



Montana Teachers' Retirement System

Montana Teachers' Retirement System Valuation Results July 1, 2022

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trs.mt.gov



Benefit Financing



➤ Basic Retirement Funding Equation

$$C + I = B + E$$

C = Contributions

I = Investment Income

B = Benefits Paid

E = Expenses (administration)



Participation in TRS



- Teachers, administrators, specialists and others employed in a teaching or educational services capacity by a public school district, state agency, county, community college, Montana University System or educational cooperative are covered by TRS.

– Active members	19,975
– Inactive members	7,671
– Retirees and Beneficiaries	17,369
– Employers	362



Comments on Valuation



- Asset returns
 - Market asset return -4.13% vs. 7.50% expected (11.63% less than expected).
 - Actuarial asset return 8.14% vs. 7.50% expected (0.64% more than expected).
- Market value of assets are \$75,147,197 less than the actuarial value of assets. Unrecognized investment gains/losses will be recognized over the next three years
 - 2023 Investment Gain of \$10.7 million
 - 2024 Investment Gain of \$60.2 million
 - 2025 Investment Loss of \$146.1 million



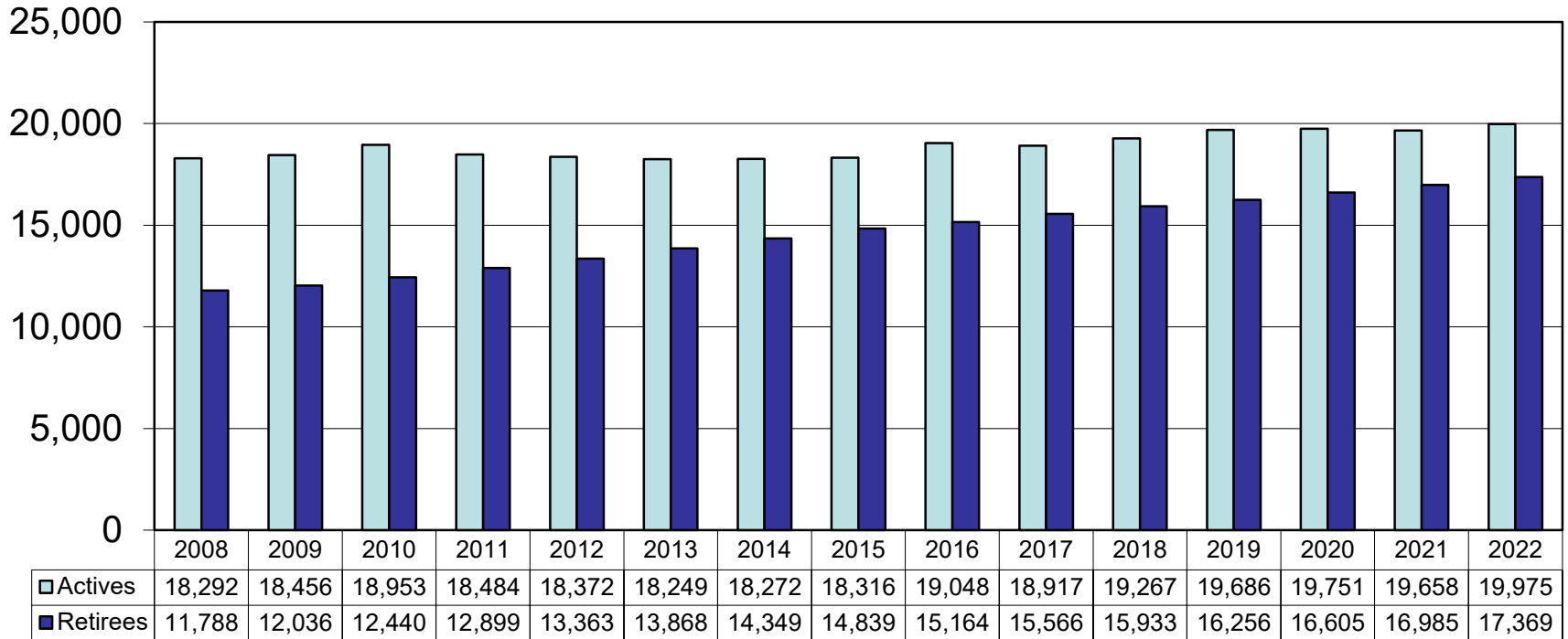
Comments on Valuation



- **Funded Ratio**
 - Funding increased from 71.43% to 71.73%
- **Amortization Period**
 - Amortization period increased from 24 years to 25 years



Active and Retired Membership



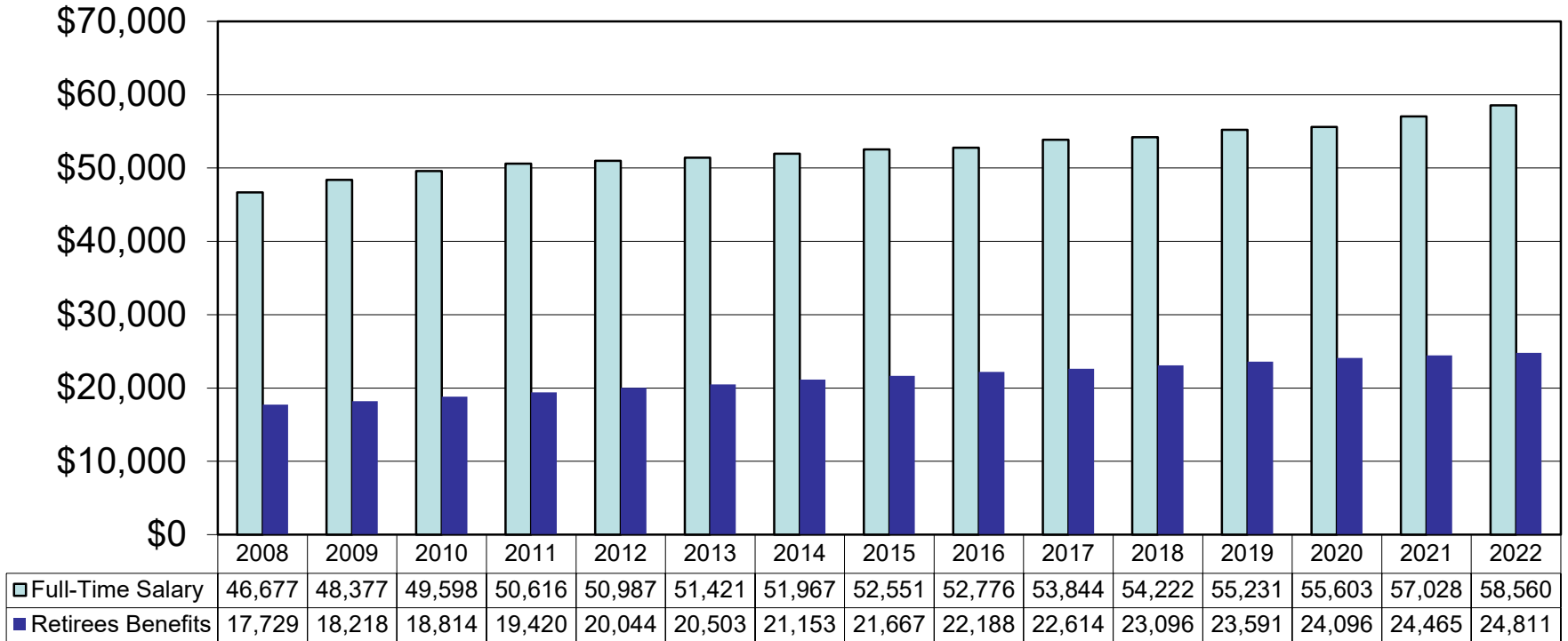
0.6% annual increase for active members since 2008; 1.6% increase for 2022.

2.8% annual increase for retired members since 2008; 2.3% increase for 2022.

1.6 actives per retiree 14 years ago; 1.2 actives per retiree now.



Average Salary and Benefits

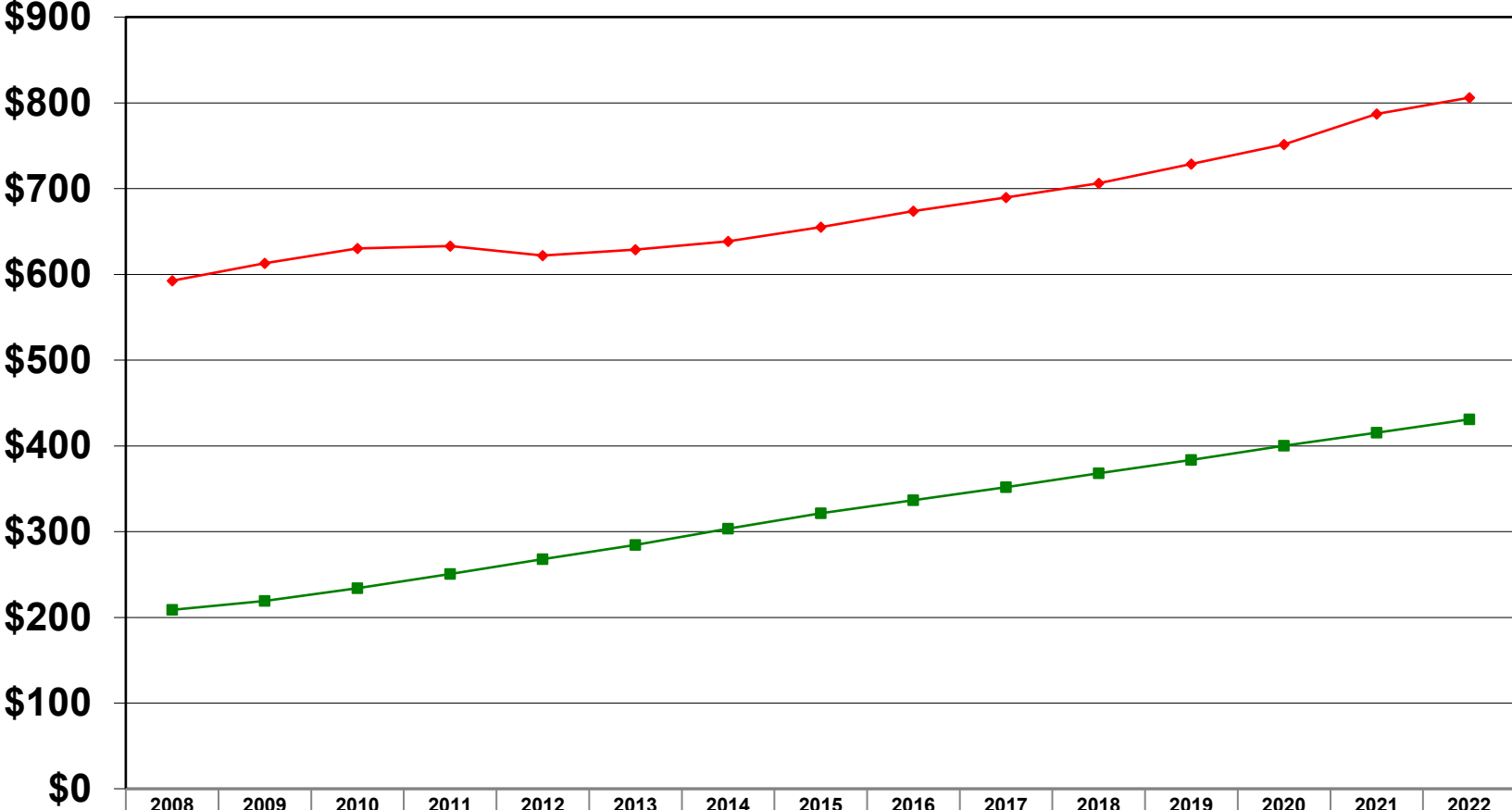


1.6% annual increase for average salary since 2008; 2.7% increase for 2022.

2.4% annual increase for average benefits since 2008; 1.4% increase for 2022.



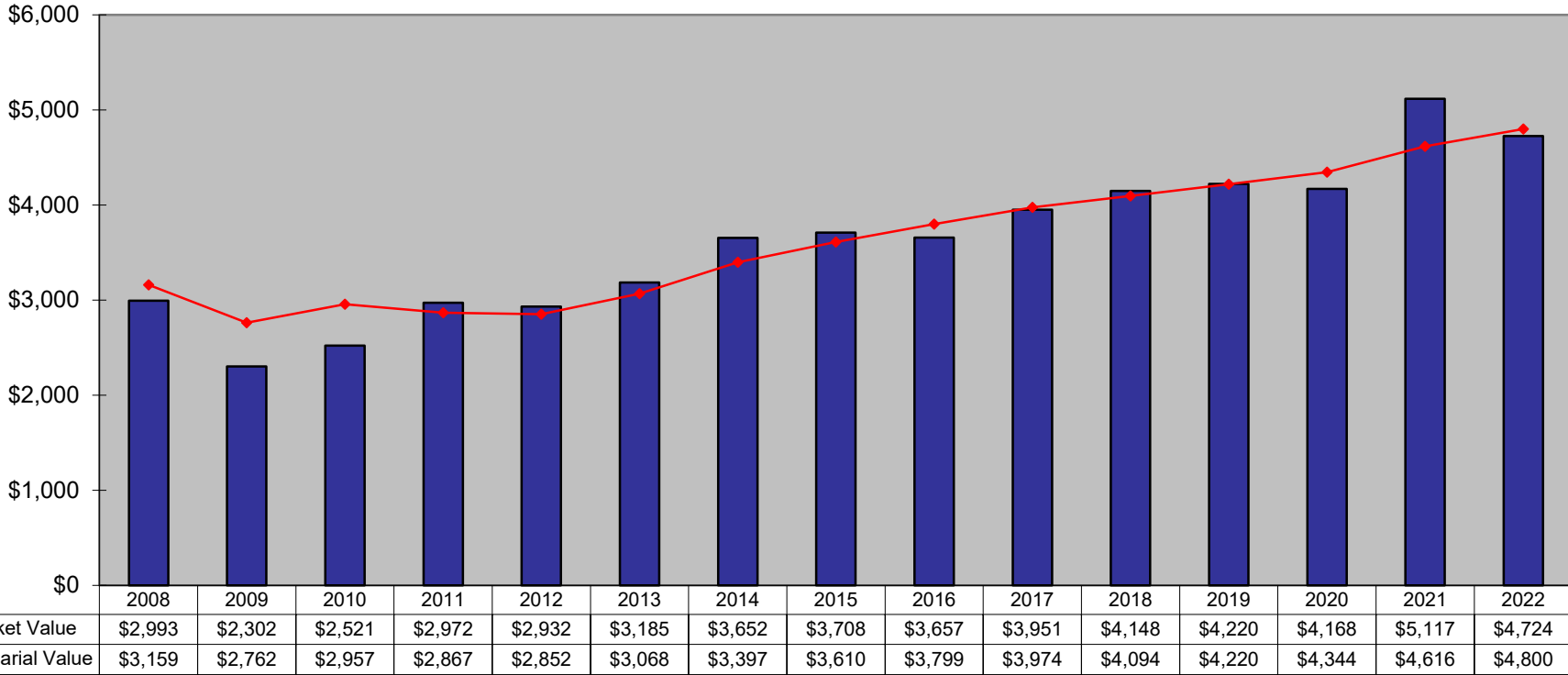
Payroll & Benefits (Millions)



◆ Full-time Payroll	\$592.5	\$613.1	\$630.4	\$633.0	\$622.1	\$628.8	\$638.5	\$655.2	\$673.9	\$689.6	\$706.4	\$728.8	\$751.5	\$787.2	\$806.1
■ Benefits	\$209.0	\$219.3	\$234.0	\$250.5	\$267.9	\$284.3	\$303.5	\$321.5	\$336.5	\$352.0	\$368.0	\$383.5	\$400.1	\$415.5	\$430.9



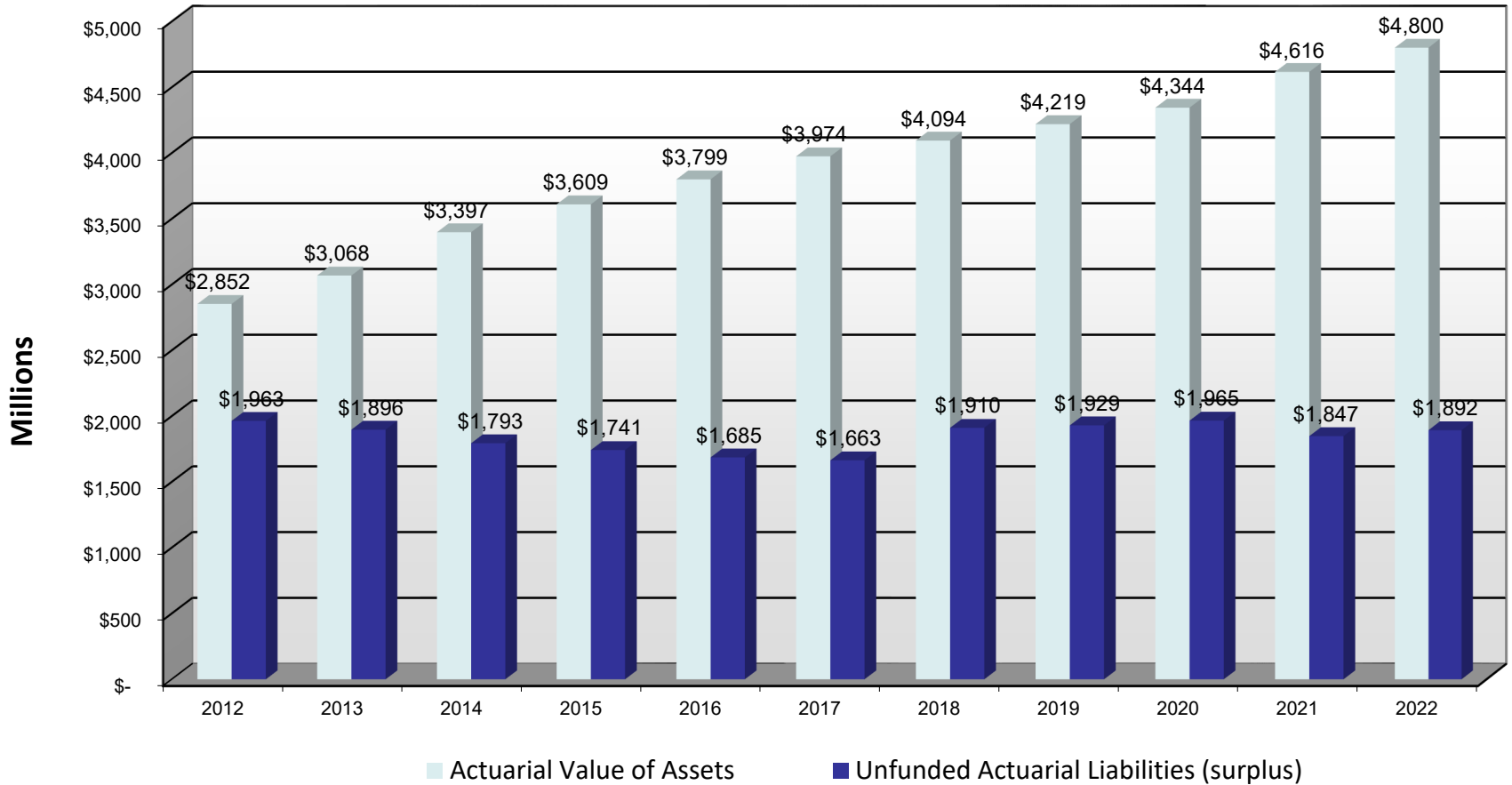
Assets (\$ Millions)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Market Return	(4.9)%	(20.8)%	12.9%	21.7%	2.2%	12.9%	17.1%	4.6%	2.1%	11.9%	8.8%	5.7%	2.7%	27.7%	(4.1)%
Actuarial Return	7.2%	(10.3)%	9.8%	(0.1)%	3.2%	12.0%	13.2%	9.6%	8.8%	8.2%	6.9%	7.0%	7.0%	10.7%	8.1%



Actuarial Assets vs. UAAL





Funding Results



	July 1, 2021 Valuation	July 1, 2022 Valuation (Prior to Exp. Study)	July 1, 2022 Valuation (Reflecting Experience Study)
Total Normal Cost Rate	9.67%	9.58%	10.87%
Less Member Rate	<u>8.15%</u>	<u>8.15%</u>	<u>8.15%</u>
Employer Normal Cost Rate	1.52%	1.43%	2.72%
Administrative Expense Load	0.46%	0.39%	0.00%
Rate to Amortize UAL	<u>9.78%</u>	<u>10.04%</u>	<u>9.14%</u>
Total Employer Statutory Rate	11.76%	11.86%	11.86%
Actuarial Accrued Liability	\$6,463.2 million	\$6,613.1 million	\$6,691.3 million
Actuarial Value of Assets	\$4,616.3 million	\$4,799.6 million	\$4,799.6 million
Unfunded Accrued Liability	\$1,846.9 million	\$1,813.5 million	\$1,891.7 million
Funded Ratio	71.43%	72.58%	71.73%
Amortization Period*	24 Years	22 Years	25 Years

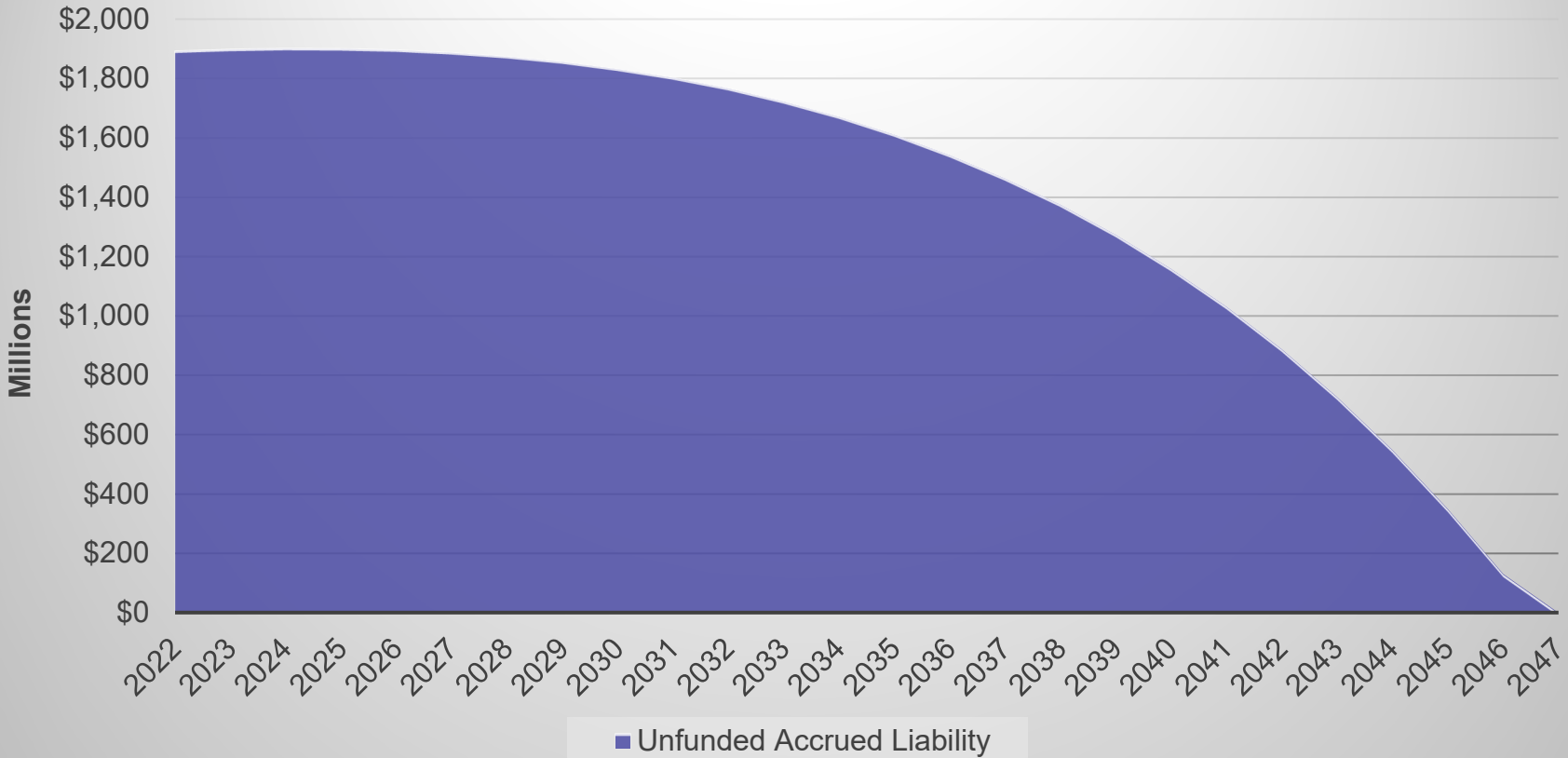
* Reflects anticipated increase in employer supplemental contribution rate



Progress Toward 100% Funding



Unfunded Accrued Liability





ASOP 4



- Effective for measurement dates on/after February 15, 2023 (July 1, 2023 valuation for TRS)
- Changes Impacting Public Plans
 - Disclose Low-Default Risk Obligation Measure (LDRM)
 - Disclose Reasonable Actuarially Determined Contribution (ADC)
 - New guidance on amortization of the unfunded actuarial accrued liability
 - Assess implications of Contribution Allocation Procedure (CAP) or Funding Policy
 - Other changes
 - Output Smoothing Methods
 - Addressing contribution lag
 - Gain/loss analysis