



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Public Employees' Retirement Board

For the Two Fiscal Years Ended June 30, 2010

DECEMBER 2010

10-08A

REPORT SUMMARY

The eight defined benefit retirement plans and the defined contribution plan had 20,782 active retirees or their beneficiaries receiving benefits and 36,892 active members not receiving benefits as of July 1, 2010. The Deferred Compensation (457) Plan had 4,760 participating plan members that were actively contributing to their accounts. The total benefits/distributions paid during fiscal year 2010 were \$264,941,960 and \$15,345,381 for the defined benefit plans and the defined contribution plans, respectively. The contributions and investment income of three of the Defined Benefit Retirement Plans administered by PERB are not sufficient to fund benefits earned by members of the plans.

Context

The PERB is a component unit of the state of Montana. It is an independent, seven-member board, appointed by the Governor to administer eight defined benefit plans and two defined contribution plans. The defined benefit pension trust funds include the Public Employees' Retirement System-Defined Benefit Retirement Plan, the Judges' Retirement System, the Highway Patrol Officers' Retirement System, the Sheriffs' Retirement System, the Game Wardens' and Peace Officers' Retirement System, the Municipal Police Officers' Retirement System, the Firefighters' Unified Retirement System, and the Volunteer Firefighters' Compensation Act. The defined contribution pension trust funds include the Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the Deferred Compensation (457) Plan.

The defined benefit plans provide pension, disability, and death benefits to eligible members. The monthly benefits are based on years of service and salary levels while still employed. The Volunteer Firefighters' Compensation Act provides pension, disability, and death benefits to volunteer firefighters who are members of eligible Montana volunteer fire companies, fire districts and fire service areas. Monthly benefits are based on years of service. The PERS-DCRP holds the contributions attributable to the employee and allows the employee to invest the contributions at his or her discretion, within approved investments.

The 457 Plan allows employees to set aside a portion of their salary each payday toward retirement while deferring state and federal income taxes until future years. PERB's revenues consist of employee contributions, employer contributions, and investment income. The expenses consist mainly of distributions to retirees or their beneficiaries.

Results

The Public Employees' Retirement System – Defined Benefit Retirement Plan (PERS-DBRP), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS), do not have sufficient resources to fund benefits earned by members of these systems as required by the Montana Constitution and state law.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the website at <http://leg.mt.gov/audit>. Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE Call toll-free 1-800-222-4446, or e-mail lad@mt.gov.