



Summary of Actuarial Valuation Results June 30, 2013

Montana Public Employee Retirement Administration
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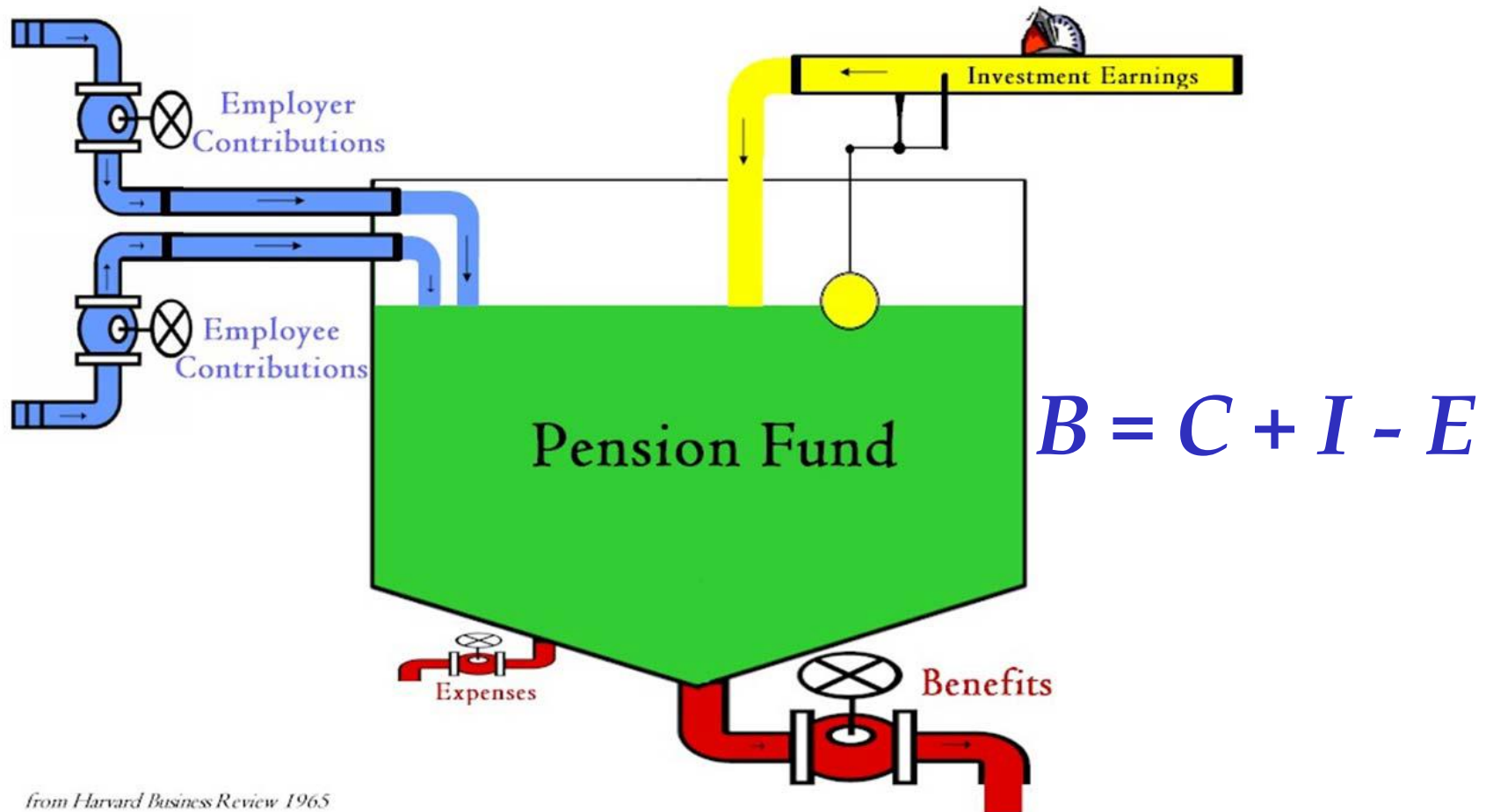


Discussion Topics

- Retirement Funding Equation
- Valuation Process
- Overall Valuation Results
- PERS Changes/Summary
- HPORS Changes/Summary
- Remaining Systems Summaries



Retirement Funding



from Harvard Business Review 1965



Valuation Process

- Receives the Data
 - Participants
 - Plan provisions
 - Financial
- Projects Future Benefits
- Determines a Present Value
- Applies Assumptions
 - Demographic
 - Economic
- Compares to Assets
- Calculates Required Contributions



Overall Results

- All plans experienced actuarial gains except VFCA*
 - 5 of 8 plans are actuarial sound
 - PERS is actuarially sound
 - HPORS amortizes in 44.6 years vs 49.7 years
- All systems experienced actuarial *investment* gains

* VFCA experienced a net loss due to a legal settlement and the subsequent service adjustments and retroactive payouts



PERS Valuation

- 2013 Plan Changes
- Summary of Valuation Results
- Future Projections



PERS – Plan Changes

- **Member contributions increased to 7.9%**
 - Reduced to 6.9% when amortization period drops below 25 years and remains below 25 years following reduction
- **Employer contributions increased by 1%**
 - Increase by additional 0.1% each succeeding year until reaching total increase of 2%
 - All additional contributions including the 0.27% added in 2007 and 2009 cease when amortization period drops below 25 years and remains below 25 years following reduction
- **Other contributions to PERS-DB fund**
 - Coal tax
- **GABA reduced to a cap of 1.5% for all retirees**
 - Further reduced 0.1% for each 2% that funded ratio is less than 90%
 - GABA is zero if amortization period exceeds 40 years



PERS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Participants</u>		
Active Members	28,548	28,401
Disabled Members	200	185
Retirees & Beneficiaries	18,538	19,266
Terminated Vested Members	2,560	2,686
Terminated Non-Vested Members	<u>6,164</u>	<u>6,712</u>
Total Participants	56,010	57,250
Annual Salaries of Active Members	\$1,078,710,468	\$1,098,340,791
Average Annual Salary	\$37,786	\$38,673
Annual Retirements	\$258,468,971	\$281,465,581
Average Annual Benefit	\$13,914	\$14,596



PERS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>	<u>Prior GABA</u>
<u>Assets & Liabilities (000,000's)</u>			
Actuarial Accrued Liability (AAL)	\$5,661.2	\$5,106.9	\$5,902.6
Actuarial Value of Assets (AVA)	<u>\$3,816.9</u>	<u>\$4,139.9</u>	<u>\$4,139.9</u>
Unfunded AAL (AAL-AVA)	\$1,844.3	\$1,021.0	\$1,762.7
Less: PCR-UAL	<u>\$11.0</u>	<u>\$8.7</u>	<u>\$8.7</u>
Net Unfunded Liability	\$1,833.3	\$1,012.3	\$1,754.0
Funded Ratio (AAL/AVA)	67.4%	80%	70%
Statutory Contribution Rate	14.143%	18.74%	18.74%
Normal Cost Rate	11.800%	10.90%	11.82%
Available for Amortization	2.343%	7.84%	6.92%
Years to Amortize	Infinite	14.5	43.7
Shortfall	6.53%	n/a	1.41%



PERS – Projections

- Future GABA Increases
 - January 1, 2014: 1.0%
 - January 1, 2015: 1.2%
 - January 1, 2016: 1.2%
 - January 1, 2017: 1.3%
 - January 1, 2018: 1.3%
 - January 1, 2019: 1.4%
 - January 1, 2020: 1.4%
 - January 1, 2021 and later: 1.5%
- Temporary Increased Contributions are Eliminated
 - January 1, 2015



HPORS Valuation

- 2013 Plan Changes
- Summary of Valuation Results



HPORS Plan Changes

- Employer contribution rate increased from 36.33% to 38.33%
- Member contribution rate increases 1% per year for four years
- Benefit multiplier increased from 2.5% to 2.6%
- For members hired after July 1, 2013
 - GABA reduced from 3.0% to 1.5%
 - GABA waiting period increased from 1 to 3 years
 - Vesting period increased from 5 years to 10 years



HPORS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Participants</u>		
Active Members	218	219
Disabled Members	9	9
Retirees & Beneficiaries	296	301
Terminated Vested Members	11	14
Terminated Non-Vested Members	<u>10</u>	<u>11</u>
Total Participants	544	554
Annual Salaries of Active Members	\$13,513,915	\$13,000,215
Average Annual Salary	\$61,990	\$59,362
Annual Retirements	\$8,085,061	\$8,782,354
Average Annual Benefit	\$24,406	\$29,221



HPORS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Assets & Liabilities (000,000's)</u>		
Actuarial Accrued Liability (AAL)	\$167.8	\$175.6
Actuarial Value of Assets (AVA)	<u>\$96.6</u>	<u>\$105.7</u>
Unfunded AAL (AAL-AVA)	\$71.2	\$69.9
Funded Ratio (AAL/AVA)	57.6%	60.2%
Statutory Contribution Rate	45.38%	48.38%
Normal Cost Rate	23.60%	25.23%
Available for Amortization	21.78%	23.15%
Years to Amortize	49.7	44.6
Shortfall	5.78%	4.93%



Other Systems

- GWPORS – does not amortize
- SRS – does not amortize
- MPORS – amortizes in 23 years
- FURS – amortizes in 14 years
- JRS – actuarial surplus
- VFCA – amortizes in 9 years



GWPORS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Participants</u>		
Active Members	972	971
Disabled Members	2	2
Retirees & Beneficiaries	161	178
Terminated Vested Members	64	69
Terminated Non-Vested Members	<u>146</u>	<u>148</u>
Total Participants	1,345	1,368
Annual Salaries of Active Members	\$38,316,962	\$39,154,521
Average Annual Salary	\$39,421	\$40,324
Annual Retirements	\$3,316,510	\$3,606,359
Average Annual Benefit	\$21,204	\$20,778



GWPORS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Assets & Liabilities (000,000's)</u>		
Actuarial Accrued Liability (AAL)	\$128.9	\$139.9
Actuarial Value of Assets (AVA)	<u>\$97.7</u>	<u>\$112.1</u>
Unfunded AAL (AAL-AVA)	\$31.2	\$27.8
Funded Ratio (AAL/AVA)	75.8%	80.1%
Statutory Contribution Rate	19.56%	19.56%
Normal Cost Rate	18.98%	18.82%
Available for Amortization	0.58%	0.74%
Years to Amortize	infinite	Infinite
Shortfall	3.64%	2.95%



SRS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Participants</u>		
Active Members	1,241	1,276
Disabled Members	33	36
Retirees & Beneficiaries	436	467
Terminated Vested Members	60	67
Terminated Non-Vested Members	<u>212</u>	<u>235</u>
Total Participants	1,982	2,081
Annual Salaries of Active Members	\$58,281,270	\$60,947,547
Average Annual Salary	\$46,963	\$47,765
Annual Retirements	\$10,849,862	\$12,012,991
Average Annual Benefit	\$23,478	\$24,328



SRS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Assets & Liabilities (000,000's)</u>		
Actuarial Accrued Liability (AAL)	\$284.5	\$304.2
Actuarial Value of Assets (AVA)	<u>\$211.5</u>	<u>\$235.3</u>
Unfunded AAL (AAL-AVA)	\$73.0	\$68.9
Funded Ratio (AAL/AVA)	74.3%	77.4%
Statutory Contribution Rate	19.36%	19.36%
Normal Cost Rate	18.73%	18.52%
Available for Amortization	0.63%	0.84%
Years to Amortize	Infinite	Infinite
Shortfall	5.85%	5.00%



MPORS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Participants</u>		
Active Members	736	734
Disabled Members	20	20
Retirees & Beneficiaries	663	690
Terminated Vested Members	49	52
Terminated Non-Vested Members	<u>76</u>	<u>77</u>
Total Participants	1,544	1,573
Annual Salaries of Active Members	\$41,584,304	\$42,323,994
Average Annual Salary	\$56,500	\$57,662
Annual Retirements	\$17,664,959	\$18,948,346
Average Annual Benefit	\$26,023	\$26,928



MPORS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Assets & Liabilities (000,000's)</u>		
Actuarial Accrued Liability (AAL)	\$427.2	\$450.0
Actuarial Value of Assets (AVA)	<u>\$234.0</u>	<u>\$262.7</u>
Unfunded AAL (AAL-AVA)	\$193.2	\$187.3
Funded Ratio (AAL/AVA)	54.8%	58.4%
Statutory Contribution Rate	52.78%	52.78%
Normal Cost Rate	26.26%	26.29%
Available for Amortization	26.52%	26.49%
Years to Amortize	25.7	23.8
Shortfall	n/a	n/a



FURS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Participants</u>		
Active Members	590	610
Disabled Members	7	8
Retirees & Beneficiaries	564	579
Terminated Vested Members	13	15
Terminated Non-Vested Members	<u>62</u>	<u>63</u>
Total Participants	1,236	1,275
Annual Salaries of Active Members	\$35,849,518	\$37,727,304
Average Annual Salary	\$60,762	\$61,848
Annual Retirements	\$17,066,093	\$18,233,679
Average Annual Benefit	\$30,199	\$31,416



FURS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Assets & Liabilities (000,000's)</u>		
Actuarial Accrued Liability (AAL)	\$377.2	\$396.8
Actuarial Value of Assets (AVA)	<u>\$233.1</u>	<u>\$263.5</u>
Unfunded AAL (AAL-AVA)	\$144.1	\$133.3
Funded Ratio (AAL/AVA)	61.8%	66.4%
Statutory Contribution Rate	57.66%	57.66%
Normal Cost Rate	26.5%	28.59%
Available for Amortization	31.16%	31.07%
Years to Amortize	16.4	13.9
Shortfall	n/a	n/a



JRS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Participants</u>		
Active Members	54	54
Disabled Members	0	0
Retirees & Beneficiaries	56	65
Terminated Vested Members	0	0
Terminated Non-Vested Members	<u>0</u>	<u>0</u>
Total Participants	110	119
Annual Salaries of Active Members	\$6,192,316	\$6,212,209
Average Annual Salary	\$114,673	\$115,041
Annual Retirements	\$2,326,801	\$2,855,061
Average Annual Benefit	\$42,113	\$44,273



JRS – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Assets & Liabilities (000,000's)</u>		
Actuarial Accrued Liability (AAL)	\$46.2	\$49.2
Actuarial Value of Assets (AVA)	<u>\$63.2</u>	<u>\$70.3</u>
Unfunded AAL (AAL-AVA)	\$(17.0)	\$(21.1)
Funded Ratio (AAL/AVA)	136.8%	142.8%
Statutory Contribution Rate	32.81%	32.81%
Normal Cost Rate	23.80%	24.67%
Available for Amortization	9.01%	8.14%
Years to Amortize	0	0
Shortfall	n/a	n/a



VFCA – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Participants</u>		
Active Members	2,106	2,101
Disabled Members	0	0
Retirees & Beneficiaries	1,242	1,285
Terminated Vested Members	879	884
Terminated Non-Vested Members	<u>0</u>	<u>0</u>
Total Participants	4,227	4,270
Annual Salaries of Active Members	n/a	n/a
Average Annual Salary	n/a	n/a
Annual Retirements	\$2,118,240	\$2,234,880
Average Annual Benefit	\$1,671	\$1,739



VFCA – Summary of Valuation Results

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Assets & Liabilities (000,000's)</u>		
Actuarial Accrued Liability (AAL)	\$36.1	\$37.8
Actuarial Value of Assets (AVA)	<u>\$26.5</u>	<u>\$28.3</u>
Unfunded AAL (AAL-AVA)	\$9.6	\$9.5
Funded Ratio (AAL/AVA)	73.4%	74.8%
Actual Contributions	\$1.6	\$1.7
Required Contributions	\$1.1	\$1.1
Years to Amortize	9.6	8.5
Shortfall	n/a	n/a