



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT Public Employees' Retirement Board For the Fiscal Year Ended June 30, 2012

FEBRUARY 2013

12-08A

REPORT SUMMARY

There are eight defined benefit plans and two defined contribution plans administered by PERB. As noted in the results section below, four of the defined benefit plans are actuarially unsound at June 30, 2012. For fiscal year 2012, PERB reported approximately 36,497 active members and 22,231 members receiving retirement or disability payments. In the 457 deferred compensation plan, PERB reported approximately 8,156 participating members of which 4,584 were actively contributing in fiscal year 2012.

Context

The PERB is an independent, seven-member board, appointed by the Governor to administer ten retirement systems consisting of eight defined benefit plans and two defined contribution plans accounted for in pension trust funds. The defined benefit plans include the Public Employees' Retirement System-Defined Benefit Retirement Plan, Judges' Retirement System, Highway Patrol Officers' Retirement System, Sheriffs' Retirement System, Game Wardens' and Peace Officers' Retirement System, Municipal Police Officers' Retirement System, Firefighters' Unified Retirement System, and the Volunteer Firefighters' Compensation Act. The two defined contribution plans are the Public Employees' Retirement System-Defined Contribution Retirement Plan and the Section 457 Deferred Compensation Plan.

Fiscal year 2012 additions to plan net assets were \$347.5 million in the defined benefit plans and \$47.4 million in the defined contribution plans. Fiscal year 2012 deductions to plan net assets were \$333.8 million in the defined benefit plans and \$22.0 million in the defined contribution plans.

Results

This report contains two recommendations. One recommendation relates to the actuarial soundness of four defined benefit plans. The Public Employees' Retirement System Defined Benefit Retirement Plan, Sheriffs' Retirement System, Game Wardens' and Peace Officers' Retirement System, and Highway Patrol Officers' Retirement System are not actuarially sound. The Montana Constitution requires public retirement systems to be funded on an actuarially sound basis.

The second recommendation relates to incomplete reconciliations in the 457 deferred compensation plan that resulted in an \$18 million misstatement on the state accounting records at fiscal year-end 2012.

Recommendation Concurrence	
Concur	2
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (12-08A) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>

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