Information Security Trends & Threats 2024 (cont'd)

## Ransomware Activity



Ransomware Activity  
Historical Review  
and Thinking  
Forward\*



Increase in  
Severity of  
Ransomware  
Attacks\*

\*Sophos State of Ransomware 2023



### Ransomware Continues to Trend Up

- **101.84% increase** from August 2022 to May 2023
- 2023 brought mass exploitation vulnerabilities





### 2022 Ransomware Activity is Abnormal

- Russian invasion of Ukraine had significant impact
- Ransomware frequency/severity in 2022 remains an abnormality



### Increase in Average Initial Ransom Demand

- 2023: \$2 million 
- 2022: \$1.04 million 
- 2021: \$1.4 million



### Increase in Average Ransom Payment

- 70% increase from 2022
- 36% increase from 2021
- Stable in 2023



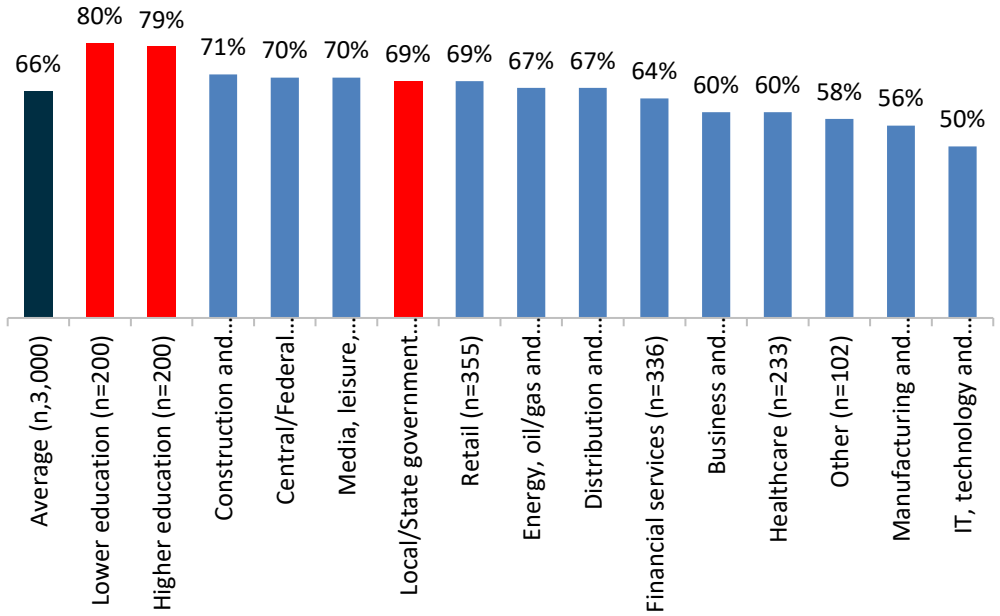
### Increase in Total Ransom Paid

- Record number of ransom amount paid to threat actors
- Total ransom amount paid mirrors the number of active leak sites.

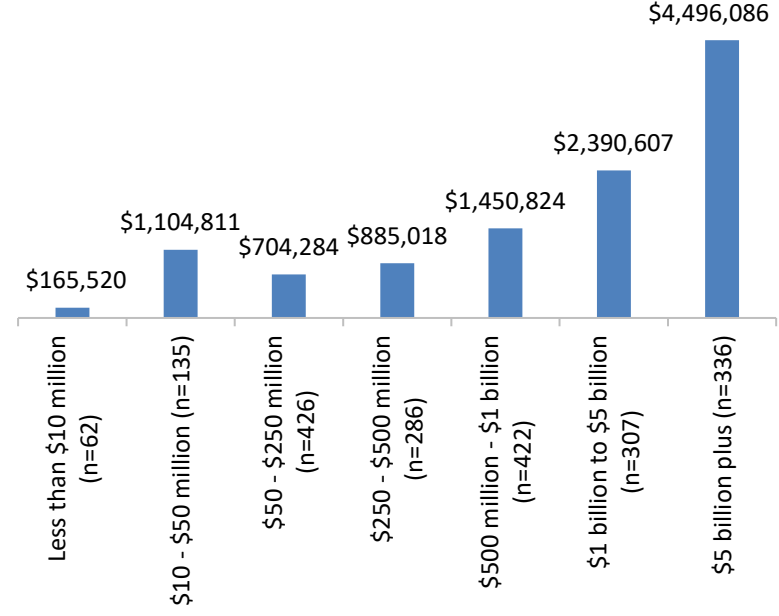
# Information Security Trends & Threats 2024 (cont'd)

## Ransomware Activity

Rate of Ransomware Attacks by Industry\*



Mean Recovery Cost by Revenue\*



\*Sophos State of Ransomware 2023

# WHAT'S AT STAKE?



## Time

- Time spent on incident response is time away from day-to-day operations

## Money

- Responding to incidents can mean legal fees, forensic investigation expenses, notification and call center costs, and credit monitoring charges.
- Lawsuits
- Regulatory investigation, fines, corrective action, and penalties.

## Reputation

- Trust

# WHAT ARE THE COSTS?

- Credit monitoring
- Call centers
- Damage
- Defense costs/settlement expenses
- Forensics
- Lost Revenue Streams (BI)
- Legal fees
- Mail Notification
- Public Relations
- Ransoms
- Remediation
- Regulatory Fines & Penalties



# BREACH EXAMPLES



- South Carolina Department of Revenue: Phishing attack resulted in theft of approximately 3.6 million Social Security numbers and information on 387,000 credit and debit card accounts.
- Utah Department of Technology Services: Brute-force attack compromised weak password and resulted in theft of 780,000 files on Utah residents and information related to sensitive healthcare services provided to children.
- Montana Department of Public Health and Human Services (1.3M individuals)



# MADE IN MONTANA!

- Unencrypted desktop computers were stolen from a former state vendor's place of business. The computers contained the names and social security numbers of seven individuals.
- The name and social security number of an individual was included in material distributed to approximately 1,200 citizens and small businesses during a seminar.
- Unencrypted content was displayed on a website. The website content contained the names and social security numbers of workers' compensation beneficiaries and other employees.
- A hacker posing as a Microsoft official installed 'man in the browser' malware on a desktop in an attempt to discover passwords which could have allowed access to over thousands of financial records.

# Cyber/Information Security Insurance



- ▶ The state's/university system's commercial insurance policy provides coverage for many expenses as heretofore described:
  - \$7 million program limit
  - Lloyd's of London
  - Sub-limits for mail notification, ransomware, electronic funds transfer, etc.
- ▶ Agency/university co-pay is 10% of the \$250,000 program deductible.

# Cyber/Information Security Insurance 2024 (cont'd)

## State of the Insurance Market



### Softening marketplace for those Insureds that have gone through the necessary changes with respect to cyber security controls over the last 12 months

- More competitive rates and increase in capacity offered by carriers.
- Insureds who have strengthened their cyber-resiliency and made necessary changes required by Cyber Insurers, have experienced more stable premiums increases in the flat to 10% range, with the “best in class” companies possibly seeing reductions.
- More appetite from Cyber insurers coming into the marketplace will further help market competition and pricing
- The war in Ukraine, rising tensions in the Middle East, ever-changing state/national regulatory matters and a rapidly-growing marketplace are on the forefront of insurance carrier and brokerage’s minds
- Systemic risk with Nation State threats will be the leading concern for carriers as they look to limit their exposure to cat loss type risk

# Incident Response

## Step One: Notify Internal Stakeholders and RMTD

- Upon discovery of the potential release of personal information, immediately notify appropriate internal stakeholders (i.e. agency head, chief information officer, and chief counsel, etc.).
- If the loss occurs during normal business hours you may reach RMTD claims staff at their phone extensions <https://rmtd.mt.gov/aboutus/organizationstaff> or call (406)444-2421. In the event of an emergency, after normal business hours call (406)444-2421 and press 1. for Gordon Amsbaugh, 2. Kirk Barfuss, 3) for Jennie Younkin, or 4. for Kathleen McElwain. Your phone call will then be transferred to a live person. Note: Do not call after hours unless there is a true emergency, but please report the claim within 24 hours.
- The agency/university supervisor should assure that the 'Report of Incident' form is accurately completed, signed, and sent to the Risk Management & Tort Defense Division within two business days <https://rmtd.mt.gov/claims/agenciesreportclaims>.
- Do not contact individuals whose information may have been released in the incident or law enforcement (i.e. privacy counsel and/or RMTD will contact when appropriate).
- In written correspondence, refer to the situation as an "incident" and not a "breach."

# Incident Response (cont'd)

## Step Two: RMTD Escalates as Necessary

- RMTD reports the incident to the State's cyber liability insurance carrier who appoints privacy counsel (attorney-client privilege and work product protections) and forensics investigators if necessary.
- Notification must be made **without unreasonable delay** to determine the scope of the incident and to restore the reasonable integrity of the data system. Mont. Code Anno., § 2-16-1503(b).
- Is your agency/university equipped to print and mail 5,000 notification letters? How about 50,000? 500,000? The state's insurance carriers/vendors provide this service and other services, including, but not limited to:
  - i. Computer forensics experts;
  - ii. Public relations and crisis management consultant;
  - iii. Call center vendors;
  - iv. Credit monitoring vendors;
  - v. Other, as necessary.

# Risk Management

## Information Security Controls

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- Multifactor Authentication (MFA) for remote user access, privileged user access and email access
- Managed detection and response services from a leading provider ideally managed detection and response with agents deployed and monitored
- Vulnerability and penetration testing is done at least annually by a third party
- Use of dedicated accounts for privileged administrative activities, including use of an automated tool for password management, rotation and logging of accounts
- Backups:
  - a) infrastructure/user data;
  - b) “air gapped” from network;
  - c) tested for restoration capabilities
- Security awareness training, including phishing simulations
- Continual scanning to make sure that you don’t have Remote Desktop Protocol (RDP) exposed to the internet on any servers or endpoints
- Legacy software is limited, if not possible, additional controls are in place to protect the end of life systems
- Microsoft Active Directory Controls – ensuring strong controls on Active Directory and not having over privileged access to service accounts severely limits the ability for bad actors to get into a company’s database

# QUESTIONS?

**CONTACT INFORMATION:**

Brett Dahl

[bdahl@mt.gov](mailto:bdahl@mt.gov)



### **Ascension Healthcare Network**

Announced Wednesday that clinical operations have been disrupted by what it called a “cyber security event.”



### **Change Healthcare (subsidiary of UnitedHealth Group)**

Ransomware attack compromised sensitive patient data and created billing headaches at pharmacies, hospitals, and practices nationwide, threatening to put some health providers out of business.



### **US Library of Congress & UK British Library**

Two similar attacks, one being thwarted by US LoC, and the other compromising UK British Library. Data exfiltration, ransomware, extortion, & breach.



### **Microsoft attacked by Russian nation-state actors**

Attack focused on non-production test accounts in legacy systems. Compromise was limited, although attacker was able to establish a foothold before being detected and thwarted.



### **Fulton County, Georgia**

Ransomware & Data Breach.



### **Hyundai Motors Europe**

Ransomware & Data Breach.



# The Big Four 2023



## Iranian Escalation

Mandiant expects that Iranian cyber espionage groups will continue to conduct widespread intelligence collection activity, particularly against government and Middle Eastern targets, as well as telecommunications, transportation and other entities. We anticipate Iranian threat actors' continued willingness to use disruptive and destructive cyber attacks to remain elevated, absent a significant change to Iran's current international isolation.



## Chinese Cyber Assertiveness

Chinese cyber espionage poses a high-frequency and high-magnitude threat to organizations globally, both in the public and private sectors. Key drivers of Chinese cyber threat activity will include territorial integrity and internal stability, regional hegemony, and expanding global political and economic influence. Cyber espionage and information operations activity in support of China's national security and economic interests will continue to escalate. In 2022, a pro-People's Republic of China (PRC) information operations campaign directly targeted commercial entities in an industry of strategic significance to Beijing.<sup>3</sup> We consider this broader targeting of private sector entities to be notable, and we may see global competitors to Chinese firms in other industries targeted by such information operations.



## North Korea Desires Revenue and Intelligence

We assess with high confidence that North Korea will continue to pursue operations that support the regime with both revenue streams and strategic intelligence. International political and economic isolation along with public health challenges will likely inform North Korean cyber espionage against diplomatic, military, financial and pharmaceutical targets. We expect activity to be focused primarily on South Korea, Japan and the United States, with operations also noted in Europe, the Middle East and North Africa, and South Asia.



## Russia Cyber and Invasion of Ukraine

Russia's invasion of Ukraine created unprecedented circumstances for cyber threat activity. This likely is the first instance in which a major cyber power has conducted disruptive attacks, cyber espionage and information operations concurrently with widespread, kinetic military operations. Mandiant anticipates future disruptive attacks in Ukraine and suggests that they are likely to be accompanied by concurrent information operations. We expect that Russia's willingness to use disruptive tactics as well as false or coopted hacktivist fronts—to claim credit for data leaks and data destruction—to increasingly expand outside of Ukraine and its immediate neighbors.

#### **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 October 31, 2024. TRS posted a -1.31% net return in October and the Fiscal Year to Date return is 3.05%. Our net ITD return is now 7.78%.

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

**C. NCTR Annual Conference:** – Dee Brown will provide a verbal report to the Board regarding the NCTR Annual Conference which was held in Atlanta October 5-9th.

**D. Tentative 2025 Meeting Dates** – Tentative 2025 meeting dates: Feb 21, **May 9**, August 1, October 3, December 5.

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

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

*Information Item*    **F. Next Meeting Date** – February 21, 2025.

<u>Allocation</u>	<u>UNITS OUTSTANDING</u>	<u>UNIT VALUE</u>	<u>MARKET VALUE\$(000)</u>	<u>ALLOCATION (%)</u>
<b>TEACHERS RETIREMENT</b>			5,215,621	100.00
SHORT TERM INVESTMENT POOL (STIP)	55,402,716.33	100.00000	55,403	1.06
Consolidated Asset Pension Pool (CAPP)	2,825,536,750.30	182.62789	5,160,218	98.94

	<u>ITD</u>	<u>INCEPTION DATE</u>
Longest Measurable Plan Return	7.78	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	(1.31)	1.58	3.05	16.56	3.83	8.37	7.62	7.26	8.34	07/01/1994
TEACHERS RETIREMENT CUSTOM BENCHMARK (YWN2D) - BLDR	(1.51)	1.44	3.99	20.31	3.34	7.64	7.40		8.35	
SHORT TERM INVESTMENT POOL (STIP) [1]	0.42	1.29	1.75	5.46	3.77	2.47	1.82	1.84	2.46	4/1/1997
SHORT TERM CUSTOM BENCHMARK (MONSTCB) - BLDR	0.42	1.31	1.79	5.59	3.85	2.43	1.78	1.80	2.39	
Consolidated Asset Pension Pool (CAPP)	(1.33)	1.58	3.06	16.69	3.84	8.46	-	-	8.27	4/1/2017
CAPP CUSTOM BENCHMARK (MONCAPP) - BLDR	(1.53)	1.44	4.02	20.50	3.34	7.68	-	-	7.73	

<u>Allocation - Asset Class</u>	<u>Plan Market Value \$(000)</u>	<u>Allocation (%)</u>
TEACHERS RETIREMENT	5,215,621	100.00
Domestic Equity - PAC	1,991,870	38.19
International Equity - PAC	1,050,184	20.14
Private Investments - PAC	1,247,764	23.92
Real Assets - PAC	437,983	8.40
Real Estate - PAC	894,215	17.14
Core Fixed Income - PAC	1,063,702	20.39
Non-Core Fixed Income - PAC	522,931	10.03
Cash Equivalents - PAC	83,130	1.59
PENSION CASH	55,403	1.06

<u>Returns</u>	<u>MONTH</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>ITD</u>	<u>INCEPTION DATE</u>
Domestic Equity - PAC	(0.78)	3.22	5.50	37.62	7.63	14.55	12.09	10.00	10.36	5/1/2003
Domestic Equity - PAC Custom Blend (MONDE) - BLDR	(0.74)	3.52	5.39	37.99	7.77	14.78	12.63	10.52	11.03	
International Equity - PAC	(4.60)	0.62	3.03	24.32	0.74	5.78	5.11	5.29	4.89	4/1/1997
International Equity - PAC Custom Blend (MONIE) - BL [2]	(4.95)	0.29	2.82	24.25	1.24	5.83	4.92	5.66	5.17	
Private Investments - PAC	0.16	1.34	1.45	4.44	6.65	13.02	11.76	11.52	12.40	5/1/2002
Private Equity PAC Custom (MONPE) - BLDR	(0.32)	0.80	6.86	28.39	3.26	10.42	10.40	11.49	10.81	
Real Assets - PAC	0.16	1.18	2.45	8.16	10.38	7.29	-	-	5.84	4/1/2017
Real Assets - PAC Custom Blend (MU7EBM) - BLDR	(2.46)	2.17	5.27	15.65	5.10	4.10	-	-	3.62	

	<u>MONTH</u>	<u>3 Months</u>	<u>FYTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>ITD</u>	<u>INCEPTION DATE</u>
<b>Returns</b>										
Real Estate - PAC	(0.21)	0.39	0.42	(2.05)	2.24	4.41	7.09	-	4.22	6/1/2006
Real Estate - PAC Custom Blend (MONRE) - BLDR	-	(0.66)	(0.66)	(9.99)	1.02	(2.85)	3.72	-	3.96	
Core Fixed Income Pre and Post CAPP [3]	(2.61)	0.42	2.39	10.99	(1.73)	0.20	1.59	3.50	5.00	4/1/1995
Core Fixed Income Custom Benchmark (CFIBM1)	(2.48)	0.25	2.59	10.55	(2.20)	(0.23)	1.24	2.93	4.39	
Non-Core Fixed Income Pre and Post CAPP [4]	(0.89)	2.62	4.33	15.75	1.89	3.37	3.93	-	6.65	6/1/2009
Bloomberg U.S. HY - 2% Issuer Cap (WE6D)	(0.54)	2.72	4.71	16.47	2.97	4.53	4.86	-	7.73	
Cash Equivalents - PAC	0.73	1.83	1.83	6.45	4.49	2.93	-	-	2.57	5/1/2017
SHORT TERM CUSTOM BENCHMARK (MONSTCB) - BLDR	0.42	1.31	1.79	5.59	3.85	2.43	-	-	2.24	

Performance shown on this report is net of all fees.

1,2 Inception Date shown is earliest date of Net All performance. Actual inception date, respectively is 4/1/1990 (1), 1/1/1997 (2).

\* Totals may not sum due to rounding differences.

# Allocation of Plan Market Values is an approximation. Plans do not own specific Asset Classes. Values represented are allocated pro rata based on the Plans % ownership of CAPP.

**3 Core Fixed Income Pre and Post CAPP:**

The Core Fixed Income composite is the result of a consolidation completed on 11/29/2019. Inclusive of the Broad Fixed Income PAC prior to 3/31/2017. Inclusive of the Broad Fixed Income, Intermediate TIPS, Intermediate US Treasury & Agency, Intermediate Investment Grade Credit, Mortgage Backed, and Diversified Strategies PACs from 4/1/2017 through 11/29/2019.

**4 Non-Core Fixed Income Pre and Post CAPP:**

The composite is inclusive of the following portfolios: MU3N Post Advisory Group – PP from 6/1/2009 to present, MU3M Neuberger Berman – PP from 1/1/2010 to present, MU8R Shenkman Capital Management – PP from 12/1/2017 to present, and MU8P Oaktree Capital Management – PP from 12/5/2017 to present

**SHORT TERM CUSTOM BENCHMARK** is composed of:

From inception to 4/30/2018: LIBOR 1 Month

5/1/2018 to present: Federal Reserve US Treasury 1M Constant Maturity Index

**TEACHERS RETIREMENT CUSTOM BENCHMARK** is composed of:

From inception to 3/31/2017: The portfolio weighted average of S&P 1500 Super Composite, MSCI ACWI ex US IMI Net, S&P 1500 + 4% Qtr Lag, LIBOR 1 Month, BBG BARC US Agg, and NCREIF ODCE 1 Qtr Lag (Net).

From 4/1/2017 to present: Equity and Cash Equivalents weighted average of CAPP Custom Benchmark and Short Term Custom Benchmark.

**DOMESTIC EQUITY - PAC CUSTOM BLEND** is composed of:

From inception to 4/30/2017: S&P 1500 Super Composite

5/1/2017 to present: MSCI US IMI Gross

**INTERNATIONAL EQUITY - PAC CUSTOM BLEND** is composed of:

From inception to 10/31/2006: MSCI EAFE Net

11/1/2006 to 6/30/2007: MSCI ACWI ex US Net

7/1/2007 to 2/28/2014: 92.5% ACWI ex US + 7.5% ACWI ex US SC IMI

3/1/2014 to present: 100% MSCI ACWI ex US IMI Net

**PRIVATE EQUITY PAC CUSTOM** is composed of:

From inception to 3/31/2017: S&P 1500 + 4% Qtr Lag

4/1/2017 to 12/31/2020: MSCI USA Small Cap Gross

1/1/2021 to present: The portfolio weighted average of MSCI USA Small Gap Gross and S&P LSTA US Leveraged Loan 100 Index

**REAL ASSETS - PAC CUSTOM BLEND** is composed of:

From inception to 12/31/2020: MSCI AC World Commodity Prod Net Index.

1/1/2021 to 5/31/2024: 33.33% MSCI AC World Commodity Prod Net Index, 33.33% MSCI ACWI Infrastructure Total Return, 33.34% BBG Gbl Inf-Lk US TIPS (Dly).

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

**REAL ESTATE - PAC CUSTOM BLEND** is composed of:

From inception to 3/31/2017: NCREIF ODCE 1 Qtr Lag (Net)

4/1/2017 to 6/30/2020: MSCI US REIT INDEX GROSS

7/1/2020 to present: NCREIF ODCE 1 QTR LAG (NET)

**Core Fixed Income Custom Benchmark** is composed of:

From inception 3/31/2017: BBG BARC Agg (Dly)

4/1/2017 to 11/30/2019: The portfolio weighted average of Broad Fixed Income - PAC Custom Blend, BBG BARC US Corp Int Inv Grd Idx, BBG BARC US MBS Idx, BBG Barclays US Intermediate TIPS, BBG BARC Tsy Int

12/1/2019 to present: BBG Agg (Dly)

**THE TEACHERS' RETIREMENT SYSTEM**  
**CONSOLIDATED BALANCE SHEET**  
as of October 31, 2024

	10/31/2024	10/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
<b>ASSETS:</b>		
Current Assets		
Cash	1,048,187	(35,276,898)
Accounts Receivable	11,082	111,170
Interest Receivable	0	0
<b>Total Current Assets</b>	<b>1,059,269</b>	<b>(35,165,728)</b>
Investments		
Short-term Investment Pool	55,402,716	86,277,261
Consolidated Asset Pension Pool (net)	5,238,599,584	4,692,536,749
Security Lending Collateral	0	0
<b>Total Investments</b>	<b>5,294,002,300</b>	<b>4,778,814,010</b>
Other Assets		
Equipment	16,286	16,286
Accumulated Depreciation Equip	(16,286)	(16,286)
Leashold Improvements	243,881	243,881
Accumulated Dep Leasehold Imp	(168,394)	(133,554)
Intangible Assets	0	34,327
Intangible Right to Use Bldg	2,810,123	2,810,123
Accumulated Amort Right to Use Bldg	(551,005)	(385,703)
<b>Total Other Assets</b>	<b>2,334,606</b>	<b>2,569,074</b>
<b>Deferred Outflows - Pension and OPEB</b>	<b>424,170</b>	<b>504,594</b>
<b>TOTAL ASSETS</b>	<b>5,297,820,344</b>	<b>4,746,721,949</b>
<b>LIABILITIES &amp; FUND BALANCE:</b>		
Liabilities		
Accounts Payable	21,112	22,930
Standard Lease	2,433,668	2,552,852
Uncleared Collections	1,298,765	2,006,455
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
<b>Total Liabilities</b>	<b>6,021,898</b>	<b>6,705,103</b>
Fund Balances		
Pension Accumulation Fund	4,253,304,655	4,087,261,414
Annuity Savings Fund	898,563,174	833,581,700
Year-to-date Income/(Loss)	139,584,977	(181,261,293)
Adj Fund Bal	0	0
<b>Total Fund Balance</b>	<b>5,291,452,807</b>	<b>4,739,581,821</b>
<b>Deferred Inflows - Pension and OPEB</b>	<b>345,639</b>	<b>435,025</b>
<b>TOTAL LIABILITIES &amp; FUND BAL.</b>	<b>5,297,820,344</b>	<b>4,746,721,949</b>



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

	10/31/2024	10/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
REVENUE		
Contributions	59,995,756	56,615,596
Misc Revenue	0	0
Investment Revenue	235,527,278	(86,970,443)
<b>TOTAL REVENUE</b>	<b>295,523,034</b>	<b>(30,354,847)</b>
EXPENSES		
Benefits Paid	150,838,350	146,179,246
Withdrawals	3,912,241	3,387,789
Admin. Exp	1,107,226	1,124,780
Depreciation Exp.	11,613	11,613
Amortization Exp.	0	137,307
Lease Amortization Exp.	55,100	55,100
Lease Principal & Interest	13,526	10,611
OPEB Expense	0	0
Pension Expense - PERS	0	0
<b>TOTAL EXPENSES</b>	<b>155,938,057</b>	<b>150,906,446</b>
<b>REV OVER EXP</b>	<b>139,584,977</b>	<b>(181,261,293)</b>
<b>REV OVER EXP</b>	<b>139,584,977</b>	<b>(181,261,293)</b>
BEG FUND BAL	5,151,867,830	4,920,843,113
Adj Fund Bal	0	0
<b>END FUND BAL</b>	<b>5,291,452,807</b>	<b>4,739,581,820</b>

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

	10/31/2024	10/31/2023
	AGENCY ACCOUNT	AGENCY ACCOUNT
<b>Investment Revenue:</b>		
Short-term Investment Pool	934,309	764,677
Consolidated Asset Pension Pool		
Securities Gains/(Losses)	37,283,330	33,232,948
Investment Appreciation/(Depreciation)	197,309,639	(120,968,068)
Securities Lending Activity	0	0
Administrative Investment Exp.	0	0
<b>Total Investment Rev.</b>	<b>235,527,278</b>	<b>(86,970,443)</b>
<b>Administrative Expense:</b>		
Personal Services	728,839	687,698
Contracted Services	257,972	289,005
Supplies & Material	42,036	43,126
Communications	26,170	44,979
Travel	6,851	9,084
Rent	1,080	810
Repairs & Maintenance	644	582
Other Expenses	43,634	49,495
Depreciation Exp.	11,613	11,613
Amortization Exp.	0	137,307
Lease Amortization Exp.	55,100	55,100
Lease Principal & Interest	13,526	10,611
OPEB Expense	0	0
Pension Expense - PERS	0	0
<b>Total Administrative Exp.</b>	<b>1,187,466</b>	<b>1,339,410</b>

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

ACCOUNT LEVEL	ACCOUNT CATEGORY	EXPENSE FY 2024	BUDGET FY 2025	EXPENDITURE YEAR TO DATE	% BUDGET SPENT	TOTAL PROJECTED	BUDGET SURPLUS/(DEFICIT)
	<b>PERSONAL SERVICES:</b>						
61100	Salaries	1,633,775	1,795,000	540,016	30.1%	1,780,440	14,560
61300	Per Diem	4,700	8,000	2,500	31.3%	8,000	-
61403	Health Insurance	278,256	292,000	95,914	32.8%	289,850	2,150
61400	Benefits	281,451	315,000	92,604	29.4%	309,678	5,322
	<b>Total Personal Services</b>	<b>2,198,182</b>	<b>2,410,000</b>	<b>731,034</b>	<b>30.3%</b>	<b>2,387,968</b>	<b>22,032</b>
	<b>OPERATING EXPENSES:</b>						
62100	Contract Services	756,410	951,941	257,972	27.1%	982,255	(30,314)
62200	Supplies/Materials	70,732	84,300	42,036	49.9%	59,517	24,783
62300	Communications	142,483	149,625	26,170	17.5%	81,734	67,891
62400	Travel	21,937	37,000	6,851	18.5%	20,554	16,446
62500	Rent	3,241	3,500	1,080	30.9%	3,500	-
62700	Repairs/Maintenance	27,594	23,198	644	2.8%	22,698	500
62800	Other Expenses	91,074	112,666	43,634	38.7%	102,765	9,901
	<b>Total Operating Expense</b>	<b>1,113,470</b>	<b>1,362,230</b>	<b>378,387</b>	<b>27.8%</b>	<b>1,273,022</b>	<b>89,208</b>
62122	Audit Fees - Biennial Amount	83,829	94,458	-	0.0%	94,458	-
	<b>Total Operating and Personal Services</b>	<b>3,395,482</b>	<b>3,866,688</b>	<b>1,109,421</b>	<b>28.7%</b>	<b>3,755,448</b>	<b>111,240</b>
69501	Capital Lease	158,828	158,828	54,531	0.0%	163,593	(4,765)
	<b>Subtotal Capital Lease</b>	<b>158,828</b>	<b>158,828</b>	<b>54,531</b>	<b>0.0%</b>	<b>163,593</b>	<b>(4,765)</b>
	<b>Totals</b>	<b>3,554,310</b>	<b>4,025,516</b>	<b>1,163,952</b>	<b>28.9%</b>	<b>3,919,041</b>	<b>101,711</b>

Percent of FY Complete                    33%  
Percent of Payroll Complete            31%

**Teachers' Retirement System**  
**Budget Analysis - Contracted Services**  
**as of October 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	62,238	30.9%
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	9,106	24.3%
62114	Payroll Service Fees	5,791	5,780	2,890	50.0%
62114A	Workers Comp Mgmt	449	548	534	97.4%
62115	Photographic Services	50	50	0	0.0%
62116	Medical Services	9,056	13,000	819	6.3%
62136	IT Consult & Prof Servs	271,628	359,000	75,382	21.0%
62145	Food Services Expense	431	800	491	61.4%
62148	SABHRS Costs/DOA	152,281	144,919	72,460	50.0%
62186A	Recycling	780	850	260	30.6%
62187	Records Storage	2,896	3,000	975	32.5%
62190	Printing, Pub & Graphics	40,217	50,000	9,510	19.0%
62191	Printing, Other Provider	3,022	4,000	1,167	29.2%
621B1	SITSD Storage Hosting	18,061	18,000	4,312	24.0%
621B2	SITSD Server Hosting Services	27,906	31,000	7,356	23.7%
621B4	SITSD Application Services	1,165	700	0	0.0%
621B5	SITSD Email	2,720	3,000	685	22.8%
621B8	SITSD Operations Support	8,092	8,200	2,023	24.7%
621B9	SITSD Database Hosting	2,387	2,500	597	23.9%
621C2	SITSD Application Development	4,290	0	240	N/A
621C5	SITSD Enterprise Services	27,714	28,000	6,928	24.7%
621C6	SITSD Professional Services	0	1,000	0	0.0%
621C8	SITSD Email Restore	0	1,000	0	0.0%
	<b>SUBTOTAL</b>	<b>756,410</b>	<b>951,941</b>	<b>257,972</b>	<b>27.1%</b>
62122	Audit Fees - Current	73,644	94,458	0	0.0%
	<b>TOTAL CONTRACTED SERVICES</b>	<b>830,054</b>	<b>1,046,399</b>	<b>257,972</b>	<b>24.7%</b>

Percent of FY Complete: 33%

**Teachers' Retirement System  
Delinquent Agency Report  
11/5/2024**

Employer Number	Employer Name	Reports Outstanding	Estimated Employee Contributions	Estimated Employer Contributions
059991	Carbon County	07/2024, 08/2024, 09/2024	0	300
		<b>Total</b>	<b>0</b>	<b>300</b>
		<b>Total Due</b>	<b>300</b>	

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

## V. Executive Director's Report

### *Information Items* A. Executive Summary

1. **Staff Update:** We have had no vacancies since our October board meeting!
2. **Operations Update:** Webinar vs. In-Person retirement planning seminars.

**B. 2025 Legislation Update:** Pasted below is a screenshot of retirement related bill draft requests as of November 21, 2024. At the time of this writing there are ten bill titles that could potentially impact TRS. TRS will monitor these bills and work with the TRS Legislation Committee (Daniel Trost and Dee Brown) as appropriate once the bill drafts are available for review. In addition, we will soon have a “Legislative Updates” webpage up and running on the TRS website like we have done in previous sessions so all stakeholders can see the legislation we are following as well as our position on each of them.

LC #	Short Title	Status Date	Status
<a href="#">LC0265</a>	<b>Increase MUS-RP supplemental contribution to TRS</b>	11/17/2024	(LC) Draft in Assembly
<a href="#">LC0266</a>	<b>Generally revise laws related to the administration of TRS</b>	11/11/2024	(LC) Draft in Edit
<a href="#">LC0383</a>	Generally revise public retirement laws	9/27/2024	(LC) Draft On Hold
<a href="#">LC0842</a>	Revise public pension laws	11/5/2024	(LC) Draft On Hold
<a href="#">LC0942</a>	Enacting the retired educators teaching again to inspire the next generation act	11/8/2024	(LC) Drafter Assigned
<a href="#">LC0946</a>	Enacting the granting unique involvement for dedicated educators act	11/8/2024	(LC) Drafter Assigned
<a href="#">LC1116</a>	Revise public pension funding	11/11/2024	(LC) Drafter Assigned
<a href="#">LC1416</a>	Generally revise pension law	11/14/2024	(LC) Drafter Assigned
<a href="#">LC1462</a>	Revise laws related to highway patrol pension fund	11/16/2024	(LC) Drafter Assigned
<a href="#">LC1669</a>	Generally revise pension laws	11/19/2024	(LC) Draft On Hold

**C. SAVA/SJ4 Update:** I presented the results of our July 1, 2024 actuarial valuation to the SAVA and SJ 4 committees on October 24<sup>th</sup>. Reactions to the valuation results seemed to be positive overall. Since it was the last SAVA/SJ 4 committee of the interim, they finalized their findings and recommendations which were as follows:

#### **SJ 4 FINDINGS**

- Montana's two largest pension systems, Public Employee Retirement System (PERS) and the Teachers' Retirement System (TRS) have been operating continuously for generations. TRS has been in operating since 1937 and PERS since 1945. Montana's pensions currently amortize in less than 30 years, which is the statutory standard for the state. As of FY24, PERS has a funded ratio of 76% and TRS has a funded ratio of 74%. The average return since 1994, the farthest back we can evaluate with certainty, has exceeded assumptions.
- The state of Montana does not currently conduct regular surveys of public employees about their view of the retirement systems and whether public pensions play a role in their employment decision-making. Survey data can help policymakers make informed decisions about proposed changes to the retirement systems.
- Stress tests are not currently required in statute or in board policy. Stress testing is considered a best practice for sustainable retirement policy to let policymakers and stakeholders know what will happen if investments or other important assumptions diverge from expectations.

#### **SJ 4 RECOMMENDATIONS**

- The committee recommends that the Department of Administration work with the Montana Public Employee Retirement Administration and the Teachers' Retirement System to implement a yearly survey of active members and add a question about the retirement systems to public employee exit interviews.
- The committee recommends that the Public Employees' Retirement Board and the Teachers' Retirement System Board consider adding a requirement for regular stress tests to their board policies, similar to their existing requirements for experience studies.

The entire SJ 4 Final Report can be viewed by following this link:

<https://archive.legmt.gov/content/Committees/Interim/2023-2024/State-Administration-and-Veterans-Affairs/Meetings/Oct-24-24/SJ4-Report-Final-Oct-2024.pdf>

**D. BOI Update:** I presented the results of our most recent actuarial valuation to the Montana Board of Investments as required under 19-20-215, MCA, on November 20th. BOI members were grateful to have the opportunity to learn more about our systems and ask questions which mainly focused on our demographics. I conveyed our appreciation for the effort the Board and their staff puts into our investment strategies and I thanked them for their service.

**E. LFC Update:** The Legislative Finance Committee's last meeting of the interim is scheduled for December 17<sup>th</sup>. I am scheduled to present the results of the July 1, 2024 valuation to the committee as required by 19-20-216, MCA.

*Discussion Items*

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

## **VI. 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 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  <b>SJ4 Study Complete 10/24/24</b>	Executive Director Chief Legal Counsel Board	Staff time, actuarial service fees.
<p><i>Maintain an actuarially sound qualified retirement plan.</i> Conduct an experience study for the five-year period ending July 1, 2025.</p>	Updated actuarial assumptions.	Next study starts July 1, 2025 with completion in May of 2026	Executive Director Board	Contracted actuarial service fees.
<p><i>High-performance work culture and service excellence</i> Identify, catalog, and prioritize potential information technology (IT) enhancements including periodic IT enhancement budget and planning Board sessions. The Board will provide guidance on the level of investment in the system. Establish metrics for certain enhancements where appropriate to illustrate the return on investment. <i>Maintain data for cost/benefit analyses of system enhancements and development options (e.g., utilization of online withdrawals, costs of self-provided, contracted, or Information Technology Services Division, services etc.) as needed.</i></p>	Automation and improved processes. Specific budgets and defined level of investment in IT systems. 2024 – 2025 efforts relate to member convenience and operational efficiency.	Ongoing	Board, M-Trust Steering Team	Staff time, contractor fees.
<p><i>High-performance work culture and service excellence</i> Implement online retirement application (ORA) functionality.</p>	Member ability to apply for retirement online.	FY2024 planning 2025 – 2026 implementation	M-Trust Steering Team	Staff time, contractor fees.
<p><i>High-performance work culture and service excellence</i> Implement a responsive web design (i.e., when the user accesses the website, it determines and renders itself based on the device type). Redesign is necessary to remain current with contemporary web expectations and support member convenience.</p>	Mobilize resources to implement a modern website. Position TRS to implement online retirement application (ORA).	FY2024 – FY2025 <b>(Underway – Rollout in April-May of 2025)</b>	Information Systems Manager and Communications Manager	Staff time, contracted services (vendor or ITSD) Budget adjustment

TRS 2023 – 2025 Strategic Planning Commitment Worksheet (continued)

Goal/Objective	Outcome/Measure	Priority/ Timeline	Responsible party	Resources Required
<p><i>High-performance work culture and service excellence.</i> Continue business process and workflow improvements while building online processes to achieve a paperless process with a priority on major business processes.</p>	Automation and improved processes.	Ongoing	M-Trust Steering Team	Staff time, contractor fees.
<p><i>High-performance work culture and service excellence.</i> Develop procedural documentation for each team (e.g., desk manuals). Documentation will ensure business continuity and support knowledge transfer/succession planning.</p>	Improved internal documentation and business processes.	Ongoing	Management Team (and staff)	Staff time.
<p><i>High-performance work culture and service excellence.</i> Continue with a formal strategic planning every 2 years.</p>	Comprehensive and timely strategic goals.	Review 2024 Formal Planning August 2025	Management Team Board	Staff/Board time, contractor fees.
<p><i>High-performance work culture and service excellence.</i> <i>Maintain best practices in system security and proactively assess options.</i> <i>Pursue identity verification and e-signature options to improve member convenience while ensuring continued transaction security.</i> This will affect any online form we use (e.g., OWA).</p>	Improved functionality and member convenience with continued system security.	Would like to implement with OWA and will be part of ORA. Determine system and develop plan in FY24 (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
<p><i>Communication and outreach (public relations).</i> Coordinate Executive Director and Board member (contingent on location and availability) attendance at School Superintendent meetings in non-legislative years.</p>	Increased communication to Superintendents. All meetings are scheduled.	Spring of 2024 (ongoing) Completed	Executive Director and Board	Executive Director and Board time and travel.
<p><i>Communication and outreach (public relations).</i> Continue external communications including staff attendance at the annual educator conference, legislator education and outreach, collaboration with MFPE as appropriate, and attendance at MASBO, SAM and MCEL conferences.</p>	Continued staff attendance at strategic events. (webinars are better attended than in-person).	Ongoing	Management Team & Active Team	Staff time and travel expense.
<p><i>Communication and outreach (member and employer communication).</i> Continue to promote communication with members and employers about system functions, improvements, processes, and transactions including using timeline and status-oriented system communications (e.g., anniversary, RMD and GABA letters).</p>	Strategic promotion of online services.	Ongoing	Management Team Communications Manager	Staff time, mailing, etc.
<p><i>Communication and outreach (member communication).</i> Continue with Member Surveys to inform our strategic direction, increase retirement awareness, and promote engagement. Distribute member survey results to legislators and other interested parties (including emphasizing the powerful graphs and comments).</p>	An informed and engaged constituency. Valuable data for interim study	2023 survey completed in October 2023, next survey 2025.	Communications Manager	Staff time.
<p><i>Communication and outreach (member communication).</i> <i>Promote the system as a benefit to help school districts attract and retain teachers.</i></p>	Promotional materials and information illustrating the benefits of TRS for use by employers.	Ongoing	Communications Manager	Staff time.
<p><i>Communication and Outreach</i> <i>Hire an additional 1 FTE Communication Professional to support outreach. Retain contracted services to develop procedural manuals.</i></p>	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.
<p><i>Communication and Outreach</i> Research available options for TRS to support or promote a deferred compensation system for teachers.</p>	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.

## **VII. Board Training**

*Discussion Items*

**A. Ethics/Conflict of Interest** - Denise Pizzini will conduct the annual Board training related to ethics and conflict of interest. The training will include a review of the TRS Ethics/Conflict of Interest Policy which I have attached for your reference prior to the meeting. Included in your packet you will find an annual disclosure form that Denise will ask each of you to fill out during the board meeting. A clean copy of the form will be passed out during the meeting.

**B. Per Diem Election Forms** -I've included a copy of the Board Member Per Diem Election Form for your consideration prior to the meeting. Each year, TRS Board Members are required to complete the per diem election form acknowledging that they may not receive compensation from more than one public employer for the same hours.



**MONTANA TEACHERS' RETIREMENT SYSTEM**  
**POLICY 1-0100-001**  
**ETHICAL CONDUCT / CONFLICT OF INTEREST**

**Section:** Governance  
**Implementer:** All TRS Personnel

**Effective Date:** September 26, 2014

**Purpose**

This policy prescribes the standards for ethical conduct which must be met by all TRS personnel to ensure the performance of duties on behalf of TRS and its members in conformity with the legal requirements, fiduciary duties, and best practice standards necessary, and developed in recognition of and commensurate with, the public trust and public duty reposed in TRS and its personnel.

As employees of the State of Montana, TRS personnel must comply with state law and policy providing for ethical standards of conduct. By this policy, TRS adopts the State Ethics Policy. As an addition to the ethical standards applicable to all State of Montana employees, heightened standards apply to TRS and TRS personnel by virtue of the TRS Board's fiduciary status and its obligation to conduct TRS's business to its fiduciary duties.

This policy is not intended to replace or supersede the State Ethics Policy, but to the extent this policy is more specific or more restrictive than the State Ethics Policy, it will enhance the State Ethics Policy.

**Definitions**

As used in this policy and related procedures and documents:

*Advance a private interest* – TRS personnel takes official action or performs any other act related to the administration, operations or assets of TRS, which has the primary or subsidiary effect of furthering a private interest of TRS personnel, a family member or a friend.

*Beneficiary* – a joint annuitant, beneficiary, or alternate payee of a member.

*Business* – includes a corporation, partnership, sole proprietorship, trust or foundation, or any other individual or organization carrying on a business, whether or not operated for profit.

*Compensation* – any money or economic benefit conferred on or received by any person in return for services rendered or to be rendered by the person or another.

*Employee* – any individual person who is included in TRS personnel.

*Family member* – the person's spouse (spouse includes a domestic partner), the person's or spouse's ancestor, sibling, or descendent or the spouse, ancestor, sibling, or descendent of any of them.

*Gift of substantial value* – a gift with a value of \$50 or more. The term does not include: food and beverages consumed on the occasion when participation in a charitable, civic, or community event bears a relationship to the public officer's or public employee's office or employment or when the officer or employee is in attendance in an official capacity; educational material directly related to official governmental duties; an award publicly presented in recognition of public service; or educational activity that does not place or appear to place the recipient under obligation, clearly serves the public good, and is not lavish or extravagant.

*Member* – an active, inactive, or retired member of TRS.

*Official act or official action* – a vote, decision, recommendation, approval, disapproval, or other action, including inaction, that involves the use of discretionary authority related to the administration, operations, or assets of TRS.

*Private interest* – an interest held by an individual that is

1. an ownership interest in a business
2. a creditor interest in an insolvent business
3. an employment or prospective employment for which negotiations have begun
4. an ownership interest in real property
5. a loan or other debtor interest
6. a directorship or officership in a business
7. any other personal objective or advantage

It does not include the interest of TRS personnel in the regular and appropriate compensation received directly from TRS or a TRS employer as compensation for services as TRS personnel.

*TRS Personnel* –

1. Any TRS board member
2. any temporary or permanent employee of TRS
3. any person working under contract to TRS

*Transaction or business arrangement* – any process, deal or negotiation necessary to the conduct of the business of TRS that involves the collection, expenditure, management or other use of TRS assets. A transaction or business arrangement includes the day-to-day processes and functions related to administration and operation of the retirement system and plan benefits, including, but not limited to, hiring and employing staff, contracting for goods and services, making eligibility and benefit determinations, and paying benefits or any other amounts from the assets of TRS.

## **Policy**

Board has established the following principles of ethical conduct, and has determined that engaging in any action or conduct contrary to or in violation of these principles of ethical conduct is inconsistent, incompatible, in conflict with, or inimical to the duties of TRS personnel.

### **A. Appropriate Conduct Of Duties**

1. TRS personnel shall perform their duties as TRS personnel, at all times, in conformity with applicable law, policy, and the requirements and expectations

communicated to them in initial and on-going training, education, and supervision as TRS personnel. TRS personnel shall:

- a. Recognize and be responsible for upholding and enforcing the fiduciary duties applicable to the conduct of TRS business.
- b. Perform all duties on behalf of TRS in a fair and honest manner.
- c. Strive to provide the highest quality in performance and advice.
- d. Avoid any circumstances or conduct that would constitute a conflict of interest or give rise to an appearance of a conflict of interest.
- e. Exercise prudence and integrity in the handling and management of TRS assets in their care.
- f. Refrain from financial and business dealings that would tend to reflect adversely on the individual's impartiality or interfere with the proper performance of functions and duties.
- g. Communicate promptly to the Executive Director, Chief Legal Counsel, or an appropriate board member or staff member information regarding actions or circumstances of which they become aware that may constitute a violation of this policy, a violation of law, or a conflict of interest.
- h. Use care and discretion in the handling of confidential information received or maintained by TRS.

2. TRS personnel shall not:

- a. Use the prestige or influence of TRS or a TRS personnel position to advance a private interest of TRS personnel, a family member, or a friend.
- b. Use retirement system time, facilities, employees, equipment or supplies to advance a private interest or for any other personal objective.
- c. Use confidential information of TRS to advance a private interest.
- d. Provide confidential information to persons to whom issuance of the information is not authorized.
- e. Receive or accept compensation from a third party for performing duties he/she would be required or expected to render in the regular conduct of their duties on behalf of TRS
- f. Seek, receive or accept, directly or indirectly, any gift from any person or entity who is doing or is seeking to do business of any kind with TRS or whose activities are regulated or controlled in any way by TRS or the TRS board.
- g. Use their TRS position to influence the employment of a family member or friend with TRS or with any person or entity which does or seeks to do business with TRS.
- h. Perform any act or conduct, other than in their TRS personnel capacity, that they know will or may be subject, directly or indirectly, to control, inspection, review, audit, or enforcement by TRS or the TRS board. This does not prohibit TRS personnel who are also TRS members from taking action necessary to exercise their rights as members of TRS.
- i. Participate in an ex parte communication with other TRS personnel, any party to a contested case, a hearing examiner, a court, or any other person with whom ex parte communications are prohibited regarding the merits, facts, or law pertaining to the contested case.

- j. Publish or make any statement to the media, state administrators, legislators or legislative staff, or members of the public that purports to represent TRS's position or policy on any matter or subject before the board has formally adopted a policy or position on the matter or subject. This section does not prohibit TRS personnel who are acting within the course and scope of their duties, responsibilities, and authority from publishing or making statements regarding well-settled matters pertaining to administration of the retirement system or plan benefits. This section also does not preclude TRS personnel from expressing their personal views as private citizens. In circumstances where the private views of a TRS employee or board member may be mistaken for TRS's position or policy, the TRS personnel shall make clear that he/she is expressing his/her personal views as a private citizen.
- k. Allow family, social, or other personal relationships to influence their conduct or judgment in the performance of their TRS duties.
- l. Falsify any document, record, request for reimbursement or fail to make or record proper entries or information on any books or records of TRS.
- m. Knowingly agree to participate in, condone, or conceal any illegal activity or violation of TRS board policy.

## **B. Fiduciary Duties/Prohibited Transactions and Self-Dealing**

1. **Loyalty/Exclusive Benefit:** TRS personnel shall perform their duties solely in the best interests of all TRS members and their beneficiaries and for the sole purpose of providing the benefits owed to all members and their beneficiaries in conformity with applicable law. The assets of the plan shall be held for the exclusive purpose of providing the benefits owed to TRS members and their beneficiaries, and for defraying the reasonable administrative expenses of the retirement system.
2. **Prudence:** TRS personnel shall discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of like character and with like aims. This requires:
  - a. Undertaking an appropriate analysis of a proposed course of action, including determination of the relevant facts, considering alternative courses of action and obtaining expert advice as needed; and
  - b. Acting in accordance with the documents and instruments governing the retirement system.
3. **Prohibited Transactions:** Except as otherwise provided by law, TRS personnel shall not cause the retirement system to engage in a transaction or business arrangement if they know or should know the transaction or business arrangement constitutes a direct or indirect:
  - a. Sale or exchange or leasing of any property from the system to any person or entity for less than adequate consideration, or from any person or entity for more than adequate consideration;



- b. Lending of money or other extension of credit from the retirement system to any person or entity without the receipt of adequate security and a reasonable rate of interest, or from any person or entity with the provision of excessive security or an unreasonably high rate of interest;
  - c. Furnishing of goods, services, or facilities from the retirement system to any person or entity for less than adequate consideration, or from any person or entity for more than adequate consideration;
  - d. Transfer to or use by or for the benefit of any person or entity of any assets of the retirement system for less than adequate consideration.
  - e. Acquisition, on behalf of the system, of any employer security, real property, or loan.
4. Prohibition Against Self-Dealing: TRS personnel shall not do any of the following:
- a. Deal with the assets of the retirement system for any purpose other than the legal and ethical conduct of the business of TRS, including for their own private gain or the private gain of a family member or friend.
  - b. In any transaction or business arrangement, whether in their TRS personnel capacity, personal capacity, or any other capacity, act on behalf of a person or entity or represent a party whose interests are adverse to the interests of the retirement system or the interests of all TRS members and their beneficiaries.
  - c. Receive any compensation or other consideration, in any form, from any person or entity with whom/which TRS has been or is involved in a transaction or business arrangement.

### **C. Conflicts of Interest**

1. A conflict of interest exists when a TRS board member's or employee's objectivity or independence in the performance of his/her duties on behalf of TRS is impaired or may reasonably be viewed as being impaired because he/she has a private or other personal interest in a transaction or business arrangement of TRS or has a relationship with a person or entity who has a financial interest or a personal interest in a transaction or business arrangement of TRS. It is not necessary that TRS personnel actually act to advance a private interest for a conflict of interest to exist.
2. When a Conflict of Interest Arises: There is a conflict of interest if TRS personnel:
  - a. Has a personal private interest in any entity, business, property, or any other thing of value, which is or may be the object of or involved in a transaction or business arrangement of TRS.
  - b. Has a relationship with a person (family member or friend) who has or reasonably would be perceived as having a private interest related to a transaction or business arrangement of TRS.
3. TRS personnel may not:

- a. Engage in substantial financial transactions for their private business purposes with a person whom they inspect or supervise in the course of their duties on behalf of TRS.
- b. Perform official acts directly and substantially having negative economic impacts on businesses or undertakings in competition with a business or undertaking in which they have a significant interest.
- c. Acquire an interest in any business or undertaking the employee has reason to believe may directly and substantially economically benefit from official action TRS is planning.
- d. Perform an official act that will directly and substantially affect the economic benefit of a business or other undertaking in which the employee has a substantial financial interest or is engaged as counsel, consultant, representative, or agent.
- e. Lobby on behalf of an organization of which they are a member while performing their duties on behalf of TRS.
- f. Have a private interest in any contract made by TRS.
- g. Within 12 months following voluntary termination of employment with TRS, obtain employment in which they would take direct advantage of matters the employee was directly involved with while employed by TRS. These matters are rules other than rules of general application that they helped to formulate and applications, claims, or contested cases where they actively participated in the decision process.
- h. Within 6 months following termination of employment with TRS, contract or be employed by an individual or entity who contracts with TRS with which the TRS employee was directly involved while employed by TRS. This does not apply to post-termination contracts awarded to the lowest bidder based on a competitive process or to merchandise sold to the highest bidder at public auction, or to an employee terminated because of a reduction in force.

#### **D. Reporting Requirements**

1. TRS personnel must disclose potential conflicts of interest to the Executive Director or Chief Legal Counsel prior to taking any action that will be or might be in violation of this policy or the law.
2. TRS personnel must disclose the nature of any private interest creating a conflict prior to acting in a manner impinging on public duty. TRS personnel must make the disclosure in writing to the commissioner of political practices.
3. TRS personnel must annually complete and submit to TRS a questionnaire regarding actual and potential conflicts of interest and private interests impinging on public duty.


#### **Signature**

By Board action taken on *September 26, 2014* and by my signature below, the TRS Board has authorized implementation of this original or modified policy. The effective date of this policy is:

  X   the date of the Board action set forth above

\_\_\_\_\_ (date) \_\_\_\_\_

BY: Kari Peiffer, Board Chair

  
\_\_\_\_\_  
Signature

*TRS policies may be amended or revoked from time to time, with amendments and revocations effective from the date of board action or later date as specified in the policy. The official version of any TRS policy is the version posted on the TRS website, which may be accessed at [www.trс.mt.gov/trs-info/boardpolicies](http://www.trс.mt.gov/trs-info/boardpolicies). Any deviation between the official version of a policy and a printed version will be resolved in favor of the official version. Hardcopy prints of policies will be dated as of the date of printing. Please make certain to review the material online prior to placing reliance on a printed version.*

**Montana Teachers' Retirement System  
Ethical Conduct/Conflict of Interest  
Annual Disclosure Statement**

Name of TRS personnel (*please print*): \_\_\_\_\_

TRS Personnel Capacity:       Board Member                       TRS Staff  
 TRS Contractor: \_\_\_\_\_  
*Business Name*

TRS personnel must annually complete this disclosure statement to advise TRS management and the TRS board of circumstances that constitute a conflict of interest (including circumstances that could lead a reasonable person to believe a conflict of interest exists).

This annual disclosure statement does not negate or fulfill the obligation of TRS personnel to report conflicts of interest when discovered and prior to taking official action, or to immediately report circumstances that may constitute an actual, attempted, or potential violation of law or the ethical standards of conduct applicable to TRS personnel.

**Definitions**

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*Beneficiary* means a joint annuitant, beneficiary, or alternate payee of a member.

*Business* includes a corporation, partnership, sole proprietorship, trust or foundation, or any other individual or organization carrying on a business, whether or not operated for profit.

*Compensation* means any money or economic benefit conferred on or received by any person in return for services rendered or to be rendered by the person or another.

*Employment* includes service as a member of the TRS board and service as a contractor with TRS.

*Family member* means the person's spouse (spouse includes a domestic partner), the person's or spouse's ancestor, sibling, or descendent or the spouse, ancestor, sibling, or descendent of any of them.

*Gift of substantial value* means compensation, goods, services, entertainment, or any other thing of value at no cost or at a cost below the fair market value of the gift, and which gift has a value of \$50 or more. The term does not include: food and beverages consumed on the occasion when participation in a charitable, civic, or community event bears a relationship to the public officer's or public employee's office or employment or when the officer or employee is in attendance in an official capacity; educational material directly related to official governmental duties; an award publicly presented in recognition of public service; or educational activity that does not place or appear to place the recipient under obligation, clearly serves the public good, and is not lavish or extravagant.

*Member* means an active, inactive, or retired member of TRS.

*Official act or official action* means a vote, decision, recommendation, approval, disapproval, or other action, including inaction, that involves the use of discretionary authority related to the administration, operations, or assets of TRS.

*Private interest* means an interest held by an individual that is

1. an ownership interest in a business
2. a creditor interest in an insolvent business
3. an employment or prospective employment for which negotiations have begun
4. an ownership interest in real property
5. a loan or other debtor interest
6. a directorship or officership in a business
7. any other personal objective or advantage

It does not include the interest of TRS personnel in the regular and appropriate compensation received directly from TRS or a TRS employer as compensation for services as TRS personnel.

*TRS Personnel* means:

1. Any TRS board member
2. any temporary or permanent employee of TRS
3. any person working under contract to TRS

*Transaction or business arrangement* means any process, deal or negotiation necessary to the conduct of the business of TRS that involves the collection, expenditure, management or other use of TRS assets. A transaction or business arrangement includes the day-to-day processes and functions related to administration and operation of the retirement system and plan benefits, including, but not limited to, hiring and employing staff, contracting for goods and services, making eligibility and benefit determinations, and paying benefits or any other amounts from the assets of TRS.

\_\_\_\_\_ (*initial*) I have reviewed the State Ethics Policy and TRS's Ethical Conduct/Conflict of Interest Policy, and I understand that any violation of applicable laws or deviation from the standards of conduct set forth, or providing false or misleading answers to any of the questions on this questionnaire could result in disciplinary action against me, up to and including termination of my employment with TRS. By signing below, I certify that my responses to the following questions are correct and accurate with respect to my past and current personal status and conduct, and are correct and accurate to the best of my knowledge regarding the past and current status and conduct of family members, close personal friends, and others. I understand that I have a continuing obligation to update my responses to this questionnaire required by any development, including additional information becoming known to me, after the date I sign this questionnaire.

1. Have you, a family member, or a close personal friend had a private interest in any business while TRS was involved in a transaction or business arrangement with that business?

No     Yes

2. Have you, a family member, or a close personal friend received

- a gift of substantial value; or
- a loan

from a person or entity that does or has sought to do business with TRS?

No     Yes

3. Have you engaged in any outside employment or relationship with any provider of supplies or services to TRS?
- No     Yes
4. Have you represented TRS in any transaction in which you, a family member or a close personal friend had a private interest, including:
- a. By taking action to approve or process a claim for any plan benefits payable to you, a family member or a close personal friend;
  - b. By taking action to approve or process any other payment from the assets of TRS payable to you, a family member or a close personal friend; or
  - c. By participating in any negotiation or other official process on behalf of TRS regarding any claim for payment from TRS payable to you, a family member, or a close personal friend?
- No     Yes
5. Have you or to your knowledge has any other person made or permitted any unauthorized or improper use or disclosure of confidential information of or concerning TRS that has not been authorized by law?
- No     Yes
6. Have you directed, participated in, or been aware of any of the following:
- a. The expenditure of TRS funds for any unauthorized purposes or for authorized purposes as to which you have knowledge that billed amounts or expended amounts are in excess of "fair market" value?
  - b. Any other unauthorized payment to or from any provider of supplies or services to TRS?
  - c. The establishment or maintenance of any fund of TRS monies or other assets not properly recorded on the books of TRS?
  - d. Any false, fictitious or artificial entry or failure to properly record in reasonable detail any transaction of TRS, in any records, books or accounts of TRS?
  - e. Any false or misleading statement by TRS personnel:
    - i. to any person representing TRS or the state of Montana in connection with any examination or investigation made of the books, records, accounts, or business operations of TRS;
    - ii. to any person representing a law enforcement agency or other person or entity legally authorized to investigate or gather evidence in any legal proceeding related to the books, records, accounts, or business operations of TRS; or
    - iii. to any other person or entity to whom TRS personnel have a duty of candor regarding the books, records, accounts, or business operations of TRS?
- No     Yes

7. Are you aware of any other act or practice pertaining to the management, use, or expenditure of TRS assets, or the conduct of the business operations of TRS that would violate law, the State Ethics Policy, or the TRS Ethics/Conflict of Interest Policy?

No     Yes

8. Are you aware of any other relationship or circumstance that would constitute a conflict of interest or would give rise to an appearance of a conflict of interest as between any two or more TRS personnel or between any TRS personnel and any other person or entity?

No     Yes

---

**If you have answered "Yes" to any of the foregoing questions, you must provide a detailed, written explanation of your answer, including but not limited to the following as applicable to each question:**

- a. The nature of the private interest
- b. The holder of the private interest
- c. The holder's relationship to you
- d. A description of the transaction or business arrangement
- e. A description of the gift or terms of the loan
- f. The recipient of the gift or loan
- g. The person/entity offering the gift or loan
- h. Details regarding the act or conduct

**Please provide your explanation below, or on a separate sheet, and reference the question #s for which detail is provided.**

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Employee Signature

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Date



## Montana Teachers' Retirement System

PO Box 200139, Helena MT 59620-0139

### BOARD MEMBER PER DIEM ELECTION FORM

§2-2-104, MCA – Rules of conduct for public officers, legislators, and public employees (also known as the "code of ethics" for Montana public employees) – generally prohibits an individual from receiving a salary from two separate public employment positions that overlap for the hours being compensated. A "public employee" means any temporary or permanent employee of the state; a local government (which includes a school district); a member of a quasi-judicial board or commission or of a board, commission or committee with rulemaking authority; or a person under contract to the state (§2-2-102, MCA).

As a member of the TRS board, you are a public employee. You are entitled to receive a single fee of \$100 for preparation and to reimbursement of travel expenses for each TRS Board meeting you attend. These payments do not constitute compensation for overlapping hours of public employment. You are also entitled to receive a \$100 fee for each day in attendance at a TRS board meeting ("per diem"). If you are also employed by another public employer, such as a school district, you may not receive both the \$100 per diem and a salary from your public employer for the same hours of service. If you receive both the TRS per diem and your regular salary, you are required either to reimburse your regular employer for the salary paid to you while you are absent to perform services for TRS, or to have your regular salary reduced by the amount of per diem paid to you by TRS. See §2-2-104(3)(a).

You are not receiving duplicate compensation for the same hours of service if payment from your regular employer is for the use of accrued leave or compensatory time during the period for which you receive a per diem from TRS.

**By my signature below, I certify I understand that I may not receive compensation from another public employer for the same hours for which I am paid a per diem to perform services as a TRS board member. I further certify that (*mark only one*):**

- I am not employed by another public employer (other than TRS).
- I will receive my regular salary and will not receive a per diem from TRS for the hours spent in service to TRS.
- I will receive a per diem from TRS and will not receive my salary from my regular employer for the hours spent in service to TRS or any payment from my regular employer will be for my use of accrued leave or compensatory time.
- I will reimburse my regular employer for the salary paid to me while I am absent to perform services for TRS, or will have my regular salary reduced by the amount of per diem paid to me by TRS.

Name Printed \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_



## **VIII. Applications and Retirement Benefits**

Information Item **A. Regular, Survivorship, Adjustments, and Corrections** - In your hard copy board packet you wil have a listing of members who have retired from 9/1/2024 through 10/31/2024.

**We had 38 retirees with average service of 16.34 years and average age of 62.37.**

**The quarterly report is purposely excluded from your electronic board packet because it contains what could be considered personally identifiable information (PII).**

## **IX. Legal Counsel's Report**

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

## **X. Disability Applications**

### **CLOSED MEETING**

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

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

### **OPEN MEETING**

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

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

**XI. Adjournment**

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