MONTANA'S PUBLIC PENSIONS: WHERE WE'VE BEEN

HISTORCIAL OVERVIEW OF FUNDING & BENEFIT CHANGES IN MONTANA'S PUBLIC EMPLOYEE RETIREMENT SYSTEMS

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State Administration and Veterans' Affairs Interim Committee
Sheri S. Scurr, Research Analyst
MONTANA STATE LEGISLATURE

MONTANA'S PUBLIC PENSIONS: WHERE WE'VE BEEN

Purpose

In 2013, four of Montana's 11 defined benefit (DB) public employee retirement systems were actuarially unsound (i.e., unfunded liabilities could not be paid off, or amortized, in any amount of time), and Montana's legislature was grappling with how to address this.

The actuarially unsound plans were:

- Teachers' Retirement System (TRS)
- Public Employees' Retirement System - Defined Benefit Plan (PERS-DB)
- Sheriffs' Retirement System (SRS)
- Game Wardens' and Peace Officers' Retirement System (GWPORS)

This report is an updated and enhanced version of a report first prepared for the 2013 Legislature about previous legislative actions related to benefit reductions, funding increases, and plan design reform proposals for the DB public pension plans. This report is organized into the following sections:

- Big Picture Overview
- Chronological Summary
- Current Funding Status
- Investment Return History
- Funding Status History
- Benefit Costs & Contributions History
- Detailed Legislative History by System
- Glossary and Acronyms

Big Picture Overview

Historical information about the retirement systems allows the legislature to put the current funding status of the systems in perspective with long-term progress toward policy goals. The overarching long-term funding goal adopted by both the PERS and TRS retirement boards is for the retirement systems to be more than 100% funded. Being more than 100% funded allows for a funding reserve that acts as a cushion against future market declines and other adverse experiences that cause unfunded liabilities.

As illustrated in the remainder of this report, significant market losses on pension fund assets in FY 2000 and FY 2008 caused retirement system funded ratios to rapidly decline. Unfunded liabilities increased significantly and, in several systems, these liabilities either did not amortize in any amount of time or amortized in more than 30 years. In response, the legislature examined plan design changes, increased contributions to the systems, provided cash infusions to two of the systems, and reduced benefits for new members, all in an effort to bolster the plans' funding status.

Recovery in the financial markets combined with these legislative actions has improved the funding status of these pension plans.

However, as of the June 30, 2018, actuarial valuations, the GWPORS retirement system still has unfunded liabilities that do not amortize in any amount of time. The PERS Board has requested legislation to address this funding shortfall by increasing employer contributions. The 2019 Session bill draft number is [LC 468](LC 468).

CHRONOLOGICAL SUMMARY

Pre-1997	Prior to 1997, cost-of-living increases for retirees were provided in PERS and TRS by spending investment returns above the actuarially assumed rate of return. In the public safety retirement systems, minimum benefit provisions for retirees increased retiree benefits when the salaries of active members increased. Additionally, the legislature periodically granted one-time *ad hoc* increases for retirees. These methods of providing postretirement benefit increases were not actuarial funding mechanisms. In other words, they did not allow for actuarially prefunding the benefit increases through contributions and investment earnings made during the working career of the retiree.
1997	In 1997, financial markets were soaring and pension fund investment earnings significantly exceeded the actuarial assumed rate of return of 8.0%. PERS was more than 100% funded. The other retirement systems were also very well-funded. During the 1997 session, the legislature enacted a 1.5% GABA in systems administered by MPERA, which included all of the DB pension systems other than TRS. In some systems, benefit reductions were made in exchange for the GABA. Employer and employee contributions were also increased. See HB 170 (1997). However, most of the funding for the GABA was provided by creating new unfunded liabilities and extending amortization periods. Also during the 1997 session, some legislators wanted to convert the DB pension systems to defined contribution (DC) plans. Thus, the legislature passed HB 90, which required a plan design study and development of legislation to add a DC component to PERS. Some believed that employees should direct their own investments and that their accounts would earn more than the actuarially assumed 8.0% return for the DB plans. These supporters of the DC plan were philosophically at odds with DB plans and wanted employees rather than employers/taxpayers to shoulder the responsibility and associated rewards and risks of managing their retirement funds.
1999	The pension systems remained very well-funded. The 1999 Legislature enacted a 1.5% GABA for TRS members (HB 72). However, as a result of the HB 90 (1997) study, a DC plan bill was drafted and enacted. This bill established a PERS-DC plan as optional plan for new hires (HB 79).
2000	Financial markets were peaking. Investment earnings were at historic highs. PERS was 125% funded. Other plans were also more than 100% funded.
2001	The 2001 Legislature increased the GABA for MPERA plans from 1.5% to 3%. The legislature also authorized the TRS Board to increase the 1.5% GABA in TRS to 3%, but only if the system's amortization schedule would remain at 25 years or less (HB 294). The cost of these increases was to be "absorbed" by the systems, meaning that new unfunded liabilities were created. However, according to actuarial determinations, these new liabilities would still amortize in under the 30-year threshold for

maintaining actuarial soundness, so the systems remained financially sound. These actuarial valuations were based on an 8.0% assumed rate of return on investments.

2001 After the 2001 legislative session, financial markets crashed. Pension fund investment earnings began a sharp decline, which significantly increased unfunded liabilities.

2003 The 2003 Legislature did not consider legislation that had any significant impact on the n funding status of the retirement system.

2004 The unfunded liabilities in PERS and SRS did not amortize in any amount of time. The TRS amortization schedule was beyond 70 years. The GWPORS amortization schedule was about 50 years.

2005 Bills requested by the PER Board (HB 148) and the TRS Board (HB 181) to increase employer contribution rates to address the growing unfunded liabilities failed to pass the 2005 Legislature. Following the regular session, the State Administration and Veterans' Affairs Interim Committee (SAVA) worked on legislative proposals to increase employer contributions in the unsound systems, close benefit "loopholes" in TRS, and provide cash infusions to TRS and PERS. In December, the legislature was called into a special session and approved general fund cash infusions of $25 million to the PERS-DB plan and $100 million to TRS (HB 1). The TRS Board reduced its actuarially assumed rate of return on investments from 8.0% to 7.75% effective July 1, 2005.

2006 A SAVA interim study examined pension funding and investments (HJR 42 from the 2005 Regular Session). The committee made no recommendations related to the study.

2007 Unfunded liabilities in the pension systems continued to grow. The market was improving, but investment earnings remained below the actuarially assumed rate of return. Unfunded liabilities in PERS, TRS, and SRS did not amortize. A bill to require all new hires in PERS and TRS to join a new defined contribution plan was introduced in the last days of the 2007 session (HB 827) but failed for a variety of technical and funding reasons. However, the legislature did enact bills to reduce benefits for new hires and to increase contributions:

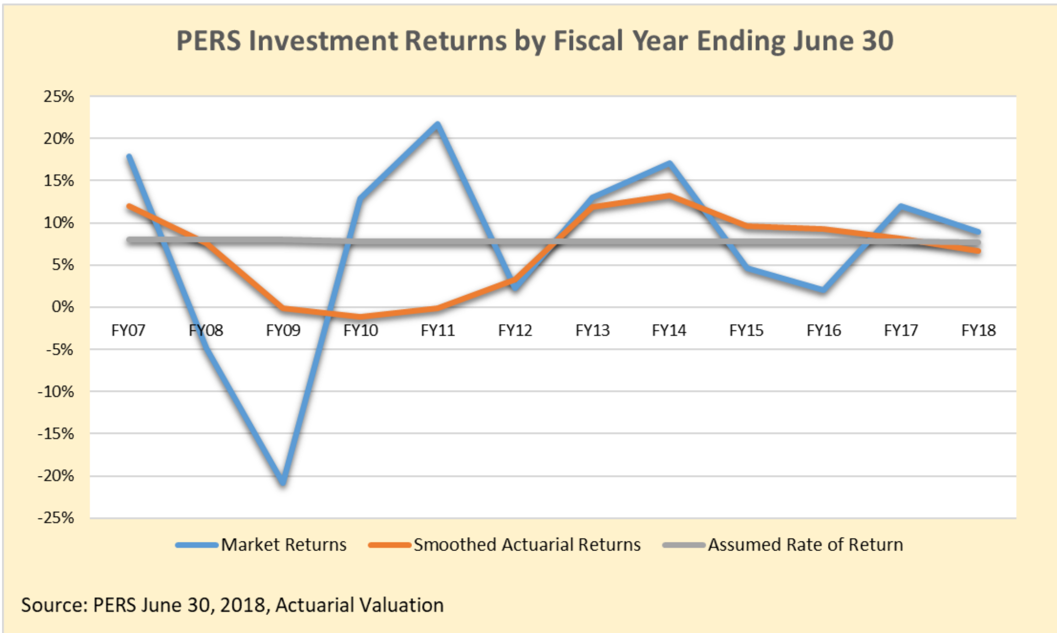
- The 3% GABA in PERS, HPORS, SRS, GWPORS, MPORS, FURS, and JRS, was decreased to 1.5% for new hires (HB 131).
- Modest employer contribution increases were phased-in over four years beginning July 1, 2007 (HB 63 for TRS and HB 131 for the MPERA systems). A state supplemental contribution from the general fund was used to offset the contribution increases for local governments and school districts.
- The legislature appropriated $50 million from the state general fund as a second cash infusion to TRS (HB 63).

2008 SAVA studied pension plan funding and plan design alternatives under HJR 59. No recommendations were made as a result of the study.

2009	Minor changes were made in TRS to improve funding by closing certain benefit loopholes. Employer contributions were required on salaries paid to retirees who returned to work (HB 34).
2010	SAVA conducted an interim study under HB 659, which required hiring an outside actuarial consulting firm to develop pension plan funding options and plan design alternatives. The study produced two competing recommendations concerning TRS. Neither bill passed. SB 54 (Balyeat) would have created a hybrid cash balance plan in TRS for new hires. SB 56 (Jent) would have lowered benefits for new hires and established a higher benefit for teachers who worked more than 30 years, which was to address teacher shortages. Regarding the other systems, actuaries for MPERA conducted an experience study and recommended that the assumed rate of return on investments be lowered from 8.0% to 7.75%. This rate was adopted by the PER Board effective July 1, 2010.
2011	The 2011 Legislature reduced benefits and increased contributions for new hires in PERS-DB (HB 122), SRS (HB 135), and GWPORS (HB 134). Certain benefit provisions in TRS were tightened to improve actuarial soundness (HB 116).
2013	Although financial markets were recovering, the pension trust funds were still struggling to recover from the significant asset losses. Four public employee retirement systems remained actuarially unsound: PERS-DB, TRS, SRS, and GWPORS. The 2013 Legislature created a special joint pension committee to consider various bills related to these retirement systems. Ultimately, the legislature passed two bills to increase contributions and reduce future benefits in PERS-DB (HB 454) and TRS (HB 377). HB 454 included about $33 million in state contributions from certain coal tax revenue for the PERS-DB plan. Both bills reduced the GABA for new and current members, including retirees. A court decision later invalidated the GABA reduction for the current members. However, the bills' valid provisions still allowed PERS and TRS to become actuarially sound.
2014	Pension fund investment returns improved. But, SRS and GWPORS remained actuarially unsound with unfunded liabilities that did not amortize in any amount of time.
2015	No legislation during the 2015 session addressed the funding shortfalls in SRS and GWPORS.
2017	A 2017 regular session bill to increase employer contributions in GWPORS failed after it was amended to reduce benefits for new hires and increase employee contributions (HB 136). A bill to provide actuarial funding in SRS passed, increasing employer and employee contributions (HB 383).

Investment Return History

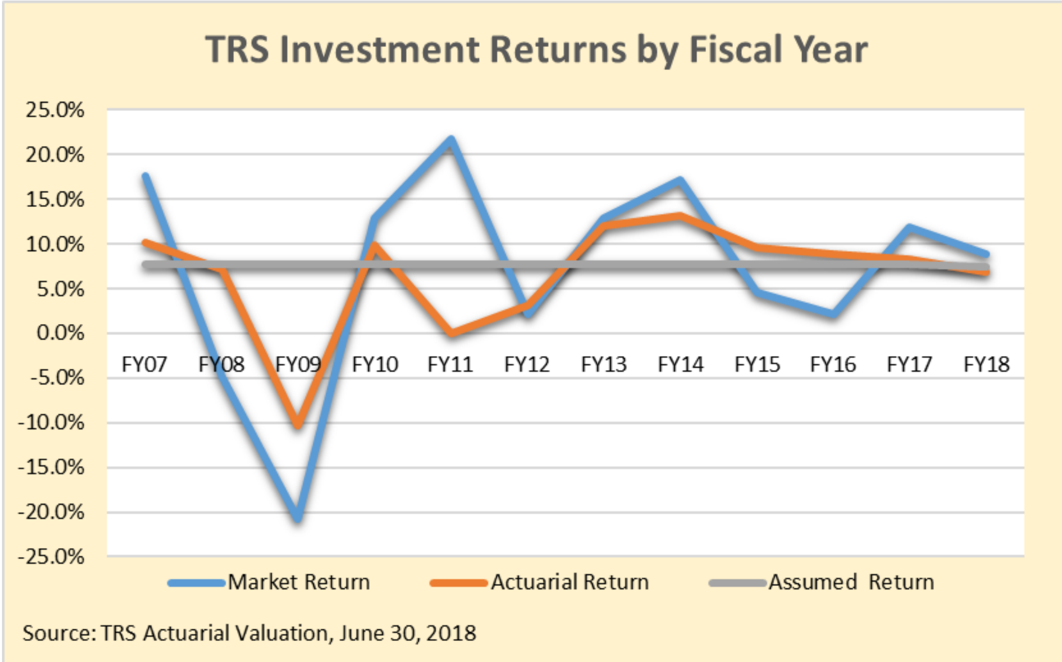
The following graphs and tables show the history of net market returns on investments in PERS and TRS compared to the actuarial returns and assumed rate of return. The actuarial return is the net market return smoothed over 4 years.



Year	Market Return	Actuarial Return	Assumed Return
FY08	-4.91%	7.62%	8.00%
FY09	-20.85%	-0.16%	8.00%
FY10	12.91%	-1.18%	7.75%
FY11	21.70%	-0.08%	7.75%
FY12	2.27%	3.28%	7.75%
FY13	12.99%	11.91%	7.75%
FY14	17.12%	13.21%	7.75%
FY15	4.60%	9.63%	7.75%
FY16	2.02%	9.27%	7.75%
FY17	11.93%	8.08%	7.75%
FY18	8.90%	6.69%	7.65%

Market Return	5-Year	10-Year	20-Year	Since fund inception/1994
*PERS	8.40%	8.07%	6.44%	7.78%

*Source: RVK Quarterly Performance Report to Montana Board of Investments, as of Sept. 30, 2018.

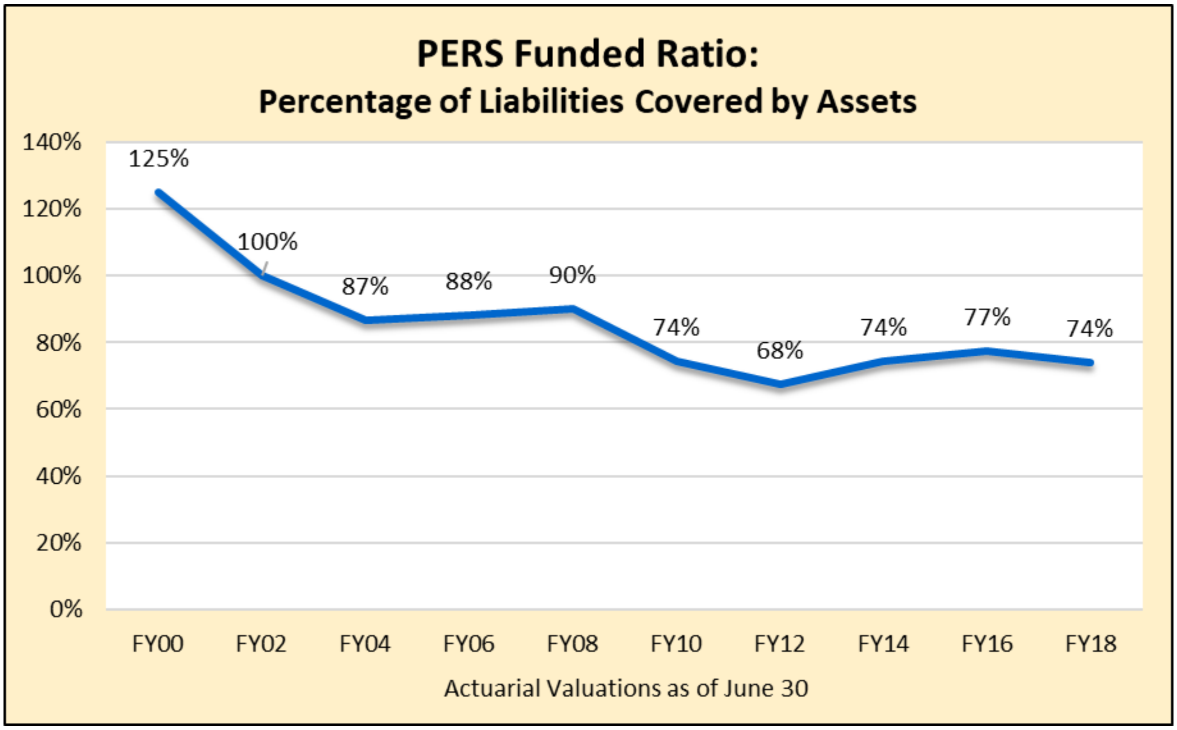


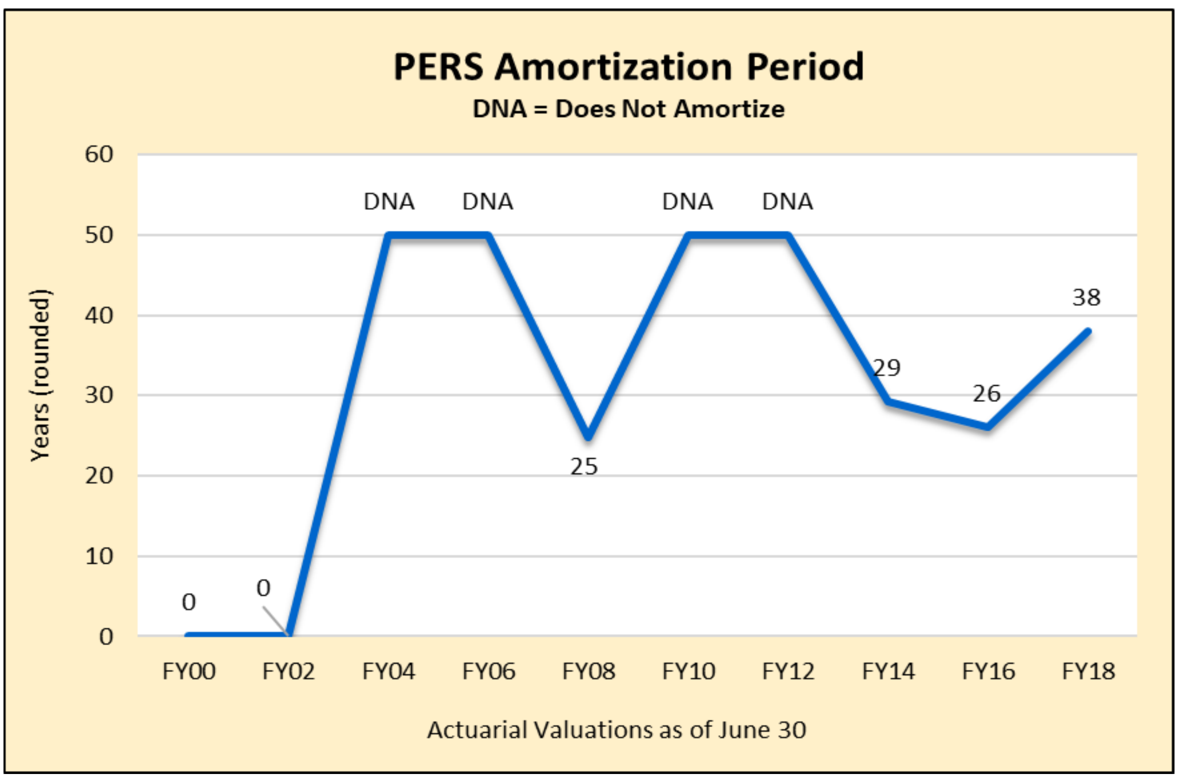
Year	Market Return	Actuarial Return	Assumed Return
FY08	-4.88%	7.18%	7.75%
FY09	-20.80%	-10.26%	7.75%
FY10	12.87%	9.78%	7.75%
FY11	21.67%	-0.13%	7.75%
FY12	2.21%	3.21%	7.75%
FY13	12.94%	11.99%	7.75%
FY14	17.09%	13.21%	7.75%
FY15	4.57%	9.59%	7.75%
FY16	2.08%	8.79%	7.75%
FY17	11.92%	8.24%	7.75%
FY18	8.8%	6.9%	7.50%

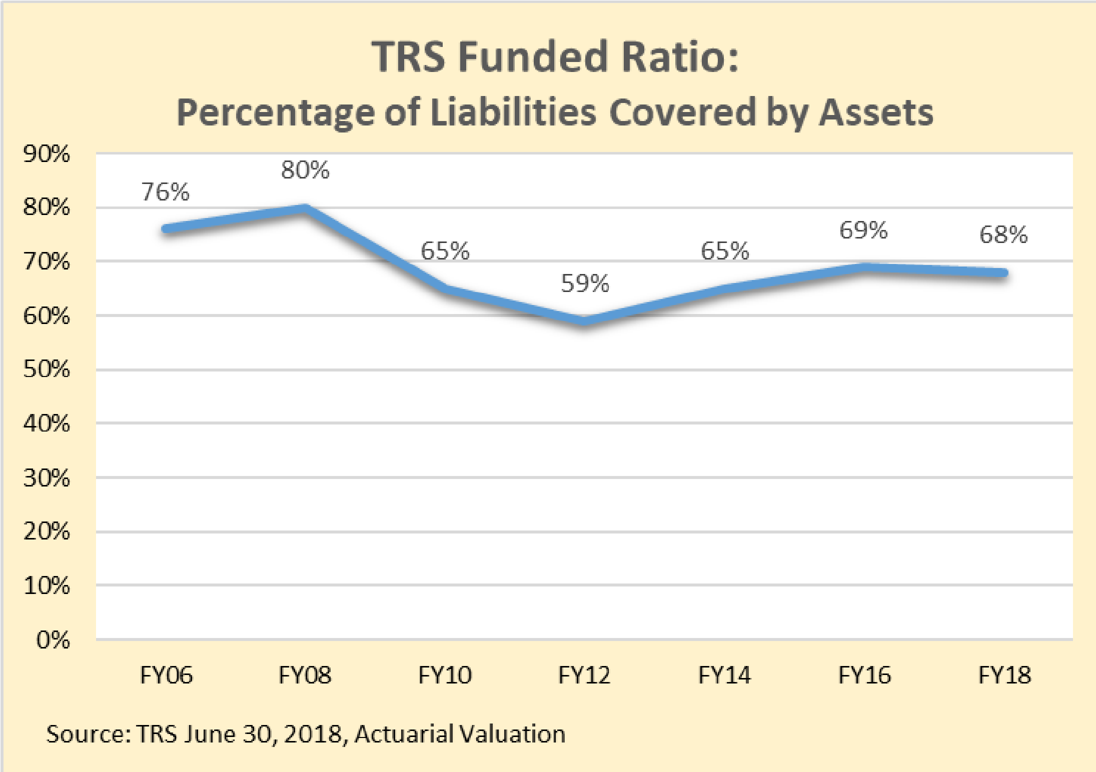
Market Return	5-Year	10-Year	20-Year	Since fund inception/1994
*TRS	9.41%	5.42%	6.38%	7.80%

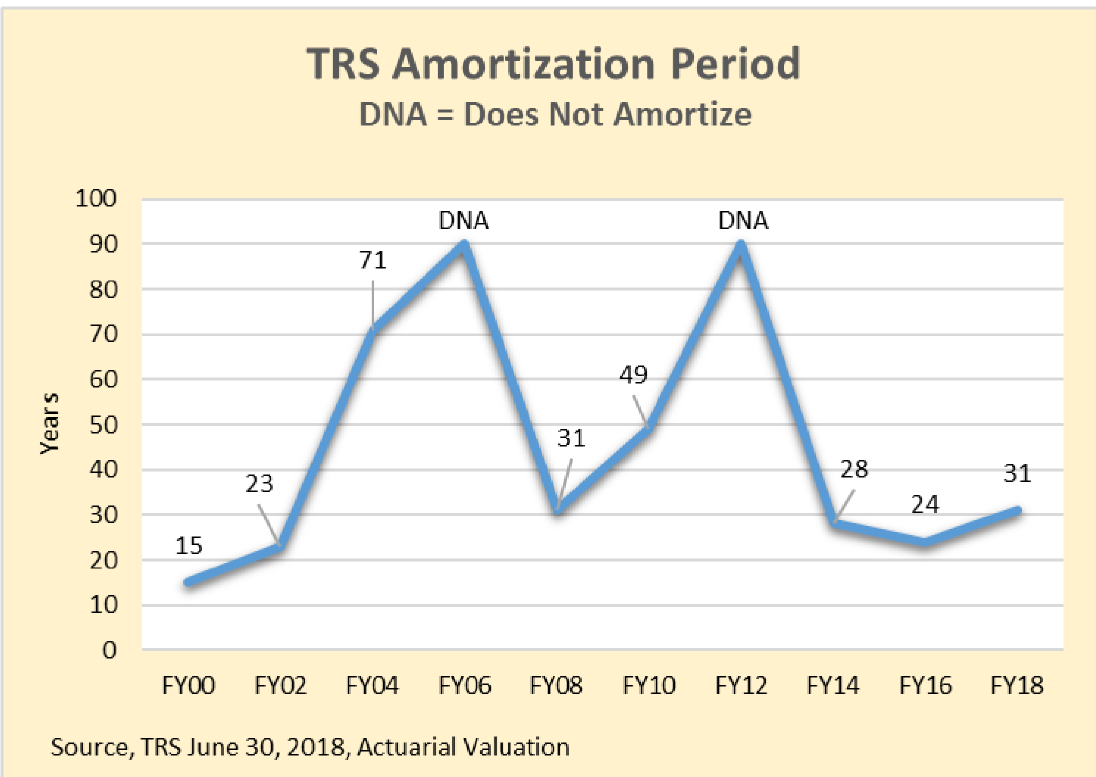
*Source: RVK Quarterly Performance Report to Montana Board of Investments, Sept. 30, 2018.

FUNDING STATUS HISTORY






TRS Funded Ratio:
Percentage of Liabilities Covered by Assets
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
76%
80%
65%
59%
65%
69%
68%
FY06
FY08
FY10
FY12
FY14
FY16
FY18
Source: TRS June 30, 2018, Actuarial Valuation


TRS Amortization Period
DNA = Does Not Amortize
Years
100
90
80
70
60
50
40
30
20
10
0
15
23
71
DNA
31
49
DNA
28
24
31
FY00
FY02
FY04
FY06
FY08
FY10
FY12
FY14
FY16
FY18
Source, TRS June 30, 2018, Actuarial Valuation

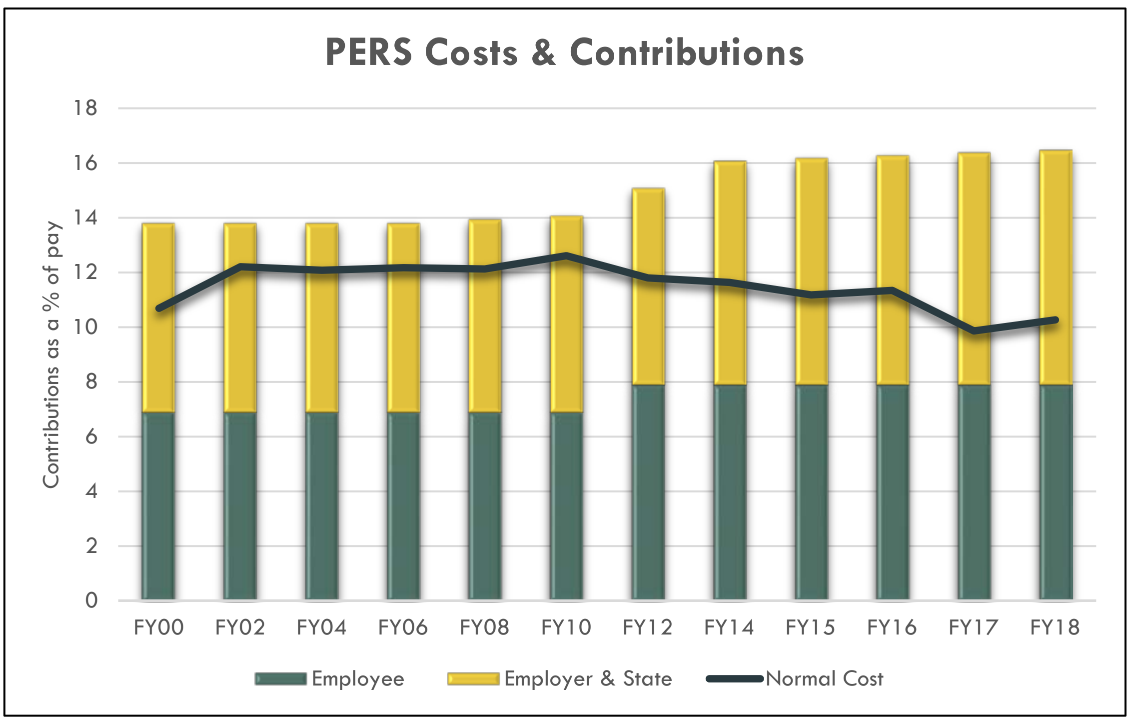
Benefit Costs & Contributions History

The actuarial cost of benefits as they accrue is called the normal cost. Unfunded Actuarially Accrued Liabilities (UAAL) are liabilities incurred when plan experience causes unanticipated costs, such as benefit increases being applied to past service or investment returns being lower than assumed.

For a plan to be actuarially sound, contributions must be sufficient to cover both the normal cost and to pay off the UAAL within a 30-year amortization period. Benefit reductions for new hires decrease the normal cost of the benefits for new hires. This allows a greater percentage of future contributions to be available (after normal costs are covered) to pay off the UAAL.

Legally, employee contributions may only be used to cover the normal cost of benefits, not the UAAL. This means employee contributions may not be increased to a rate that is higher than the normal cost. As illustrated in the following graphs and tables, enactment of the GABA increased normal costs. However, subsequent reductions in the GABA and other benefit reductions have been slowly decreasing normal costs as new employees have been hired. The decreases in normal costs combined with increases in employee and employer contribution rates has increased the amount available to pay off the UAAL and so improved the funding status of the plans. It also means employees are paying a larger portion of the normal cost.

PERS



PERS Benefit Costs & Contributions				
Year	**Normal Cost**	**Employee Contributions***	**Employer& State Contributions****	**Total Contributions**
FY 00	10.69%	6.90%	6.90%	13.80%
FY 02	12.21	6.90	6.90	13.80
FY 04	12.08	6.90	6.90	13.80
FY 06	12.17	6.90	6.90	13.80
FY 08	12.13	6.90	7.04	13.94
FY 10	12.61	6.90	7.17	14.07
FY 12	11.80	7.90	7.17	15.07
FY 14	11.63	7.90	8.17	16.07
FY 15	11.18	7.90	8.27	16.17
FY 16	11.34	7.90	8.37	16.27
FY 17	9.86	7.90	8.47	16.37
FY18	10.27	7.9	8.57	16.47

Notes:

* The employee contribution rate will be reduced by 1% (to 6.9%) when the amortization schedule would not exceed 25 years.

** State supplemental contributions differ by type of employer. See Table for details.

Detail on PERS Employer & State Contributions – FY 2018						
	Base Contribution Rate (19-3-316(1), MCA)	**Additional Temporary (Section 19-3-316(3), MCA)**	**State GF Offset for Local & School Employers (Section 19-3-319(1), MCA)**	**Additional Offset for School Employers (Section 19-3-319(2), MCA)**	**Total State GF Contribution**	**Total Employer & State Contribution**
State and University System Employers	6.9%	1.67%*, **			0%	8.47%
Local Governments	6.8%	1.67%*, **	0.1%		0.10%	8.47%
School/Community College Districts	6.8%	1.2%*, **	0.1%	.27%**	0.37%	8.47%
Additional contribution to PERS pension fund					$31.4 million million***	

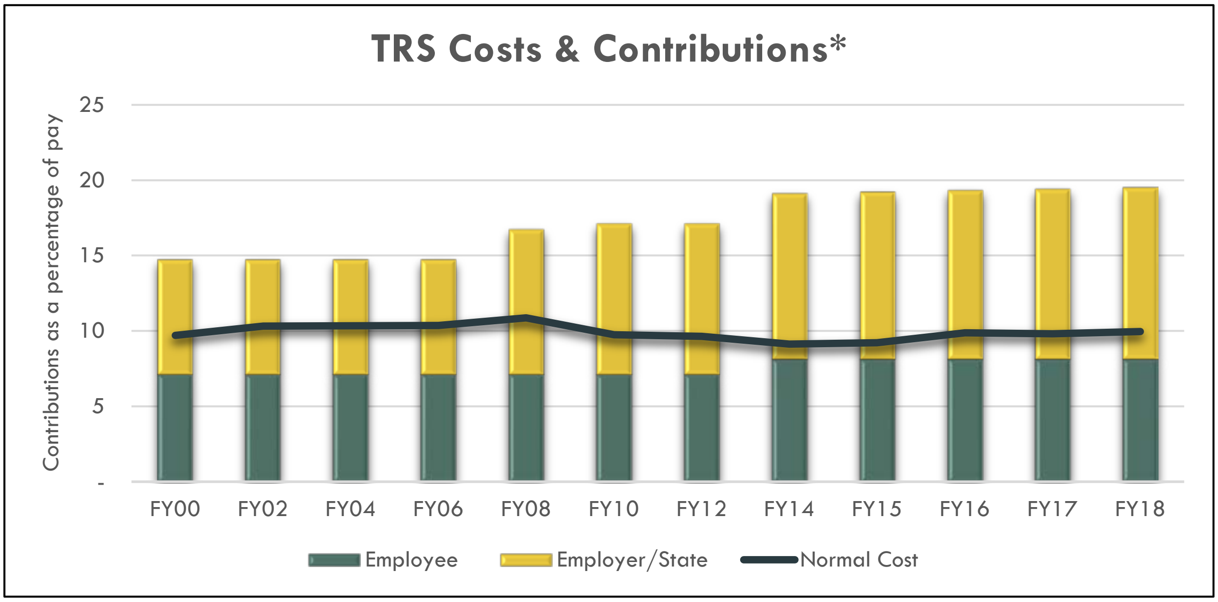
Notes:

* Increases by 0.1% each FY until June 30, 2024

** Terminates when amortization is 25 years or less

*** Increases 1% each FY

TRS



TRS Benefit Costs & Contributions				
Year	Normal Cost	Employee Contributions*	Employer/State Contributions*	Total Contributions
FY00	9.71%	7.15%	7.58%	14.73%
FY02	10.33	7.15	7.58	14.73
FY04	10.34	7.15	7.58	14.73
FY06	10.37	7.15	7.58	14.73
FY08	10.87	7.15	9.58	16.73
FY10	9.74	7.15	9.96	17.11
FY12	9.64	7.15	9.96	17.11
FY14	9.13	8.15	10.96	19.11
FY15	9.21	8.15	11.06	19.21
FY16	9.87	8.15	11.16	19.31
FY17	9.82	8.15	11.26	19.41
FY18	9.96	8.15	11.36	19.51

Notes:
* See the next two tables for details on the TRS employee and employer contribution rates.

Detail on TRS Employee Contributions - FY 2018			
	Base Contribution Rate Section 19-20-602, MCA	**Supplemental Contribution Rate Section 19-20-608, MCA**	**Total Employee Contribution**
Tier One Members hired before July 1, 2013	7.15%	1% The TRS Board may decrease this if the funded ratio is equal to or greater than 90%, and the amortization period is less than 15 years. After decreases, the TRS Board may increase this to a maximum of 1% if the funded ratio is equal to or less than 80%, and the amortization period is greater than 20 years. Any adjustments must be based on the average funded ratios and amortization periods of the last 3 actuarial valuations.	8.15%
Tier Two Members hired on or after July 1, 2013	8.15%	1% (not currently being imposed) The TRS Board may impose this supplemental contribution in increments of 0.5%, up to a maximum of 1% if TRS funded ratio is less than 80% and the amortization period is greater than 20 years. After increases, the TRS Board may decrease this rate if the funded ratio is equal to or greater than 90%, and the amortization period is less than 15 years. Any adjustments must be based on the average funded ratios and amortization periods of the last 3 actuarial valuations.	8.15% currently May be increased up to 9.15% maximum.

Detail on TRS Employer/State Contribution Rates – FY 2018						
	Employer Base Contribution (Section 19-20-605, MCA)	**Employer Additional Contribution** (Section 19-20-609, MCA)	**State Offset/ Supplemental From GF** (Section 19-20-607, MCA)	**General Fund** (Section 19-20-604, MCA)	**Total State GF Contribution**	**Total Employer and State GF Contribution**
State and University System*	9.85%	1.4%**	none	0.11%***	0.11%	11.36%
School District and Community Colleges	7.47%	1.4%**	2.38%	0.11%***	2.49%	11.36%
Additional contribution to TRS pension fund					$25 million each fiscal year	

Notes:

*The University System contributes to TRS and additional 4.72% of MUS-RP member payroll for its share of the TRS unfunded liability when the MUS-RP was created. However, the TRS FY18 actuarial valuation determined this amount should be raised to 10.22% to amortize this unfunded liability by July 1, 2033, as required in section 19-20-621, MCA.

** This contribution increases by 0.1% each FY until June 30, 2024, to a total increase of 2%. The TRS Board may decrease this supplemental rate if the funded ratio is equal to or greater than 90% and the amortization period is less than 15 years. After decreases, the TRS Board may increase this supplemental rate back up to a maximum of 1% if the funded ratio is equal to or less than 80% and the amortization period is greater than 20 years. Any adjustments must be based on the average funded ratio and amortization period for the last 3 actuarial valuations.

***This contribution terminates if amortization period will be 10 years or less.

DETAILED LEGISLATIVE HISTORY BY SYSTEM

The following tables show legislative changes made to the main provisions of each of the DB and DC retirement plans since 1995. Legislative changes to other various provisions, such as early retirement calculations, available benefit options, return to work provisions, etc., are not reflected in these tables. The tables are arranged in the following order:

- Teachers' Retirement System (TRS)
- Public Employees' Retirement System – Defined Benefit Plan (PERS-DB)
- Judges' Retirement System (JRS)
- Highway Patrol Officers' Retirement System (HPORS)
- Sheriffs' Retirement System (SRS)
- Game Wardens' and Peace Officers' Retirement System (GWPORS)
- Municipal Police Officers' Retirement System (MPORS)
- Firefighters' Unified Retirement System (FURS)
- Volunteer Firefighters' Compensation Act (VFCA)
- Public Employees' Retirement System – Defined Contribution Plan (PERS-DC)

TEACHERS' RETIREMENT SYSTEM CHANGES TO BASIC PROVISIONS BY SESSION YEAR Title 19, Chapter 20, MCA						
Session Year	**Benefit Formula**	**Vesting**	**Eligibility for Normal Retirement**	**Postretirement Increases**	**Employer / Other Contributions**	**Employee Contribution**
Provisions in 1995 MCA	1.66% x years of service x average final compensation AFC = highest avg pay for any consecutive 3 years	5 years	Age 60 and 25 years of service	<u>If retired before 7/1/1983:</u> - 50 cents for each year of service if monthly benefit is more than $500 but less than $1,000; or - $1 for each year of service if monthly benefit is $500 or less. <u>If retired before 7/1/1971:</u> a minimum of $400 a month <u>If receiving a benefit prior to 7/1/1971:</u> $1 a month increase for each year of service plus $2 per month for each year retired prior to 7/1/1971. <u>For retirees 55 years of age or older:</u> an amount calculated based on 90% of investment income earned above the actuarial amount required to fund the system within a 30-year amortization period	7.47%	7.044%
1997	No changes in these provisions					
1999				GABA enacted providing a 1.5% increase after a 3-year waiting period Minimum benefit for recipients on 7/1/1999 must be at least $500 if member had at least 25 years of service Other postretirement provisions repealed *(HB 72)*	State GF supplemental contribution added of 0.11% - terminates if amortization period is 10 years or less	Increased by 0.106%

2001				Minimum benefit increased to $600 a month who retired with 25 years or more of service TRS Board allowed to increase 1.5% to 3.0% if amortization after adjustment would be 25 years or less *(HB 294)*		
2003	No changes in these provisions					
2005					$100 million cash infusion from state GF during Dec. Special Session	
2007				Discretion to increase 1.5% GABA to 3% stricken	For state and university: 2% employer contribution increase on 7/1/2007 and another 0.38% increase on 7/1/2009 State supplemental contribution increase of 2% for school district and community college employers on 7/1/2007increasing by 0.38% on 7/1/2009 $50 million cash infusion from state GF *(HB 63)*	
2009-11	No changes in these provisions					

2013 **New hires on or after 7/1/2013 = Tier 2 members**	For new hires 7/1/2013: Benefits enhanced if retiree has 30 years or more of service, benefit formula multiplier is 1.85% for all years Average final compensation calculation increased from 3-year average to 5-year average *(HB 377)*		For new hires on and after 7/1/2013: Age 60 with 5 years of service *or* at least 30 years of service *(HB 377)*	For new hires 7/1/2013 (court invalidated reduction for active and retired members): GABA reduced to 0.5%, but may be increased to 1.5% if system is 90% funded and increase won't cause system to be less than 85% funded *(HB 377)*	Supplemental contribution: 1%, increasing by 0.1% each FY to total increase of 2%. *supplemental rate is adjustable based on funded ratio and amortization period Supplemental cash infusions: $25 million each FY from GF *(HB 377)*	New hires 7/1/2013: Contribution rate increased by 1% Supplemental contribution: For pre-7/1/2013 hires = 1% For post-7/1/2013 hires = 0.5% *supplemental rate is adjustable based on funded ratio and amortization period *(HB 377)*
2015-17	No changes in these provisions					

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
CHANGES TO BASIC PROVISIONS BY SESSION YEAR
Title 19, Chapter 3, MCA

Session Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	1.785% x years of service x final average salary (FAS) FAS = highest avg pay for any consecutive 36 months	5 years	Age 60 *or* 30 years of service regardless of age *or* Age 65 regardless of years of service	An amount calculated based on investment income earned above the actuarial amount required to fund the system within a 30-year amortization period	6.7%	6.7%
1997				1.5% GABA after 3-yr waiting period *(HB 170)*	6.8% 6.9% effective 7/1/1999 *0.1% state GF offset for local gov'ts and school districts *(HB 170)*	6.8% 6.9% effective 7/1/1999 *(HB 170)*
1999	*PERS-DC plan enacted *(HB 79)*					
2001	After 25 years of service, multiplier for all years of service is increased from 1.785% to 2.0% *(SB 306)*			1.5% GABA increased to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-05	No changes in these provisions					
2007				<u>For new hires 7/1/2007:</u> 3% GABA reduced to 1.5% *(HB 131)*	0.135% increase on 7/1/2007 0.27% increase on 7/1/2009 *Increases terminate if amortization is 25 years or less with termination	

					(HB 131)	
2009	No changes in these provisions					
2011	<u>New hires 7/1/2011- benefits reduced:</u> 1.5% for less than 10 years of service 1.78% for 10 to 29 years 2% for 30 or more years Highest Avg Compensation used = consecutive 60 months instead of 36 months *(HB 122)*		<u>New hires 7/1/2011 - eligibility thresholds increased:</u> Age 65 and 5 years of service *or* Age 70 regardless of service *(HB 122)*			<u>New hires 7/1/2011 :</u> 1% increase *(HB 122)*
2013				<u>For new hires 7/1/2013 (court invalidated applying cut to active and retired members):</u> 1.5% GABA is reduced by 0.1% for each 2% that system is below a 90% funded level and is 0% if amortization is 40 years or more *(HB 454)*	1% increase for FY 2014, increasing 0.1% each FY for a total increase of 2% (to FY 24) Reduced to 6.9% if amortization period would remain 25 years or less Coal tax revenue statutorily appropriated – about $33 million *(HB 454)*	<u>Pre-2011 hires - contributions increased:</u> 1 % increase Reduced for all to 6.9% if amortiz ation period would remain 25 years or less *(HB 454)*
2015-17	No changes in these provisions					

JUDGES RETIREMENT SYSTEM (JRS)
CHANGES TO BASIC PROVISIONS BY SESSION YEAR
Title 19, Chapter 5, MCA

Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	3.33% x years of service (up to 15 yrs) x current salary of sitting judge 1.785% x years of service (after 15 years) x current salary of sitting judge	5 years	Age 65 with at least 5 years of service	Benefit increases each time the current salary of a sitting judge is increased	6.0% Plus 34.71% from district court fees Plus 25% from supreme court fees Note: consistent shortfall in court fees, the JRS was not considered sound	7.0%
1997	Current salary of sitting judge replaced by "final average salary" = highest 36 months *change for pre-1997 hires depended on if judge elected GABA *(HB 170)*			1.5% GABA – 3-year waiting period Pre-7/1/1997 hires: may elect 1.5% GABA or stay with previous benefit based on current salary of sitting judge New hires on an after 7/1/1997: must be covered by 1.5% GABA *(HB 170)*	Court fees de-earmarked, deposited to GF Employer/state contribution to be 25.81% *(HB 170)*	
1999	No changes in these provisions					
2001			Retirement age reduced from age 65 to age 60 *(SB 370)*	GABA increased from 1.5% to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003 - 2015	No changes in these provisions					
2017 Nov. Special					Employer contribution suspended until 7/1/19 *(SB 1)*	

HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM (HPORS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR Title 19, Chapter 6, MCA						
Year	**Benefit Formula**	**Vesting**	**Eligibility for Normal Retirement**	**Postretirement Increases**	**Employer / Other Contributions**	**Employee Contribution**
Provisions in 1995 MCA	2.5% x final average compensation x years of service FAS = highest consecutive 36 months (3 years)	5 years	<u>Pre 7/1/1985:</u> 20 years of service regardless of age <u>Post 7/1/1985:</u> 20 years of service and age 50	Minimum benefit provision. 2.0% x years of service x current base salary of a probationary patrol officer Also, 25 cents of each motor vehicle registration fee used to fund a lump-sum payment to eligible recipients with 20 years or more of service	26.10% from source used to pay salaries 10.18% from driver's license fees Total rate = 36.28%	9.0 %
1997				<u>Pre-7/1/1997 hires:</u> may elect 1.5% GABA or stay with previous postretirement adjustment provisions <u>New hires on an after 7/1/1997:</u> must be covered by 1.5% GABA *(HB 170)*	.05% increase in contribution from source paying salaries .05% increase from drivers' license fees Total rate = 36.33% *(HB 170)*	.05% increase for members electing GABA and for new hires on and after 7/1/1997 9.05% *(HB 170)*
1999	No changes in these provisions					
2001				GABA increased from 1.5% to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-11	No changes in these provisions					

2013	Benefit increase all members – multiplier increased by .1% to 2.6% *(HB 336)*	New hires 7/1/2013 : Increased to 10 years *(HB 336)*		New hires 7/1/2013: GABA reduced to 1.5%, waiting period increased to 3 years *(HB 336)*	2% increase effective 7/1/2013 Total = 38.33% *(HB 336)*	Contribution increases Non-GABA: 4% increase, phased in as 1% increase each FY to total of 13% beginning 7/1/2016 GABA-covered: 4% increase, phased in as 1% increase each FY to total of 13.05% beginning 7/1/2016 *(HB 336)*
2015	Deferred Retirement Option Plan (DROP) enacted. *Allows a member eligible for retirement to continue employment and have retirement benefit paid into DROP account for lump-sum distribution upon actual retirement, DROP participant does not continue to earn benefits in HPORS. *(SB 238)*					
2017	No changes to these provisions					

SHERIFFS' RETIREMENT SYSTEM (SRS)
CHANGES TO BASIC PROVISIONS BY SESSION YEAR
Title 19, Chapter 7, MCA

Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	2.0834% x years of service x final average salary FAS = highest avg pay for any consecutive 36 months	15 years *or* 5 years if involuntarily terminated	20 years regardless of age	Investment income earned above the actuarial amount required to fund the system within a 30-year amortization period Eligible if age 55 and receiving a service retirement, or if receiving a disability or survivorship benefit	8.535%	7.865%
1997	Benefit multiplier increased to 2.5% *(HB 216)*	Reduced to 5 years, all members *(HB 216)*		1.5% GABA replaced previous provisions *(HB 170)*	Increased by 1.0% to 9.535% *(HB 216)*	Increased by 1.38% to 9.245% *(HB 216)*
1999	No changes in these provisions					
2001	Terminology updated. FAC changed to HAC HAC = Highest Average Compensation, not substantive *(HB 152)*			GABA increased to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-05	No changes in these provisions					
2007				<u>For new hires on or after 7/1/2007:</u> GABA reduced to 1.5% *(HB 131)*	Increased by: 0.29% on 7/1/2007 0.58% on 7/1/2009 Total = 10.115% *(HB 131)*	

2009	No changes to these provisions					
2011	<u>New hires 7/1/2011 - Benefit reduction:</u> HAC changed from highest 3-year average to highest 5-year average *(HB 135)*					
2013-15	No changes to these provisions					
2017					3% increase *Amt of increase is exempt from mill levy cap and increase terminates if amortization would remain at 25 years or less *(HB 383)*	1.25% increase to total of 10.495% *Increase terminates if amortization would remain at 25 years or less *(HB 383)*

GAMEWARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM (GWPORS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR Title 19, Chapter 8, MCA						
Year	**Benefit Formula**	**Vesting**	**Eligibility for Normal Retirement**	**Postretirement Increases**	**Employer / Other Contributions**	**Employee Contribution**
Provisions in 1995 MCA	2.0% x years of service x final average salary FAS = highest 36 consecutive months	10 years	Age 50 *and* at least 20 years of service	Investment income earned above the actuarial amount required to fund the system within a 30-year amortization period Minimum benefit if retired before 7/1/1989: 2.0% of a probationary state game warden's base monthly compensation Eligible for either or both above adjustments if age 55 and receiving a service retirement, or if receiving a disability or survivorship benefit	8.15%	7.9%
1997		Reduced to 5 years *(HB 174)*		1.5% GABA all members replaced adjustment based on investment earnings above assumed rate, but not the minimum benefit provision *(HB 170)*	Employer: 0.85% increase to 9.0% *(HB 170)*	0.6% increase to 8.5% *(HB 170)*
1999	No changes in these provisions					
2001	Benefit formula multiplier increased to 2.5% *(HB 74)* Terminology updated. FAC changed to HAC HAC = Highest Average			GABA increased from 1.5% to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		2.5% increase to 10.56%

	Compensation, not substantive *(HB 152)*					*(HB 74, HB 294, SB 89)*
2003-05	No changes in these provisions					
2007				For new hires 7/1/2007 – benefit reduction: GABA reduced to 1.5% *(HB 131)*		
2011	New hires 7/1/2011 – benefit reduction: HAC changed from highest 3-year average to highest 5-year average *(HB 134)*					
2013-17	No changes in these provisions					

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR Title 19, Chapter 9, MCA						
Year	**Benefit Formula**	**Vesting**	**Eligibility for Normal Retirement**	**Postretirement Increases**	**Employer / Other Contributions**	**Employee Contribution**
Provisions in 1995 MCA	Pre- 1977 members: 2.5% x base salary x years of service Base salary = avg salary in last year Post-1977 members: 2.5% x final avg compensation x years of service FAS = last 3 years	10 years	20 years of service regardless of age	Minimum benefit provision so the benefit paid must be at least ½ the salary of a newly confirmed policy officer in the city that last employed the member. Funded by earmarked insurance premium taxes.	14.36% State supplemental from insurance premium tax on motor vehicle and casualty insurance policies: 15.99%	Pre-7/1/1975 members: 7.8% Pre-7/1/1979 members: 9.0% Post-7/1/1979: 10.5%
1997		Reduced to 5 years *(HB 505)*		Pre-7/1/1997 hires: may elect 1.5% GABA or stay with previous benefit based on salary of probationary patrol officer New hires 7/1/1997: must be covered by 1.5% GABA *(HB 170)*	Employer increase of 0.04% to: 14.41% State supplemental: to of 13.38% increase to: 29.37% Insurance premium taxes de-earmarked, transferred to state GF *(HB 170, HB 173, HB 505)*	New hires 7/1/1997: 11% *(HB 170)*
1999						Contributions for all active members reduced

						by 2% *(SB 434)*
2001	Deferred Retirement Option Plan (DROP) enacted. *Allows a member eligible for retirement to continue employment and have retirement benefit paid into DROP account for lump-sum distribution upon actual retirement, DROP participant does not continue to earn benefits in MPORS. *(HB 452)*			GABA increased to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-17	No changes in these provisions					

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR Title 19, Chapter 13, MCA						
Year	**Benefit Formula**	**Vesting**	**Eligibility for Normal Retirement**	**Postretirement Increases**	**Employer / Other Contributions**	**Employee Contribution**
Provisions in 1995 MCA	<u>Hired before 7/1/1981:</u> With 20 or more years of service, 50% x last monthly compensation for first 20 years, 2.0% of LMC for each year after 20 years <u>Hired on or after 7/1/1981:</u> 2.0% x final average compensation x years of service FAC = highest 36 months (3 years)	10 years	20 years regardless of age	Benefit increased if amount is not at least the minimum set as summarized below: ½ regular monthly compensation paid to a confirmed active firefighter in the city that last employed the member	14.36% State GF supplemental: 24.21% 1.5% insurance premium tax paid on the firs portion of the direct premiums for the various minimum benefit provisions for postretirement increases.	7.8%
1997	Benefit multiplier increased to 2.5% per year, applied to all retirees (i.e., all service) LMC eliminated for pre7/1/1981 hires, all benefits calculated with FAC New formula for all retirees is 2.5% x FAC x years of service *(HB 430)*	Reduced to 5 years, all members *(HB 430)*		<u>Pre-7/1/1997 hires:</u> may elect 1.5% GABA or stay with previous minimum benefit provision <u>New hires on an after 7/1/1997:</u> must be covered by 1.5% GABA *(HB 170)*	State GF supplemental increased by 8.4% to total rate of 32.61% Insurance premium taxes de-earmarked, transferred to state GF *(HB 169, HB 170, HB 171, HB 173, HB 430)*	<u>If not covered by GABA:</u> 1.7% increase to total of 9.5% <u>If covered by GABA:</u> 2.9% increase to total of 10.7% *(HB 170 and HB 430)*
1999	No changes in these provisions					

2001				GABA increased 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-17	No changes in these provisions					

VOLUNTEER FIREFIGHTERS' COMPENSATION ACT (VFCA) CHANGES TO BASIC PROVISIONS BY SESSION YEAR Title 19, Chapter 17, MCA						
Year	**Benefit**	**Vesting**	**Eligibility for Normal Retirement**	**Postretirement Increases**	**Employer / Other Contributions**	**Employee Contribution**
Provisions in 1995 MCA	Basic benefit = $100 a month	Not applicable	20 years of service and age 55	None	5% of insurance premium taxes on risks enumerated in 19-18-512 Calculated before other amounts deducted.	Not applicable, firefighters not compensated
1997-99	No changes to these provisions					
2001	Basic benefit increased by $50 to $150 a month *(HB 523)*					
2003	If member continues service after completing 20 years and is at least age 55, entitled to $7.50 a month for each year of additional service up to 30 years *(HB 731)*					
2005	Age 55 requirement removed for eligibility to earn the additional $7.50 for additional service up to 30 years *(SB 197)*					
2007-09	No changes to these provisions					
2011	For members retired on or after 7/1/2011: *(SB 223)* For each year served after 30 years, member may receive the additional $7.50 a month per year of service greater than 30, but only if amortization period would remain 20 years or less. No contract right. The additional $7.50 is not paid if amortization period is greater than 20 years.					

2013	No changes to these provisions					
2015	Basic monthly benefit increased from $150 a month to $175 a month. *(HB 483)*					
2017	No changes to these provisions					

PUBLIC EMPLOYEES' RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLAN (PERS-DC)
CHANGES TO BASIC PROVISIONS BY SESSION YEAR
Title 19, Chapter 3, part 21, MCA

Session Year	Benefit	Vesting	Eligibility for Normal Retirement	Disability Provisions	Employer / Other Contributions	Employee Contribution
Enacted in 1999	Vested account balance through: - direct or regular rollover as specified - lump-sum distribution *(HB 79)*	Immediate for employee contributions and investment earnings 5 years for employer contributions and investment earnings *(HB 79)*	Upon termination of employment and membership *(HB 79)*	None	To member account: 4.49% Plan Choice Rate = amount of employer contribution allocated to PERS-DB plan and not to member's account: PCR = 2.37% Allocation to be adjusted by Board based on valuation of actual plan choice costs *(HB 79)*	Same as in PERS-DB plan, refer to PERS-DB plan table
2001				1.785% x FAS x years of service Member must be vested (5 years of service) Paid only until age 60 *(HB 63)* *Eligibility and benefit formula changes as PERS-DB plan disability changes – not further detailed in this table	Contribution to member account reduced to 4.19% 0.3% difference allocated to disability fund Allocation subject to adjustment by Board based on actuarial valuation *(HB 63)*	
2003-05	No changes in these provisions					

2007					GF appropriation of $1.4 million to pay off loan for start-up costs No change in allocation of contributions to member accounts *(HB 125)*	
2009-11	No changes in these provisions					
2013					1% employer contribution increase and 0.1% increase each year to a total of 2% increase to provide actuarial funding in PERS-DB plan is allocated to pay off PCR liabilities, then to disability fund, not allocated to member accounts *(HB 454)*	
2015					PCR liability fully paid off Legislation not necessary – allocation of employer contribution to member accounts was increased by 3.84% on the first pay date of the first month in 2016. Total employer contribution to member account = 8.13% Amount increases by 0.1% each FY through FY 24	
2017	No changes in these provisions					

Glossary and Acronyms

Actuarial Required Contribution (ARC) or Annual Required Contribution
The annual contribution rate required to amortize (pay off) a retirement system's unfunded liabilities over 30 years as determined by the retirement system's actuary.

Actuarial Valuation
An actuarial valuation is an analysis conducted by an actuary that helps estimate future costs or liabilities using economic and demographic assumptions. The assumptions are based on professional actuarial standards and involve a mix of statistical studies and experienced judgment.

Actuary
A certified and highly trained professional who applies actuarial methods (mathematical and statistical calculations) to measure, project, and help manage financial risks and uncertainty. Actuaries conduct actuarial valuations of defined benefit pension plans to determine present and future costs so that contributions to fund those systems may be set to ensure a plan is soundly funded.

Amortization Period
The amount of time required to pay off a retirement system's unfunded actuarial accrued liabilities, or UAAL, calculated by the retirement system's actuary based on projected contributions and investment earnings.

Defined Benefit Plan or DB Plan
A retirement plan in which contributions are pooled into a trust fund, that is then invested. An eligible retiree is entitled to a benefit amount that is defined by a formula based on the member's salary and years of service.

Defined Contribution Plan or DC Plan
A retirement plan in which a defined contribution is made into an individual account. The employee is given some control over investment decisions and is entitled to the account balance (i.e., contributions plus any investment earnings) upon retirement.

Funded Ratio
Current assets compared to current liabilities. When a plan is 100% funded, it means current assets are sufficient to pay 100% of current liabilities.

Guaranteed Annual Benefit Adjustment or GABA
An automatic increase in a retiree's benefit to help address increases in the cost-of-living or inflation.

MBOI
Montana Board of Investments, which is responsible for investing the assets of Montana's DB plans.

MPERA
The Montana Public Employee Retirement Administration, which is the agency that operates under the Public Employees' Retirement Board. MPERA administers 8 of the 11 statewide public employee retirement systems as well as the state's 457 deferred compensation plan. The 8 retirement systems administered by MPERA are as follows, listed from largest to smallest:

PERS - Public Employees' Retirement System
- PERS-DB plan
- PERS-DC plan (optional)

JRS - Judges' Retirement System (DB plan)

HPORS - Highway Patrol Officers' Retirement System (DB plan)

SRS - Sheriffs' Retirement System (DB plan)

GWPORS - Game Wardens' and Peace Officers' Retirement System (DB plan)

MPORS - Municipal Police Officers' Retirement System (DB plan)

FURS - Firefighters' Unified Retirement System (DB plan)

VFCA - Volunteer Firefighters' Compensation Act pension trust fund (DB plan)

Normal Cost
An amount calculated under an actuarial cost method required to fund accruing benefits for members of a defined benefit retirement plan during any year in the future. Normal cost does not include any portion of the supplemental costs of a retirement plan.

TRS
The Teachers Retirement System (a DB plan) administered under the Teachers' Retirement Board.

Unfunded Actuarial Accrued Liabilities (UAAL) or Unfunded Liabilities
The amount of a DB plan's actuarially-projected liabilities (i.e., present and future obligations to pay benefits and expenses) that are not covered by the value of its current and projected assets (i.e., contributions and investment earnings).