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Teachers' Retirement System
State of Montana

Actuarial Valuation
As of July 1, 2020

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October 9, 2020

Teachers' Retirement Board
State of Montana
P.O. Box 200139
Helena, MT 59620-0139

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Teachers' Retirement System of Montana (TRS), prepared as of July 1, 2020.

The purpose of this report is to provide a summary of the funded status of the System as of July 1, 2020. While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation indicates that the statutory contribution rate reflecting all anticipated contribution increases are sufficient to amortize the unfunded accrued liability within a 29 year period.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. Four-year market related value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 3.25% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund.

In order to prepare the results in this report we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

We note that as we are preparing this report, the world is in the midst of a pandemic. We have considered available information, but do not believe that there is yet sufficient data to warrant the modification of any of our assumptions. We will continue to monitor the situation and advise the Board in the future of any adjustments that we believe would be appropriate.

This is to certify that Todd Green, President for Cavanaugh Macdonald Consulting is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This also certifies that the undersigned has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

Todd B. Green, ASA, FCA, MAAA
President

TBG/jnw

Teachers' Retirement System
State of Montana

Table of Contents

Section I

Summary of Findings

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below:

(Dollar amounts in thousands)

VALUATION DATE	**July 1, 2020**	**July 1, 2019**
Active members		
Number		
Full-Time Members	13,515	13,196
Part-Time Members	6,236	6,490
Annual valuation compensation	$ 880,668	$ 857,468
Retired members and beneficiaries		
Number	16,605	16,256
Annual allowances	$ 400,111	$ 383,495
Inactive Members		
Vested Terminated Members	1,828	1,791
Non-Vested Terminated Members	14,941	14,261
Assets		
Actuarial value	$ 4,344,045	$ 4,219,515
Market value	4,167,840	4,220,286
Actuarial Accrued Liability (AAL)	$ 6,310,005	$ 6,148,556
Unfunded Actuarial Accrued Liability	$ 1,965,960	$ 1,929,041
Funded Ratio	68.84%	68.63%
Market Value Rate of Return	2.72%	5.69%
Annual Cost		
Total Normal Rate	9.75%	9.78%
Employee Contribution Rate	8.15%	8.15%
Employer Normal Rate	1.60%	1.63%
Employer Statutory Contribution Rate		
Normal Rate	1.60%	1.63%
Administrative Expense Load	0.45%	0.36%
UAAL Rate	9.61%	9.57%
Total Rate	11.66%	11.56%
Amortization Period*	29 Years	29 Years

* Reflects anticipated increases in employer contribution rates.

As a result of this actuarial valuation of the benefits in effect under the Montana Teachers Retirement System as of July 1, 2020, the statutory employer contributions are sufficient to amortize the Unfunded Actuarial Accrued Liability (UAAL) of the Retirement System within 29 years. The Funded Ratio is 68.84%.

The table below shows a history of the legislated contribution rates as a percent of pay. In addition to these contributions the State will contribute $25 million annually to the System payable July 1st of each year.

Finally, MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

History of Legislated Contributions
(as a Percent of Pay)

School District and Other Employers

	Members	Employers	General fund	Total employee & employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

State and University Employers

	Members	Employers	General fund	Total employee & employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	9.47%	0.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	9.85%	0.11%	17.11%
July 1, 2013 to June 30, 2014	8.15%	10.85%	0.11%	19.11%
July 1, 2014 to June 30, 2015	8.15%	10.95%	0.11%	19.21%
July 1, 2015 to June 30, 2016	8.15%	11.05%	0.11%	19.31%
July 1, 2016 to June 30, 2017	8.15%	11.15%	0.11%	19.41%
July 1, 2017 to June 30, 2018	8.15%	11.25%	0.11%	19.51%
July 1, 2018 to June 30, 2019	8.15%	11.35%	0.11%	19.61%
July 1, 2019 to June 30, 2020	8.15%	11.45%	0.11%	19.71%
July 1, 2020 to June 30, 2021	8.15%	11.55%	0.11%	19.81%
July 1, 2021 to June 30, 2022	8.15%	11.65%	0.11%	19.91%
July 1, 2022 to June 30, 2023	8.15%	11.75%	0.11%	20.01%
July 1, 2023 to June 30, 2024	8.15%	11.85%	0.11%	20.11%

Calculations based on the Market Value of Assets

MCA 19-20-201 requires this report to show how market performance is affecting the actuarial funding of the Retirement System. The July 1, 2020 market value of assets is $176.2 million less than the actuarial value of assets. This is due to the smoothing of investment gains and losses over a four year period. If the market value of assets was used, the amortization period would be 35 years, and the Funded Ratio would be 66.05%.

Additional Details

MCA 19-20-604 states that the contribution from the State General Fund will be reduced by 0.11% when the amortization period of the System's UAAL is 10 years or less according to the System's latest actuarial valuation.

The actuarial costs are calculated using the entry age actuarial cost method. This is the method used by most public plans. It is designed to provide a stable contribution rate as a percent of member pay. This actuarial valuation measures the adequacy of the contribution rates set in Montana State Law.

Investment Experience

The market assets earned 2.72% net of investment and operating expenses. As a result of cumulative unrecognized losses, the actuarial assets earned 7.00% which is 0.50% less than the actuarial assumption of 7.50%. The return on the actuarial assets differs from the return on market assets because the actuarial value of assets spreads gains and losses over four years. The chart below shows the annual returns for the past ten years.

Year	Market Return	Actuarial Return	Market Return over Assumption	Actuarial Return over Assumption
7/1/2010 to 6/30/2011	21.67%	(0.13)%	13.92%	(7.88)%
7/1/2011 to 6/30/2012	2.21%	3.21%	(5.54)%	(4.54)%
7/1/2012 to 6/30/2013	12.94%	11.99%	5.19%	4.24%
7/1/2013 to 6/30/2014	17.09%	13.21%	9.34%	5.46%
7/1/2014 to 6/30/2015	4.57%	9.59%	(3.18)%	1.84%
7/1/2015 to 6/30/2016	2.08%	8.79%	(5.67)%	1.04%
7/1/2016 to 6/30/2017	11.92%	8.24%	4.17%	0.49%
7/1/2017 to 6/30/2018	8.82%	6.85%	1.07%	(0.90)%
7/1/2018 to 6/30/2019	5.69%	7.00%	(1.81)%	(0.50)%
7/1/2019 to 6/30/2020	2.72%	7.00%	(4.78)%	(0.50)%

Asset gains or losses result when the return on the actuarial value of assets differs from the actuarial investment return assumption of 7.50% effective July 1, 2018.

On a market value basis the System earned $77.4 million less than anticipated by the 7.50% assumption in the year ended June 30, 2019 and $197.8 million less than anticipated by the 7.50% assumption in the year ended June 30, 2020. The net result as of July 1, 2020 is that the market value of assets is $176.2 million less than the actuarial value of assets. This $176.2 million in unrecognized asset losses will either offset any future investment gains or if there are none, increase the amortization period of the UAAL in future valuations.

Recent Contribution Increases

The Montana University System Retirement Program (MUS-RP) supplemental contribution ensures university member benefits are funded by university employers. The supplemental contribution was increased from 4.04% to 4.72% of MUS-RP member pay at July 1, 2007. The valuation that determined the 4.72% contribution rate of MUS-RP member pay was based on the valuation completed as of July 1, 2006. The most recent MUS-RP valuation completed as of July 1, 2018 indicated an increase is needed in the supplemental contribution rate from 4.72% to 11.89% of MUS-RP member compensation rate.

MCA 19-20-608 and MCA 19-20-609 dictate that employers and members are required to make supplemental contributions if the funded ratio of the System is less than 90%. Since the funded ratio is currently 68.84%, Tier One Members are required to contribute an additional 1% of compensation. The individual employers are required to contribute an additional 1% of compensation. The employer contribution shall increase by an additional 0.1% each year following July 1, 2013 until the total employer supplemental contribution is equal to 2% of compensation.

MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

Amortization of the UAAL

The July 1, 2019 actuarial valuation calculated a 29 year amortization period for the UAAL. The resulting amortization period at July 1, 2020 is 29 years. The amortization period anticipates future increases in employer supplemental contributions. In addition, it anticipates future State General Fund contributions will decrease by 0.11% when the amortization period of the System's UAAL is 10 years or less. Future decreases in the Employer and Member Supplemental Contributions are not anticipated.

Funding and Benefits Policy

The Teachers' Retirement System has adopted a Funding and Benefits Policy to provide general guidelines to help ensure decisions are made based on sound, consistent, and thoroughly examined criteria. The Funding and Benefits Policy includes guidance on the following topics:

1) Additional Funding

   a) The Funding and Benefits Policy states:

      "1. If the amortization period is greater than 30 years, the actuary will recommend the single contribution rate increase that can reasonably expect to fully amortize the UAAL over a closed 30-year period effective July 1, following the next regular legislative session.

      2. If the amortization period is less than 30 years, but greater than 0, and it is projected to continue to decline over the remainder of the closed period, the actuary will not recommend a change in the statutory contribution rates.

      3. If the amortization period is less than 30 years, but has increased over prior valuations and is projected to continue to grow, the actuary will recommend a contribution rate increase that is reasonably expected to reverse the recent trend and reestablish a closed amortization period equal to that of the last valuation."

2) Analysis: The amortization period as of July 1, 2020 is 29 years based on actuarial assets and 35 years based on market assets. Assuming experience follows the actuarial assumptions, the amortization period is projected to decline.

3) Ultimate Goal

   a) The Funding and Benefits Policy states: "It is the desire of the Board to fully fund the System. However, until the System becomes fully funded, any unfunded liabilities will be amortized over a closed period of no more than 30 years and funded as a level percent of pay. At such time as the System becomes fully funded and has as stabilization reserve of at least 10% of the actuarial accrued liability, the allowed amortization period for any subsequent unfunded liabilities will be reduced to a closed period of not greater than 20 years."

   b) Analysis: The amortization period on an actuarial value of asset basis is 29 years and is anticipated to decline. It is important to note that the normal cost rate for members hired on or after July 1, 2013 is less than the rate for members hired before July 1, 2013. As members hired before July 1, 2013 terminate or retire and are replaced with members with a lower normal cost rate, more of the employer contribution will be available to amortize the UAAL. As a result, the effective amortization period is less than the amortization period calculated in the actuarial valuation, which does not reflect new hires.

4) Benefit Enhancements

a) The Funding and Benefits Policy states: “Any recommendation for a benefit enhancement must include recommendations for necessary additional funding or other benefit reduction to cover any increase in normal cost arising from the recommended enhancement and to amortize any increase in the unfunded actuarial accrued liabilities arising from the recommended enhancement over a period not to exceed 25 years.

The Board will determine its position with respect to supporting or opposing legislation, on a case-by-case basis, and will apply this policy, actuarial funding standards, and other industry-standard information and resources it finds persuasive, as decision guides. The Board may not support legislation to enhance benefits if the funded ratio is less than 85%, and the amortization period is greater than 20 years.”

b) Analysis: Since the funded ratio at July 1, 2020 of 68.84% is below 80% the Board’s Funding and Benefits policy does not currently support enhanced benefits.

Sensitivity to Future Experience

The valuation results are projections based on the actuarial assumptions. Actual experience will differ from these assumptions, either increasing or decreasing the ultimate cost. The following illustrations provide simple analyses on how the costs are sensitive to changes in the assumed rate of return.

Investment Return – The investment return generally has the largest impact on the funding of the System.

Impact of Assuming 1.0% Higher Investment Return			
	Funded Ratio	Amortization Period	Actuarially Determined Employer Contribution (Millions $)*
Current Assumption 7.50%	68.84%	29 Years	$102.7
Higher Assumption 8.50%	76.17%	14 Years	57.7
Change - Increase / (Decrease)	7.33%	(15) Years	($45.0)

Impact of Assuming 0.5% Higher Investment Return			
	Funded Ratio	Amortization Period	Actuarially Determined Employer Contribution (Millions $)*
Current Assumption 7.50%	68.84%	29 Years	$102.7
Higher Assumption 8.00%	72.48%	20 Years	79.1
Change - Increase / (Decrease)	3.64%	(9) Years	($23.6)

Impact of Assuming 0.5% Lower Investment Return			
	Funded Ratio	Amortization Period	Actuarially Determined Employer Contribution (Millions $)*
Current Assumption 7.50%	68.84%	29 Years	$102.7
Lower Assumption 7.00%	65.27%	44 Years	124.5
Change - Increase / (Decrease)	(3.57)%	15 Years	$21.8

Impact of Assuming 1.0% Lower Investment Return			
	Funded Ratio	Amortization Period	Actuarially Determined Employer Contribution (Millions $)*
Current Assumption 7.50%	68.84%	29 Years	$102.7
Lower Assumption 6.50%	61.76%	81 Years	149.1
Change - Increase / (Decrease)	(7.08)%	52 Years	$46.4

* Amounts reflect estimated increase/(decrease) in FY2021 employer contributions only, in order to maintain the 29 year amortization period.

The future funding status of the System will be determined by the System's experience. The System's actual asset returns and retirement rates, as well as member longevity, salary increases, withdrawal rates, disability rates and future legislation will all impact the funding status of the System. The entry age normal cost method and four year smoothing of asset gains and losses will help to provide a more orderly funding of the System's liabilities, but will not change the actual experience. The amortization period of the UAAL is not likely to decrease by the expected 1.0 year with each passing actuarial valuation. Instead, the amortization period is expected to decrease more or less than 1.0 years each year, reflecting gains and losses due to experience different than the actuarial assumptions.

Assumption Changes

There have been no assumption changes since the previous valuation.

Benefit Changes

There have been no benefit changes since the previous valuation that would have a material effect on the liabilities of the System.

Contribution Changes

An employer supplemental contribution of 1% of compensation is required beginning in fiscal year 2014 which will increase by 0.10% each subsequent fiscal year through 2024. For fiscal years beginning after June 30, 2024, the supplemental employer contribution will equal 2.00% of compensation.

Method Changes

There have been no method changes since the previous valuation.

Impact of Changes

The following table summarizes how experience has changed the UAAL since the July 1, 2019 Actuarial Valuation. Further detail can be found in Table 12.

Changes in the Unfunded Actuarial Accrued Liability (UAAL)

(In millions)

July 1, 2019 Valuation UAAL	$ 1,929.0
Expected Decrease	(6.1)
Expected July 1, 2020 UAAL	$ 1,922.9
Experience Loss on Actuarial Liabilities	$ 22.3
Experience Loss on Actuarial Assets	20.8
Assumption & Method Changes	0.0
Plan Changes	0.0
Total Loss	$ 43.1
July 1, 2020 Valuation UAAL	$ 1,966.0

Summary

- The System's actuarial value investment return of 7.00% for the year ended June 30, 2020 is (0.50)% less than the actuarial assumption of 7.50%. This represents an asset loss of 20.8 million due to investment return less than anticipated. The actuarial value of assets is not allowed to be greater than 120% or less than 80% of the market value of assets. As of July 1, 2020, the market value of assets was $4,167.8 million. As of July 1, 2020 the preliminary actuarial value of assets was $4,344.0 million. Since the preliminary actuarial value is within the corridor no adjustment is required to the preliminary actuarial value of assets. The July 1, 2020 market value of assets is $176.2 million less than the actuarial value of assets. This $176.2 million will be recognized in future actuarial valuations unless it is offset by returns greater than the 7.50% assumption.

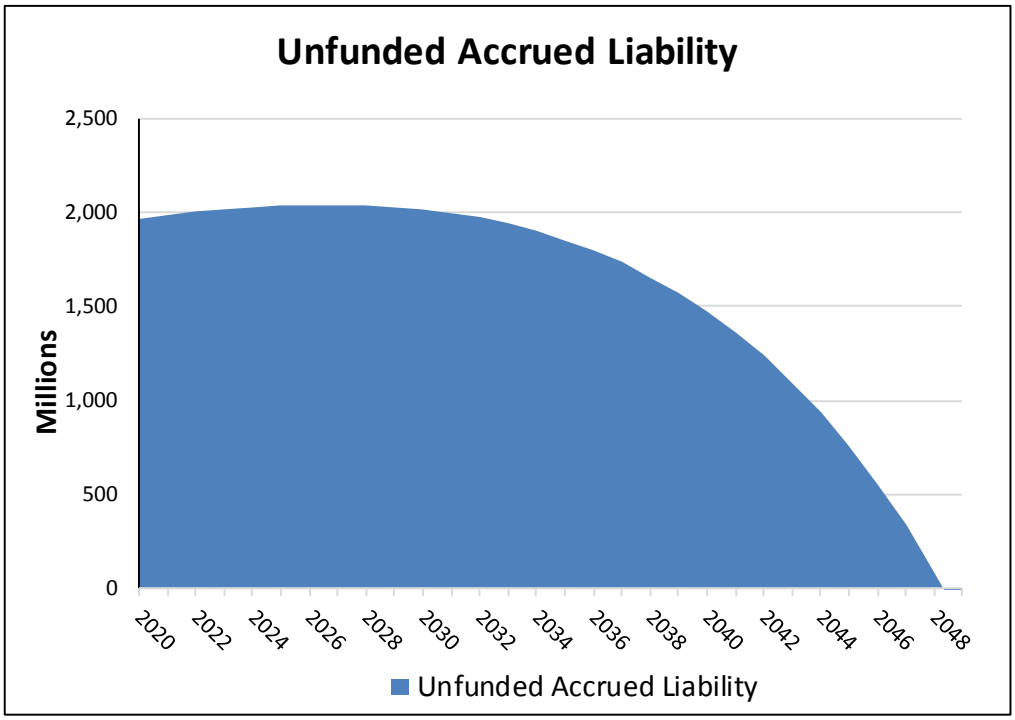
- As of July 1, 2020 the amortization period of the UAAL is 29 years. Prior to this valuation the funding period was 29 years. The ultimate goal of the Board's Funding and Benefits Policy is to increase the current net funded ratio of 68.84% above 110% to encourage stable contribution rates.

- The funding of the retirement system will be impacted by future experience which will sometimes be more favorable than the actuarial assumptions and sometimes less favorable. In particular, investment returns larger and smaller than the 7.50% assumption are expected to have significant impacts on the System's funding progress. In the long term, the favorable experience is needed to offset the less favorable experience. This is the reason for using an actuarial value of assets that smoothes gains and losses over four years.

- The unfunded actuarial accrued liability is amortized using a level percentage of payroll method over the amortization period. Under the level percentage of payroll method, amortization payments will not be large enough to cover interest on the UAAL in the beginning of the amortization schedule, which means that as a dollar amount, the UAAL is expected to grow. After a period of time, amortization payments will be large enough that the amortization payments will cover both interest and principal, and the UAAL as a dollar amount will be projected to decrease in each subsequent year. The payroll growth assumption is used to determine the percentage of payroll required over the remaining amortization period to fully amortize the UAAL. The payroll growth assumption is 3.25%.

Projected Progress toward 100% Funding

The table below shows the projected progress toward reaching 100%. When the System is 100% funded the Unfunded Actuarial Accrued Liability will be fully amortized. This is scheduled to occur within 29 years. The ultimate goal of the TRS System is to become at least 100% funded and to establish a reserve equal to 10% of the System's Actuarial Accrued Liability.



Section 2

Assets

In many respects, an actuarial valuation can be regarded as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is July 1, 2020. On that date, the assets available for the payment of benefits are appraised. These assets are compared with the actuarial liabilities. The actuarial process thus leads to a method of determining what contributions by members and their employers are needed to strike a balance.

The asset valuation method being used is a four-year smoothing method. The expected return is determined each year based on the beginning of year market value and actual cash flows during the year. Any difference between the expected market value return and the actual market value return is recognized evenly over a period of four years. The actuarial value of assets is not allowed to be greater than 120% or less than 80% of the market value of assets.

Table 1 lists the assets held and their market value for the past two years. Table 2 summarizes the fund's activity during the past two years. Table 3 summarizes the determination of the actuarial value of assets. Table 4 summarizes historical asset returns for the last 15 years including the amount recognized by the actuarial asset valuation method which was greater or lesser than the actuarial investment return assumption. Table 5 summarizes the historical asset returns since 1997 on market value and actuarial value basis. Table 5 also shows the assumed rate of return since 1995 which was reduced to 7.75% and 7.50% in Fiscal Years Ending 2005 and 2019, respectively. Table 6 summarizes the historical asset values on a market value and actuarial value basis.

Teachers' Retirement System
State of Montana

Table 1

Statement of Fiduciary Net Assets

	TOTAL TRS 2020	TOTAL TRS 2019
ASSETS		
Cash/Cash Equivalents-Short Term		
Investment Pool	$ 33,379,098	$ 137,714,031
Receivables:		
Accounts Receivable	17,091,113	16,252,285
Interest Receivable	24,500	273,021
Total Receivables	$ 17,115,613	$ 16,525,306
Investments, at fair value:		
Investment Pools	4,116,676,679	4,065,250,746
Other Investments	-	-
Securities Lending Collateral	21,964,282	19,323,932
Total Investments	$ 4,138,640,961	$ 4,084,574,678
Assets Used in Plan Operations:		
Land and Buildings	$ 980,133	$ 193,844
Less: Accumulated Depreciation	(174,099)	(150,545)
Equipment	1,808,630	1,061,155
Less: Accumulated Depreciation	(16,286)	(16,286)
Construction Work in Progress	-	1,505,103
Total Other Assets	2,598,377	2,593,271
TOTAL ASSETS	$ 4,191,734,050	$ 4,241,407,286
Pension Deferred Outflows	$ 252,636	$ 331,069
OPEB Deferred Outflows	$ 28,980	$ 116,631
LIABILITIES		
Accounts Payable	$ 165,428	$ 247,796
Accrued Liability	$ 1,000	
Securities Lending Liability	21,964,282	19,323,932
Compensated Absences	195,074	168,204
OPEB Implicit Rate Subsidy	88,643	135,851
Net Pension Liability	1,457,558	1,443,205
TOTAL LIABILITIES	$ 23,871,985	$ 21,318,986
Pension Deferred Inflows	$ 225,069	$ 250,248
OPEB Deferred Inflows	$ 79,054	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$ 4,167,839,558**	**$ 4,220,285,752**

Teachers' Retirement System
State of Montana

Table 2

Statement of Changes in Fiduciary Net Assets

	TOTAL TRS 2020	TOTAL TRS 2019
ADDITIONS		
Contributions:		
Employer	$ 102,420,318	$ 97,303,048
Plan Member	80,194,548	78,150,923
Other	45,948,388	45,495,334
Total Contributions	$ 228,563,253	$ 220,949,305
Misc Income	$ 51,927	$ 31,040
Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	$ 133,248,493	$ 250,387,940
Investment Earnings	1,399,499	2,647,387
Security Lending Income	476,125	1,035,829
Investment Income/(Loss)	$ 135,124,117	$ 254,071,155
Less: Investment Expense	22,281,715	25,659,055
Less: Security Lending Expense	253,757	519,813
Net Investment Income/(Loss)	$ 112,588,645	$ 227,892,287
Total Additions	$ 341,203,826	$ 448,872,632
DEDUCTIONS		
Benefit Payments	$ 384,396,941	$ 367,779,905
Withdrawals	5,171,751	6,008,447
Administrative Expense	3,767,693	2,947,109
OPEB Expenses	1,212	6,987
Pension Expense	202,944	167,489
Total Deductions	$ 393,540,541	$ 376,909,937
NET INCREASE (DECREASE) IN PLAN NET ASSETS	$ (52,336,715)	$ 71,962,695
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR	$ 4,220,285,752	$ 4,148,324,206
ADJUSTMENT	(109,479)	(1,149)
END OF YEAR	$ 4,167,839,558	$ 4,220,285,752

Teachers' Retirement System
State of Montana
Table 3
Determination of Actuarial Value of Assets

Valuation Date July 1:	2019	2020	2021	2022	2023
A. Actuarial Value Beginning of Year	$ 4,094,392,530	$ 4,219,515,104			
B. Market Value End of Year	4,220,285,752	4,167,839,558			
C. Market Value of Beginning of Year	4,148,324,206	4,220,285,752			
D. Cash Flow					
D1. Contributions	220,949,305	228,563,253			
D2. Benefit Payments	(373,788,352)	(389,568,692)			
D3. Administrative Expenses	(2,947,109)	(3,767,693)			
D4. Pension and OPEB Expenses	(174,476)	(204,156)			
D5. Net	$ (155,960,632)	$ (164,977,288)			
E. Investment Income					
E1. Market Total: B. - C. - D5.	$ 227,922,178	$ 112,531,094			
E2. Assumed Rate	7.50%	7.50%			
E3. Amount for Immediate Recognition	305,275,792	310,334,783			
E4. Amount for Phased-in Recognition	(77,353,614)	(197,803,689)			
F. Phased-In Recognition of Investment Income					
F1. Current Year: 0.25 * E4.	$ (19,338,404)	$ (49,450,922)	$ -	$ -	$ -
F2. First Prior Year	10,824,432	(19,338,404)	(49,450,922)	-	-
F3. Second Prior Year	37,137,003	10,824,432	(19,338,404)	(49,450,922)	-
F4. Third Prior Year	(52,815,617)	37,137,003	10,824,432	(19,338,404)	(49,450,922)
F5. Total Recognized Investment Gain	$ (24,192,586)	$ (20,827,891)	$ (57,964,894)	$ (68,789,326)	$ (49,450,922)
G. Preliminary Actuarial Value End of Year A. + D5. + E3. + F5.	$ 4,219,515,104	$ 4,344,044,708			
H. Corridor					
H1. 80% of Market Value	$ 3,376,228,602	$ 3,334,271,646			
H2. 120% of Market Value	5,064,342,902	5,001,407,470			
I. Actuarial Value End of Year G. Not Less than H1. or Not Greater than H2.	$ 4,219,515,104	$ 4,344,044,708			
J. Difference Between Market & Actuarial Values	$ 770,648	$ (176,205,150)			

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Table 4

Historical Investment Returns*

Fiscal Year Ending	Market Returns	Actuarial Returns	Actuarial Return Over 7.75% Assumption
June 30, 2006	8.9%	8.5%	0.7%
June 30, 2007	17.6%	10.2%	2.5%
June 30, 2008	(4.9)%	7.2%	(0.6)%
June 30, 2009	(20.8)%	(10.3)%	(18.0)%
June 30, 2010	12.9%	9.8%	2.0%
June 30, 2011	21.7%	(0.1)%	(7.9)%
June 30, 2012	2.2%	3.2%	(4.6)%
June 30, 2013	12.9%	12.0%	4.3%
June 30, 2014	17.1%	13.2%	5.5%
June 30, 2015	4.6%	9.6%	1.8%
June 30, 2016	2.1%	8.8%	1.0%
June 30, 2017	11.9%	8.2%	0.5%
June 30, 2018	8.8%	6.9%	(0.9)%
Fiscal Year Ending	**Market Returns**	**Actuarial Returns**	**Actuarial Return Over 7.50% Assumption**
June 30, 2019	5.7%	7.0%	(0.5)%
June 30, 2020	2.7%	7.0%	(0.5)%
15 Year Average	6.4%	6.6%	(1.1)%

* Returns reflect all investment returns, including investment income and realized and unrealized investment gains and losses, and are net of investment expenses and administrative expenses paid by the System.

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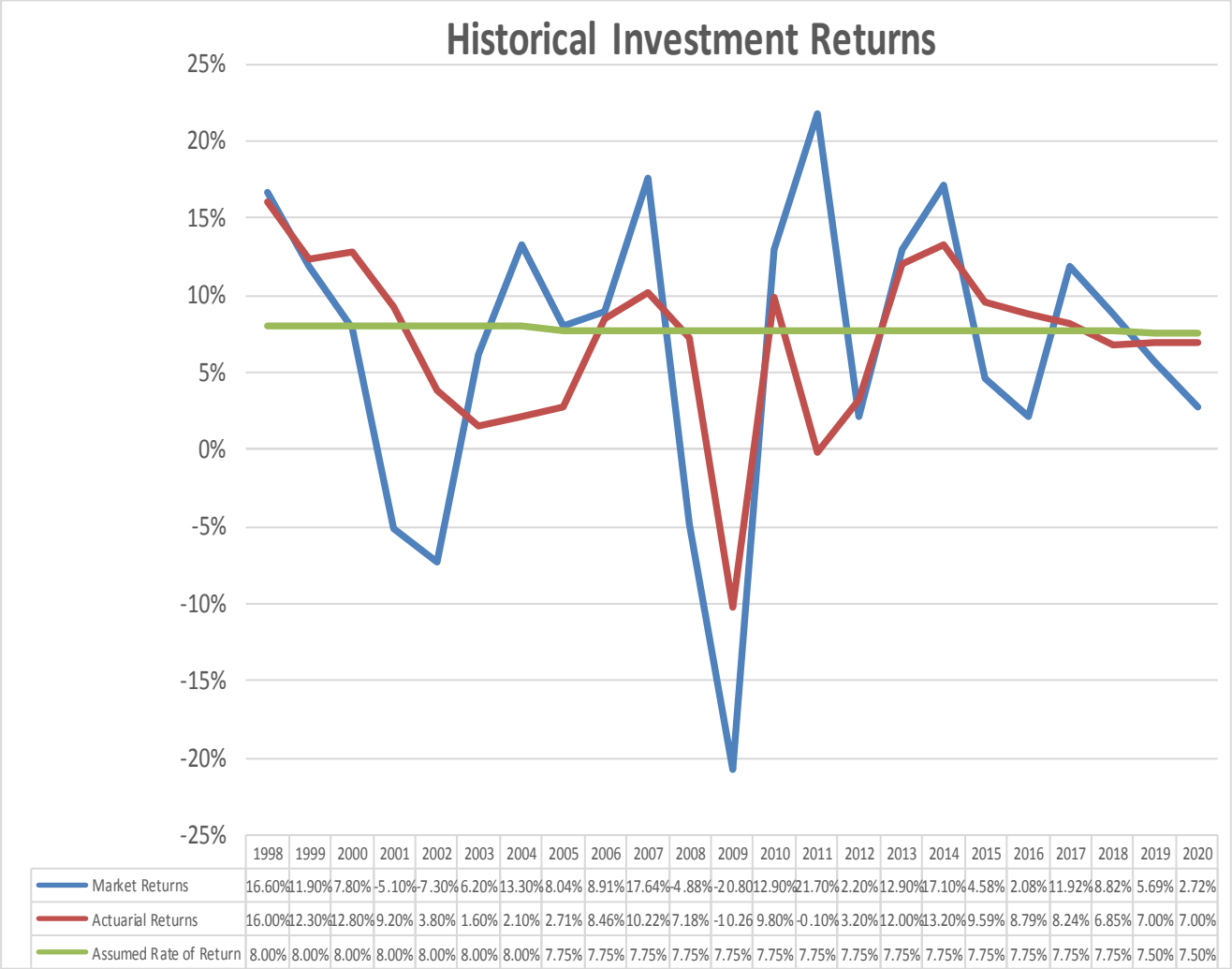
Table 5



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Market Returns	16.60%	11.90%	7.80%	-5.10%	-7.30%	6.20%	13.30%	8.04%	8.91%	17.64%	-4.88%	-20.80%	12.90%	21.70%	2.20%	12.90%	17.10%	4.58%	2.08%	11.92%	8.82%	5.69%	2.72%
Actuarial Returns	16.00%	12.30%	12.80%	9.20%	3.80%	1.60%	2.10%	2.71%	8.46%	10.22%	7.18%	-10.26	9.80%	-0.10%	3.20%	12.00%	13.20%	9.59%	8.79%	8.24%	6.85%	7.00%	7.00%
Assumed Rate of Return	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.50%	7.50%

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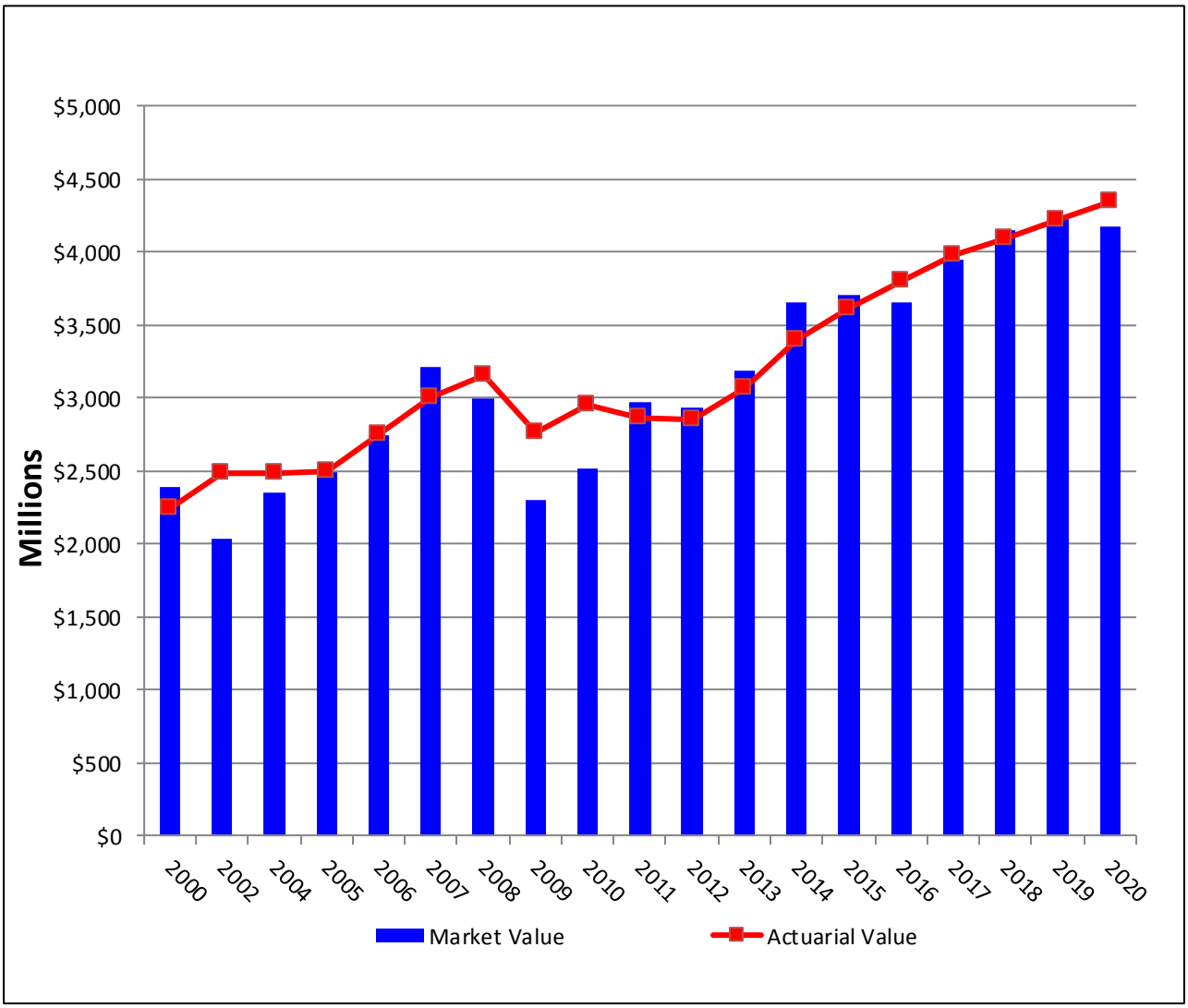
Table 6

Market Value of Assets vs. Actuarial Value of Assets



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Section 3

Actuarial Present Value of Future Benefits

In the previous section, an actuarial valuation was related to an inventory process, and an analysis was given of the inventory of assets of the System as of the valuation date. In this section, the discussion will focus on the commitments of the System, which will be referred to as its actuarial liabilities.

Table 7 contains an analysis of the actuarial present value of all future benefits for contributing members, for former contributing members, and for beneficiaries. The analysis is given by type of benefit.

The actuarial liabilities summarized in Table 7 include the actuarial present value of all future benefits expected to be paid with respect to each member covered as of the valuation date. For an active member, this value includes a measure of both benefits already earned and future benefits to be earned. Thus, for all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and, if an optional benefit is chosen, for the lives of their surviving beneficiaries.

The actuarial valuation does not recognize liabilities for employees who become members and participate in the System after the valuation date.

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Table 7

Actuarial Present Value of Future Benefits for Contributing Members, Former Contributing Members, and Beneficiaries

(All amounts are actuarial present values in millions)

	July 1, 2020 Total	July 1, 2019 Total
A. Active Members		
Service Retirement	$ 2,292.3	$ 2,273.9
Disability Retirement	15.4	15.0
Survivors' Benefits	49.7	48.9
Vested Retirement	49.9	46.8
Refund of Member Contributions	47.5	45.0
Total	$ 2,454.8	$ 2,429.6
B. Inactive Members and Annuitants		
Service Retirement	$ 4,067.0	$ 3,930.6
Disability Retirement	25.7	26.9
Beneficiaries*	278.0	264.3
Vested Terminated Members	112.3	104.9
Refund of Member Contributions	26.5	24.1
Total	$ 4,509.5	$ 4,350.8
C. Grand Total	$ 6,964.3	$ 6,780.4

* Includes survivors of active and retired members and children's benefits

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Section 4

Employer Contributions

In the previous two sections, attention has been focused on the assets and the present value of all future benefits of the System. A comparison of Tables 3 and 7 indicates that there is a shortfall in current actuarial assets to meet the present value of all future benefits for current members and beneficiaries.

In an active system, there will always be a difference between the assets and the present value of all future benefits. An actuarial valuation sets a schedule of future contributions that will deal with this funding in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. For this valuation, the entry age actuarial cost method has been used. A description of the entry age actuarial cost method is provided in Appendix A. Under this method, or essentially any actuarial cost method, the contributions required to meet the difference between current assets and the present value of all future benefits are allocated each year between three elements:

- A normal cost amount, which ideally is relatively stable as a percentage of salary over the years;
- A load for administrative expenses; and
- An amount which is used to amortize the UAAL.

The two items described above, normal cost and UAAL, are the keys to understanding the actuarial cost method. Let us first discuss the normal cost.

The normal cost is the theoretical contribution rate, which will meet the ongoing costs of a group of average new employees. Suppose that a group of new employees were covered under a separate fund from which all benefits and to which all contributions and associated investment return were to be paid. Under the entry age actuarial cost method, the normal cost contribution rate is that level percentage of pay which would be exactly right to maintain this fund on a stable basis. If experience were to follow the actuarial assumptions exactly, the fund would be completely liquidated with the last payment to the last survivor of the group.

The assumed investment rate of return is 7.50%, net of investment expenses. As a result, the actuarially determined contribution must include an amount for administrative expenses expected to occur during the year.

We have determined the normal cost rates separately by type of benefit under the System. These are summarized in Table 8. In Table 8 we also provide a summary of the member and employer statutory contributions.

The term "fully funded" is often applied to a system where contributions for everyone at the normal cost rate will fully pay for the benefits of existing as well as new employees. Often, systems are not fully funded, either because of benefit improvements in the past that have not been completely paid for or actuarial deficiencies that have occurred because experience has not been as anticipated. Under these circumstances, a UAAL exists.

Table 9 shows how the UAAL was derived for the System. Lines A and B show, respectively, the total present value of future benefits and the portion of the future liability that is expected to be paid from future normal cost contributions, both employer and employee. Line C shows the actuarial accrued liability. Line D shows the amount of assets available for benefits. Line E shows the UAAL.

The amortization of the UAAL assumes university supplemental contributions are made as a percent of pay for members of the Montana University System Retirement Program (MUS-RP). Under Section 19-20-621, periodic separate valuations are to be performed to measure the liabilities of benefits to be paid under the Teachers' Retirement System (TRS) for MUS-RP members. The MUS-RP valuations calculate contribution rates that finance the university member benefits with university contributions and reflect actual experience including investment returns. In the prior valuations, the Supplemental Contribution of 4.72% of MUS-RP payroll was assumed to cease in 2033. It is our understanding the contribution will not stop unless legislative action is taken. The university supplemental contribution rate has varied from time to time. Recently it has varied as follows:

Supplemental University Contribution Rate	Fiscal Years Ending
2.81%	June 30, 1998
3.12%	June 30, 1999
3.42%	June 30, 2000
3.73%	June 30, 2001
4.04%	June 30, 2002 to June 30, 2007
4.72%	After June 30, 2007

The UAAL at any date after establishment of a system is affected by any actuarial gains or losses arising when the actual experience of the system varies from the experience anticipated by the actuarial assumptions used in the valuations. To the extent actual experience as it develops differs from the assumptions used, so also will the actual emerging costs differ from the estimated costs. The impact of these differences in actual experience from the assumptions is included in Section 1, the Summary of Findings.

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Table 8

Normal Cost Contribution Rates
As Percentages of Salary

	July 1, 2020 Total	July 1, 2019 Total
Service retirement	7.53%	7.58%
Disability retirement	0.08%	0.08%
Survivors' benefits	0.24%	0.24%
Vested retirement	0.53%	0.52%
Refund of member contributions	1.37%	1.36%
Total Normal Rate	9.75%	9.78%
Employee Normal Rate	8.15%	8.15%
Employer Normal Rate	1.60%	1.63%
Administrative Expense Load	0.45%	0.36%

The normal rate for members hired on or after July 1, 2013 is 9.43%. As current members retire or terminate from the System and are replaced by new hires, the normal rate of the System will decline which will increase the amount of the employer contribution that is used to eliminate the unfunded actuarial accrued liability.

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Table 9

Unfunded Actuarial Accrued Liability
(Dollar amounts in millions)

	July 1, 2020	July 1, 2019
A. Actuarial present value of all future benefits for present and former members and their survivors (Table 7)	$ 6,964.3	$ 6,780.4
B. Less actuarial present value of total future normal costs for present members	654.3	631.8
C. Actuarial accrued liability	$ 6,310.0	$ 6,148.6
D. Less assets available for benefits	4,344.0	4,219.6
E. Unfunded actuarial accrued liability	$ 1,966.0	$ 1,929.0

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Section 5

Cash Flows

The fundamental equation for funding a retirement system is that benefits and administrative expenses must be provided for by contributions (past and future) and investment income. When a retirement system matures, benefits and administrative expenses often exceed contributions. In this case we say the system has a "negative cash flow." Mature systems are characterized by negative cash flows and large pools of assets. This is natural. Actuarial funding is designed to accumulate large pools of assets which will in turn provide investment income and finance negative cash flows when systems mature. If the fund is looked at as a whole, investment income is usually larger than the difference between contributions and benefit payments. The retirement system's investment strategy should maximize potential returns at a prudent level of risk while providing for needed cash flows.

Table 10 shows the System had a positive cash flow for the year ended June 30, 2020. The System's total cash flow including benefits payments, administrative expenses and investment earnings was ($52.3) million. Of the ($52.3) million, ($393.5) million was due to benefit payments and expenses, which were offset by $228.6 in contributions and $112.6 in investment returns. Table 11 shows the System is projected to have a positive cash flow in all future years.

As long as the System had a positive cash flow, there was no need to plan where the funds would come from to pay benefits since benefits could be paid by incoming contributions. A negative cash flow, as defined above, requires planning what funds will be used to pay the difference between benefits and contributions. We are providing these projections to aid in developing the investment strategy for the System's assets.

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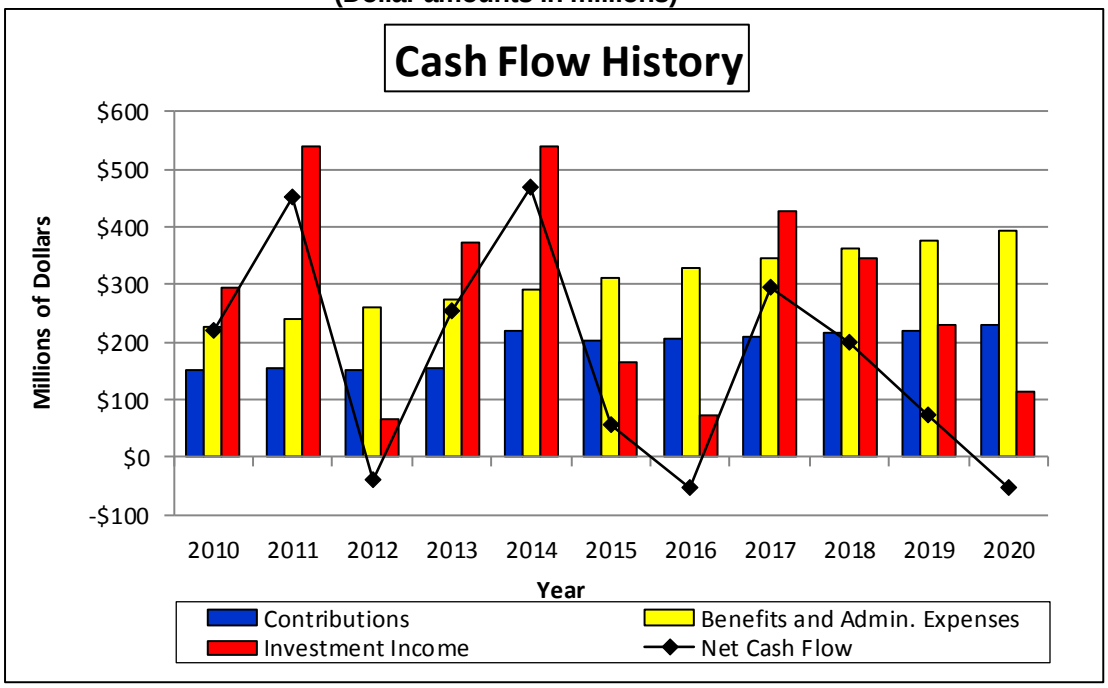
Table 10

Cash Flow History
(Dollar amounts in millions)



	Historical Cash Flows			
Year Ended June 30	Contributions	Benefits & Administrative Expenses	Investment Income	Net Cash Flow
2010	$ 152.3	$ 226.3	$ 295.0	$ 221.0
2011	153.3	241.4	539.0	450.9
2012	152.0	258.6	66.3	(40.3)
2013	154.5	275.4	373.7	252.8
2014	218.8	292.1	540.3	467.0
2015	202.9	311.2	165.7	57.4
2016	205.3	328.4	71.5	(51.6)
2017	210.5	343.7	427.0	293.8
2018	214.8	361.2	343.7	197.3
2019	220.9	376.9	227.9	71.9
2020	228.6	393.5	112.6	(52.3)

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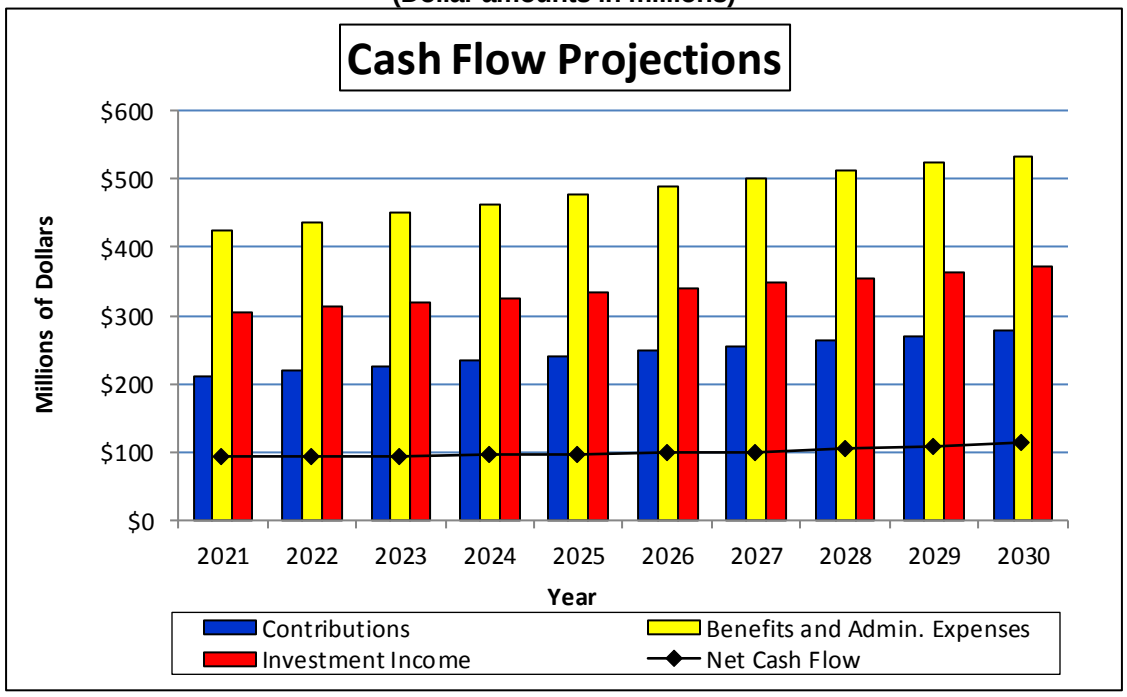
Table 11

Cash Flow Projections
(Dollar amounts in millions)



Year Ended June 30	Projected Cash Flows: Contributions	Benefits & Administrative Expenses	Assumed Investment Income	Net Cash Flow
2021	$ 212.2	$ 423.4	$ 305.6	$ 94.4
2022	219.2	437.5	312.4	94.1
2023	226.4	451.0	319.2	94.6
2024	234.0	464.3	326.1	95.8
2025	240.8	476.6	333.1	97.3
2026	247.8	489.3	340.2	98.7
2027	255.0	501.6	347.4	100.8
2028	262.5	513.1	354.8	104.2
2029	270.2	523.8	362.5	108.9
2030	278.2	533.8	370.6	115.0

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Section 6

Actuarial Gains or Losses

An analysis of actuarial gains or losses is performed in conjunction with all regularly scheduled valuations.

The developments of the gains or losses related to the actuarial liability and the assets are shown in Table 12. The results of our analysis of the financial experience of the System in the three most recent regular actuarial valuations are presented in Table 13. Each gain or loss shown represents our estimate of how much the given type of experience caused the Unfunded Actuarial Accrued Liability or Funding Reserve to change in the period since the previous actuarial valuation.

Gains and losses shown due to demographic sources are approximate. Demographic experience is analyzed in greater detail in our periodic assumption studies.

Non-recurring gains and losses result from changes in the actuarial assumptions and benefit improvements.

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Table 12
Analysis of Actuarial Gains or Losses*

A. ACTUARIAL ACCRUED LIABILITY (GAIN) / LOSS ANALYSIS	
1. Actual Actuarial Accrued Liability as of June 30, 2019:	$ 6,148,556,456
2. Normal Cost for this Plan Year (Including Expenses):	80,306,492
3. Interest on items 1 and 2 [(1+2) x 7.50%]:	467,164,721
4. Benefit Payments for this Plan Year (Including Expenses):	(393,540,541)
5. Interest on item [4 x 7.50% x .5]	(14,757,770)
6. Expected Actuarial Accrued Liability as of June 30, 2020:	$ 6,287,729,358
7. Changes due to:	
a. Assumption changes:	$ 0
b. Plan amendments:	0
c. Method changes:	0
d. Actuarial (Gain) / Loss:	22,275,758
8. Actual Actuarial Accrued Liability as of June 30, 2020:	$ 6,310,005,115
9. Items Affecting Calculation of Actuarial Accrued Liability:	
a. Benefit provisions reflected in the actuarial accrued liability (see Appendix B)	
b. Actuarial assumptions and methods used to determine actuarial accrued liability (see Appendix A)	
B. ASSET (GAIN) / LOSS ANALYSIS	
1. Actuarial Value of Assets as of June 30, 2019:	$ 4,219,515,104
2. Interest on item [1 x 7.50%]	316,463,633
3. Contributions for this Plan Year	228,563,253
4. Interest on item [3. x 7.50% x .5]	8,571,122
5. Benefit Payments for this Plan Year (Including Expenses)	(393,540,541)
6. Interest on item [5. x 7.50% x .5]	(14,757,770)
7. Expected Actuarial Value of Assets as of June 30, 2020:	$ 4,364,814,801
8. Actuarial Value of Assets as of June 30, 2020:	$ 4,344,044,708
9. (Gain) / Loss	$ 20,770,093
C. UNFUNDED ACTUARIAL ACCRUED LIABILITY (GAIN) / LOSS ANALYSIS	
1. Actual Unfunded Actuarial Accrued Liability as of June 30, 2019:	$ 1,929,041,352
2. Normal Cost for this Plan Year (Including Expenses):	80,306,492
3. Contributions for this Plan Year:	(228,563,253)
4. Interest on items 1 - 3: [(1+2) x 7.50% + (3 x 7.50% x .5)]	142,129,966
5. Expected Unfunded Actuarial Accrued Liability as of June 30, 2020:	$ 1,922,914,557
6. Changes due to:	
a. Assumption changes:	$ 0
b. Plan amendments:	0
c. Method changes:	0
d. Actuarial (Gain) / Loss:	43,045,851
7. Actual Unfunded Actuarial Accrued Liability as of June 30, 2020:	$ 1,965,960,407

* Effects related to gains are shown in parentheses. Numerical results are expressed as a (decrease) increase in the Unfunded Actuarial Accrued Liability (UAAL). Gains decrease the UAAL and losses increase the UAAL.

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Table 13

Historical Actuarial Gains or Losses*
(Dollar amounts in millions)

	UAAL (Gain)/Loss		
	June 30, 2020	**June 30, 2019**	**June 30, 2018**
Investment Income Investment income was (greater) less than expected based on actuarial value of assets.	$ 20.8	$ 20.1	$ 35.1
Pay Increases Pay increases were (less) greater than expected.	(6.4)	0.1	(24.2)
Age & Service Retirements Members retired at (older) younger ages or with (less) greater final average pay than expected	28.6	22.1	22.4
Disability Retirements Disability claims were (less) greater than expected	0.1	0.2	0.3
Death-in-Service Benefits Survivor claims were (less) greater than expected	(1.7)	(1.1)	(2.6)
Withdrawal From Employment (More) less reserves were released by withdrawals than expected	14.9	16.7	8.0
Death After Retirement Retirees (died younger) lived longer than expected	17.4	12.2	12.6
Data Adjustments and Benefit Payment Timing Service purchases, data corrections, etc.	(30.3)	(43.6)	(0.4)
Other Miscellaneous (gains) and losses	(0.4)	0.1	1.5
Total (Gain) or Loss During Period From Financial Experience	$ 43.0	$ 26.8	$ 52.7
Non-Recurring Items.			
Changes in actuarial assumptions and methods	-	(6.1)	206.3
Changes in benefits caused a (gain) loss	-	-	-
Composite (Gain) Loss During Period	$ 43.0	$ 20.7	$ 259.0

* Effects related to gains are shown in parentheses. Numerical results are expressed as a (decrease) increase in the Unfunded Actuarial Accrued Liability (UAAL). Gains decrease the UAAL and losses increase the UAAL.

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Section 7

Risk Considerations

A typical retirement plan faces many different risks, but the greatest risk is the inability to make benefit payments when due. If plan assets are depleted, benefits may not be paid which could create legal and litigation risk or the plan could become "pay as you go". The term "risk" is most commonly associated with an outcome with undesirable results. However, in the actuarial world, risk can be translated as uncertainty. The actuarial valuation process uses many actuarial assumptions to project how future contributions and investment returns will meet the cash flow needs for future benefit payments. Of course, we know that actual experience will not unfold exactly as anticipated by the assumptions and that uncertainty, whether favorable or unfavorable, creates risk. ASOP 51 defines risk as the potential of actual future measurements to deviate from expected results due to actual experience that is different than the actuarial assumptions.

The various risk factors for a given plan can have a significant impact – positive or negative – on the actuarial projection of liability and contribution rates.

There are a number of risks inherent in the funding of a defined benefit plan. These include:

- economic risks, such as investment return and price inflation;
- demographic risks such as mortality, payroll growth, aging population including impact of baby boomers, and retirement ages;
- contribution risk, i.e., the potential for contribution rates to be too high for the plan sponsor/employer to pay and
- external risks such as the regulatory and political environment.

There is a direct correlation between healthy, well-funded retirement plans and consistent contributions that are sufficient to fund the System. The System is primarily funded by member, employer and State contributions to the trust fund, together with the earnings on these accumulated contributions. These contributions fund benefit accruals for current active members and administrative expenses. The remainder of the contributions amortizes the unfunded actuarial accrued liability. The contributions are set in statute and are intended to provide the needed amounts to fund the system over time. The purpose of the valuation is to determine if these contributions are sufficient to fund the System. Due to the fixed nature of the contributions actuarial gains and losses are reflected in the amortization period. Generally, the largest source of actuarial gains and losses are caused by investment volatility. In addition, the unfunded liability is amortized as a level percentage of pay assuming payroll will grow by 3.25% per year. A key risk factor to the System's funding is that over time, the Statutory Contribution Rates will be insufficient to accumulate enough funds, with investment income, to fund the promised benefits. The funding insufficiency can be caused by amortization periods that are too long or by payroll not growing at the assumed rate.

The other significant risk factor for the System is investment return because of the volatility of returns and the size of plan assets compared to payroll. This is to be expected, given the underlying capital market assumptions and the System's asset allocation. To the extent that the investment return on the market value of assets cannot achieve the assumed investment rate of return, there is a risk of change to the discount rate which determines the present value of liabilities and actuarial valuation results. Please see the summary of results of this report which demonstrates the sensitivity of valuation results to differing discount rates.

A key demographic risk for the Retirement System is improvements in mortality (longevity) greater than anticipated. While the actuarial assumptions reflect a margin for improvement in mortality experience these assumptions are refined every experience study, the risk arises because there is a possibility of some sudden shift, perhaps from a significant medical breakthrough that could quickly increase liabilities. Likewise, there is some possibility of a significant public health crisis that could result in a significant number of additional deaths in a short time period, which would also be significant, although more easily absorbed. While either of these events could happen, it represents a small probability and thus represents much less risk than the volatility associated with investment returns.

The exhibits on the following pages summarize some historical information that helps indicate how certain key risk metrics have changed over time. Many are due to the maturing of the retirement system.

Historical Asset Volatility Ratios

As a retirement system matures, the size of the market value of assets increases relative to the covered payroll of active members, on which the System is funded. The size of the plan assets relative to covered payroll, sometimes referred to as the asset volatility ratio, is an important indicator of the contribution risk for the System. The higher this ratio, the more sensitive a plan's contribution rate is to investment return volatility. In other words, it will be harder to recover from investment losses with increased contributions.

Actuarial Valuation Date	Market Value of Assets	Estimated Plan Year Payroll	Asset Volatility Ratio
7/1/2015	3,708,385,838	768,718,699	4.82
7/1/2016	3,656,830,798	795,920,906	4.59
7/1/2017	3,950,704,563	818,122,561	4.83
7/1/2018	4,148,324,206	829,708,595	5.00
7/1/2019	4,220,285,752	857,467,932	4.92
7/1/2020	4,167,839,558	880,667,830	4.73

The assets at July 1, 2020 are 473% of payroll, so underperforming the investment return assumption by 1.00% (i.e., earn 6.50% for one year) is equivalent to 4.73% of payroll. While the actual impact in the first year is mitigated by the asset smoothing method and amortization of the UAL, this illustrates the risk associated with volatile investment returns.

Historical Cash Flows

Plans with negative cash flows will experience increased sensitivity to investment return volatility. Cash flows, for this purpose, are measured as contributions less benefit payments and administrative expenses. If the System has negative cash flows and then experiences returns below the assumed rate, there are fewer assets to be reinvested to earn the higher returns that typically follow. While any negative cash flow will produce such a result, it is typically a negative cash flow of more than 5% of MVA that may cause significant concerns. The System has negative cash flows which has been growing over the prior five years. This trend needs to be monitored going forward.

Fiscal Year End	Market Value of Assets (MVA)	Contributions	Benefit Payments	Net Cash Flow	Net Cash Flow as a Percent of MVA
6/30/2015	3,708,385,838	202,896,194	311,078,740	(108,182,546)	(2.92%)
6/30/2016	3,656,830,798	205,286,917	328,215,892	(122,928,975)	(3.36%)
6/30/2017	3,950,704,563	210,520,833	343,448,519	(132,927,686)	(3.36%)
6/30/2018	4,148,324,206	214,833,474	361,026,194	(146,192,720)	(3.52%)
6/30/2019	4,220,285,752	220,949,305	376,738,054	(155,788,749)	(3.69%)
6/30/2020	4,167,839,558	228,563,253	393,336,385	(164,773,132)	(3.95%)

Liability Maturity Measurement

Most public sector retirement systems have been in operation for many years. As a result, they have aging plan populations, and in some cases declining active populations, resulting in an increasing ratio of retirees to active members and a growing percentage of retiree liability. The retirement of the remaining baby boomers over the next decade is expected to further exacerbate the aging of the retirement system population. Retiree liability as a percentage of the total actuarial accrued liability has been growing over the last five years. As more of the total liability begins to reside with retirees, investment volatility has a greater impact on the funding of the system since it is more difficult to restore the system financially after losses occur when there is comparatively less payroll over which to spread costs. Below are two tables which demonstrate the ratio of the System's retiree liability compared to the total accrued liability and the ratio of the number of retirees and beneficiaries to the number of active members.

Valuation Date	Retiree Liability (a)	Total Actuarial Accrued Liability (b)	Retiree Percentage (a) / (b)
7/1/2015	3,609,722,311	5,351,391,599	67.5%
7/1/2016	3,748,186,878	5,483,673,777	68.4%
7/1/2017	3,888,518,484	5,636,841,900	69.0%
7/1/2018	4,223,371,459	6,004,434,112	70.3%
7/1/2019	4,350,787,062	6,148,556,456	70.8%
7/1/2020	4,509,517,581	6,310,005,115	71.5%

Historical Member Statistics

Valuation Date July 1,	Number of Active	Number of Retired	Active/ Retired
2015	18,316	14,839	1.23
2016	19,048	15,164	1.26
2017	18,917	15,566	1.22
2018	19,267	15,933	1.21
2019	19,686	16,256	1.21
2020	19,751	16,605	1.19

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Appendix A

Actuarial Procedures and Assumptions

The assumptions for investment return, price inflation, wage inflation, mortality, retirement and withdrawal have been updated to reflect the experience study for the period ending July 1, 2017 adopted by the Board on May 18, 2018.

The current asset valuation method was adopted for the July 1, 2007 valuation.

Tables A-3 through A-6 give rates of decrement for service retirement, disablement, mortality, and other terminations of employment.

Actuarial Cost Method

The actuarial valuation was prepared using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The normal cost was first calculated for each individual member. The normal cost rate is defined to equal the total of the individual normal costs, divided by the total pay rate.

The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the UAAL. The UAAL is amortized as a level percentage of the projected salaries of present and future members of the System.

Records and Data

The data used in the valuation consist of financial information; records of age, sex, service, salary, contribution rates, and account balances of contributing members; and records of age, sex, and amount of benefit for retired members and beneficiaries. All of the data were supplied by the System and are accepted for valuation purposes without audit.

Replacement of Terminated Members

The ages at entry and distribution by sex of future members are assumed to average the same as those of the present members they replace. If the number of active members should increase, it is further assumed that the average entry age of the larger group will be the same, from an actuarial standpoint, as that of the present group. Under these assumptions, the normal cost rates for active members will not vary with the termination of present members.

Employer Contributions

At the time of this valuation, the total employer contribution rate for normal costs and amortization of the UAAL was 11.66% of members' salaries. The employer contribution rate will increase by 0.10% each year beginning July 1, 2014 until the total employer contribution rate equals 11.96%.

Administrative and Investment Expenses

The investment expenses of the System are assumed to be funded by investment earnings in excess of 7.50% per year.

Administrative expenses are assumed to equal 0.45% of covered payroll.

Valuation of Assets - Actuarial Basis

The actuarial asset valuation method spreads asset gains and losses over four years. The expected return is determined each year based on the beginning of year market value and actual cash flows during the year. Any difference between the expected market value return and the actual market value return is recognized evenly over a period of four years. The actuarial value of assets is not allowed to be greater than 120% or less than 80% of the market assets. (Adopted effective July 1, 2007.)

Investment Earnings

The annual rate of investment earnings of the assets of the System is assumed to be 7.50% per year net of investment expenses, compounded annually. (Adopted effective May 18, 2018)

Interest on Member Contributions

Interest on member contributions is assumed to accrue at a rate of 5% per annum, compounded annually. This assumption was set as of July 1, 2004.

Postretirement Benefit Increases

Tier 1 Members:

> On January 1 of each year, the retirement allowance payable is increased by 1.5% if the retiree has received benefits for at least 36 months prior to January 1 of the year in which the adjustment is to be made.

Tier 2 Members:

> On January 1 of each year, the retirement allowance payable is assumed to increase by 0.5% if the retiree has received benefits for at least 36 months prior to January 1 of the year in which the adjustment is to be made.

Future Salaries

The rates of annual salary increase assumed for the purpose of the valuation are illustrated in Table A-2. In addition to increases in salary due to merit and longevity, this scale includes an assumed 3.25% annual rate of increase in the general wage level of the membership. The merit and longevity increases for the MUS members did not show a pattern of increasing or decreasing with service at the time of our most recent study. Therefore, the MUS members have a flat 1% merit and longevity assumption. The general wage increase assumption was adopted May 18, 2018 and the merit and longevity scales were adopted July 1, 2002.

Montana University System (MUS) members are assumed to have a 0.63% higher average final compensation to account for the larger than average annual compensation increases observed in the years immediately preceding retirement.

Service Retirement

Table A-3 shows the annual assumed rates of retirement among members eligible for service retirement. Separate rates are used when a member is eligible for reduced benefits, for the first year a member is eligible for full benefits, and for the years following the first year a member is eligible for full benefits. The rates for General Members were adopted May 18, 2018. The rates for University Members were adopted May 18, 2018.

Disablement

The rates of disablement used in this valuation are illustrated in Table A-4. These rates were adopted May 13, 2010.

Mortality

The mortality rates used in this valuation are illustrated in Table A-5. A written description of each table used is included in Table A-1. These rates were adopted May 18, 2018.

Other Terminations of Employment

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are shown for representative ages in Table A-6. These rates were adopted May 18, 2018.

Benefits for Terminating Members

Members terminating with less than five years of service are assumed to request an immediate withdrawal of their contributions with interest. Table A-7 shows the assumed probability of retaining membership in the System among members terminating with five or more years of service. These rates were adopted July 1, 2002.

We estimated the present value of future benefits for terminated vested members based on the greater of the present value of their deferred benefit at age 60 or their available contribution account.

Part-Time Employees

The valuation data for active members identify part-time members. For part-time members earning more than $1,000, total credited service is adjusted based on the ratio of actual earnings to annualized earnings. The liability and normal cost calculations for these members are based on the adjusted service and actual earnings for the prior year.

Part-time members earning less than $1,000 during the last year were valued at their current member contribution balance.

Montana University System Retirement Program (MUS-RP)

MUS-RP payroll as of June 30, 2020 was $261,458,059.

Effective for fiscal years after June 30, 2007, the MUS-RP contribution rate is 4.72%, pursuant to MCA 19-20-621. It is our understanding the contribution will not stop unless legislative action is taken.

Buybacks, Purchase of Service, and Military Service

The active liabilities and normal cost (excluding liabilities and normal cost in respect of Return of Employee Contributions) were increased to 100.5% of their original value to fund this additional service based on a study of the System's experience for the five calendar years 1995 through 1999. Effective July 1, 2008.

Probability of Marriage & Dependent Children

If death occurs in active status, all members are assumed to have an eligible surviving spouse and two children. The spouse is assumed to be the same age as the member. For members who die prior to age 50, dependent children are assumed to be eight years old. For members who die after age 50 but prior to age 55, children are assumed to be 13 years old. Members who die after age 55 are assumed to have no dependent children under the age of 18.

Records with no Birth Date

New records with no birth date are assumed to be 25 years old. Records that are not new and have no birth date used the same birth date as the prior year's valuation.

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Table A-1
Summary of Valuation Assumptions

I.	Economic assumptions		
	A.	General wage increases* (Adopted May 18, 2018)	3.25%
	B.	Investment return (Adopted May 18, 2018)	7.50%
	C.	Price Inflation Assumption (Adopted May 18, 2018)	2.50%
	D.	Growth in membership	0.00%
	E.	Postretirement benefit increases (Starting three years after retirement)	
		Tier One	1.50%
		Tier Two	0.50%
	F.	Interest on member accounts (Adopted July 1, 2004)	5.00%
II.	Demographic assumptions		
	A.	Individual salary increase due to promotion and longevity (General Member assumptions adopted July 1, 2002) (University Member assumptions adopted July 1, 2000)	Table A-2
	B.	Retirement (adopted May 18, 2018)	Table A-3
	C.	Disablement (adopted May 13, 2010)	Table A-4
	D.	Mortality among contributing members, service retired members, and beneficiaries. The tables include margins for mortality improvement which is expected to occur in the future. For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years (adopted May 18, 2018).	Table A-5
	E.	Mortality among disabled members For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022 (adopted May 18, 2018). For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022 (May 18, 2018).	Table A-5
	F.	Other terminations of employment (adopted May 18, 2018)	Table A-6
	G.	Probability of retaining membership in the System upon vested termination (adopted July 1, 2002)	Table A-7

* Montana University System (MUS) members are assumed to have a 0.63% higher average final compensation to account for the larger than average annual compensation increases observed in the years immediately preceding retirement.

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Table A-2

Future Salaries

Years of Service	General Members			University Members		
	Individual Merit & Longevity	General Wage Increase	Total Salary Increase	Individual Merit & Longevity	General Wage Increase	Total Salary Increase
1	4.51%	3.25%	7.76%	1.00%	3.25%	4.25%
2	4.09	3.25	7.34	1.00	3.25	4.25
3	3.46	3.25	6.71	1.00	3.25	4.25
4	2.94	3.25	6.19	1.00	3.25	4.25
5	2.52	3.25	5.77	1.00	3.25	4.25
6	2.21	3.25	5.46	1.00	3.25	4.25
7	1.89	3.25	5.14	1.00	3.25	4.25
8	1.68	3.25	4.93	1.00	3.25	4.25
9	1.47	3.25	4.72	1.00	3.25	4.25
10	1.31	3.25	4.56	1.00	3.25	4.25
11	1.16	3.25	4.41	1.00	3.25	4.25
12	1.00	3.25	4.25	1.00	3.25	4.25
13	0.84	3.25	4.09	1.00	3.25	4.25
14	0.68	3.25	3.93	1.00	3.25	4.25
15	0.58	3.25	3.83	1.00	3.25	4.25
16	0.47	3.25	3.72	1.00	3.25	4.25
17	0.37	3.25	3.62	1.00	3.25	4.25
18	0.26	3.25	3.51	1.00	3.25	4.25
19	0.21	3.25	3.46	1.00	3.25	4.25
20	0.16	3.25	3.41	1.00	3.25	4.25
21	0.11	3.25	3.36	1.00	3.25	4.25
22 & Up	0.00	3.25	3.25	1.00	3.25	4.25

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Table A-3

Retirement
Annual Rates

	General Members			University Members		
Age	Eligible for Reduced Benefits	First Year Eligible for Full Benefits	Thereafter	Eligible for Reduced Benefits	First Year Eligible for Full Benefits	Thereafter
45		16.0%	8.0%		17.0%	8.0%
46		16.0	8.0		17.0	8.0
47		16.0	8.0		17.0	8.0
48		16.0	8.0		17.0	8.0
49	*	16.0	6.0	*	17.0	8.0
50	6.0%	9.0	5.5	7.0%	17.0	8.0
51	6.0	6.0	6.3	7.0	17.0	8.0
52	6.0	6.0	8.0	7.0	17.0	8.0
53	6.0	6.0	7.3	7.0	17.0	8.0
54	7.0	6.0	8.2	7.0	17.0	8.0
55	7.0	6.0	9.8	7.0	15.0	8.0
56	7.0	9.0	11.3	7.0	15.0	8.0
57	7.0	13.5	12.5	7.0	15.0	8.0
58	7.0	18.5	13.1	7.0	15.0	8.0
59	7.0	18.5	14.8	7.0	15.0	8.0
60	*	13.5	20.0	*	15.0	8.5
61		21.0	24.0		14.0	15.0
62		21.0	23.0		20.0	15.0
63		21.0	23.0		14.0	15.0
64		30.0	27.5		20.0	19.5
65		30.0	39.0		28.0	26.0
66		30.0	25.0		21.0	19.5
67		30.0	25.0		21.0	21.5
68		30.0	25.0		21.0	19.5
69		30.0	25.0		21.0	19.5
70		**	**		**	**

* All benefits are unreduced after attaining age 60. Reduced benefits are not available before age 50.
** Immediate retirement is assumed at age 70 or over.

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Table A-4

Disablement
Annual Rates

Age	All Members
25	.005%
30	.005
35	.008
40	.028
45	.044
50	.063
55	.084
60	.100

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Table A-5

Mortality
Annual Rates

	Contributing Members, Service Retired Members and Beneficiaries		Disabled Members	
Age	Men	Women	Men	Women
25	0.03%	0.02%	2.11%	0.70%
30	0.04	0.02	2.11	0.70
35	0.06	0.03	2.11	0.70
40	0.09	0.05	2.11	0.70
45	0.12	0.08	2.11	0.84
50	0.17	0.12	2.34	1.26
55	0.26	0.19	2.95	1.59
60	0.45	0.31	3.47	1.82
65	0.76	0.54	3.65	2.37
70	1.22	0.96	3.94	3.25
75	2.07	1.64	4.90	4.51
80	3.55	2.68	6.51	6.23
85	6.11	4.45	8.61	8.67
90	10.72	7.65	11.22	12.99
95	18.58	13.27	17.59	19.63

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Table A-6

Other Terminations of Employment
Among Members Not Eligible to Retire
Annual Rates

Years of Service	Full-time Members	Part-time Members
1	31.7%	36.0%
2	17.4	26.7
3	11.4	24.0
4	10.5	22.0
5	8.0	20.5
6	6.7	19.3
7	5.5	18.2
8	4.1	16.9
9	3.7	15.1
10	3.3	14.2
11	3.0	13.5
12	2.7	12.5
13	2.5	12.0
14	2.3	11.0
15	2.2	10.1
16	2.0	10.1
17	1.9	9.9
18	1.8	9.1
19	1.7	9.0
20	1.6	9.0
21	1.5	9.0
22	1.4	9.0
23	1.4	9.0
24	1.3	9.0

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Table A-7

Probability of Retaining Membership in the System Upon Vested Termination

Age	Probability of Retaining Membership
25	54%
30	54
35	58
40	58
45	60
50	70
55	75

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Appendix B

Summary of Benefit Provisions

Effective Date

September 1, 1937.

Vesting Period

Five years. No benefits are payable unless the member has a vested right, except the return of employee contributions with interest.

Tier One Member

A person who became a member before July 1, 2013 and who has not withdrawn the member's account balance.

Tier Two Member

A person who became a member on or after July 1, 2013, or who after withdrawing the member's account balance, became a member again after July 1, 2013.

Final Compensation

Tier One Members

Average of highest three consecutive years of earned compensation.

Tier Two Members

Average of highest five consecutive years of earned compensation.

Normal Form of Benefits

Life only annuity. All benefits cease upon death; however, in no event will the member receive less than the amount of employee contributions with interest.

Normal Retirement Benefits

Tier One Members

Eligibility: 25 years of service or age 60 with five years of service.

Benefit: The retirement benefit is equal to 1/60 of final compensation for each year of service.

Tier Two Members

Eligibility: Age 55 with 30 years of service or age 60 with five years of service.

Benefit: A member age 60 with at least 30 years of creditable service will receive a retirement allowance equal to 1.85% of final compensation for each year of service. Otherwise, the multiplier used to calculate the retirement allowance will equal 1/60 of final compensation for each year of service.

Early Retirement Benefits

Tier One Member

Eligibility: Five years of service and age 50.

Benefit: The retirement benefit is calculated in the same manner as described for normal retirement, but the benefit is actuarially reduced by the lesser of the number of years equal to the age of the participant at the early retirement subtracted from age 60 or the number of years of service at early retirement subtracted from 25 years of service.

Tier Two Member

Eligibility: Five years of service and age 55.

Benefit: The retirement benefit is calculated in the same manner as described for normal retirement, but the benefit is actuarially reduced by the lesser of the number of years equal to the age of the participant at the early retirement subtracted from age 60 or the number of years of service at early retirement subtracted from 30 years of service.

Death Benefit

Eligibility:	Five years of service.
Benefit:	The death benefit is equal to 1/60 of final compensation for each year of service accrued at date of death, with an actuarial adjustment based on the relation of the member's age at death to the beneficiary's age. A monthly benefit of $200 is paid to each child until age 18. In addition, a lump-sum benefit of $500 is paid upon the death of an active or retired member.

Disability Benefit

Eligibility:	Five years of service.
Benefit:	The disability benefit is equal to 1/60 of final compensation for each year of service accrued at date of disability. The minimum benefit is 1/4 of the final compensation. A Tier Two Member is not eligible for a disability retirement if the member is or will be eligible for a service retirement on or before the member's date of determination.

Withdrawal Benefits	With less than five years of service, the accumulated employee contributions with interest are returned. With more than five years, the member may elect a refund of contributions with interest or leave the contributions and interest in the System and retain a vested right to retirement benefits.
Contributions	Tier One Member: 7.15% of compensation. Tier One members are required to contribute a Supplemental Contribution equal to an additional 1% of compensation. The Board may decrease the Supplemental Contribution if the average funded ratio of the System based on the last three actuarial valuations is equal to or greater than 90% and the period necessary to amortize the unfunded liabilities of the System based on the most recent actuarial valuation is less than 15 years. Following one or more decreases in the supplemental contribution the Board may increase the supplemental contribution to a rate not to exceed 1% if the average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80% and the period necessary to amortize all liabilities of the System based on the most recent annual actuarial valuation is greater than 20 years.

Tier Two Member: 8.15% of compensation. The Board may require a Tier Two member to contribute a Supplemental Contribution if the average funded ratio of the System based on the last three actuarial valuations is equal to or less than 80% and the period necessary to amortize the unfunded actuarial accrued liability is greater than 20 years and a State or employer contribution rate increase or a flat dollar contribution to the System has been enacted which is equivalent to or greater than the Supplemental Contribution Rate imposed by the Board. A singe Tier Two Supplemental Contribution Rate increase cannot exceed 0.5% of compensation and in total cannot exceed 9.15% of compensation. The Board may decrease the Supplemental Contribution if the average funded ratio of the System based on the previous three annual actuarial valuations is equal to or greater than 90%; and the period necessary to amortize the unfunded actuarial accrued liability is less than 15 years.

Employer: 9.96% of compensation. Employers are required to contribute a supplemental contribution equal to 1% for fiscal year 2014 and increase by 0.1% each fiscal year through 2024. The Board may decrease the Employer Supplemental Contribution if the average funded ratio of the System based on the last three actuarial valuations is equal to or greater than 90% and the period necessary to amortize the unfunded actuarial accrued liability based on the most recent valuation is less than 15 years and the GABA has been increased to the maximum allowable. Following one or more decreases in the Supplemental Contribution Rate the Board may increase the Supplemental Contribution Rate to a rate not to exceed 1% if the average funded ratio of the System based on the last three actuarial valuations is equal to or less than 80% and the period necessary to amortize the unfunded actuarial accrued liability is greater than 20 years.

MCA 19-20-604 specifies that the employer contribution rate will be reduced by 0.11% when the amortization period of the System's UAAL is 10 years or less according to the System's latest actuarial valuation.

State Supplemental Contribution: $25 million per year on an annual basis payable on July 1st of each year.

	Re-employed Retirees: Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. This amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.
Interest on Member contributions	Effective July 1, 2019, the interest credited on member contributions increased from 1.40% to 2.30% per annum.
Guaranteed Annual Benefit Adjustment (GABA)	On January 1 of each year, if the retiree has received benefits for at least 36 months prior to January 1 of the year in which the adjustment is to be made, for Tier One Members, the retirement allowance will be increased by 1.5%. For Tier Two Members, the retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.

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Appendix C

Valuation Data

This valuation is based upon the membership of the System as of July 1, 2020. Membership data were supplied by the System and accepted for valuation purposes without audit. However, tests were performed to ensure that the data are sufficiently accurate for valuation purposes.

Active Members	Number	Annual Salaries in Millions
Full-Time Members	13,515	$ 751.5
Part-Time Members*	5,531	89.4
Total Contributing Members*	19,046	$ 840.9
Active Members with Annual Compensation less than $1,000	705	
Total Active Members	19,751	

* Excludes part-time members with annual compensation less than $1,000.

Table C-1 contains summaries of the data for contributing members. For full-time members, values shown in the tables are the numbers of members and their total and average annual salaries. For part-time members, only the numbers of members are shown.

Table C-2 presents distributions of the following:

- Members receiving service retirement benefits.
- Members receiving disability retirement benefits.
- Survivors of deceased retired members receiving benefits.
- Survivors of deceased active members.
- Child beneficiaries.
- Terminated vested members.

Table C-3 is a reconciliation of membership data from July 1, 2019 to July 1, 2020.

The following is a summary of retired members and beneficiaries currently receiving benefits:

Type of Annuitant	Number	Annual Benefits in Thousands	Average Annual Benefits
Service Retirement	14,566	$ 368,148	$ 25,274
Survivors of Deceased Retired Members*	1,371	24,171	17,630
Total Service Retirement (including survivors)	15,937	$ 392,319	$ 24,617
Disability Retirement	190	2,445	12,871
Survivors of Deceased Active Members	470	5,328	11,340
Child Beneficiaries	8	19	2,400
Total Annuitants	16,605	$ 400,111	$ 24,096

* Includes 151 Alternate Payees

Terminated Members with Contributions Not Withdrawn	Number
Vested Terminated Members	1,828
Non-Vested Terminated Members	14,941
Total Terminated Members	16,769

Deceased Members Pending Account Settlement	Number
Active Deceased Pending	55
Retired Deceased Pending	123
Total Deceased Pending	178

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Table C-1

Active Members Distribution of
Full-Time Employees and Salaries
as of July 1, 2020

Number of Employees

	Completed Years of Service												
Age	0	1	2	3 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40+	Totals
<25	52	217	67	8									344
25 to 29	41	247	270	515	324								1,397
30 to 34	39	126	150	293	882	173							1,663
35 to 39	32	115	95	212	602	668	147						1,871
40 to 44	39	88	88	172	430	489	540	129					1,975
45 to 49	31	60	73	131	344	346	354	511	99				1,949
50 to 54	20	56	41	90	213	203	237	340	394	74			1,668
55 to 59	13	48	38	66	151	155	196	195	238	204	52		1,356
60 to 64	14	27	23	50	109	83	127	142	138	94	111	26	944
65 to 69	18	12	11	18	29	23	18	33	24	29	15	19	249
70 and up	8	14	6	9	7	7	5	6	9	9	8	11	99
Totals	307	1,010	862	1,564	3,091	2,147	1,624	1,356	902	410	186	56	13,515

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Table C-1

Active Members Distribution of Full-Time Employees and Salaries as of July 1, 2020

Annual Salaries in Thousands

	Completed Years of Service												
Age	0	1	2	3 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40+	Totals
<25	1,109	7,544	2,402	206									11,261
25 to 29	921	8,948	10,188	20,758	14,643								55,459
30 to 34	1,061	4,932	6,145	12,777	43,090	9,361							77,367
35 to 39	886	4,627	4,154	9,630	31,176	39,614	9,399						99,485
40 to 44	1,013	3,594	3,661	7,880	22,156	30,191	36,619	9,006					114,119
45 to 49	813	2,584	3,244	6,320	18,361	21,104	23,991	36,121	7,232				119,769
50 to 54	594	2,214	1,926	4,331	11,486	12,258	15,530	23,989	28,834	5,823			106,985
55 to 59	338	2,061	1,766	2,936	8,307	8,711	12,463	13,268	17,343	14,642	3,775		85,610
60 to 64	435	1,154	1,088	2,662	5,770	5,107	7,890	9,334	9,863	6,867	8,117	1,875	60,163
65 to 69	625	531	497	916	1,516	1,347	1,047	2,151	1,813	2,185	1,113	1,720	15,461
70 and up	140	637	182	267	436	359	297	387	592	664	763	1,076	5,800
Totals	7,935	38,827	35,254	68,683	156,940	128,054	107,237	94,255	65,676	30,180	13,768	4,671	751,479

Teachers' Retirement System
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Table C-1

Active Members Distribution of
Full-Time Employees and Salaries
as of July 1, 2020

Average Annual Salary

	Completed Years of Service												
Age	0	1	2	3 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40+	Totals
<25	21,324	34,765	35,854	25,698									32,734
25 to 29	22,474	36,228	37,734	40,307	45,193								39,698
30 to 34	27,200	39,145	40,969	43,609	48,855	54,111							46,522
35 to 39	27,701	40,234	43,723	45,422	51,787	59,302	63,939						53,172
40 to 44	25,971	40,840	41,599	45,811	51,525	61,740	67,813	69,814					57,782
45 to 49	26,223	43,067	44,441	48,242	53,374	60,995	67,770	70,686	73,046				61,452
50 to 54	29,693	39,531	46,983	48,125	53,924	60,386	65,527	70,555	73,182	78,692			64,140
55 to 59	26,026	42,932	46,480	44,484	55,012	56,201	63,589	68,040	72,870	71,773	72,601		63,135
60 to 64	31,106	42,759	47,318	53,244	52,934	61,532	62,128	65,731	71,470	73,048	73,127	72,117	63,732
65 to 69	34,716	44,241	45,201	50,894	52,268	58,572	58,188	65,171	75,530	75,336	74,193	90,548	62,092
70 and up	17,446	45,536	30,253	29,691	62,336	51,352	59,450	64,497	65,741	73,773	95,373	97,782	58,586
Totals	25,848	38,442	40,898	43,915	50,773	59,643	66,033	69,509	72,811	73,610	74,023	83,411	55,603

Teachers' Retirement System
State of Montana

Table C-1

Active Members Distribution of Part-Time Employees
as of July 1, 2020

Number of Employees

	Completed Years of Service												
Age	0	1	2	3 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40+	Totals
<25	234	114	30	17	3								398
25 to 29	138	128	75	56	16								413
30 to 34	130	119	75	94	74	7							499
35 to 39	124	138	93	138	99	33	7						632
40 to 44	126	144	106	147	116	45	30	9					723
45 to 49	88	85	69	120	138	67	33	27	1				628
50 to 54	53	60	39	94	126	78	50	24	12	1			537
55 to 59	46	66	49	69	103	118	87	41	20	10	2		611
60 to 64	54	54	49	70	95	66	82	53	45	11	8		587
65 to 69	30	34	33	43	47	27	24	29	13	5	1		286
70 and up	25	28	20	21	54	27	20	10	4	5		3	217
Totals	1,048	970	638	869	871	468	333	193	95	32	11	3	5,531

Teachers' Retirement System
State of Montana

Table C-2

Distribution of Inactive Lives

Members Receiving Service Retirement Benefits as of July 1, 2020

Age	Number of Persons	Annual Benefits in Thousands	Average Annual Benefits
<50	16	$ 501	$ 31,342
50 to 54	169	5,054	29,907
55 to 59	561	16,947	30,209
60 to 64	1,783	45,142	25,318
65 to 69	3,491	87,820	25,156
70 to 74	3,628	96,114	26,492
75 to 79	2,431	61,430	25,270
80 to 84	1,348	32,713	24,268
85 to 89	744	15,897	21,366
90 and up	395	6,530	16,530
Totals	14,566	$ 368,148	$ 25,274

Members Receiving Disability Retirement Benefits as of July 1, 2020

Age	Number of Persons	Annual Benefits in Thousands	Average Annual Benefits
<50	8	$ 92	$ 11,469
50 to 54	13	207	15,959
55 to 59	31	509	16,406
60 to 64	22	320	14,551
65 to 69	36	425	11,812
70 to 74	32	382	11,944
75 to 79	20	227	11,364
80 to 84	13	158	12,119
85 to 89	8	80	10,056
90 and up	7	45	6,418
Totals	190	$ 2,445	$ 12,871

Teachers' Retirement System
State of Montana

Table C-2

Distribution of Inactive Lives

Survivors of Deceased Retired Members as of July 1, 2020

Age	Number of Persons	Annual Benefits in Thousands	Average Annual Benefits
<50	91	$ 738	$ 8,107
50 to 54	21	164	7,821
55 to 59	40	515	12,870
60 to 64	64	991	15,483
65 to 69	131	2,171	16,576
70 to 74	213	4,208	19,754
75 to 79	255	5,227	20,497
80 to 84	218	4,389	20,133
85 to 89	182	3,078	16,914
90 and up	156	2,690	17,242
Totals	1,371	$ 24,171	$ 17,630

Survivors of Deceased Active Members as of July 1, 2020

Age	Number of Persons	Annual Benefits in Thousands	Average Annual Benefits
<50	104	$ 774	$ 7,445
50 to 54	23	283	12,310
55 to 59	34	341	10,024
60 to 64	51	518	10,161
65 to 69	71	908	12,792
70 to 74	74	1,044	14,111
75 to 79	50	701	14,029
80 to 84	29	374	12,904
85 to 89	14	135	9,621
90 and up	20	250	12,520
Totals	470	$ 5,328	$ 11,340

Teachers' Retirement System
State of Montana

Table C-2

Distribution of Inactive Lives

Terminated Vested Members as of July 1, 2020

Age	Number of Persons
<25	
25 to 29	10
30 to 34	114
35 to 39	209
40 to 44	237
45 to 49	264
50 to 54	297
55 to 59	400
60 to 64	199
65 to 69	88
70 and above	10
Total	1,828

Child Beneficiaries as of July 1, 2020

Age	Number of Persons
<5	
5 to 6	
7 to 8	1
9 to 10	
11 to 12	1
13 to 14	
15 to 16	5
17 to 18	1
Total	8

Teachers' Retirement System
State of Montana

Table C-3

Data Reconciliation

	Active Contributing Members*	Terminated Vested Members	Service Retired Members	Disabled Members	Survivors and Beneficiaries
July 1, 2019 Valuation	18,994	1,791	14,241	199	1,816
Refunds and Non-Vested Terminations	(1,343)	(37)			
Change to Annual Pay Under $1,000	(90)	13			
Vested Terminations	(220)	220			
Service Retirements	(550)	(95)	645		
Disability Retirements	(2)	(2)		4	
Deaths with Beneficiary	(6)		(93)	(6)	105
Deaths without Beneficiary			(218)	(7)	(86)
New Entrants	1,792				
Rehires	447	(62)	(11)		
Other	24	-	2		14
July 1, 2020 Valuation	19,046	1,828	14,566	190	1,849

* Excludes active members with annual compensation less than $1,000

Teachers' Retirement System
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Appendix D

Comparative Schedules

This section contains tables that summarize the experience of the System shown in present and past valuation reports.

Table D-1 shows a summary of the active members covered as of the various valuation dates.

Table D-2 shows a summary of the retired and inactive members as of the various valuation dates.

Table D-3 summarizes the contribution rates determined by each annual actuarial valuation.

Teachers' Retirement System
State of Montana

Table D-1

Active Membership Data

Valuation Date (July 1)	Full-Time Members	Part-Time Members**	Total Contributing Members**	Part-Time Members Annual Compensation less than $1,000	Annual Full-Time Salaries in Thousands	Average Full-Time Annual Salary	Average Age**	Average Years of Service**	Average Hire Age**
2002	12,796	4,650	17,446	723	486,204	37,997	45.0	12.2	32.8
2004	12,601	5,013	17,614	637	510,808	40,537	45.6	12.2	33.4
2005	12,523	5,019	17,542	697	523,909	41,836	45.8	12.4	33.4
2006	12,715	4,840	17,555	544	549,268	43,198	46.0	12.5	33.5
2007	12,634	4,994	17,628	548	568,351	44,986	46.2	12.5	33.7
2008	12,694	5,077	17,771	521	592,514	46,677	46.1	12.3	33.8
2009	12,673	5,270	17,943	513	613,077	48,377	46.2	12.4	33.8
2010	12,711	5,642	18,353	600	630,444	49,598	45.9	12.2	33.8
2011	12,506	5,400	17,906	578	633,005	50,616	46.2	12.4	33.8
2012	12,202	5,534	17,736	636	622,140	50,987	46.0	12.4	33.6
2013	12,229	5,387	17,616	633	628,832	51,421	45.8	12.2	33.6
2014	12,286	5,428	17,714	558	712,802	51,967	45.6	11.6	34.0
2015	12,468	5,337	17,805	511	729,653	52,551	45.4	11.3	34.1
2016	12,769	5,563	18,332	716	673,891	52,776	45.2	10.9	34.3
2017	12,808	5,576	18,384	533	689,638	53,844	45.0	10.8	34.2
2018	13,027	5,619	18,646	621	706,351	54,222	45.0	10.6	34.4
2019	13,196	5,798	18,994	692	728,831	54,231	44.9	10.4	34.5
2020	13,515	5,531	19,046	705	751,479	55,603	44.7	10.3	34.4

* Not available.

** Excludes part-time active members with annual compensation less than $1,000.

Teachers' Retirement System
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Table D-2

Retired and Inactive Membership Data

		All Annuitants					Terminated Members	
Valuation Date (July 1)	Number	Annual Benefits in Thousands	Average Annual Benefit	Average Current Age	Average Age at Retirement	Average Service at Retirement	Number Vested Terminated	Number Non-Vested Terminated
2002	9,768	139,131	14,244	69.1	56.8	*	1,485	8,231
2004	10,375	159,776	15,400	69.1	56.7	*	1,620	7,861
2005	10,664	170,129	15,954	69.3	56.7	*	1,649	8,569
2006	11,019	181,114	16,436	69.3	56.5	*	1,684	8,542
2007	11,356	195,237	17,192	69.3	56.6	*	1,671	8,963
2008	11,788	208,985	17,729	69.4	56.7	*	1,649	9,574
2009	12,036	219,267	18,218	69.7	57.5	25.5	1,640	9,868
2010	12,440	234,048	18,814	69.9	57.6	25.5	1,553	10,304
2011	12,899	250,500	19,420	70.0	57.8	25.5	1,580	10,727
2012	13,363	267,851	20,044	70.2	57.9	25.5	1,566	11,172
2013	13,868	284,333	20,503	70.4	58.0	25.5	1,566	11,710
2014	14,349	302,272	21,066	70.6	58.2	25.5	1,654	12,308
2015	14,839	321,511	21,667	70.9	58.3	25.4	1,664	12,839
2016	15,164	336,465	22,188	71.1	58.5	25.4	1,704	12,888
2017	15,566	352,005	22,614	71.4	58.6	25.3	1,779	13,712
2018	15,933	367,990	23,096	71.6	58.7	25.3	1,772	13,967
2019	16,256	383,495	23,591	72.0	58.9	25.2	1,791	14,261
2020	16,605	400,111	24,096	72.3	59.0	25.2	1,828	14,941

* Not available.

Teachers' Retirement System
State of Montana

Table D-3

Contribution Rates

Valuation Date	Contribution Rates			Normal	UAAL
(July 1)	Employee	Employer	Total	Cost Rate[1]	Rate[2]
2004	7.15	7.58	14.73	10.34	4.39
2005	7.15	7.58	14.73	10.35	4.38
2006	7.15	7.58	14.73	10.37	4.36
2007	7.15	9.58	16.73	10.40	6.33
2008	7.15	9.58	16.73	10.87	5.86
2009	7.15	9.96	17.11	10.69	6.42
2010	7.15	9.96	17.11	9.74	7.37
2011	7.15	9.96	17.11	9.64	7.47
2012	7.15	9.96	17.11	9.64	7.47
2013	8.15	10.96	19.11	9.20	9.91
2014	8.15	11.06	19.21	9.44	9.77
2015	8.15	11.16	19.31	9.49	9.82
2016	8.15	11.26	19.41	10.18	9.23
2017	8.15	11.36	19.51	10.15	9.36
2018	8.15	11.46	19.61	10.32	9.29
2019	8.15	11.56	19.71	10.14	9.57
2020	8.15	11.66	19.81	10.20	9.61

[1] Effective July 1, 2014, the Normal Cost Rate includes the administrative expense load.
[2] The UAAL rate is the amount available to amortize the UAAL. It is equal to the total contribution rate, minus the normal cost rate.
[3] The 1999 Legislation which passed the 1.5% GABA, also added a 0.11% state general fund contribution.

Teachers' Retirement System
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Appendix E

Glossary

The following definitions are largely excerpts from a list adopted in 1981 by the major actuarial organizations in the United States. In some cases the definitions have been modified for specific applicability to the Montana Teachers' Retirement System. Defined terms are capitalized throughout this Appendix.

Accrued Benefit

The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.

Actuarial Accrued Liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation, rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.

Actuarial Cost Method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Gain (Loss)

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Actuarial Valuation

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial Value of Assets

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Actuarially Equivalent

Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Amortization Payment

That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Entry Age Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Market Value of Assets

The fair value of cash, investments and other property belonging to a pension plan that could be acquired by exchanging them on the open market.

Normal Cost

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Projected Benefits

Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unaccrued Benefit

The excess of an individual's Projected Benefits over the Accrued Benefits as of a specified date.

Unfunded Actuarial Accrued Liability

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.