A Report
to the
Montana
Legislature

Financial Audit

Public Employees' Retirement Board

For the Fiscal Year Ended June 30, 2019

December 2019

Legislative Audit Division

18-08B

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Financial Audits

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2017, was issued March 23, 2018. The Single Audit Report for the two fiscal years ended June 30, 2019, will be issued by March 31, 2020.

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LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

December 2019

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial audit report of the Public Employees' Retirement Board, a component unit of the state of Montana, for the fiscal year ended June 30, 2019. This report does not contain any recommendations for the board. Included in this report is the Independent Auditor's Report on page A-1 and the Report on Internal Control Over Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* on page B-1. We issued an unmodified opinion on the financial statements and the accompanying notes prepared by the board personnel. This indicates a reader can rely on the information presented. Also included in this report, prepared by board personnel, are Management's Discussion and Analysis, required supplementary information, and supplementary information.

The board's response to our audit can be found on page C-1 of the report. We thank the executive director and his staff for their assistance and cooperation throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Appointed and Administrative Officials

			Term Expires
Public Employees' Retirement Board	Marty Tuttle, President	Clancy	4/1/24
	Pepper Valdez, Vice President	Billings	4/1/20
	Robyn Driscoll	Billings	4/1/23
	Julie McKenna	Helena	4/1/22
	Maggie Peterson	Anaconda	4/1/24
	Sheena Wilson	Helena	4/1/23
	David Severson	Missoula	4/1/21

Administrative Officials

Dore Schwinden, Executive Director

Patricia Davis, Member Services Bureau Chief

Bill Holahan, Chief Legal Counsel

Hollie Resler, Fiscal Services Bureau Chief

Paul Lambeth, Information Systems Bureau Chief

For additional information concerning the Montana Public Employees' Retirement Board, contact:

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Financial Audit

Public Employees' Retirement Board

For the Fiscal Year Ended June 30, 2019

December 2019 18-08B Report Summary

Benefit payments for the defined benefit plans was $520 million in fiscal year 2019. In fiscal year 2019, approximately 1,400 members retired from the ten systems administered by MPERA. This is a decrease of approximately 18 percent, or 300 members, compared to fiscal year 2018. As in fiscal year 2018, three of the retirement systems remain actuarially unsound as of June 30, 2019.

Context

The Public Employees' Retirement Board (board) oversees ten defined benefit and defined contribution retirement plans and an Other Post Employment Benefit (OPEB) plan. The ten retirement plans are comprised of eight defined benefit plans and two defined contribution plans. 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, Firefighters' Unified Retirement System, and the Volunteer Firefighters' Compensation Act. The defined contribution plans include the Public Employees' Retirement System–Defined Benefit Contribution Retirement Plan and the Deferred Compensation Plan.

This report includes updated information on the actuarial soundness of the retirement systems, including information on the three systems that are not actuarially sound. We continue to monitor the actuarial soundness of the retirement systems, including the three systems that are not actuarially sound, but we make no recommendations at this time.

The following table summarizes financial information for the defined benefit and defined contribution plans:

	Defined Benefit Plans	Defined Contribution Plans
Contributions	$343 million	$52 million
Benefit Payments/ Distributions	$520 million	$38 million
Net Investment Income	$414 million	$55 million
Net Position, June 30, 2018	$7.7 billion	$796 million

We focused our audit work on significant activity on the financial statements which included investments, investment income, contributions, and benefits. We completed testing of state laws related to both employer and employee contributions as well as benefit payments to members. We also completed work over the board's information system to evaluate the automated processes for benefits and contributions. We reviewed the board's financial statements and note disclosures to determine whether they were complete and accurate.

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Results

The current report, and prior report, do not include any recommendations to the board. We have issued an unmodified opinion on the board's financial statements for fiscal year 2019, meaning the information presented within them can be relied upon. Material noncompliance related to the three systems that are not actuarially sound is discussed in our report starting on page B-1.

Chapter I – Introduction

Audit Scope

We performed a financial audit of the Public Employees' Retirement Board (board) for the fiscal year ended June 30, 2019. The objectives of our audit were to:

1. Determine whether the board's financial statements, and related notes to the financial statements, present fairly the board's fiduciary net position and changes in fiduciary net position for the fiscal year ended June 30, 2019.
2. Determine the board's compliance with selected state laws and regulations.
3. Obtain an understanding of the board's internal control systems to the extent necessary to support our audit of the board's financial statements, and if appropriate, make recommendations for improvement in internal controls.

We focused our audit work on significant activity on the financial statements which included investments, investment income, contributions, and benefits. We completed testing of state laws related to both employer and employee contributions as well as benefit payments to members. We also completed work over the board's information system to evaluate the automated processes for benefits and contributions. We reviewed the board's financial statements and note disclosures to determine whether they were complete and accurate.

Generally accepted accounting principles (GAAP) state assumptions can continue to be used in the calculation of the total pension liability until economic factors indicate they need to be updated. We considered whether any assumptions underlying the calculation of the total pension liability needed to be updated during the course of our audit work. We hire an independent actuary to review the reasonableness of the actuarial procedures, methods, and assumptions used by the board's actuary.

Testing was performed over key employee data for retirement system members used by the board's actuary to calculate the total pension liability. We performed testing in the Helena, Billings, Great Falls, Butte, Bozeman, Kalispell, and Missoula areas. Approximately 29 samples were completed at 19 participating employers to determine the accuracy and completeness of important member data including hire date, salary, and employment status. We did not identify any material errors in the testing of the census data to indicate the calculation of the total pension liability is inaccurate.

Background

The board is a fiduciary component unit of the state of Montana. The board consists of seven members appointed by the governor to five-year terms. The executive director and his staff perform daily administrative functions as directed by the board. The board administers ten retirement plans and an Other Post Employment Benefit (OPEB) plan. The board manages the following defined benefit plans:

- 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
- Volunteer Firefighters' Compensation Act

Each of these defined benefit funds provide pension, disability, and death benefits to eligible members and survivors. For all plans, except for the Volunteer Firefighters' Compensation Act, the monthly benefits are based on eligibility, years of service, and salary while employed. The Volunteer Firefighters' Compensation Act monthly benefits are based only on eligibility and years of service.

The board manages two defined contribution plans. The Public Employees' Retirement System–Defined Contribution Retirement Plan provides retirement and death benefits for plan members. The OPEB plan provides disability benefits for the members of the Public Employees' Retirement System–Defined Contribution Retirement Plan. The Deferred Compensation (457) Plan is a voluntary supplemental retirement savings plan for employees that are employed by the state, the Montana University System, or political subdivisions that contract with the plan. Members contribute a portion of their compensation to the plan.

Actuarial Soundness

Article VIII, Section 15, of the Montana Constitution requires the public retirement systems be funded on an actuarially sound basis. According to state law, a defined benefit retirement system is considered actuarially sound when contributions are sufficient to pay benefit obligations as they come due in the future and the unfunded liabilities can be amortized over a time period that does not exceed 30 years.

Table 1 shows the amortization periods for each defined benefit retirement system at June 30, 2019, and June 30, 2018.

Table 1
Defined Benefit Plan Amortization Periods

System	Amortization Period at June 30, 2019	Amortization Period at June 30, 2018
Public Employees' - Defined Benefit	36	38
Public Employees' - Defined Contribution Disability OPEB	0	0
Judges'	0	0
Highway Patrol Officers'	42	40
Sheriffs'	21	21
Game Wardens' and Peace Officers'	53	72
Municipal Police Officers'	18	20
Firefighters' Unified	9	10
Volunteer Firefighters' Compensation Act	5	5

Source: Compiled by the Legislative Audit Division from Public Employees' Retirement Board actuarial information.

The actuarial valuations as of June 30, 2019, indicate three systems are not actuarially sound: the Game Wardens' and Peace Officers' Retirement System, the Public Employees' Defined Benefit Retirement Plan, and the Highway Patrol Officers' Retirement System. These three systems were not actuarially sound for the fiscal year ended June 30, 2018. We consider this to be material noncompliance as noted in our report starting on page B-1.

The Public Employees' Defined Benefit Retirement Plan and the Game Wardens' and Peace Officers' Retirement System both saw decreases in the amortization periods for fiscal year 2019 when compared to fiscal year 2018. During the 2019 Legislative Session the board sought legislation increasing the contribution amounts for the Game Wardens' and Peace Officers' Retirement System. However, this legislation did not pass. The board expected improvements in the amortization period of the Public Employees' Defined Benefit Retirement Plan and did not seek any legislation related to this plan. The board is currently monitoring these two plans to determine if any additional action will be necessary in the next legislative session.

The Highway Patrol Officers' Retirement System saw an increase from 40 years to 42 years in the amortization period as of June 30, 2019. The board expected the amortization period would decrease from fiscal year 2018 to 2019. As a result, no legislation was sought in the 2019 Legislative Session. The increase in the amortization period is attributed mainly to a decrease in payroll, and related contributions, in this system. The board is working with the Department of Justice to determine what the most appropriate action is to make this system actuarially sound.

Since board officials are monitoring the funding status of the systems that are not actuarially sound, and continued effort has been made to work with the legislature, we make no recommendation at this time. We will continue to monitor and report on the actuarial soundness of the retirement systems and the board's compliance with the constitutional requirement.

Pension Liability

The notes to the financial statements disclose the total pension liability and net pension liability for each of the defined benefit systems. The total pension liability is the actuarial present value of projected benefit payments attributable to past periods of member service. The net pension liability is the total pension liability less the plan fiduciary net position. Table 2 shows the Net Pension Liability/(Asset) for the defined benefit plans at June 30, 2019, and June 30, 2018.

Table 2
Net Pension Liability/(Asset) by Defined Benefit Plans
(in thousands)

System	June 30, 2019 Net Pension Liability/(Asset)	June 30, 2018 Net Pension Liability/(Asset)	Increase/ (Decrease)
Public Employees' - Defined Benefit	$2,090,311	$2,087,141	$3,170
Judges'	$(39,567)	$(42,459)	$2,892
Highway Patrol Officers'	$84,950	$78,382	$6,568
Sheriffs'	$83,398	$75,172	$8,226
Game Wardens' and Peace Officers'	$40,665	$40,947	$(282)
Municipal Police Officers'	$199,044	$171,258	$27,786
Firefighters' Unified	$114,714	$115,171	$(457)
Volunteer Firefighters' Compensation Act	$6,907	$7,667	$(760)

Source: Compiled by the Legislative Audit Division from Public Employees' Retirement Board actuarial information.

Independent Auditor’s Report and Board Financial Statements

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying Statement of Fiduciary Net Position-Pension (And Other Employee Benefit) Trust Funds of the Public Employees' Retirement Board, a component unit of the state of Montana, as of June 30, 2019, and the related Statement of Changes in Fiduciary Net Position-Pension (And Other Employee Benefit) Trust Funds for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the board's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Public Employees' Retirement Board as of June 30, 2019, and the changes in fiduciary net position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis, Schedule of Changes in Multiple-Employer Plans Net Pension Liability/(Asset), Schedule of Changes in Single Employer Plans Net Pension Liability/(Asset), Schedule of Net Pension Liability/(Asset) for Multiple-Employer Plans, Schedule of Net Pension Liability/(Asset) for Single-Employer Plans, Schedule of Employer and Non-Employer (State) Contributions for Cost-Sharing Multiple-Employer Plans, Schedule of Employer Contributions for Single-Employer Plans, Schedule of Investment Returns for Multiple-Employer Plans, Schedule of Investment Returns for Single-Employer Plans, and the Schedule of Total OPEB (Healthcare) Liability and Related Ratios, Last Ten Fiscal Years, and related notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The following schedules are supplementary information presented for purposes of additional analysis and are not a required part of the financial statements: Schedule of Administrative Expenses, Schedule of Investment Expenses, Schedule of Professional/Consultant Fees; the Detail of Fiduciary Net Position (PERS-DBRP and PERS-DBEd); the Detail of Changes in Fiduciary Net Position

(PERS-DBRP and PERS-DBEd); the Detail of Fiduciary Net Position (PERS-DCRP, PERS-DCEd); and the Detail of Changes in Fiduciary Net Position (PERS-DCRP, PERS-DCEd) for the fiscal year ended June 30, 2019. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the board's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Jeane Carstensen-Garrett

Jeane Carstensen-Garrett, CPA
Audit Manager
Helena, MT

December 6, 2019

Public Employees' Retirement Board

A Component Unit of the State of Montana

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Montana Public Employees' Retirement Board's (PERB) financial presentation and performance of the plans administered by the PERB for the fiscal year ending June 30, 2019. Throughout this discussion and analysis units of measure (i.e., billions, millions, thousands) are approximate, being rounded up or down to the nearest tenth of the respective unit value.

Financial Highlights

Summary Statement of Fiduciary Net Position - All PERB Plans

(in thousands)	Defined Benefit Total		Change		Defined Contribution & 457 Total		Change	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
Total Assets	$ 7,730,149	$ 7,568,979	$ 161,170	2.1 %	$ 797,227	$ 730,994	$ 66,233	9.1 %
Deferred Outflow of Resources	11	3	8	266.7 %	1		1	
Total Liabilities	37,315	86,675	(49,360)	(56.9)%	1,022	897	125	13.9 %
Deferred Inflow of Resources	59	64	(5)	(7.8)%	9	10	(1)	(10.0)%
Total Fiduciary Net Position Restricted	**$ 7,692,786**	**$ 7,482,243**	**$ 210,543**	**2.8 %**	**$ 796,197**	**$ 730,087**	**$ 66,110**	**9.1 %**

The PERB's defined benefit plans combined total fiduciary net position increase of $210.5 million, or 2.8%, in fiscal year 2019 was primarily driven by total investments of $7.4 billion.

The PERB's defined contribution plans combined total fiduciary net position increase of $66.1 million, or 9.1%, in fiscal year 2019 was primarily attributed to the total investments of $793.2 million. Investments in members' defined contribution assets are self-directed, as participants direct their investment allocation to the various investment options. Therefore, the impact to net investment income is a result of the members' investment choices with varying degrees of risk and return potential.

Summary Statement of Changes in Fiduciary Net Position - All PERB Plans

(in thousands)	Defined Benefit Total		Change		Defined Contribution & 457 Total		Change	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
Total Additions	$ 758,437	$ 957,924	$ (199,487)	(20.8)%	$ 106,278	$ 97,693	$ 8,585	8.8 %
Total Deductions	547,950	515,586	32,364	6.3 %	40,168	41,533	(1,365)	(3.3)%
Net Increase / (Decrease) in Fiduciary Net Position	**$ 210,487**	**$ 442,338**	**$ (231,851)**	**(52.4)%**	**$ 66,110**	**$ 56,160**	**$ 9,950**	**17.7 %**
Prior Period Adjustment	$ 55	$ 586	$ (531)	(90.6)%		$ 104	$ (104)	

Below is a breakdown of the Additions and Deductions in the above *Summary Statement of Changes in Fiduciary Net Positions - All PERB Plans.*

(in thousands)	Defined Benefit Total		Change		Defined Contribution & 457 Total		Change	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
Additions (Major)								
Contributions	$ 343,278	$ 342,774	$ 504	0.1 %	$ 51,657	$ 48,798	$ 2,859	5.9 %
Net Investment Income (Loss)	415,159	615,150	(199,991)	(32.5)%	54,621	48,895	5,726	11.7 %
Deductions by Type								
Benefits and Refunds	539,733	506,017	33,716	6.7 %	37,948	39,048	(1,100)	(2.8)%
Administrative Expenses and Net Other Addition/ Deductions	8,217	9,569	(1,352)	(14.1)%	2,220	2,485	(265)	(10.7)%
Net Increase / (Decrease) in Fiduciary Net Position	**$ 210,487**	**$ 442,338**	**$ (231,851)**	**(52.4)%**	**$ 66,110**	**$ 56,160**	**$ 9,950**	**17.7 %**

Defined benefit plan revenues (additions to plan net position) and expenses (deductions to plan net position) for the PERB's fiscal year 2019.

- The Total contributions slightly increased from the prior year by $504 thousand primarily due to:
  - increases in state contributions;
  - increases in member contributions as a result of a slight increase in the active membership in most defined benefit plans; and,
  - increases in employer contributions as a result of the temporary increase of 0.1% yearly in the PERS-DBRP.
- Though the PERB's defined benefit plans total investments increased $132.9 million from fiscal year 2018 to $7.4 billion, the total net investment income decreased from the prior year by $200.0 million, or 32.5%. The money-weighted rate of return for fiscal year 2019 was 5.64% compared to 8.88% in fiscal year 2018. The 5.64% was below the actuarial assumed rate of return of 7.65% for fiscal year 2019.
- Total benefits and refunds increased by $33.7 million, or 6.7%, primarily due to an increase in retirees. There were less refunds processed this year.

- The total net other additions and deductions, which includes administrative expenses, decreased by $1.4 million, or 14.1%, primarily due to a decrease in expenses to administer the plans especially in decreased computer system costs.

Defined contribution plan revenues (additions to plan net position) and expenses (deductions to plan net position) for the PERB's fiscal year 2019.

- Total contributions increased by $2.9 million primarily due to:
    - an increase in PERS-DCRP member contributions as a result of an increase in active members, and
    - an increase in the employer contributions as a result of the temporary increase of 0.1% yearly in the PERS-DCRP.
- The total net investment income increased from the prior year by $5.7 million as a result of an increase in members contributing to the plan.
- Total distributions decreased by $1.1 million due to a decrease in members taking distributions.
- The total net other additions and deductions, which includes administrative expenses, decreased by $265 thousand due to a decrease of expenses to administer the plans, especially in decreased project costs.

Actuarial Funding Valuations

The PERB's defined benefit plans' funding objective is to meet long-term benefit obligations. As of June 30, 2019, the date of the latest actuarial valuation, four of the plans amortize the Unfunded Actuarial Liability (UAL) in 30 years or less:

- Sheriffs' Retirement System (SRS),
- Municipal Police Officers' Retirement System (MPORS),
- Firefighters' Unified Retirement System (FURS), and
- Volunteer Firefighters' Compensation Act (VFCA).

The plans that do not amortize the Unfunded Actuarial Liability in 30 years or less are:

- Public Employees' Retirement System (PERS),
- Highway Patrol Officers' Retirement System (HPORS), and
- Game Wardens' and Peace Officers' Retirement System (GWPORS).

The Judges' Retirement System (JRS) has an actuarial surplus. This means there are more assets than liabilities in the plan.

It is important to understand that this measure reflects the Actuarial Value of Assets for each defined benefit plan, which is currently greater than the actual fair value published in the financial statements. Investment earnings are critical to the defined benefit plans. The actuary uses a four-year smoothing method to determine the Actuarial Value of Assets. This method is used to reduce the impact of market volatility. Due to smoothing gains in 2016 and 2017, and smoothing losses in 2018 and 2019, return on actuarial value ranged from 6.93% to 7.28% for all systems. These ranges were less than the 7.65% actuarial assumed rate of return on investments, thus creating actuarial experience losses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PERB's financial reporting which is comprised of the following components:

(1) Basic Financial Statements
(2) Notes to the Basic Financial Statements
(3) Required Supplementary Information
(4) Other Supplementary Schedules

Collectively, this information presents the combined net position restricted for pension benefits for each of the plans administered by the PERB as of June 30, 2019. This financial information also summarizes the combined changes in net position restricted for pension benefits for the year then ended. The information in each of these components is briefly summarized as follows:

(1) Basic Financial Statements

For the fiscal year ended June 30, 2019, basic financial statements are presented for the fiduciary funds administered by MPERA, staff of the PERB. Fiduciary funds are used to pay for pension benefits and expenses. The fiduciary funds are comprised of 11 trust funds that consist of ten pension and one other post-employment benefit (OPEB).

- The Statement of Fiduciary Net Position is a point-in-time snapshot of the assets and liabilities and the resulting restricted fiduciary net position. This financial statement reflects the resources available to pay benefits to retirees and beneficiaries at the end of the fiscal year reported.

- The Statement of Changes in Fiduciary Net Position presents the changes in the restricted fiduciary net position during the fiscal year. Additions are primarily contributions from employers, members, and a nonemployer contributing entity, which includes state appropriations, as well as net investment income. Deductions include pension, disability, survivor and death benefit disbursements, distributions of contributions and interest, and administrative expenses.

(2) Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements are an integral part of the financial statements and provide additional information that is essential for a comprehensive understanding of the data provided in the financial statements. The information in the Notes to the Financial Statements is described as follows:

- **Note A** provides a summary of significant accounting policies including:

  A1. Basis of Presentation and Basis of Accounting;
  A2. Capital Assets and Equipment Used in Operations;
  A3. Operating Lease;

A4. Net Pension Liability of Employers;
A5. Other Post-Employment Benefits (OPEB for Healthcare);
A6. Method used to Value Investments.

- **Note B** provides information about litigation.

- **Note C** describes the membership and descriptions of each of the plans administered by the PERB. Summaries of benefit and contribution information are also provided.

(3) Required Supplementary Information

The required supplementary information (RSI) consists of:

- Schedule of Changes in the Multiple-Employer and Single-Employer Plans Net Pension Liability / (Asset);
- Schedule of Net Pension Liability / (Asset) for Multiple-Employer and Single-Employer Plans;
- Schedule of Employer Contributions for Multiple-Employer and Single-Employer Plans;
- Schedule of Investment Returns.

These schedules are intended to show information for the most recent 10 years. However, for all the schedules only the information for current year and the past five years is presented. Additional yearly data will be displayed as it becomes available.

The RSI also contains related notes concerning actuarial information of the defined benefit pension plans; Other Post-Employment Benefits (OPEB) for the State Healthcare Benefits and related notes to the OPEB plan.

(4) Other Supplementary Schedules

- Schedule of Administrative Expenses;
- Schedule of Investment Expenses; and
- Schedule of Professional / Consultant Fees.

Financial Analysis of the Systems – Defined Benefit Plans

Investments

The State of Montana Board of Investments (BOI), as authorized by state law, invests the defined benefit plans' assets in the *Consolidated Asset Pension Pool (CAPP)* and the *Montana Short Term Investment Pool (STIP)*. Each plan owns an equity position in the pools and receives proportionate investment income from the pools in accordance with respective ownership. Each plan's allocated share of the investment in the pool is shown in the *Statement of Fiduciary Net Position* of the plan. Investment gains and losses are reported in the *Statement of Changes in Fiduciary Net Position*.

Economic Conditions

The Board of Investments' Executive Director and Acting Chief Investment Officer, Dan Villa, had the following remarks on fiscal year 2019 economic conditions:

"Fiscal year 2019 saw net growth in the Consolidated Asset Pension Pool (CAPP) of 5.8% for the tenth consecutive year of positive returns. The since inception return performance for the Public Employee Retirement System (PERS) and Teachers Retirement System (TRS), by far the two largest systems, are 7.66% and 7.67% respectively. The net asset value (NAV) of CAPP grew by $l65.2 million over the fiscal year."

"The asset allocation established by the Board of Investments is meant to facilitate accomplishing the investment objectives of the respective CAPP participants by minimizing losses and maximizing gains in line with the Board's fiduciary obligations. This asset mix ensures diversification to protect against losses but also ensures gains are to the benefit of pensioners. Leading asset classes for FY2019 were Private Equity (9.3%), Investment Grade Credit (8.7%), Real Estate (8.4%), and High Yield (7.2%). TIPS (4.8%), Broad Fixed Income (7.9%), US Treasury and Agency (6.3%), Mortgage-Backed Securities (6.8%), and Diversifying Strategies (3.9%) all posted positive returns for the year. International Equity (.8%), Cash (2.3%), and Natural Resources (3.8%) returns blunted overall gains but did ensure broad market exposure to ensure positive returns over the long-term. Domestic Equity, the largest asset class, had a 6.8% return despite significant market volatility beginning in the first and second quarter of FY2019."

"Moving forward, the Board will have the opportunity to invest in longer duration assets which will carry an additional inherent premium. Investments in Real Estate, Private Equity, and Natural Resources may be a focus. Equities will remain the vast majority of the portfolio into the future, led by U.S. Domestic Equities."

"Returns may be challenged by prolonged international trade disputes, a global economic slowdown, and worldwide political uncertainty. Consumer spending will continue to buoy the U.S. economy and changes in sentiment could pose risks to the economy and, thus, CAPP returns."

"The Board will continue to examine its asset allocation, liquidity of individual pension plans, and economic conditions for opportunities to improve performance." (From Investment Letter written September 13, 2019)

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Fiduciary Net Position - Defined Benefit Plans

As of June 30, 2019 *- and comparative totals for June 30, 2018*

(dollars in thousands)

	PERS		PERS-DCRP DISABILITY OPEB		JRS		HPORS		SRS	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Assets:										
Cash and Receivables	$ 188,920	159,525	403	350	3,197	2,344	5,682	4,373	12,100	9,198
Securities Lending Collateral	27,174	36,793			482	653	699	947	1,735	2,284
Investments	5,716,675	5,652,706	4,734	4,111	101,339	100,269	147,047	145,457	364,915	350,935
Property and Equipment[1]	16	25								
Intangible Assets	1,214	1,398			356	410	303	348	357	410
Total Assets	5,933,999	5,850,447	5,137	4,461	105,374	103,676	153,731	151,125	379,107	362,827
Deferred Outflow of Resources	11	3								
Liabilities:										
Securities Lending Liability[2]	27,174	36,793			482	653	699	947	1,735	2,284
Other Payables[3]	1,193	31,033		5	7	373	255	979	149	1,664
Total Liabilities	28,367	67,826		5	489	1,026	954	1,926	1,884	3,948
Deferred Inflow of Resources	$ 59	64								
Total Net Position - restricted for pension benefits	$ 5,905,584	5,782,560	5,137	4,456	104,885	102,650	152,777	149,199	377,223	358,879

[1]Due to rounding to thousands instead of hundreds on this Comparative Statement, the Property and Equipment amounts for all systems, but PERS, will not show the 2019 figures. Therefore, the Total Net Position for 2019 will not tie to the Net Position - Restricted for Pension Benefits on the Statement of Fiduciary Net Position.

Changes In Fiduciary Net Position - Defined Benefit Plans

For the year ended June 30, 2019 *- and comparative totals for June 30, 2018*

(dollars in thousands)

	PERS		PERS-DCRP DISABILITY OPEB		JRS		HPORS		SRS	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Additions:										
Contributions	$ 244,106	243,877	465	431	517	1,660	8,080	8,495	19,188	18,835
Investment Income (Loss)	320,938	478,731	314	288	5,687	8,467	8,269	12,283	20,397	29,158
Total Additions	565,044	722,608	779	719	6,204	10,127	16,349	20,778	39,585	47,993
Deductions:										
Benefits	422,445	395,339	97	52	3,846	3,723	12,063	11,546	19,512	18,053
Refunds	12,769	13,345				149	582	322	1,484	1,554
OPEB Expenses	8	50								
Administrative Expenses	4,640	4,948			123	264	127	256	247	432
Miscellaneous Expenses[1]	2,201	2,267								
Total Deductions	442,063	415,949	97	52	3,969	4,136	12,772	12,124	21,243	20,039
Incr/(Decr) in Net Position	$ 122,981	306,659	682	667	2,235	5,991	3,577	8,654	18,342	27,954
Prior Period	44	528				5	2	6		11

[1]Miscellaneous Expenses includes transfers to all other plans.

GWPORS 2019	GWPORS 2018	MPORS 2019	MPORS 2018	FURS 2019	FURS 2018	VFCA 2019	VFCA 2018	TOTAL 2019	TOTAL 2018	Total Change	Total % of Change
$ 6,627	4,695	29,160	26,265	30,317	26,872	1,437	3,238	277,843	236,860	40,983	17.3 %
948	1,231	1,951	2,563	2,047	2,660	182	232	35,218	47,363	(12,145)	(25.6)%
199,466	189,125	410,397	393,802	430,646	408,718	38,342	35,568	7,413,561	7,280,691	132,870	1.8 %
								16	25	(9)	(36.0)%
357	410	319	367	315	363	290	334	3,511	4,040	(529)	(13.1)%
207,398	195,461	441,827	422,997	463,325	438,613	40,251	39,372	7,730,149	7,568,979	161,170	2.1 %
								11	3	8	266.7 %
948	1,231	1,951	2,563	2,047	2,660	182	232	35,218	47,363	(12,145)	(25.6)%
103	709	98	2,121	89	2,018	203	410	2,097	39,312	(37,215)	(94.7)%
1,051	1,940	2,049	4,684	2,136	4,678	385	642	37,315	86,675	(49,360)	(56.9)%
								59	64	(5)	(7.8)%
$ 206,347	193,521	439,778	418,313	461,189	433,935	39,866	38,730	7,692,786	7,482,243	210,543	2.8 %

GWPORS 2019	GWPORS 2018	MPORS 2019	MPORS 2018	FURS 2019	FURS 2018	VFCA 2019	VFCA 2018	TOTAL 2019	TOTAL 2018	Total Change	Total % of Change
$ 10,252	10,125	28,882	28,644	29,418	28,495	2,370	2,212	343,278	342,774	504	0.1 %
11,125	15,573	22,636	33,238	23,722	34,285	2,071	3,127	415,159	615,150	(199,991)	(32.5)%
21,377	25,698	51,518	61,882	53,140	62,780	4,441	5,339	758,437	957,924	(199,487)	(20.8)%
7,350	6,523	26,221	24,567	25,626	23,863	2,997	2,944	520,157	486,610	33,547	6.9 %
1,000	1,136	3,651	2,728	90	173			19,576	19,407	169	0.9 %
								8	50	(42)	(84.0)%
202	369	190	350	171	329	297	293	5,997	7,241	(1,244)	(17.2)%
						11	11	2,212	2,278	(66)	(2.9)%
8,552	8,028	30,062	27,645	25,887	24,365	3,305	3,248	547,950	515,586	32,364	6.3 %
$ 12,825	17,670	21,456	34,237	27,253	38,415	1,136	2,091	210,487	442,338	(231,851)	(52.4)%
	9	8	10	1	9		8	55	586	(531)	(90.6)%

Analysis of the Individual Defined Benefit Plans

The schedules of *Fiduciary Net Position* and *Changes in Fiduciary Net Position* for the defined benefit plans, including comparative totals from fiscal year 2018, are shown on the previous page.

PERS-DBRP and Education

The PERS-DBRP fiduciary net position restricted for pension benefits, the largest PERB defined benefit retirement fund, increased at June 30, 2019 to $5.9 billion, an increase of $123.0 million, or 2.1%, from the prior fiscal year.

Additions to the PERS-DBRP net position restricted for pension benefits include contributions from employer, member, and the state; a statutorily-appropriated contribution from the general fund; and investment income. For the fiscal year ended at June 30, 2019:

- Contributions increased from the prior fiscal year by $229.3 thousand, or 0.09%. Contributions slightly increased due to an increased employer contribution rate.
- The plan's total net investment income decreased from the prior fiscal year by $157.8 million, or 32.96%. The decrease is a result of a 5.70% market rate of return for the current fiscal year compared to 8.84% for fiscal year 2018. The 5.70% return is lower than the actuarial assumed rate of return of 7.65%.
- The statutorily-appropriated contribution from the State's general fund received for fiscal year 2019 was $33.6 million. This is recorded as *State Appropriations* on the financial statements.

Deductions from the PERS-DBRP net position restricted for pension benefits include retirement benefits, refunds, and administrative expenses. For fiscal year 2019:

- Benefits increased from the prior fiscal year by $27.1 million, or 6.9%. This is due to the increase in benefit recipients and the increase in the average recipient's benefit resulting from the guaranteed annual benefit adjustment (GABA).
- Refunds decreased from the prior fiscal year by $576.8 thousand, or 4.3%. The decrease is due to the number of members taking a refund decreasing.
- The costs of administering the plan's benefits decreased from the prior fiscal year by $307.8 thousand, or 6.2%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

PERS-DCRP DISABILITY OPEB

The DCRP Disability OPEB net position restricted for pension benefits at June 30, 2019 amounted to $5.1 million, an increase of $681 thousand, or 15.3%, from the prior fiscal year.

Additions to the DCRP Disability OPEB net position restricted for pension benefits include employer contributions and investment income. For fiscal year ended at June 30, 2019:

- Employer contributions increased from the prior fiscal year by $34 thousand or 7.9%. The increase is due to an increase in PERS-DCRP participants.
- The plan's total net investment income increased from the prior fiscal year by $26 thousand, or 9.1%. The increase is a result of solid growth in U.S. and global markets.

Deductions from the DCRP Disability OPEB net position restricted for pension benefits are disability retirement benefits. For fiscal year 2019, benefits had an increase of $44.7 thousand, or 85.3%, from the prior fiscal year. The increase is due to an increase in the number of benefit recipients.

JRS

The JRS net position restricted for pensions at June 30, 2019 amounted to $104.9 million, an increase of $2.2 million, or 2.2%, from the prior fiscal year.

Additions to the JRS net position restricted for pension benefits include member and employer contributions, and investment income. For the fiscal year ended at June 30, 2019:

- Contributions decreased from the prior fiscal year by $1.1 million, or 68.8%. The decrease is due to a moratorium on employer contributions starting January 1, 2018 and ending the last full pay period of June 2019.
- The plan's total net investment income decreased from the prior fiscal year by $2.8 million, or 32.8%. The decrease is a result of a 5.71% market rate of return for the current fiscal year compared to 8.84% for fiscal year 2018.The 5.71% return is lower than the assumed rate of return of 7.65%.

Deductions from the JRS net position restricted for pension benefits include retirement benefits and administrative expenses. For fiscal year 2019:

- Benefits increased from the prior fiscal year by $122.9 thousand, or 3.3%. The increase is due to an increase in the number of retirees and the average recipient's benefit resulting from the guaranteed annual benefit adjustment (GABA) or the minimum benefit adjustment for non-GABA recipients.
- Refunds decreased from the prior fiscal year by $149.1 thousand, or 100.0%. The decrease is due to refunds being uncommon in the JRS plan.
- Administrative expenses decreased from the prior fiscal year by $141.9 thousand, or 53.6%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

HPORS

The HPORS net position restricted for pensions at June 30, 2019 amounted to $152.8 million, an increase of $3.6 million, or 2.4%, from the prior fiscal year.

Additions to the HPORS net position restricted for pension benefits include employer and member contributions, a statutory appropriation from the general fund, and investment income. For the fiscal year ended at June 30, 2019:

- Contributions decreased from the prior fiscal year by $414.8 thousand, or 4.9%. The slight decrease is a result of a decrease in active members contributing to the plan and a decrease in the statutory appropriation from the general fund.
- The plan's total net investment income decreased from the prior fiscal year by $4.0 million, or 32.7%. The decrease is a result of a 5.72% market rate of return for the current fiscal year compared to 8.86% for fiscal year 2018. The 5.72% return is lower than the assumed rate of return of 7.65%.

Deductions from the HPORS net position restricted for pension benefits include retirement benefits, refunds, and administrative expenses. For fiscal year 2019:

- Benefits increased from the prior fiscal year by $516.9 thousand, or 4.5%. The slight increase

is due to an increase in benefit recipients and the increase in the average recipient's benefit resulting from the guaranteed annual benefit adjustment (GABA) or the minimum monthly benefit for non-GABA recipients.
- Refunds increased from the prior fiscal year by $260.5 thousand, or 81.0%. The increase was due to an increase in the number of refunds processed.
- Administrative expenses decreased from the prior fiscal year by $128.9 thousand, or 50.3%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

SRS

The SRS net position restricted for pension benefits at June 30, 2019 amounted to $377.2 million, an increase of $18.3 million, or 5.1%, from the prior fiscal year.

Additions to the SRS net position restricted for pension benefits include member and employer contributions, and investment income. For fiscal year ended at June 30, 2019:
- Contributions increased from the prior fiscal year by $353.1 thousand, or 1.9%. The increase is due to an increase in active members contributing to the plan.
- The plan's total net investment income decreased from the prior fiscal year by $8.8 million, or 30.0%. The decrease is a result of a 5.71% market rate of return for the current fiscal year compared to 8.83% for fiscal year 2018. The 5.71% return is lower than the assumed rate of return of 7.65%.

Deductions from the SRS net position restricted for pension benefits include retirement benefits, refunds, and administrative expenses. For fiscal year 2019:
- Benefits increased from the prior fiscal year by $1.5 million, or 8.1%. The increase is due to an increase in benefit recipients and the average recipient's benefit resulting from the guaranteed annual benefit adjustment (GABA).
- Refunds decreased from the prior fiscal year by $70.5 thousand, or 4.5%. The decrease is due to an decrease in the number of members taking a refund.
- Administrative expenses decreased from the prior fiscal year by $185.6 thousand, or 42.9%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

GWPORS

The GWPORS net position restricted for pension benefits at June 30, 2019, amounted to $206.3 million, an increase of $12.8 million, or 6.6%, from the prior fiscal year.

Additions to the GWPORS net position restricted for pension benefits include member and employer contributions, and investment income. For the fiscal year ended at June 30, 2019:
- Contributions increased from the prior fiscal year by $126.6 thousand, or 1.3%. The increase is due to an increase in active members contributing to the plan.
- The plan's total net investment income decreased from the prior fiscal year by $4.4 million, or 28.6%. The decrease is a result of a 5.72% market rate of return for the current fiscal year compared to 8.85% for fiscal year 2018. The 5.72% return is lower than the assumed rate of return of 7.65%.

Deductions from the GWPORS net position restricted for pensions include retirement benefits, refunds, and administrative expenses. For fiscal year 2019:

- Benefits increased from the prior fiscal year by $826.9 thousand, 12.7%. The increase is due to the increase in benefit recipients and the increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA).
- Refunds decreased from the prior fiscal year by $135.8 thousand, or 12.0%. The decrease is due to a decrease in refund requests from members.
- Administrative expenses decreased from the prior fiscal year by $167.1 thousand, or 45.3%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

MPORS

The MPORS net position restricted for pension benefits at June 30, 2019 amounted to $439.8 million, an increase of $21.5 million, or 5.1%, from the prior fiscal year.

Additions to the MPORS net position restricted for pension benefits include employer, member, and state contributions, and investment income. For the fiscal year ended June 30, 2019:

- Contributions increased from the prior fiscal year by $237.2 thousand, or 0.8%. Contributions increased due to an increase in active members contributing to the plan.
- The plan's total net investment income decreased from the prior fiscal year by $10.6 million, or 31.9%. The decrease is a result of a 5.72% market rate of return for current fiscal year compared to 8.83% for fiscal year 2018. The 5.72% return is lower than the assumed rate of return of 7.65%.

Deductions from the MPORS net position restricted for pension benefits include retirement benefits, refunds, and administrative expenses. For fiscal year 2019:

- Benefits increased from the prior fiscal year by $1.7 million, or 6.7%. The increase is due to the increase in benefit recipients and the increase in the average recipient's benefit resulting from the guaranteed annual benefit adjustment (GABA) or the minimum benefit adjustment for non-GABA recipients.
- Refunds increased from the prior fiscal year by $923.1 thousand, or 33.8%. The increase is due to an increase of refund requests from members.
- Administrative expenses decreased from the prior fiscal year by $160.3 thousand, or 45.8%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

FURS

The FURS net position restricted for pension benefits at June 30, 2019, amounted to $461.2 million, an increase of $27.3 million, or 6.3% from the prior fiscal year.

Additions to the FURS net position restricted for pension benefits include employer, member, and state contributions, and investment income. For the fiscal year ended June 30, 2019:

- Contributions increased from the prior fiscal year by $922.3 thousand, or 3.2%. Contributions increased due to an increase of active members contributing to the plan.
- The plan's total net investment income decreased from the prior fiscal year by $10.6 million, or 30.8%. The decrease is a result of a 5.72% market rate of return for current fiscal year

compared to 8.83% for fiscal year 2018. The 5.72% return is lower than the assumed rate of return of 7.65%.

Deductions from the FURS net position restricted for pension benefits include retirement benefits, refunds, and administrative expenses. For fiscal year 2019:

- Benefits increased from the prior fiscal year by $1.8 million, or 7.4%. The increase is due to the increase in benefit recipients and the increase in the average recipient's benefit resulting from the guaranteed annual benefit adjustment (GABA) or the minimum benefit adjustment for non-GABA recipients.
- Refunds decreased from the prior fiscal year by $83.5 thousand, or 48.2%. The decrease is due to a decrease in refund requests from members and smaller refund amounts.
- Administrative expenses decreased from the prior fiscal year by $158.4 thousand, or 48.1%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

VFCA

The VFCA net position restricted for pension benefits at June 30, 2019 amounted to $39.9 million, an increase of $1.1 million, or 2.9%, from the prior fiscal year.

Additions to the VFCA net position restricted for pension benefits include state contributions and investment income. For the fiscal year ended June 30, 2019:

- Contributions increased from the prior fiscal year by $158.3 thousand, or 7.2%. The increase is due to increased fire insurance premium taxes distributed to the VFCA from the general fund.
- The plan's total net investment income decreased from the prior year by $1.1 million, or 33.8%. The decrease is a result of a 5.70% market rate of return for current fiscal year compared to 8.84% for fiscal year 2018. The 5.70% return is lower than the assumed rate of return of 7.65%.

Deductions from the VFCA net position restricted for pension benefits include retirement benefits, administrative expenses, and supplemental insurance payments. For fiscal year 2019:

- Benefits increased from the prior fiscal year by $52.8 thousand, or 1.8%. The increase is due to the increase in benefit recipients.
- Administrative expenses increased from the prior fiscal year by $3.7 thousand, or 1.3%. The increase is primarily due to a change in distribution of administrative costs for all plans this fiscal year.
- Supplemental insurance payments decreased from the prior fiscal year by $300. The decrease is due to a decrease of supplemental insurance claims by VFCA companies.

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Fiduciary Net Position - Defined Contribution Plans

***As of June 30, 2019** - and comparative totals for June 30, 2018*

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL		Total Change	Total % of Change
	2019	2018	2019	2018	2019	2018		
Assets:								
Cash and Receivables	$ 2,671	2,313	740	704	3,411	3,017	394	13.1 %
Securities Lending Collateral								
Investments	260,973	225,634	532,205	501,608	793,178	727,242	65,936	9.1 %
Property and Equipment	2	3	2	2	4	5	(1)	(20.0)%
Intangible Assets	290	334	344	396	634	730	(96)	(13.2)%
Total Assets	263,936	228,284	533,291	502,710	797,227	730,994	66,233	9.1 %
Deferred Outflow of Resources*	1				1		1	
Liabilities:								
Other Payables	723	494	299	403	1,022	897	125	13.9 %
Total Liabilities	723	494	299	403	1,022	897	125	13.9 %
Deferred Inflow of Resources	$ 6	7	3	3	9	10	(1)	(10.0)%
Total Net Position - restricted for pension benefits	$ 263,208	227,783	532,989	502,304	796,197	730,087	66,110	9.1 %

* Deferred Outflow of Resources less than $1,000 will not appear on this statement

Changes in Fiduciary Net Position - Defined Contribution Plans

***For the year ended June 30, 2019** - and comparative totals for June 30, 2018*

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL		Total Change	Total % of Change
	2019	2018	2019	2018	2019	2018		
Additions:								
Contributions	$ 27,403	25,255	24,254	23,543	51,657	48,798	2,859	5.9 %
Investment Income (Loss)	17,962	19,602	36,659	29,293	54,621	48,895	5,726	11.7 %
Total Additions	45,365	44,857	60,913	52,836	106,278	97,693	8,585	8.8 %
Deductions:								
Benefits								
Distributions	9,022	9,746	28,926	29,302	37,948	39,048	(1,100)	(2.8)%
OPEB Expenses	1	5		3	1	8	(7)	(87.5)%
Administrative Expenses	633	749	427	563	1,060	1,312	(252)	(19.2)%
Miscellaneous Expenses	284	267	875	898	1,159	1,165	(6)	(0.5)%
Total Deductions	9,940	10,767	30,228	30,766	40,168	41,533	(1,365)	(3.3)%
Incr/(Decr) in Net Position	$ 35,425	34,090	30,685	22,070	66,110	56,160	9,950	17.7 %
Prior Period		61		43		104	(104)	

Analysis of the Defined Contribution Plans

The PERB administers two defined contribution plans: *The Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP)* and the *Deferred Compensation (457) Plan.* The schedules of *Fiduciary Net Position* and *Changes in Fiduciary Net Position* for the two defined contribution plans, including comparative totals from fiscal year 2018, are presented above.

PERS-DCRP

The PERS-DCRP net position restricted for pension benefits at June 30, 2019, amounted to $263.2 million, an increase of $35.4 million, or 15.6%, from the prior fiscal year.

Additions to the PERS-DCRP net position restricted for pension benefits include contributions and investment income. For the fiscal year ended June 30, 2019:

- Contributions increased from the prior fiscal year by $2.1 million, or 8.5%. Total compensation increased as a result of an increase in active participants and an increase in employer contribution rates.
- The plan's net investment income decreased from the prior fiscal year by $1.6 million, or 8.4%. The decrease is a result of market returns being lower due to market volatility.

Deductions from the PERS-DCRP net position restricted for pension benefits include member and beneficiary distributions, administrative expenses, and miscellaneous expenses. For fiscal year 2019:

- Distributions decreased from the prior fiscal year by $724 thousand, or 7.4%. The decrease in distributions was due to less defined contribution members taking IRS permitted rollovers and periodic or lump sum distributions taken at smaller dollar amounts.
- The costs of administering the plan decreased from the prior fiscal year by $116 thousand, or 15.47%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

Miscellaneous expenses are the PERB's administrative fees assessed by the vendors based on account balances. Miscellaneous expenses increased from the prior fiscal year by $18 thousand, or 6.6%. The increase is due to the increased number of members investing in the plan.

Deferred Compensation (457(b)) Plan

The Deferred Compensation net position restricted for pension benefits at June 30, 2019 amounted to $533.0 million, an increase of $30.7 million, or 6.1%, from the prior fiscal year.

Additions to the Deferred Compensation Plan net position restricted for pension benefits include contributions and investment income. For fiscal year ended June 30, 2019:

- Contributions increased from the prior fiscal year by $711 thousand, or 3.0%. The increase is due to an increase in participants contributing to the plan.
- The plan's net investment income increased from prior fiscal year by $7.4 million, or 25.2%. The increase is a result of participants diversely investing their money.

Deductions from the Deferred Compensation Plan net position restricted for pension benefits include member and beneficiary distributions, administrative expenses, and miscellaneous expenses. For fiscal year 2019:

- Distributions decreased from the prior fiscal year by $376 thousand, or 1.3%. The decrease is due to less deferred compensation participants taking distributions.
- The administrative expenses decreased from the prior fiscal year by $136 thousand, or 24.2%. The decrease is primarily due to the costs in consulting and professional services pertaining to the computer system project decreasing.

Miscellaneous expenses are the PERB's administrative fees assessed by the vendors based on account balances. Miscellaneous expenses decreased from the prior fiscal year by $23 thousand, or 2.6%. The decrease is due to a slight decrease in participant account balances.

Actuarial Valuations and Funding Progress

The PERB's consulting actuary conducts two actuarial valuations on an annual basis for each PERB defined benefit retirement plans and the DC Disability OPEB plan: one for GASB-compliant "financial reporting purposes, and the other for "traditional "funding" purposes. Results of each are highlighted in the following paragraphs.

GASB Statements No. 67 and No. 68 Actuarial Valuations

This is the sixth year since the PERB implemented pension accounting and financial reporting standards authorized by the Governmental Accounting Standards Board (GASB). To comply with GASB Statement No. 67, *Financial Reporting for Pensions, an amendment of GASB Statement No. 25*, the PERB relied upon its consulting actuary to compute the total pension liability, net pension liability, pension income or expense, and deferred outflows and deferred inflows of resources for each of its defined benefit retirement funds as of June 30, 2019. The PERB's participating governmental employers are required to report their respective shares of these amounts in their financial statements in compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.*

For PERB's largest cost-sharing, multiple-employer defined benefit plan, the Public Employees Retirement System (PERS), the June 30, 2019, GASB-compliant actuarial valuation report revealed a net pension liability of $2.090 billion. This is an increase from the fiscal year 2018 net pension liability of $2.087 billion. As a result of this June 30, 2019 actuarial valuation, the plan's fiduciary net position as a percentage of the total pension liability was 73.85%, increasing 0.38% from the ratio of 73.47% reported as of June 30, 2018.

Additional information on the GASB-compliant actuarial valuation results for PERB's defined benefit retirement plans may be found in the *Financial Section* of this report in: *Note 4 Net Pension Liability of Employers* and in the *Required Supplementary Information (RSI)*.

Funding Actuarial Valuations

A traditional funding actuarial valuation of each of the defined benefit plans and the DCRP Disability OPEB plan is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress, and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ending June 30, 2019.

The experience study performed during fiscal year 2017 for the six-year period of July 1, 2010 to June 30, 2016 resulted in changes to the demographic and economic actuarial assumptions and implementation of new actuarial factors. These were used in the June 30, 2019 actuarial valuation.

The PERB's funding objective is to meet long-term benefit obligations through investment income and contributions. Employer and member contributions and other contributions for some systems, and the income from investments provide the cash flow needed to finance future retirement benefits. The Actuarial Determined Contribution (ADC) is a critical component of funding for defined benefit plans. The ADC, as defined by GASB, is a target or recommended contribution to a defined benefit pension plan for the reporting period.

Investment earnings are also critical to the defined benefit plans' funding; investment losses deteriorate the plans' funding. The asset smoothing methods utilized by the plans limits the impacts to four years. The funding status for all defined benefit plans increased in the latest valuation, except for JRS which had a slight decrease.

As required by Article VIII, section 15, of the Montana Constitution and section 19-2-409, MCA, the public retirement plans are to be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded actuarial accrued liability amortization period is 30 years or less. According to the PERB's June 30, 2019 actuarial valuations, the unfunded liability of PERS-DBRP, HPORS and GWPORS does not amortize within 30 years.

Overall, funding ratios range from a high of 161.23% (JRS) to a low of 69.23% (MPORS). The *Schedule of Funding Progress*, in the *Actuarial Section* of this report, shows the funding for the last ten fiscal years. The table also shows the amount by which actuarial assets exceeded or fell short of actuarial liabilities. The actuary performs a smoothing of investment gains or losses over a period of four years. At June 30, 2019, the actuarial value of assets of all plans was more than the market value of assets by $4.1 million due to an average positive 5.58% market return in fiscal year 2019.

The changes in the unfunded actuarial accrued liability is shown in the table below. Additional information about the funding actuarial valuation results for each defined benefit fund can be found in the *Actuarial Section* of this report.

Changes in the Unfunded Actuarial Accrued Liability (UAAL)

System	June 30, 2018 Valuation UAAL	June 30, 2019 Expected UAAL	Total UAAL (Gain)/Loss	June 30, 2019 Valuation UAAL
PERS-DBRP	$ 2,024,848,350	$ 2,054,531,982	$ (685,133)	$ 2,053,846,849
PERS-LTD	(101,161)	(175,055)	(66,213)	(241,268)
JRS	(38,451,404)	(40,025,562)	183,038	(39,842,524)
HPORS	82,678,033	84,203,674	(249,533)	83,954,141
SRS	82,810,807	81,738,037	3,572,815	85,310,852
GWPORS	39,228,271	39,806,979	(1,181,073)	38,625,906
MPORS	197,447,549	194,790,720	1,509,633	196,300,383
FURS	119,146,255	110,323,190	5,695,009	116,018,199
VFCA	7,984,367	6,552,213	638,970	7,191,183

Asset gains decrease the UAAL and losses increase the UAAL.

An analysis of actuarial gains or losses is performed by the PERB's consulting actuary in conjunction with all regularly scheduled valuations. Each gain or loss represents the actuary's estimate of how much the given type of experience caused the Unfunded Actuarial Liability (UAL) or Funding Reserve to change in the period since the previous actuarial valuation. Demographic sources are approximate and the demographic experience is analyzed in greater detail in the actuary's periodic experience studies, with the last one performed during fiscal year 2017. Non-recurring gains and losses result from changes in the actuarial assumptions and benefit improvements. Asset gains decrease the expected UAL and asset losses increase the expected UAL. Refer to the *Summary of Actuarial (Gain)/Loss by Source* schedule in the Actuarial Section for a breakdown of the liabilities.

Additional information about the funding actuarial valuation results for each defined benefit fund may be found in the *Actuarial Section* of this report.

Request for Information

This financial report is intended to provide a general overview of the PERB's financial position as of June 30, 2019, and the results of the financial activities for fiscal year 2019. If you have any questions or comments concerning the contents of this report, please contact Montana Public Employee Retirement Administration:

- By mail at 100 N. Park, Suite 200, PO Box 200131, Helena, Montana 59620-0131,
- By telephone 1-406-444-3154 or toll-free 1-877-275-7372, or
- Via e-mail at mpera@mt.gov.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Fiduciary Net Position - Pension (And Other Employee Benefit) Trust Funds

as of June 30, 2019

	PERS-DBRP	PERS-DCRP DISABILITY OPEB	JRS	HPORS	SRS	GWPORS
Assets						
Cash and Short-term Investments	$ 184,597,299	396,500	3,185,615	5,549,201	11,701,566	6,577,519
Securities Lending Collateral (Note A6)	27,173,882		481,710	698,981	1,734,601	948,151
Receivables						
Interest	368,510	759	6,139	9,377	23,531	12,908
Accounts Receivable	3,335,401	5,611	4,757	123,381	375,303	35,968
Due from Other Funds	605,258					
Due from Primary Government						
Notes Receivable	12,762					
Total Receivables	4,321,931	6,370	10,896	132,758	398,834	48,876
Investments, at fair value (Note A6)						
Commingled Equity Securities		4,734,434				
CAPP Investment Pool	5,716,675,412		101,339,145	147,047,314	364,914,804	199,466,319
Defined Contributions Fixed Investments						
Defined Contributions Variable Investments						
Deferred Compensation Life Insurance						
Total Investments	5,716,675,412	4,734,434	101,339,145	147,047,314	364,914,804	199,466,319
Capital Assets						
Property and Equipment, at cost,						
net of Accumulated Depreciation (Note A2)	16,403		366	311	366	366
Intangible Assets at cost,						
net of amortization expense	1,214,386		356,441	302,560	356,441	356,441
Total Capital Assets	1,230,789		356,807	302,871	356,807	356,807
Total Assets	5,933,999,313	5,137,304	105,374,173	153,731,125	379,106,612	207,397,672
Deferred Outflow of Resources - OPEB	11,201					
Liabilities						
Securities Lending Liability	27,173,882		481,710	698,981	1,734,601	948,151
Accounts Payable	409,377		203	218,310	15,560	10,649
Unearned Revenue	384,430	8	589	7,768	3,664	6,450
Due to Other Funds			6,034	28,439	129,939	85,457
Compensated Absences	312,398					
OPEB Implicit Rate Subsidy LT	87,315					
Total Liabilities	28,367,402	8	488,536	953,498	1,883,764	1,050,707
Deferred Inflow of Resources - OPEB	58,936					
Net Position - Restricted for Pension Benefits	$ 5,905,584,176	5,137,296	104,885,637	152,777,627	377,222,848	206,346,965

The notes to the financial statements are an integral part of this statement.

			Defined Benefit Pension Plans	Defined Contribution Plans			
MPORS	FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	Total Pension Trust Funds
12,849,805	13,534,755	1,429,197	239,821,457	2,428,593	275,572	2,704,165	242,525,622
1,950,796	2,047,052	182,258	35,217,431				35,217,431
25,719	26,999	2,463	476,405	3,122	543	3,665	480,070
303,063	148,829	4,480	4,336,793	239,320	464,277	703,597	5,040,390
			605,258				605,258
15,981,505	16,605,850		32,587,355				32,587,355
			12,762				12,762
16,310,287	16,781,678	6,943	38,018,573	242,442	464,820	707,262	38,725,835
			4,734,434				4,734,434
410,396,571	430,646,377	38,342,398	7,408,828,340				7,408,828,340
				16,945,434	234,139,873	251,085,307	251,085,307
				244,027,337	298,052,806	542,080,143	542,080,143
					12,316	12,316	12,316
410,396,571	430,646,377	38,342,398	7,413,562,774	260,972,771	532,204,995	793,177,766	8,206,740,540
328	324	298	18,762	2,049	1,738	3,787	22,549
319,139	314,994	290,126	3,510,528	290,126	344,007	634,133	4,144,661
319,467	315,318	290,424	3,529,290	292,175	345,745	637,920	4,167,210
441,826,926	463,325,180	40,251,220	7,730,149,525	263,935,981	533,291,132	797,227,113	8,527,376,638
			11,201	1,090	455	1,545	12,746
1,950,796	2,047,052	182,258	35,217,431				35,217,431
3,249	1,391		658,739	666,733	269,792	936,525	1,595,264
9,355	19,772	953	432,989	428	200	628	433,617
85,596	67,822	201,971	605,258				605,258
			312,398	46,939	24,921	71,860	384,258
			87,315	8,842	4,245	13,087	100,402
2,048,996	2,136,037	385,182	37,314,130	722,942	299,158	1,022,100	38,336,230
			58,936	6,036	3,003	9,039	67,975
439,777,930	461,189,143	39,866,038	7,692,787,660	263,208,093	532,989,426	796,197,519	8,488,985,179

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Changes in Fiduciary Net Position - Pension (And Other Employee Benefit) Trust Funds

for the year ended June 30, 2019

		PERS-DBRP	PERS-DCRP DISABILITY OPEB	JRS	HPORS	SRS	GWPORS
Additions							
Contributions (Note C)							
Employer	$	107,852,604	464,674		5,845,988	10,565,093	4,688,129
Plan Member		101,600,460		516,777	2,001,852	8,613,753	5,563,650
Interest Reserve Buyback		112,775			467	2,182	1,977
Retirement Incentive Program		1,221					
Miscellaneous Revenue		(103,209)	7	(281)	(1,079)	7,466	(1,869)
State Contributions		1,026,994			233,139		
State Appropriations		33,615,000					
Nonvested Member Forfeitures							
Total Contributions		244,105,845	464,681	516,496	8,080,367	19,188,494	10,251,887
Investments (Note A6, Note A8)							
Net Appreciation (Depreciation)							
in Fair Value of Investments		352,531,837	313,844	6,251,974	9,083,681	22,383,941	12,206,934
Interest		3,684,822	7,801	60,196	93,218	234,068	124,408
Dividends							
Investment Expense		(36,002,624)	(7,435)	(637,775)	(926,708)	(2,267,168)	(1,231,417)
Net Investment Income		320,214,035	314,210	5,674,395	8,250,191	20,350,841	11,099,925
Securities Lending Income							
Securities Lending Income		1,453,616		25,761	37,416	91,523	49,718
Securities Lending Rebate and Fees		(729,473)		(12,928)	(18,777)	(45,929)	(24,950)
Net Securities Lending Income		724,143		12,833	18,639	45,594	24,768
Total Net Investment Income		320,938,178	314,210	5,687,228	8,268,830	20,396,435	11,124,693
Total Additions		565,044,023	778,891	6,203,724	16,349,197	39,584,929	21,376,580
Deductions (Note C)							
Benefits		422,444,896	97,076	3,846,157	12,062,607	19,512,312	7,349,795
Refunds/Distributions		12,360,997			582,438	1,438,814	1,000,919
Refunds to Other Plans		407,696				44,792	(611)
Transfers to MUS-RP		232,194					
Transfers to DCRP		1,968,902					
Supplemental Insurance Payments							
OPEB Expenses		7,819					
Administrative Expenses		4,640,042		122,618	127,400	246,523	202,040
Miscellaneous Expenses							
Total Deductions		442,062,546	97,076	3,968,775	12,772,445	21,242,441	8,552,143
Net Increase (Decrease)		122,981,477	681,815	2,234,949	3,576,752	18,342,488	12,824,437
Net Position Restricted for Pension Benefits							
Beginning of Year		5,782,558,598	4,455,481	102,650,688	149,198,868	358,880,360	193,522,528
Prior Period Adjustments (Note A7)		44,101			2,007		
End of Year	$	5,905,584,176	5,137,296	104,885,637	152,777,627	377,222,848	206,346,965

The notes to the financial statements are an integral part of this statement.

		Defined Benefit Pension Plans		Defined Contribution Plans			
MPORS	FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	Total Pension Trust Funds 2018
7,852,879	7,341,600		144,610,967	12,973,539	120,307	13,093,846	157,704,813
5,029,442	5,530,496		128,856,430	13,505,558	23,566,708	37,072,266	165,928,696
8,357	(3,133)		122,625				122,625
			1,221				1,221
355	(18,068)	5	(116,673)	122,681	567,292	689,973	573,300
15,990,599	16,566,861	2,370,449	36,188,042	87,294		87,294	36,275,336
			33,615,000				33,615,000
				714,024		714,024	714,024
28,881,632	29,417,756	2,370,454	343,277,612	27,403,096	24,254,307	51,657,403	394,935,015
24,901,073	26,083,791	2,276,595	456,033,670	6,705,553	16,045,730	22,751,283	478,784,953
260,185	273,601	23,528	4,761,827	11,324,711	21,565,366	32,890,077	37,651,904
(2,577,368)	(2,689,133)	(234,330)	(46,573,958)	(68,148)	(952,123)	(1,020,271)	(47,594,229)
22,583,890	23,668,259	2,065,793	414,221,539	17,962,116	36,658,973	54,621,089	468,842,628
104,061	108,567	9,464	1,880,126				1,880,126
(52,221)	(54,483)	(4,749)	(943,510)				(943,510)
51,840	54,084	4,715	936,616				936,616
22,635,730	23,722,343	2,070,508	415,158,155	17,962,116	36,658,973	54,621,089	469,779,244
51,517,362	53,140,099	4,440,962	758,435,767	45,365,212	60,913,280	106,278,492	864,714,259
26,220,684	25,626,191	2,996,808	520,156,526				520,156,526
3,636,764	89,824		19,109,756	9,022,446	28,926,195	37,948,641	57,058,397
14,437			466,314				466,314
			232,194				232,194
			1,968,902				1,968,902
		10,875	10,875				10,875
			7,819	773	343	1,116	8,935
189,981	170,851	296,866	5,996,321	633,299	426,710	1,060,009	7,056,330
				284,100	874,665	1,158,765	1,158,765
30,061,866	25,886,866	3,304,549	547,948,707	9,940,618	30,227,913	40,168,531	588,117,238
21,455,496	27,253,233	1,136,413	210,487,060	35,424,594	30,685,367	66,109,961	276,597,021
418,314,296	433,934,505	38,729,625	7,482,244,949	227,783,499	502,304,059	730,087,558	8,212,332,507
8,138	1,405		55,651				55,651
439,777,930	461,189,143	39,866,038	7,692,787,660	263,208,093	532,989,426	796,197,519	8,488,985,179

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Year Ended June 30, 2019

The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor. The members are assigned five-year, staggered terms. The PERB consists of:

- two members at large,
- two active defined benefit public employees,
- one active defined contribution public employee,
- one member experienced in investments, and
- one retired public employee.

The PERB approves the annual operating budget, developed by the Montana Public Employee Retirement Administration (MPERA) management, before the beginning of the fiscal year. As governed by statute, the PERB's defined benefit administrative expenses may not exceed 1.5 percent of total defined benefit plan retirement benefits paid. In addition, the PERB decides its legislative priorities, hires the executive director, establishes the policies and procedures that govern operations at MPERA, and hears and rules on appeal matters of disabilities, retirees, and members. Board members do not receive compensation for their service to MPERA, but are reimbursed for necessary expenses incurred while serving.

The PERB oversees ten retirement plans, an OPEB, and the related member education funds. The Public Employees' Retirement System Defined Contribution Disability Other Post-Employment Benefit (PERS-DCRP Disability OPEB) is a trust fund providing a defined benefit for disabled members of the PERS-DCRP. The retirement plans are eight defined benefit plans and two defined contribution plans. The defined benefit retirement plans are:

- Public Employees' Retirement System (PERS-DBRP),
- 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), and
- Volunteer Firefighters' Compensation Act (VFCA).

The defined contribution retirement plans are:

- Public Employees' Retirement System (PERS- DCRP), and
- Deferred Compensation (457(b)) Plan, governed by IRC § 457.

The PERS-DCRP was implemented July 1, 2002. All new PERS members have a 12-month window to file an irrevocable plan choice election. PERS members are provided education regarding their decision to participate in the Defined Benefit Retirement Plan (PERS-DBRP) or the Defined Contribution Retirement Plan (PERS-DCRP). If members are employees of the university system they have a third choice, the Montana University System Retirement Program (MUS-RP). Further education is provided for the members who choose the PERS-DCRP, including information on investment choices.

The PERB began oversight of the Deferred Compensation (457(b)) Plan on July 1, 1999. The Deferred Compensation Plan is available to all employees of the State, the Montana University System and contracting political subdivisions.

The MPERA, as a state agency, participates as an employer in the PERS-DBRP, PERS-DCRP and the Deferred Compensation Plan.

The assets of each plan are maintained separately, including member education funds. The assets may be used only for the payment of benefits to the members and administrative expenses of the appropriate plan, in accordance with the terms of each plan as prescribed in Title 19 of the Montana Code Annotated (MCA). The financial statements are presented by combining the PERS-DBRP and the DBRP Education Fund and by combining the PERS-DCRP and the DCRP Education Fund. A presentation of the individual funds is shown at the end of the financial section.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A1. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Basis of Presentation

The PERB is a fiduciary component unit Pension Trust Fund of the State of Montana financial reporting entity. The accompanying financial statements were prepared by MPERA, staff of the PERB, in accordance with generally accepted accounting principles (GAAP). In doing so, MPERA adheres to accounting and financial reporting standards established by the Governmental Accounting Standards Board (GASB). GASB is the independent, not-for-profit, standards-setting organization and the official source of GAAP for state and local governmental entities in the United States of America.

PERB's accounts are organized and presented on the basis of funds. All of the funds presented in the financial statements are fiduciary funds. These funds are classified as pension trust funds, and are maintained for the exclusive benefit of the members and their beneficiaries.

Basis of Accounting

The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The PERB's financial statements are reported using fund accounting principles and the accrual basis of accounting. Plan member contributions, employer contributions, and related receivables are recognized as revenues in the accounting period in which they are earned and become measurable, pursuant to formal commitments and statutory requirements. Benefit payments and refunds/distributions are recognized in the accounting period in which they are due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized in the period the liability is incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end for defined benefit administrative expenses that are accounted for within PERS-DBRP and allocated to the other defined benefit funds at year-end. Costs specifically related to the computer system upgrades are charged directly to the individual plans.

On a quarterly basis, participants of the PERS-DCRP are charged a basis point fee based on their individual account balances. On a quarterly basis, the participants of the Deferred Compensation Plan are charged a basis point fee on a sliding scale based on their individual account balances. The record keeper, Empower™ Retirement, withholds the basis point fees from participant accounts. The PERB incurs administrative expenses for the cost of Empower™ services and agency expenses. Fees collected from participant accounts are used to offset the costs of Empower's™ fees. Any remaining fees are remitted to the PERB to cover each plan's administrative expenses. The excess basis point fees remitted to the PERB are recorded as *Miscellaneous Revenue* on the financial statements.

Prior Period Adjustments

Prior period adjustments relate to corrections of errors and changes in accounting policy from prior periods. The prior period adjustments for fiscal year 2019 were adjustments of prior year benefit payables that were over 5 years old.

Significant Accounting Changes

Significant accounting policies are specific accounting principles and methods used and considered to be the most appropriate to use in current circumstances in order to fairly present the financial statements. During fiscal year 2019, there was a change in the distribution of the administrative expenses among the small systems at the end of the fiscal year. In the past, the distribution was based on plan membership of retirees and active members. This fiscal year, the distribution is based on membership count of retirees and active members plus a program allocation by personal services. This resulted in an increase of 1.0% from last fiscal year's allocation in VFCA.

A2. Capital Assets and Equipment Used in Operations

Assets under $5,000 are expensed in the year purchased. Assets (equipment) valued at $5,000 or more are recorded at cost less straight-line depreciation over the estimated useful life of five to ten years. Assets (other intangibles) valued at $100,000 or more are recorded at cost less straight-line depreciation over the estimated useful life of five to ten years. Equipment consists of a ScanPro 3000 fiche film reader. Property consists of a remodel to the office space.

The $4,144,661 *Intangible Assets at Cost* on the Statement of Fiduciary Net Position consists of the PERIS computer system. This is an intangible asset and the intangible asset is amortized over 10 years.

A3. Operating Lease

Operating leases are rental agreements where the payments are chargeable as rent and recorded as administrative expenses. MPERA renegotiated a 7-year lease for office space in November 2013, at the location of 100 North Park Avenue, Helena, MT. The lease is payable monthly and includes inflationary adjustments over the period of the lease.

A4. Net Pension Liabilty of Employers

The net pension liability (the retirement systems' total pension liability determined in accordance with GASB Statement No. 67 less the fiduciary net position at fair value) as of June 30, 2019, is shown below in the *Schedule of Employers' Net Pension Liability (NPL)*.

Actuarial valuations of the ongoing systems involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. The information used includes, but is not limited to, the plan provisions, employee data, and financial information provided by the PERB. Amounts determined regarding the NPL are subject to revision with each valuation as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in 2017 using June 30, 2016 valuation data.

The reporting date for the retirement systems is June 30, 2019. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2019 and the Total Pension Liability (TPL) is based on the results of an actuarial valuation date of June 30, 2018, and rolled forward to June 30, 2019 using generally accepted actuarial procedures.

The *Schedule of Employers' Net Pension Liability,* presented as Required Supplementary Information (RSI) following the Notes to the statements, displays multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the TPL.

Employers' Net Pension Liability / (Asset) as of June 30, 2019
(dollar amounts are in thousands)

System	Total Pension Liability (a)	Plan Fiduciary Net Position[1] (b)	Employers' Net Pension Liability / (Asset) (a-b)	Plan Fiduciary Net Position as a % of the Total Pension Liability (b-a)	Covered Payroll (c)	Net Pension Liability / (Asset) as a % of Covered Employee Payroll ((a-b)/c)
PERS-DBRP	$ 7,993,617	$ 5,903,306	$ 2,090,311	73.85%	$ 1,247,344	167.58 %
JRS	65,319	104,886	(39,567)	160.58%	7,382	(535.96)%
HPORS	237,727	152,778	84,950	64.27%	15,178	559.71 %
SRS	460,621	377,223	83,398	81.89%	80,461	103.65 %
GWPORS	247,012	206,347	40,665	83.54%	51,677	78.69 %
MPORS	638,822	439,778	199,044	68.84%	54,282	366.68 %
FURS	575,903	461,189	114,714	80.08%	50,756	226.01 %
VFCA	46,773	39,866	6,907	85.23%	N/A[2]	N/A[2]

[1]The PERS-DB Education Fund balance is not included in the GASB 67 reporting for fiscal year ending June 30, 2019.
[2]Covered payroll is not applicable to VFCA because members are unpaid volunteers.

A summary of the actuarial assumptions for the retirement plan's GASB No. 67 reporting as of the latest actuarial valuation on June 30, 2019 is shown in the table below and is shown in the Notes to the RSI.

Summary of Key Actuarial Methods and Assumptions

	PERS	JRS	HPORS	SRS	GWPORS	MPORS	FURS	VFCA[1]
Valuation date	6/30/2019	6/30/2019	6/30/2019	6/30/2019	6/30/2019	6/30/2019	6/30/2019	6/30/2019
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level dollar, open
Amortization period for Actuarial Contribution	30	30	30	30	30	30	30	20
Asset valuation method	4-year smoothed, market	4-year smoothed, market	4-year smoothed, market	4-year smoothed, market	4-year smoothed, market	4-year smoothed, market	4-year smoothed, market	4-year smoothed, market
Actuarial assumptions:								
Investment rate of return compounded annually (net of investment expenses)	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Projected salary increases:								
General Wage Growth*	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	N/A
Merit	0% - 4.8%	None	0% - 6.3%	0% - 6.3%	0% - 6.3%	0% - 6.6%	0% - 6.3%	N/A
*Includes inflation at	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Administrative Expenses as a Percentage of Payroll	0.26%	0.17%	0.27%	0.23%	0.23%	0.23%	0.25%	$70,586
Mortality (healthy): RP-2000 Combined Mortality projected to 2020 using Scale BB and Mortality (disabled): RP-2000 Combined Mortality with no projections.								
Benefit Adjustments								
GABA	3% for pre-July 1, 2007 hires, 1.5% for post July 2007 and pre- June 30, 2013; and 1.5% to 0% for new hires on or after July 1,2013; all after 1 year	3% after 1 year	3% for pre-July 1, 1997 hires after 1 yr or 1.5% after 3 years if hired on or after July 1, 2013	3% for pre-July 1, 2007 hires or 1.5% for new hires on or after July 1, 2007, after 1 year	3% for pre-July 1, 2007 hires or 1.5% for new hires on or after July 1, 2007, after 1 year	3% after 1 year	3% after 1 year	N/A
Non-GABA	N/A	Biennial increase to salary of active member in like position	2% per yr service, not to exceed 60% of probationary officer's base pay; and increase not to exceed 5% of previous benefit.	N/A	N/A	Benefit may not be less than one-half of the compensation paid to a newly confirmed police officer	Benefit may not be less than one-half of the compensation paid to a newly confirmed firefighter	N/A

[1]Covered payroll for VFCA is not applicable, members are unpaid volunteers and do not contribute to the fund.

Actuarial Assumptions are based on 2017 Experience Study

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on pension plan investments is reviewed regularly as part of experience studies prepared for the System. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best estimate ranges of expected future real rates of return are considered. Estimates of variability and correlations for each asset class, were developed by the Plan's investment consultant. The ranges of these estimates were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are often intended for use over a 10-year investment horizon and are not always useful in setting the long-term rate of return investment horizon or the long-term rate of return for funding pension plans, which covers a longer time frame. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2016 Edition* by Horizon Actuarial Service, LLC, yield a median real return of 5.10%. Combining the median real return with the 2.75% assumed inflation assumption results in a nominal return of 7.85%. As a result, Cavanaugh Macdonald, PERB's actuary, recommend using the long-term assumed rate of return assumption adopted by the Board of 7.65%.

Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of June 30, 2019, are summarized in the following Target Allocations table.

Target Allocations as of June 30, 2019

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash equivalents	3.0%	4.09%
Domestic equity	36.0%	6.05%
Foreign equity	18.0%	7.01%
Fixed income	23.0%	2.17%
Private equity	12.0%	10.53%
Real estate	8.0%	5.65%
Totals	100.0%	

Single Discount Rate

The discount rate used to measure the TPL for all Plans was 7.65% which is the assumed long-term expected rate of return on investments. The projection of cash flows used to determine the discount rate assumed that member, employer, and state contributions will be made at the contribution rates specified in the applicable Montana statutes, which can only be changed by the Legislature. Based on those assumptions, the fiduciary net position of all the Plans was projected to be available to make all the projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

In accordance with GASB No. 67 regarding the disclosure of the sensitivity of the NPL to changes in the discount rate, the NPL of the participating employers is presented as using the discount rate of 7.65%, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate. The table that follows presents the sensitivity disclosures for each plan.

Sensitivity of NPL / (Asset) based on Changes in Discount Rate as of June 30, 2019
(dollar amounts are in thousands)

System	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
PERS-DBRP	$ 3,003,181	$ 2,090,311	$ 1,323,159
JRS	(33,242)	(39,567)	(45,028)
HPORS	117,532	84,950	58,614
SRS	147,965	83,398	30,472
GWPORS	77,614	40,665	10,489
MPORS	292,628	199,044	124,131
FURS	200,350	114,714	45,664
VFCA	11,433	6,907	3,069

As can be seen from the table, changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate.

Annual Money-Weighted Rate of Return

The annual money-weighted rate of return on plan investments shows investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. A schedule of the annual money-weighted rate of return for all Plans is presented below and in the RSI.

Annual Money-Weighted Rate of Return as of June 30, 2019

PERS-DBRP	5.64%	GWPORS	5.73%
JRS	5.65%	MPORS	5.56%
HPORS	5.64%	FURS	5.59%
SRS	5.70%	VFCA	5.59%

A5. Other Post-Employment Benefits (OPEB for Healthcare)

Plan Description

In accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, MPERA is required to recognize and report certain amounts associated with their employees and dependents that are eligible to receive health care through the State Group Benefits Plan administered by the Montana Department of Administration. Statement 75 includes requirements to record and report each employers' proportionate share of the collective Total OPEB Liability, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources associated to OPEB.

The State of Montana offers an OPEB plan that is not administered through a trust; as such, there are no plan assets accumulated to offset the total OPEB liability. The State of Montana pays for postemployment healthcare benefits on a pay-as-you-go basis. Section 2-18-8, MCA gives the Department of Administration authority to establish and amend the funding policy for the State group health insurance plan.

Benefits Provided

In accordance with Section 2-18-704, MCA, the State provides optional post-employment medical, vision, and dental health care benefits to the following employees and dependents electing to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Plan coverage is on a calendar year basis. For GASB Statement No. 75 reporting, the State Group Benefits Plan is considered a single-employer plan and MPERA is considered to be a participating employer in the plan.

In addition to the employee benefits, the following post-employment benefits are provided. The Montana Department of Administration established retiree medical premiums varying between $448 and $1,777 per month for calendar year 2019 depending on the medical plan selected, family coverage, and Medicare eligibility. Retirees pay 100% of the premiums for medical, dental, and vision. Depending on the coverage selected, administratively-established monthly dental and vision premiums vary between $41.10 and $70.00 and $7.64 and $22.26, respectively. Basic life insurance in the amount of $14,000 is provided until age 65 or Medicare eligible at a cost of $1.90 per month. The State Benefit Plans reimburse all validated medical claims net of member obligations (annual deductibles and coinsurance of the members' selected medical plan). Dental claims are reimbursed at 50% to 100% of the allowable charges, depending on the services provided. The State acts as secondary payer for retired Medicare-eligible claimants.

Benefits Not Included in the Actuarial Valuation

Dental and vision benefits are rated separately for retirees based on actual retiree cost, so there is no implicit subsidy; therefore, no liability for these benefits is calculated in the actuarial valuation. The basic life insurance benefit is not available as an employer-provided group insurance benefit for retirees; therefore, no liability for life insurance is calculated in this valuation.

Employees covered by benefit terms

At December 31, 2017, MPERA had 46 active employees and one retired employee/spouse/surviving spouse covered by the benefit terms for a total of 47 covered employees.

The estimates were prepared based on an actuarial valuation as of the year ending December 31, 2017, rolled forward to the measurement date of March 31, 2019, for the Department of Administration. The resulting State of Montana Actuarial Valuation of Other Post-Employment Benefits (OPEB) contains the MPERA data and is available through the following address.

Montana Department of Administration
State Accounting Division
Room 255, Mitchell Bldg
125 N Roberts Street
PO Box 200102
Helena, MT 59620-0102

Schedule of Changes in Total OPEB Liability

At June 30, 2019, MPERA reported a liability of $100,402 for its 0.18026% proportionate share of the total OPEB Liability. At June 30, 2018, MPERA reported a liability of $84,795 for its 0.16805% proportionate share of the total OPEB Liability. MPERA's proportion of the total OPEB liability measurement is based upon MPERA's actuarially determined OPEB liability in comparison to the collective OPEB liability for the State's healthcare plan. MPERA's change in proportion is 0.01221%.

The following table presents the Other Items Related to and Changes in the Total OPEB Liability.

Schedule of Changes in Total OPEB Liability	
Balances at 6/30/2018	$ 84,795
Changes for the year:	
Service Cost	6,271
Interest	6,096
Difference between Expected and Actual Experience	
Changes of assumptions or other inputs	8,460
Benefit Payments (Contributions)	(5,220)
Net Changes	15,607
Balances as of 6/30/2019	$ 100,402

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Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2017 actuarial valuation, rolled forward to March 31, 2019, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Contributions:	$ (5,220)
Actuarial valuation date	December 31, 2017
Actuarial measurement date[1]	March 31, 2019
Actuarial cost method	Entry age normal funding method
Amortization method	Open basis
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75
Actuarial Assumptions:	
Discount rate	3.79%
Projected payroll increases	4.00%
Participation:	
Future retirees	55.00%
Future eligible spouses	60.00%
Marital status at retirement	70.00%

[1] Update procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Healthy: For MPERA, Healthy mortality is assumed to follow the RP2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For MPERA, disabled mortality is assumed to follow the RP2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date

- There were no changes in actuarial methods since the last measurement date.
- Changes in actuarial assumptions since the last measurement date is the interest rate based upon the March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

Changes in benefit terms since last measurement date

- There were no changes in benefit terms since the last measurement date.

Sensitivity Analysis

Sensitivity of the total OPEB liability to changes in the discount rate:
The following presents the total OPEB liability of MPERA, as well as MPERA's total OPEB liability calculated using a discount rate that is 1.00% lower (2.79%) or 1.00% higher (4.79%) than the current discount rate:

Discount Rate 3/31/19	1% Decrease (2.79%)	Discount Rate (3.79%)	1% Increase (4.79%)
Total OPEB Liability	$ 136,473	$ 100,402	$ 73,662

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:
The following presents the total OPEB liability of MPERA, as well as MPERA's total OPEB liability calculated using healthcare cost trend rates that are 1.00% lower (6.0%) or 1.00% higher (8.0%) than the current healthcare cost trend rates:

Healthcare Rate 3/31/19	1% Decrease (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
Total OPEB Liability	$ 71,519	$ 100,402	$ 141,051

OPEB Expense

For the year ended June 30, 2019, MPERA recognized OPEB expense of $8,935.

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, MPERA recorded deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience		$ 67,975
Changes of assumptions or other inputs	8,460	
*Benefit Payments associated with transactions subsequent to the measurement date of the total OPEB liability	4,287	
Total	12,747	$ 67,975

*Amounts reported as deferred outflows of resources related to OPEB resulting from MPERA's benefit payments in FY2019 (April 1, 2019 through June 30, 2019) subsequent to the measurement date.

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Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in future years as an increase or (decrease) to OPEB expense as follows:

Year ended June 30, 2019	Amount recognized as an Increase or (Decrease) to OPEB Expense	
2020	$	(5,373)
2021	$	(5,373)
2022	$	(5,373)
2023	$	(5,373)
2024	$	(5,373)
Thereafter	$	(32,650)

A6. Method Used to Value Investments

According to Article VIII, section 13 of the Montana Constitution and section 19-2-504, MCA, the Board of Investments (BOI) has a fiduciary responsibility for investing the defined benefit plan assets on behalf of the defined benefit plan members. Investments are determined in accordance with the statutorily and constitutionally mandated "prudent expert principle." Pursuant to Article VIII, section 15 of the Montana Constitution and sections 19-2-502 and 19-2-503, MCA, the PERB has a fiduciary responsibility for the administration of the pension trust funds. For the defined benefit pools, the PERB relies on the Investment Policy Statements that are drafted and approved by the BOI. In this process, the BOI utilizes information obtained from RV Kuhns & Associates, Inc., the investment consultant. Investments administered by the BOI for the PERB are subject to their investment risk policies. The PERB does not have an investment policy of its own to address risks. Information on investment policies, investment activity, investment management fees, investment risks, and a listing of specific investments owned by the pooled asset accounts can be obtained by contacting BOI, the investment manager, at the following address:

Montana Department of Commerce
Board of Investments
2401 Colonial Drive, 3rd Floor
Helena, MT 59620-0126

Defined benefit investments are reported at fair value as of June 30, 2019.

BOI has separately issued financial statements that can be accessed by contacting BOI at the above address.

The PERS-DCRP and deferred compensation plan's Montana Fixed Fund is a stable value investment option administered and monitored by the PERB with input from the Employee Investment Advisory Committee and the investment consultant. The PERB has established an investment policy for the Montana Fixed Fund to identify objectives, investment guidelines, and outline the responsibility of the outside vendors; Pacific Investment Management Company, LLC (PIMCO) the stable value manager, State Street Bank and Trust Company (State Street) the custodial bank, and third party synthetic Guaranteed Interest Contract (GIC) providers, Transamerica Premier Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential), and Voya

Retirement Insurance and Annuity Company (Voya). All money invested in the Montana Fixed Fund investment option of the PERS-DCRP and deferred compensation plan money is in a Pooled Trust.

For both the PERS-DCRP and deferred compensation plan, the third party recordkeeper, Empower™ Retirement, tracks and reports the daily trading and valuations of all investment options including the assets held by the individual mutual fund companies.

In addition to the laws cited previously, the PERS-DCRP investments are also governed by section 19-3-2122, MCA and the deferred compensation plan investments are governed by section 19-50-102, MCA.

The PERB has separate investment policy statements for the PERS-DCRP and deferred compensation plans. The investment policies are reviewed and revised, if necessary, by the PERB annually. The investment options are reviewed quarterly for compliance with the established investment policy statement. DCRP and deferred compensation plan investments are reported at fair value as of June 30, 2019.

The following are the summaries of: a) BOI's fiscal year-end statements; b) the Stable Value Group Trust contracts; and c) a statement about the variable investments.

BOI Pooled Investments

As of June 30, 2019, BOI managed two major diversified pools for the retirement funds, Montana Short Term Investment Pool (STIP) and Montana Consolidated Asset Pension Pool (CAPP). The PERS-DCRP Disability OPEB trust fund consists of a portfolio of commingled equity index funds that are recorded under *Commingled Equity Securities* in the financial statements.

Short-Term Investment Pool (STIP)

The Montana Public Retirement Plans investment in the Short-Term Investment Pool (STIP) will provide the Plans with exposure to Cash related investments. STIP will be managed internally by BOI utilizing an active investment strategy. STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 60 days or less. This Pool is managed to preserve principal while providing 24-hour liquidity for state agency and local government participants.

Consolidated Asset Pension Pool (CAPP) – The Consolidated Asset Pension Pool (CAPP) invests directly in the underlying Pension Asset Classes (PAC) on behalf of the Montana Public Retirement Plans within the BOI-approved asset allocation ranges. Each PAC has an underlying set of investment objectives and investment guidelines. For liquidity purposes, each PAC and external manager has a limited amount of cash/cash equivalents. With the PAC, it is invested in the State Street Short Term Investment Fund (STIF), which invests in high quality short-term securities. For external managers, it is invested per BOI established guidelines.

CAPP'S Underlying Asset Classes

Domestic Equity	Broad Fixed Income
International Equity	U.S. Treasury / Agency
Private Equity	Investment Grade
Natural Resources	Mortgage Backed Securities
Real Estate	High Yield
TIPS	Cash
Diversifying Strategies	

Domestic Equity PAC – Invests primarily in U.S. traded equity securities such as common stock. The type of portfolio structures utilized are separately managed accounts, commingled accounts, and exchange traded funds.

International Equity PAC – Invests primarily in international equity securities that trade on foreign exchanges in developed and emerging markets. The type of portfolio structures utilized are separately managed accounts, commingled accounts, and exchange traded funds.

Private Equity PAC – Invests in the entire capital structure of private companies. Investments are made via Limited Partnerships managed by a General Partner. The Limited Partnerships typically have well-defined strategies such as buyout, venture, or distressed debt. Private Equity investments are considered long-term. Exchange traded funds are utilized to minimize the cash position.

Real Estate PAC – Invests primarily in real estate properties. Transactions are privately negotiated by a General Partner via a Limited Partnership or an open-end fund. The funds typically have well-defined strategies such as core, value-add, or opportunistic. Private Real Estate investments are considered long-term. Exchange traded funds are utilized to minimize the cash position.

Natural Resource PAC – Invests primarily in energy and timber investments, but could include agriculture, water or commodity related funds. The investments are made via Limited Partnerships managed by a General Partner, and the funds are considered long-term. Potential Investment vehicles could include open-end funds, master limited partnerships and exchange traded funds.

Intermediate Treasury Inflation Protected Securities (TIPS) PAC – Invests primarily in intermediate U.S. TIPS or Treasury securities that are indexed to inflation.

Intermediate U.S. Treasury/Agency PAC – Invests primarily in debt obligations of the U.S. government including its agencies and instrumentalities.

Broad Fixed Income PAC – Invests primarily in core fixed income securities as represented in the Bloomberg Barclays U.S. Aggregate Bond Index. The type of portfolio structures utilized are separately managed accounts, commingled accounts, and potentially exchange traded funds.

Intermediate Investment Grade PAC – Invests primarily in intermediate investment grade corporate bonds typically found in the Bloomberg Barclays U.S. Corporate Bond Index. It includes U.S. dollar denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers.

Mortgage Backed Securities PAC – Invests primarily in agency mortgage backed securities, asset backed securities and commercial mortgage backed securities.

High Yield PAC – Invests primarily in U.S. dollar denominated corporate bonds that are classified as high yield according to the major ratings agencies such as S&P, Moody's or Fitch. The type of portfolio structures utilized are separately managed accounts and potentially commingled accounts or exchange traded funds.

Cash PAC – Invests primarily in highly liquid, money-market type securities via STIP.

Diversifying Strategies PAC – Invests in a wide spectrum of global public securities investment types (including, but not limited to, equities, commodities, currencies, preferred stocks, convertible bonds, fixed income, and cash equivalents).

PERB Cash Equivalent and Investment Portfolio
June 30, 2019

Investment Pools	Fair Value	Net Asset Value (NAV)
Short-term Investment Pool	$ 228,470,600	$ 228,470,600
CAPP Investment Pool	7,408,828,340	7,408,828,340
Commingled Equity Securities[1]	4,734,434	
Total	$ 7,642,033,374	$ 7,637,298,940

[1] DC Disability OPEB is invested by the manager Blackrock in commingled equity index funds.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical method are not classified in the fair value hierarchy. This is the case of the Consolidated Asset Pension Pool (CAPP) and the Short-Term Investment Pool (STIP).

The Consolidated Asset Pension Pool, CAPP, is a commingled internal investment pool managed and administered under the direction of Montana BOI as statutorily authorized by the Unified Investment Program. Only the retirement systems can participate in CAPP. On a monthly basis, redemptions are processed by BOI in order to maintain required asset allocations and to provide liquidity for retirement benefits. The fair values of the investments in this category have been determined using the Net Asset Value (NAV) per share (or its equivalent) of the investment.

STIP is an external investment pool managed and administered under the direction of BOI as statutorily authorized by the Unified Investment Program. It is a commingled pool for investment purposes and participant requested redemptions from the pool are redeemed the next business day. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the investment.

At June 30, 2019, the PERB's portion of the defined benefit investment pools is presented in the table below.

PERB Portions of BOI Pools at June 30, 2019			
Investment		Fair Value June 30, 2019	PERB Portion June 30, 2019
STIP	$	228,470,600	3.00%
CAPP	$	7,408,828,340	64.56%

Fair Value Measurement

The BOI categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that BOI can access as of June 30.

Level 2: Prices determined using inputs, other than quoted prices included within Level 1, which are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.

Level 3: Prices determined using unobservable inputs, which generally results in BOI using the best information available and may include the BOI's own data.

The PERS-DCRP Disability OPEB trust fund invests in commingled equity index funds through the manager Blackrock Institutional Trust Co., N.A (Blackrock), recorded under *Commingled Equity Securities* in the financial statements. During the fiscal year, the BOI determined it to be more appropriate to report the investments in commingled equity index funds with the level 1 category due to there being a sufficient level of observable activity with this type of fund investments being valued using a daily published price. Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. These investments were disclosed at net asset value (NAV) in prior years.

The **Investment Risks** for the pooled investments in which the PERB participates in are described in the following paragraphs. Investments are administered by BOI, for the PERB, as part of the State of Montana's Unified Investment Program. The BOI Board approves all Investment Policy Statements (IPS) and is responsible for setting investment risk policies. BOI's stand-alone financial statements detail the investment risks associated with the securities held by the pools.

The CAPP as a mixed pool, and STIP as an external investment pool, are subject to an element of risk in all risk categories, with the exception of CAPP having the only risk in foreign currency.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counter-party to a transaction, the BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, the Board's custodial bank must hold short-term and long-term credit rating by at least one Nationally Recognized Rating Organization (MRSRO with a minimum requirement of A1/P1 (short-term) and A3/A-1 (long-term). As of June 30, 2019, all investments were recorded under the BOI's name at their custodial bank, which met BOI's minimum rating requirement.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the U.S. Government are excluded from the concentration of credit risk requirement. Concentration of credit risk is addressed with all IPS's as set by the BOI.

The STIP IPS limits concentration to credit risk exposure by limiting portfolio investment types to 3% in an issuer except for U.S. Treasury and U.S. Agency securities as well as any repurchase agreements with a financial institution.

Credit Risk - Credit risk is defined as the risk that an issuer or other counter-party to an investment will not fulfill its obligation. With the exception of U.S. Government securities, the fixed income instruments in the investment pools have credit risk as measured by major credit rating services. As of June 30, 2019, there was no significant credit quality risk associated with cash equivalents.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Per BOI policy, there are maximum restrictions that can be held on non-U.S. securities in a foreign currency and only CAPP is allowed to have foreign currency exposure. According to the CAPP IPS, the Investment Grade Credit Asset Class, Agency Mortgage Backed Securities Asset Class, and High Yield Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the U.S. dollar value of investment made. As of June 30, 2019, there was no significant credit quality risk associated with cash equivalents.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with GASB Statement No. 40, the BOI uses for CAPP the effective duration as a measure of interest rate risk for all fixed income portfolios and STIP uses the weighted average maturity (WAM).

According to the STIP investment policy “the STIP portfolio will minimize interest rate risk by:

- structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
- maintaining a dollar-weighted average portfolio maturity (WAM) of 60 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities), and
- STIP will maintain a reserve account.”

The PERB’s investments subject to credit and interest rate risk at June 30, 2019 are categorized in the table on the top of the next page. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using weighted effective duration.

Investment	Fair Value 6/30/2019		Credit Quality Rating[1] 6/30/2019	Effective Duration 6/30/2019
CAPP	$	7,408,828,340	Range of BB- to AAA	Range of 1.88 - 8.08 Years
STIP	$	228,470,600	NR	41 days WAM[2]

[1]CAPP has seven security investment types that are rated for credit and interest rate risk as of June 30, 2019, refer to BOI's UIP Financial Statements and IPSs for the investment types that are involved.
[2]Weighted Average Maturity (WAM).

Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. As of June 30, 2019, STIP's portfolio may hold certain fixed and variable rate securities. Interest payments on these securities are based on an underlying reference rate, example is Secured Overnight Financing Rate (SOFR).

Securities Lending Collateral, governed under the provisions of state statutes, BOI authorized the custodial bank, State Street Bank, to lend BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. On any day, including June 30th, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. BOI and the custodial bank split the earnings, 80% and 20% respectively, on security lending activities. BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies the BOI's credit risk exposures to the borrowers. Only CAPP participates in the security lending. There were no failures by any borrowers to return or pay distributions thereon during the period that resulted in a declaration and notice of Default of the Borrower. As of June 30, 2019, no securities were recalled and not yet returned.

Stable Value - Montana Fixed Fund

The Montana Fixed Fund is a stable value investment option of the PERS-DCRP and the deferred compensation plan. It is administered through outside vendors, the stable value manager Pacific Investment Management Company LLC (PIMCO); the custodial bank, State Street Bank and Trust Company (State Street); and third-party synthetic Guaranteed Interest Contract (GIC) providers - Transamerica Premier Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential) and Voya Retirement Insurance and Annuity Company (Voya). The Montana Fixed Fund employs a synthetic stable value strategy in which the stable value manager, PIMCO, manages a diversified bond portfolio and third party insurers, Transamerica, Prudential, and Voya guarantee the participants' principal investments and earnings in accordance with terms of the respective contract with the GIC provider. Transamerica, Prudential, and Voya calculate a rate of return each quarter called the "crediting rate", which helps smooth participants' earnings over time. The crediting rates are based on the investment manager's portfolio market value, yield, and duration in accordance with the terms of the respective contracts with the GIC providers. The Montana Fixed Fund's structure incorporates a money market-like liquidity strategy and the custodial bank calculates a blended return of the individual crediting rates and liquidity strategy for member investments. The custodial bank also calculates a Net Asset Value (NAV) that is based on the value invested in the GIC contracts, plus earning, and the liquidity strategy.

The PERS-DCRP and deferred compensation plans' stable value investments are synthetic guaranteed investment contracts (GIC) that are fully benefit responsive, measured at contract value, and do not participate in fair value changes.

All money invested in the Montana Fixed Fund of the PERS-DCRP and deferred compensation plan are held in a Pooled Trust. The Pooled Trust qualifies as a group trust under sections 401(a), including section 401(a)(24) and 501(a), of the Internal Revenue Code (IRC) of 1986, as amended. The Pooled Trust assets are invested by PIMCO and are held under a custodial agreement with State Street. The Pooled Trust assets are invested by PIMCO based on an investment guideline schedule described in the Montana Fixed Fund investment policy established by the PERB. Additional investment constraints are contained in the investment management agreement between PERB and PIMCO, and within the respective contracts issued by each GIC provider to the Pooled Trust.

The Montana Fixed Fund is subject to investment risks associated with GIC contracts and with the bond porfolio managed by PIMCO. These risks may include, but are not limited to, the following:

Credit Risk: Credit risk is the chance that bond issuer will fail to pay interest and principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of the bond to decline. With the exception of the U.S. Government securities, fixed income instruments have credit risk as measured by major credit rating services. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The total investments credit quality rating for Montana Fixed Fund is AA.

Interest Rate Risk: Interest rate risk is the chance that bond prices overall will decline because of rising interest rates. The bond account has low to moderate interest rate risk as it invests primarily in short-term and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds. As of June 30, 2019, in accordance with GASB Statement No. 40, PIMCO has selected the effective duration method to disclose interest rate risk. The total effective duration for Montana Fixed Funds fixed income investments, as of June 30, 2019, is 3.82 years.

Foreign Currency Risk: Currency risk is the change that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. The Montana Fixed Fund may include securities subject to foreign currency risk.

Default Risk: Default risk is the chance that companies or individuals will be unable to make the required payments on their debt obligations.

Derivative Risk: Derivative risk arises when the underlying fund invests in derivatives, which may involve risks different from, and possibly greater than, those of investments directly in the underlying securities or assets.

GIC Contract Risk: GICs are issued by insurance companies, banks, and other financial institutions and are intended to help reduce the volatility of any associated fixed income investments. These investment contracts include terms and conditions that can cause withdrawals or transfers from the investment contracts to occur at the lower of the contract's value or the value of the associated fixed income investments. Examples of these terms include, but are not limited to: (1) a withdrawal from the contract or plan not in accordance with its stated withdrawal provisions; (2) the plan fails to be administered in accordance with the plan documents; (3) an event or condition such as the plan's change of control, termination, insolvency, loss of its tax-exempt status, change in laws or accounting rules applicable to plan; or (4) other events resulting in a material and adverse financial impact on the contract issuer as may be set out in the specific contract, such as changes in the tax code or applicable laws or regulations. Also, the contract counter-party could default, become insolvent, file for bankruptcy protection, or otherwise be deemed by the plan's auditor to no longer be financially responsible. There are a limited number of investment contract providers and, due to market conditions or other factors, enough contracts may not be available to obtain the desired amount of coverage.

Variable Investments for the PERS-DCRP and deferred compensation plan are held and managed in a selection of retail and institutional mutual funds, which cover all standard asset classes and categories. The selection of offered mutual funds is designed to provide participants with the ability to diversify investments and meet their individual investment goals and strategies. With advice from an independent investment analyst and assistance from the statutorily-created Employee Investment Advisory Council (EIAC), the PERB conducts annual reviews of the offered mutual funds. The goal of the reviews is to ensure that the offered mutual funds meet standards established in the Investment Policy Statements adopted by the PERB. Each investment alternative is compared to its peers and an appropriate benchmark. *Concentration of Credit Risk* is not addressed in the investment policy statements and investments in mutual funds are not required to be disclosed.

Life Insurance Investment Option

Deferred compensation plan participants previously had the option to direct a portion of their deferrals to a term life insurance policy provided through Allianz Life Insurance. The ability to invest in life insurance is allowed under the IRC and was offered to plan participants prior to life insurance being offered as a standard component of health insurance benefit packages. This investment option has been discontinued; however, plan participants who had previously elected this option may continue.

Available investment options in the PERS-DCRP and deferred compensation plan are listed in this section. A current listing may also be obtained by contacting MPERA.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table for the defined benefit investments and on the following page for the defined contribution investments.

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PERB Defined Benefit Investments Measured at Fair Value

	June 30, 2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Investments by fair value level				
Commingled Equity Securities[1]	$ 4,734,434	$ 4,734,434		
Total Investments by fair value level	$ 4,734,434	$ 4,734,434		
Investments measured at the net asset value (NAV)				
CAPP Investment Pool[2]	$ 7,408,828,340			
Short Term Investment Pool (STIP)	228,470,600			
Total investments measured at the NAV	7,637,298,940			
Total investments measured at fair value	$ 7,642,033,374			

[1] The DC Disability OPEB trust fund is invested by the manager Blackrock in commingled equity index funds measured at the Level 1 category in the fair value hierarchy.

[2] CAPP Investment Pool replaces five investment pools that have been previously reported prior to fiscal year 2017.

PERB Defined Benefit Investments Measured at Net Asset Value (NAV)

	June 30, 2019: Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
CAPP Investment Pool[1]	$ 7,408,828,340		Monthly	30 days
Short Term Investment Pool (STIP)	228,470,600		Daily	1 day
Total investments measured at the NAV	$ 7,637,298,940			

[1] CAPP Investment Pool replaces five investment pools that have been previously reported prior to fiscal year 2017.

PERB Defined Contribution and Deferred Compensation Investments

	June 30, 2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Investments by fair value level				
Total Investments by fair value level[1]				
Investments measured at the net asset value (NAV)				
Montana Fixed Fund (Stable Value Pool)[2]	$ 251,085,307			
Variable Pooled Investments[3]	542,080,143			
Short Term Investment Pool[4]	1,733,239			
Allianz Life Insurance Investment[5]	12,316			
Total investments measured at the NAV	$ 794,911,005			
Total investments measured at fair value	$ 794,911,005			

[1] All investments are pooled and measured at net asset value (NAV) and not within the fair value level hierarchy.

[2] The Montana Fixed Fund is a stable value option that invests in cash, other liquid investments, and synthetic Guaranteed Investment Contract (GICs) that are fully benefit-responsive and is reported at contract value.

[3] The Variable Pooled Investments are all mutual funds measured at Net Asset Value (NAV).

[4] Short Term Investment Pool (STIP) is an external investment pool managed and administered through Montana Board of Investments (BOI) and fair values are determined using the Net Asset Value (NAV) per share for the investment.

[5] Term life insurance policy investment option provided through Allianz Life Insurance. This option was offered to deferred compensation plan participants prior to life insurance being offered as a standard component of health insurance benefit packages. This investment option has been discontinued; however plan participants who had previously elected this option may continue.

PERB Defined Contribution and Deferred Compensation Investments Measured at Net Asset Value

	June 30, 2019: Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Montana Fixed Fund (Stable Value Pool)[1]	$ 251,085,307		Daily	None
Variable Pooled Investments[2]	542,080,143		Daily	None
Short Term Investment Pool[3]	1,733,239		Daily	1 day
Allianz Life Insurance Investment[4]	12,316		Daily	None
Total investments measured at the NAV	$ 794,911,005			

[1] The Montana Fixed Fund is a stable value option that invests in cash, other liquid investments, and synthetic Guaranteed Investment Contract (GICs) that are fully benefit-responsive and are reported at contract value.

[2] The Variable Pooled Investments are all mutual funds measured at Net Asset Value (NAV).

[3] Short Term Investment Pool (STIP) is an external investment pool managed and administered through Montana Board of Investments (BOI).

[4] Term life insurance policy investment option provided through Allianz Life Insurance. This option was offered to deferred compensation plan participants prior to life insurance being offered as a standard component of health insurance benefit packages. This investment option has been discontinued; however plan participants who had previously elected this option may continue.

The fair values are determined using the Net Asset Value (NAV) per share for the investment.

NOTE B. Litigation

Each of the plans administered by the PERB may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management and legal counsel, the disposition of the Tadman matter below should not have a material, adverse effect on any plan's financial position as a whole. In the opinion of management and legal counsel, the disposition of the Murnion matter below could have a material, adverse effect, in the aggregate, on the PERS plan's financial position as a whole. An estimate of the potential liability for the Murnion case cannot be made.

Tadman, et al. v. State of Montana. A retired member of the Sheriffs' Retirement System filed a class action in the 8th Judicial District of Montana against the State of Montana on October 6, 2015, alleging the inappropriate advising, reporting, and withholding of state and federal income taxes on certain line-of-duty disability benefits before conversion to a normal retirement benefit. Plaintiff is represented by Lawrence A. Anderson, an attorney in Great Falls, Montana. The State was served with the Complaint on November 25, 2015, and is represented by Jean Faure and Jason Holden of the Faure Holden law firm in Great Falls, MT. On June 11, 2019 the Court issued an Order granting Plaintiff's Motion to Certify Class. The Court has defined the prospective class of plaintiffs in this matter and the parties were instructed by the Court to meet and confer to agree on the class form of notice and notice plan concerning the matter.

Murnion v. MPERA and MPERB. A retired member of the Public Employee Retirement System appealed a Final Order of the Montana Public Employees' Retirement Board upholding the Hearing Examiner's Proposed Findings of Fact and Conclusions of Law determining that the retired member was not entitled to full-time PERS service credit for his part-time years of employment. On March 15th, 2019, the retired member filed a "Petition for Appeal of Agency Action and Complaint" in the First Judicial District of Montana in order to appeal the Board's Final Order under the provisions of the Montana Administrative Procedure Act (MAPA). On June 26th, 2019 MPERA filed a motion to 1) vacate any forthcoming Scheduling Order, 2) set a briefing schedule to control the judicial review of this matter, and 3) dismiss the retired member' Count II and III for failure to state a claim within the Court's jurisdiction, or, in the alternative, confine any review of each claim to the administrative record. On July 12th, 2019 a Scheduling Order was issued by the Court calling for additional periods for discovery and setting a date for a two-day non-jury bench trial beginning on July 8, 2020. On July 15th, Petitioner filed a response to MPERA's motion, and MPERA filed a reply on July 19th, 2019. A notice of submittal was filed by MPERA on July 22nd, 2019.

NOTE C. Plan Descriptions, Membership and Contribution Information

The plans are established and amended statutorily by the Legislature. In all defined benefit plans (except VFCA), if a member leaves covered employment before retirement, the member contributions plus accrued interest (accumulated contributions) may be refunded to the member. If a member returns to service and repays the withdrawn accumulated contributions plus the interest the accumulated contributions would have earned had they remained on deposit, service credit is restored.

Defined Benefit Retirement Plans

Plan Descriptions

Public Employees' Retirement System-DBRP (PERS-DBRP)

The PERS-Defined Benefit Retirement Plan (DBRP) is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined benefit and defined contribution retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Public Employees' Retirement System-DBRP Education Fund: Education is provided to all members of the PERS regardless of plan choice as governed by section 19-3-112, MCA. The education must be presented with impartial and balanced information about plan choices, investments and retirement planning.

The education program consists of ongoing transfer education for new members and investment/retirement planning education for all active members.

Plan Membership Elections: MPERA has included in the financial statements $1,968,902 in *Transfers to DCRP* and $232,194 in *Transfers to MUS-RP*. These transfers reflect the DCRP and MUS-RP contributions of participants that filed elections at or near the June 30 cutoff date. The contributions were transferred in early fiscal year 2020.

Public Employees' Retirement System - DCRP Disability OPEB (DCRP Disability OPEB)

The DCRP Disability OPEB is considered a cost-sharing multiple-employer plan that provides an other post-employment defined benefit for the PERS-DCRP members.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined benefit and defined contribution retirement plans. The PERS-DCRP provides disability benefits to eligible members who elect the PERS-DCRP.

The DCRP Disability OPEB Trust Fund was established on July 1, 2002, and is governed by section 19-3-2141, MCA. Benefits of this long-term disability plan are established by state law and can only be amended by the Legislature. This benefit is based on eligibility, years of service, and compensation. Member rights are vested after five years of service.

As of June 30, 2019, there are ten members receiving a benefit from the disability plan, two more than as of June 30, 2018.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* will not be implemented at this time due to the liability being immaterial to the plan as a whole.

Judges' Retirement System (JRS)

The JRS is a single-employer defined benefit plan established in 1967, and governed by Title 19, chapters 2 & 5 of the MCA. This plan provides benefits for all Montana judges of the district courts, justices of the Supreme Court, the Chief Water Judge and the Associate Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation. Member rights are vested after five years of service.

Highway Patrol Officers' Retirement System (HPORS)

The HPORS is a single-employer, defined benefit plan established July 1, 1945, and governed by Title 19, chapters 2 & 6 of the MCA. This plan provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability, and death benefits to plan members and their statutory beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and disability are vested immediately. All other rights are vested after five or ten years of service.

Deferred Retirement Option Program (DROP): Eligible members of HPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, chapter 6, part 10. A member must have completed at least twenty years of membership service to be eligible. The member may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the HPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system, except the member contribution which goes to the member's DROP account. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until the employment is formally terminated. As of June 30, 2019, there were 18 DROP participants. Since program inception, a total of 22 members have participated in the DROP. The balance of the DROP accounts is $2.0 million.

Sheriffs' Retirement System (SRS)

The SRS is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Game Wardens' and Peace Officers' Retirement System (GWPORS)

The GWPORS is a multiple-employer, cost-sharing defined benefit plan established in 1963 and governed by Title 19, chapters 2 & 8, MCA. This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Municipal Police Officers' Retirement System (MPORS)

The MPORS is a multiple-employer, cost-sharing defined benefit plan established in 1974 and is governed by Title 19, chapters 2 & 9 of the MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their statutory beneficiaries. Benefits are based on eligibility, years of service, and compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service.

Deferred Retirement Option Plan (DROP): Eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, chapter 9, part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month up to a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2019, there were 64 DROP participants. Since program inception, a total of 179 members have participated in the DROP. The balance of the DROP accounts is $9.5 million.

Firefighters' Unified Retirement System (FURS)

The FURS is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This plan provides retirement benefits to firefighters employed by first- and second-class cities or by other cities and rural fire district departments that adopt the plan; and to firefighters hired by the Montana Air National Guard (MANG) on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation. Member rights for death and disability are vested immediately. All other member rights are vested after five years of service.

Volunteer Firefighters' Compensation Act (VFCA)

The VFCA is a multiple-employer, cost-sharing defined benefit plan. This compensation plan was established in 1965 and is governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State of Montana is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State of Montana. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. VFCA also provides limited benefits for death or injuries incurred in the line of duty.

A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits. However, a returning retired member may not be considered an active member accruing credit for service.

VFCA is a qualified Length of Service Award Plan (LOSAP) under 457(e)(11)(B) of the Internal Revenue Service tax code. This is only for tax reporting purposes. This does not change any requirements of the program.

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Members and Employers

Membership in each plan as of June 30, 2019 is detailed in the following chart.

Plan Membership as of Fiscal Year End June 30, 2019

Type of Plan for Reporting Purposes as of Fiscal Year End June 30, 2019	Single-Employer Defined Benefit		Multi-Employer Defined Benefit						Multi-Employer Defined Contribution	
Plan Designation	JRS	HPORS[1]	PERS-DBRP[2]	SRS	GWPORS	MPORS[1]	FURS	VFCA	PERS-DCRP	457
Classification of Member										
Active	58	232	28,908	1,454	1,021	806	722	2,249	2,871	4,922
Inactive: entitled to, but not yet receiving benefits or a refund:										
Vested	2	18	3,943	135	138	94	36	777	559	4,618
Non-Vested	1	25	19,316	633	447	164	67		713	
Inactive members and beneficiaries currently receiving benefits:										
Service Retirements	68	324	22,592	673	332	786	632	1,484	111	
Disability Retirements		6	146	29	4	32	10	1	10	
Survivor benefits	5	12	507	24	10	32	19	3	2	
Total Membership	**134**	**617**	**75,412**	**2,948**	**1,952**	**1,914**	**1,486**	**4,514**	**4,266**	**9,540**

[1] Includes DROP in the Active count.
[2] The PERS-DBRP Inactive Non-Vested count includes dormant accounts that were previously not counted.

Active Defined Benefit Membership by Employer Type[1]

Employer Type	PERS-DBRP		SRS		GWPORS	
As of Fiscal Year End June 30, 2019	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
State Agencies[2]	10,141	10,059				
Department of Justice			62	55		
Department of Corrections					736	725
Department Fish, Wildlife & Parks					112	113
Department of Livestock					46	41
Department of Transportation					86	85
Counties	5,537	5,514	1,392	1,374		
Cities and Towns	3,553	3,550				
Colleges and Universities	2,723	2,647			41	46
School Districts	5,664	5,630				
High Schools	67	74				
Other Agencies	1,223	1,172				
Total	**28,908**	**28,646**	**1,454**	**1,429**	**1,021**	**1,010**

[1] Defined benefit plans that have more than one employer and do not have a minimum benefit adjustment for their retirees, only a Guaranteed Annual Benefit Adjustment (GABA) at retirement.
[2] For the purposes of this schedule, "State Agencies" for PERS-DBRP includes all 33 agencies for the State of Montana.

Active Defined Benefit Membership by Employee Type[1]

Employee Type	JRS		HPORS[2]		MPORS[2]		FURS	
As of Fiscal Year End June 30,	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
GABA	56	52	232	233	802	783	720	688
Non-GABA	2	3	0	0	4	4	2	3
Total	**58**	**55**	**232**	**233**	**806**	**787**	**722**	**691**

[1] Retirees are eligible for a Guaranteed Annual Benefit Adjustment (GABA) or a minimum benefit adjustment depending on their election of GABA or Non-GABA at time of hire.
[2] Includes DROP in the count.

Participating Defined Benefit Employers

Employer Type	PERS-DBRP		SRS[1]		GWPORS[2]		MPORS		FURS[3]	
As of Fiscal Year End June 30,	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
State Agencies	33	34	1	1	4	4			1	1
Counties	55	55	56	56						
Cities and Towns	98	98					33	33	15	15
Colleges and Universities	5	5			3	3				
School Districts	238	235								
High Schools	5	5								
Other Agencies	112	112								
Rural Fire Districts									11	11
Total	**546**	**544**	**57**	**57**	**7**	**7**	**33**	**33**	**27**	**27**

[1] The State Agency for SRS is the Department of Justice.
[2] The State Agencies for GWPORS are Department of Corrections, Department of Fish, Wildlife & Parks, Department of Livestock, and Department of Transportation.
[3] The State Agency for FURS is the Department of Military Affairs.

Not listed are JRS and HPORS, both with one employer each. JRS has the State Agency - Supreme Court and HPORS has the State Agency - Department of Justice.

HPORS DROP Participation

As of June 30	2019	2018
Participants Beginning of Year	13	10
Participants Added	7	5
Completed DROP	2	2
Participants End of Year	18	13
DROP Distributions	$248,628	$231,957

MPORS DROP Participation

As of June 30	2019	2018
Participants Beginning of Year	62	61
Participants Added	19	12
Completed DROP	17	11
Participants End of Year	64	62
DROP Distributions	$3,379,901	$2,061,444

The active membership and participating employers for PERS-DCRP Disability OPEB are represented in the following tables:

PERS-DCRP PARTICIPATING EMPLOYERS

Employers	June 30, 2019	June 30, 2018
State Agencies	31	32
Counties	51	53
Cities and Towns	57	58
Universities	5	5
School Districts	122	117
High Schools	5	4
Other Agencies	49	47
Total	**320**	**316**

PERS-DCRP Active Membership by Employer Type

Employer Type	June 30, 2019	June 30, 2018
State Agencies	1,397	1,296
Counties	439	416
Cities	334	320
Universities	156	143
High Schools	5	5
School Districts	332	301
Other Agencies	208	209
Total	**2,871**	**2,690**

FY 2019 Schedule of Contribution Rates

System	Member	Employer	State
PERS-DBRP[1]	**7.9%** [19-3-315(1)(a), MCA]	**8.67%** State & University **8.57%** Local Governments **8.3%** School Districts (K-12) [19-3-316, MCA]	**0.1%** of Local Government payroll – paid from the General Fund **0.37%** School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]
PERS-DCRP[1]	**7.9%** [19-3-315(1)(a), MCA]	**8.67%** State & University **8.57%** Local Governments **8.3%** School Districts (K-12) [19-3-316, MCA]	**0.1%** of Local government payroll – paid from the General Fund **0.37%** School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]
PERS-DCRP Disability OPEB		**0.3%** - an allocation of the DCRP employer contribution [19-3-2117, MCA]	
JRS[2]	**7.0%** [19-5-402, MCA]	**25.81%** [19-5-404, MCA]	
HPORS	**13.0%** - hired prior to 7/01/97 & not electing GABA **13.05%** - hired after 6/30/97 & members electing GABA [19-6-402, MCA]	**28.15%** [19-6-404(1), MCA]	**10.18%** of salaries – paid from the General Fund [19-6-404(2), MCA]
SRS	**10.495%** [19-7-403, MCA]	**13.115%** [19-7-404, MCA]	
GWPORS	**10.56%** [19-8-502, MCA]	**9.0%** [19-8-504, MCA]	
MPORS	**7.0%** - hired after 6/30/75 & prior to 7/1/79 & not electing GABA [19-9-710(1)(a), MCA] **8.5%** - hired after 6/30/79 and prior to 7/1/97 & not electing GABA [19-9-710(1)(b), MCA] **9.0%** - hired after 6/30/97 & members electing GABA [19-9-710(1)(c), MCA & 19-9-710(2), MCA]	**14.41%** [19-9-703, MCA]	**29.37%** of salaries – paid from the General Fund [19-9-702, MCA]
FURS	**9.5%** - hired prior to 7/1/97 & not electing GABA [19-13-601(2)(a), MCA] **10.7%** - hired after 06/30/97 & members electing GABA [19-13-601(2)(b), MCA]	**14.36%** [19-13-605, MCA]	**32.61%** of salaries – paid from the General Fund [19-13-604, MCA]
VFCA			**5.0%** of fire insurance premium tax, paid from the General Fund [19-17-301, MCA]

[1] The employer and/or member contribution rates increase on July 1, 2019 for PERS-DBRP and PERS-DCRP.

[2] The employer contributions have been temporarily suspended for JRS beginning the first full pay period of January 2018 until after the last full pay period of June 2019, when the employer contribution will return to 25.18%.

Contributions

Member and employer contribution rates are established by state law and may be amended only by the Legislature.

Member contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a request for retirement or refund is processed.

- For PERS-DBRP, the 7.9% member contributions will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates. There will be no reduction to the member contributions on January 1, 2020 due to the amortization period being 36 years at June 30, 2019.

- The PERS-DBRP employee education program is funded by 0.04% of the employer's contributions.

- For MPORS, member contribution rates are dependent upon date of hire as a police officer.

Employer contributions for PERS-DBRP temporarily increased 1.0%, effective July 1, 2013. Further, employer contributions increase an additional 0.1% a year over 10 years beginning July 1, 2014, through 2024. The employer additional contributions, including the 0.27% added in 2007 and 2009, terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and member contribution rates. Based on the June 30, 2019 actuarial valuation, the additional contributions will not be terminated on January 1, 2020.

- For PERS-DBRP (§19-3-1106, MCA), SRS (§19-7-1101, MCA), and FURS (§19-13-1101, MCA), employer contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

- Under section 19-3-2117, MCA the employers are the only contributors to the DCRP Disability OPEB. The employer contribution rate is 0.30% of a DCRP member's compensation, which is allocated to the long-term disability plan trust fund to provide disability benefits to eligible DCRP members.

- As a result of the November 2017 Special Legislative Session, Senate Bill 1 was passed temporarily suspending JRS employer contributions beginning the first full pay period of January 2018. This temporary suspension terminates immediately after the last full pay period of June 2019 with employer contributions returning to 25.81% at this time.

- For the SRS, during the 2017 Legislative Session, House Bill 383 was passed temporarily increasing both the employee and employer contributions. Effective July 1, 2017, the employee contributions increased from 9.245% to 10.495%. The employer had an additional contribution increase of 3%, from 0.58% to 3.58%, for a total employer contribution rate of 13.115%. The employee contributions will return to 9.245% and the employer contributions will return to 9.535% when reducing the employee contribution and terminating the additional employer contributions will not cause the amortization period to exceed 25 years.

State contributions and appropriations

- PERS-DBRP receives a supplemental state appropriation from the general fund of the State of Montana. The total amount received for fiscal year 2019 was $33.6 million. These are recorded as *State Appropriations* on the financial statements.

- The State contributions for MPORS and FURS, are requested at the beginning of the fiscal year based on the previous fiscal year compensation and are due no later than November 1.

- The State is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. The State Auditor makes annual payments from the general fund to the Volunteer Firefighters' Compensation Act fund.

Additional Service Purchase Due to a Reduction in Force

Section 19-2-706, MCA allows state and university system active employees of PERS-DBRP, HPORS, SRS, GWPORS, and FURS who are eligible for a service retirement and whose positions have been eliminated due to a reduction in force, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by the PERB on the unpaid balance.

- The PERS-DBRP employees participating under section 19-2-706, MCA increased from 254 in fiscal year 2018 to 260 in fiscal year 2019. The contributions received (including interest) during fiscal year 2019 totaled $136,723. These are recorded in the *Accounts Receivable* on the financial statements. The outstanding balance at June 30, 2019, totaled $12,762. This is recorded as *Notes Receivable* on the financial statements.

- Three SRS employees have taken advantage of this provision to date. All purchases are paid in full.

- No HPORS, GWPORS, or FURS employees have taken advantage of this provision to date.

Supplemental Payments

- *Supplemental Benefit for Retirees:* Section 19-6-709, MCA provides eligible Montana highway patrol officers retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by a statutory appropriation requested by the PERB from the general fund. Factors impacting eligibility include the number of years the recipient has received a service retirement benefit or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19.

- *VFCA Group Insurance Payments:* Supplemental payments are available to qualified volunteer fire companies that provide additional group medical insurance for their members in case of death or injury incurred while in the line of duty. The payment is made to the volunteer fire companies and is equal to $75 per year for each mobile firefighting unit owned by the volunteer fire company, up to a maximum of two units.

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Defined Benefit Plan Provisions

System	Common provisions and terms: Compensation period for benefit calculation	Vesting	Eligibility	Benefit Multiplier
PERS-DBRP	**Member's highest average compensation (HAC):** * **Pre-7/01/2011** - consecutive 36 months; * **7/01/2011** - consecutive 60 months; * **7/01/2013** - 110% annual cap on HAC compensation.	5 years	**Pre-7/01/2011** * 30 years service, any age or * 5 years, age 60 or * any years, age 65 **7/01/2011** * 5 years, age 65, or * any years, age 70	**Pre-7/01/2011** * < 25 years: 1.78571% * 25 years or more: 2% **7/01/11** * < 10 years: 1.5% * 10-29 years: 1.78571% * 30 years or more: 2%
JRS	**Member's current salary or highest average compensation (HAC):** * **Pre-7/01/1997 and non-GABA** - monthly compensation at retirement; * **7/01/1997 or electing GABA** - consecutive 36 months; * **7/01/2013** - 110% annual cap on HAC compensation.	5 years	5 years, age 60	* Up to 15 years: 3.33% * 15 years or more: 1.785% for each year > 15 years
HPORS	**Member's highest average compensation (HAC):** * Consecutive 36 months; * **7/01/2013** - 110% annual cap on HAC compensation.	**Pre-7/01/2013** 5 years **7/01/2013** 10 years	20 years, any age	2.6% per year
SRS	**Member's highest average compensation (HAC):** * **Pre-7/01/2011** - consecutive 36 months; * **7/01/2011** - consecutive 60 months; * **7/01/2013** - 110% annual cap on HAC compensation.	5 years	20 years, any age	2.5% per year
GWPORS	**Member's highest average compensation (HAC):** * **Pre-7/01/2011** - consecutive 36 months; * **7/01/2011** - consecutive 60 months; * **7/01/2013** - 110% annual cap on HAC compensation.	5 years	* 20 years, age 50 or * 5 years, age 55	2.5% per year

System	Compensation period for benefit calculation	Vesting	Eligibility	Benefit Multiplier
MPORS	**Member's final average compensation (FAC):** * **Pre-7/01/1977** - average monthly compensation at retirement. * **7/01/1977** - FAC last consecutive 36 months. * **7/1/2013** - 110% annual cap on FAC compensation.	5 years	* 20 years, any age or * 5 years, age 50	2.5% per year
FURS	**Member's compensation:** * **Pre-7/01/1981 and no GABA** - highest monthly compensation (HMC); * **7/01/1981 and GABA** - HAC instead of HMC consecutive 36 months. * **7/1/2013** - 110% annual cap on HAC compensation.	5 years	* 20 years, any age or * 5 years, age 50	* Pre-7/1/1981 and no GABA: 2% per year if less than 20 years, and * 50% + 2% per year if greater or equal to 20 years *Post 7/1/1981 and GABA: 2.5% per year
VFCA	No compensation	10 years	* 20 years, age 55 or * 10 years, age 60	* 10 - 20 years: $8.75 per credited year * 20 years or more: $7.50 per credited year * Post 7/01/2011, actuarially sound, and 30 years or more: $7.50 per credited year

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<table>
<tr><th rowspan="2">System</th><th colspan="2">Common provisions and terms</th></tr>
<tr><th>Working Retiree Limitations</th><th>Retirement Benefits - Form of Payment</th></tr>
<tr><td>PERS-DBRP</td><td>(1) Pre-7/1/2011 and < 65 years of age
* $1 reduced for $1 earned over 960 hours

(2) > 65 years of age and less than 70 1/2 retiree
$1 reduced for $1 earned in excess of:
* 960 hour limit above;
or
* sum of benefit + PERS earnings that exceeds HAC adjusted for inflation.</td><td rowspan="2">• Option 1, single life annuity, balance to beneficiary
• Option 2, 100% joint and survivor benefit
• Option 3, 50% joint and survivor benefit
• Option 4, a life annuity with period certain.

Within 18 months of the death of or divorce from the contingent annuitant (CA), retiree can choose Option 1 or select new CA and/or a different option.

* Trusts, estates, and charitable organizations as beneficiaries can only receive a lump-sum payment.</td></tr>
<tr><td>JRS</td><td>N/A</td></tr>
<tr><td>HPORS</td><td rowspan="5">Return on or after 7/1/2017:

(1) < 480 hours in a calendar year:
• $1 reduced for each $3 > $5 thousand in year.

(2) 480 or more hours in a calendar year:
• become active member of the system;
• retirement benefit stops.

* Employer and state contributions are paid on working retirees.</td><td>* Life annuity, 100% continuation to surviving spouse or dependent children.</td></tr>
<tr><td>GWPORS</td><td rowspan="2">• Option 1, single life annuity, balance to beneficiary
• Option 2, 100% joint and survivor benefit
• Option 3, 50% joint and survivor benefit
• Option 4, a life annuity with period certain.

Within 18 months of the death of or divorce from the contingent annuitant (CA), retiree can choose Option 1 or select new CA and/or a different option.

* Trusts, estates, and charitable organizations as beneficiaries can only receive a lump-sum payment.</td></tr>
<tr><td>SRS</td></tr>
<tr><td>MPORS</td><td>* Life annuity, 100% continuation to surviving spouse or dependent children.</td></tr>
<tr><td>FURS</td><td>* Life annuity, 100% continuation to surviving spouse or dependent children.</td></tr>
<tr><td>VFCA</td><td>N/A</td><td>N/A</td></tr>
</table>

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<table>
<tr><th>System</th><th>Working Retiree Limitations</th><th>Retirement Benefits - Form of Payment</th></tr>
<tr><td>HPORS DROP</td><td>N/A</td><td rowspan="2">During DROP employment:
* Monthly DROP accruals, including GABA for MPORS only; plus
* interest at assumed rate of return.

Post DROP employment:
* no retirement or DROP payment;
* DROP account accrues interest.

Termination of Post DROP employment:
* retirement benefit;
* Additional benefit based on member's service credit and HAC after DROP;
* DROP benefit.</td></tr>
<tr><td>MPORS DROP</td><td>N/A</td></tr>
</table>

<table>
<tr><th rowspan="2">System</th><th colspan="2">Common provisions and terms</th></tr>
<tr><th>Service Credit</th><th>Membership Service</th></tr>
<tr><td>PERS-DBRP</td><td rowspan="7">* Service credit determines benefit.
* 1 month of service credit = 160 compensated hours. This includes certain transferred and purchased service.
* Eligible active members may purchase 1 for 5 service credit.</td><td rowspan="7">* Membership service determines vesting and benefits.
* 1 month of membership service = any month member contributions are reported.
* Eligible member may purchase membership service.</td></tr>
<tr><td>JRS</td></tr>
<tr><td>HPORS</td></tr>
<tr><td>SRS</td></tr>
<tr><td>GWPORS</td></tr>
<tr><td>MPORS</td></tr>
<tr><td>FURS</td></tr>
<tr><td>VFCA</td><td>1 year of credit for service:
• serve with same fire company entire fiscal year, and
• minimum 30 hours training.
* Fractional years are not credited.</td><td>N/A</td></tr>
</table>

System	Common provisions and terms	
	Compensation	Withdrawal of member contributions
PERS-DBRP JRS HPORS SRS GWPORS MPORS FURS	**Compensation generally means:** * all remuneration paid; * excluding certain allowances, benefits, and lump sum payments; * specifically defined in law and differs amongst the systems. * **7/1/2013** - Bonuses paid are not compensation or pensionable.	**Upon termination, a member is eligible to:** * forfeit right to monthly benefit. * withdraw member contributions + interest. * rollover >$200 refunds within 90 days.
VFCA	N/A	N/A

System	Common provisions and terms	
	Contributions	Member contributions interest credited
PERS-DBRP JRS HPORS SRS GWPORS MPORS FURS	* Member contributions are made through an "employer pickup" pretax arrangement.	* Interest is credited to member accounts at the rates determined by the Board. * The fiscal year 2019 interest rate credited to member accounts was 2.02%.
PERS-DCRP Disability OPEB	* Member contributions: **None** * Employer contributions: 0.30% of member compensation	
VFCA	N/A	N/A

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<table>
<tr><th>System</th><th>Early Retirement Benefit</th><th>Second Retirement Benefit</th></tr>
<tr><td>PERS-DBRP</td><td>Actuarially reduced:

* Pre-7/01/2011:
• 5 years membership service, age 50 or
• 25 years membership service, any age

* 7/01/2011:
• 5 years membership service, age 55</td><td><u>Requires returning to PERS-covered employment:</u>

Retire before 1/01/2016

< 2 years additional service credit:
* refunded member contributions plus interest;
* no service credit;
* same benefit previously paid to the member; and
* GABA immediately in January.

At least 2 years additional service credit:
* recalculated retirement benefit based on provisions in effect at second retirement; and
* GABA on the recalculated benefit in January after receipt of new benefit for 12 months.

Retire on or after 1/01/2016:

< 5 years additional service credit
* refunded member contributions plus interest;
* no service credit;
* same benefit previously paid to the member; and
* GABA immediately in January.

At least 5 years of additional service credit:
* same retirement benefit prior to the return;
* second retirement benefit for post return to based on rehired date laws in effect; and
* GABA starts on both benefits in January after receipt for 12 months.</td></tr>
<tr><td>JRS</td><td>N/A</td><td>N/A</td></tr>
<tr><td>MPORS</td><td>* 5 years membership service, age 50</td><td>MPORS Initial Second Retirement:
Age 50, re-employed in a MPORS position.

Return prior to 7/01/2017:
* < 20 years of membership service:
• repay benefits; and
• new benefit based on total service.

* > 20 years of membership service:
• receives initial benefit; and
• new retirement benefit based on new service credit and FAC.</td></tr>
</table>

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<table>
<tr><th>System</th><th>Early Retirement Benefit</th><th>Second Retirement Benefit</th></tr>
<tr><td>HPORS</td><td>Actuarially reduced from age 60:

* Pre-7/01/2013 - 5 years of membership service

* 7/01/2013 - 10 years of membership service</td><td rowspan="5">Return on or after July 1, 2017:

* > 480 hours in a calendar year and < 5 years service credit:
• no service credit;
• refunded member contributions;
• same retirement benefit previously paid, and
• GABA immediately in January.

* > 480 hours in a calendar year and at least 5 years of service credit:
• is awarded service credit for period of reemployment;
• same retirement benefit previously paid;
• a second retirement benefit for post return calculated based on rehired date laws in effect;
• GABA starts on the initial benefit in January and second one 12 months later.

* No eligibility for a disability benefit.</td></tr>
<tr><td>SRS</td><td>Actuarially reduced from age 60 or 20 years of membership service:

* 5 years membership service, age 50</td></tr>
<tr><td>GWPORS</td><td>* 5 years of membership service, age 55</td></tr>
<tr><td>MPORS</td><td>* 5 years membership service, age 50</td></tr>
<tr><td>FURS</td><td>* 5 years of membership service, age 50</td></tr>
<tr><td>VFCA</td><td>N/A</td><td>N/A</td></tr>
</table>

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System	Post Retirement Benefit Increases		
	Guaranteed Annual Benefit Adjustment (GABA)	**GABA Waiting Period**	**Minimum Benefit Adjustment**
PERS-DBRP	• **Pre-7/01/2007** - 3.0% • **7/01/2007 through 6/30/2013** - 1.5% • **7/01/2013** - (a) 1.5% for each year if PERS is funded at or above 90%; (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and, (c) 0% whenever the amortization period for PERS is 40 years or more.	1 year	N/A
JRS	**7/01/1997 or elected GABA** - 3%	1 year	**Pre-7/01/1997 and did not elect GABA:** Benefits increase same as salary of sitting judge.
HPORS	**7/01/1997 or elected GABA** - 3.0% **7/01/2013** - 1.5%	**Pre-7/01/2013** - 1 year **7/01/2013** - 3 years	**Pre-7/01/1997 and did not elect GABA:** 2% x service credits x base salary of probationary officer. Limited to 5.0% over current benefit and may not exceed 60% of base salary of probationary officer.
SRS	**Pre-7/01/2007** - 3% **7/01/2007** - 1.5%	1 year	N/A
GWPORS	**Pre-7/01/2007** - 3.0% **7/01/2007** - 1.5%	1 year	N/A
MPORS	**7/01/1997 or elected GABA** - 3.0%	1 year	**Pre-7/01/1997 and did not elect GABA** - 1/2 of monthly salary of new officer
FURS	**7/01/1997 or elected GABA** - 3.0%	1 year	**Pre-7/01/1997 and did not elect GABA** - 1/2 of monthly salary of new firefighter
VFCA	N/A	N/A	N/A

<table>
<tr><th rowspan="2">System</th><th>Disability</th><th>Survivor</th></tr>
<tr><th>Eligibility & Benefit Formula</th><th>Eligibility & Benefit Formula</th></tr>
<tr><td>PERS-DBRP</td><td>* 5 years of membership service

Pre-2/24/1991 and did not make a contrary election -
Greater of:
• (90% of 1.785% of HAC) x service credit, or
• 25% of HAC

2/24/1991 to 7/01/2011 -
• < 25 years membership service: 1.758% of HAC x service credit, or
• At least 25 years membership service: 2% of HAC x service credit

7/01/2011 -
• < 10 years membership service: 1.5% of HAC x years of service credit
• Between 10 and 30 years membership service: 1.785% of HAC x service credit
• > 30 years membership service: 2% of HAC x service credit</td><td>Vested member's status at time of death:
• active;
• receiving disability benefit for less than six months;
• continuously disabled without receiving a disability benefit; or
• inactive.

Hired prior to 7/01/2011 -

Age 50 or 25 years membership service
• actuarial equivalent of accrued benefit at death; or,

< Age 50 and < 25 years membership service
• actuarial equivalent of the accrued early benefit paid at age 50.

Hired on or after 7/01/2011 -

Age 55
• actuarial equivalent of accrued benefit at death; or

< Age 55
• actuarial equivalent of accrued early benefit paid at age 55.</td></tr>
<tr><td>PERS-DCRP Disability OPEB</td><td>* Any age 5 years of membership service

Hired prior to 7/1/2011, or hired prior to 2/24/1991 -
• < 25 years membership service: 1.785% of HAC x service credit, or
• Least 25 years of membership service: 2% of HAC x service credit; and
• Benefit payable to later of age 65 or for five years.

Hired on or after July 1, 2011 -
• Between 5 and 10 years membership service: 1.5% of HAC x years of service credit;
• Between 10 and 30 years membership service: 1.785% of HAC x years service credit;
• 30 or more years membership service: 2% of HAC x years of service credit;
• Benefit payable to age 70 for disabilities occurring prior to age 65, or < five years for disabilities occurring after age 65.

• No distributions from individual defined contribution account while being paid from the PERS-DCRP Disability OPEB.
• Participants may choose to receive a distribution from their individual account instead of applying for and receiving a disability benefit.</td><td>Survivor's benefit:
Disability benefits cease after death of a member, and their beneficiary is entitled to the member's vested defined contribution account balance.

Form of payment:
• Normal form of payment is an annuity.
• No other forms of payment are available</td></tr>
</table>

	Disability	Survivor
System	**Eligibility & Benefit Formula**	**Eligibility & Benefit Formula**
JRS	**Duty-related disability:** • Any amount of membership service • Greater of 50% of salary or 50% of HAC **Non-duty-related disability:** • 5 years membership service • Actuarial equivalent of normal retirement at disability	**Duty-related death:** • service retirement benefit on date of death. **Non-duty-related death:** • vested member; • refund of member's contributions, **or** • actuarial equivalent of service retirement at death. • Retired members without contingent annuitant, payment made to member's designated beneficiary = accumulated contributions reduced by any retirement benefits already paid.
HPORS	**Duty-related disability:** • Any active member • **< 20 years membership service:** 50% of HAC, or • **> 20 years membership service:** 2.6% of HAC x years of service credit **Regular disability:** • Any vested member • Actuarial equivalent of service retirement benefit at age 60.	**Duty-related deaths:** • active member; • 50% HAC to spouse or dependent child. **Non-duty-related death:** • active or inactive member; • actuarial equivalent of early retirement benefit to spouse or dependent child. * Retired members without spouse or dependent child, payment made to member's designated beneficiary will be = accumulated contributions reduced by any retirement benefits already paid.
HPORS DROP	N/A	**Death Before the End of DROP Period:** * DROP and regular benefit to spouse or dependent child. * If no surviving spouse or dependent children, member's designated beneficiary receives balance of member's retirement account and a lump-sum payment of the member's DROP Benefit.

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<table>
<tr><th rowspan="2">System</th><th>Disability</th><th>Survivor</th></tr>
<tr><th>Eligibility & Benefit Formula</th><th>Eligibility & Benefit Formula</th></tr>
<tr><td>SRS</td><td>Duty-related disability:
• Any active member with any membership service
• < 20 years membership service: 50% of HAC, or
• > 20 years membership service: 2.5% of HAC x years of service credit

Non-duty-related disability:
• Any vested member with 5 years membership service
• Actuarial equivalent of the normal retirement benefit at disability.</td><td>Duty-related death:
• any active member
• lump-sum payment of member contributions; or
• benefit to the designated beneficiary that is greater of:
  • 50% of HAC; or
  • > 20 years = 2.5% x HAC x service credit

Non-duty-related death:
• any member
• lump-sum refund of member contributions; or
• benefit = 2.5% of HAC x service credit;
• actuarially reduced from age 60 or 20 years membership service, whichever provides the greater benefit.

• Retired members without contingent annuitant, payment made to designated beneficiary = accumulated contributions reduced by any retirement benefits already paid.</td></tr>
<tr><td>GWPORS</td><td>Duty-related disability:
• Vested active member
• < 20 years of membership service 50% of HAC; or
• > 20 years of membership service: 2.5% of HAC x years of service credit

Regular disability:
• vested member
• actuarial equivalent of normal retirement benefit disability.</td><td>Duty-related death:
* active member
* benefit to designated beneficiary
• < 25 years membership service: 50% of HAC, or
• > 25 years membership service: 2.5% x HAC x service credit

Non-duty-related death:
• any member
• lump-sum refund of member contributions; or
• actuarial equivalent of service benefit at death.

• Effective July 1, 2017, beneficiaries of GWPORS members who die prior to retirement are eligible for either a lump-sum benefit or a monthly survivor benefit. The monthly survivor benefit may be paid out as an option 1, 2, 3, or 4, at the survivor's discretion. Previously, statute provided for lump-sum payments only.</td></tr>
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System	Disability Eligibility & Benefit Formula	Survivor Eligibility & Benefit Formula
MPORS	• Any active member • < 20 years of membership service: 50 % of FAC • > 20 years of membership service: 2.5% of FAC x years of service credit	• Any active member; • benefit to spouse of dependent child: • < 20 years of membership service: 50 % of FAC • > 20 years of membership service: 2.5% of member's FAC x years of service credit • In absence of a spouse or child, accumulated contributions minus any benefits already paid will be paid to member's designated beneficiary.
MPORS DROP	• If a member becomes disabled during DROP Period, member will not be eligible for MPORS disability benefits.	**Death Before the End of DROP Period:** • DROP and regular benefit to spouse or dependent child. • In absence of surviving spouse or dependent children, then member's designated beneficiary receives balance of member's retirement account and a lump-sum payment of the member's DROP Benefit.
FURS	• Any active member • **The greater of:** • 50% of HAC, **or** • 2.5% of HAC x years of service credit	• Any active or inactive member; • benefit to spouse or dependent child: • **< 20 years** of membership service • 50% of HAC. • **> 20 years** of membership service retirement benefit at date of death.
VFCA	**Duty-related disability:** • Any current member on a fire company's roster • Monthly benefit **greater of**: • $87.50 per month, **or** • ($8.75 per month x years of credited service up to 20 years) + ($7.50 per month x years of credit service from 21 years up to 30 years) • **Post 7/01/2011, actuarially sound, and 30 years or more:** • Additional $7.50 per month per year	• 10 years credited service or a retired member • Benefit to surviving spouse or dependent child for total of 40 months includes payments to retired member prior to death.

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GASB Statement No. 67 Reporting

The membership data, method and assumptions used in calculations of the actuarially determined contributions, and plan provisions are the same as were described in the June 30, 2018 Actuarial Valuation Report for all defined benefit plans.

The discount rate as of June 30, 2019 is 7.65% which is the assumed long-term expected rate of return on the PERB's investments. Projections of the fiduciary net position have indicated that it is expected to be sufficient to make projected benefit payments for current members.

Changes in the discount rate affect the measurement of the TPL. At June 30, 2019, the sensitivity of the NPL to the changes in discount rate in all defined benefit plans are as follows.

PERS-DBRP As of June 30, 2019	**1% decrease 6.65%**	**Discount Rate 7.65%**	**1% Increase 8.65%**
Total Pension Liability	$8,906,487,399	$7,993,617,002	$7,226,465,016
Fiduciary Net Position	5,903,306,304	5,903,306,304	5,903,306,304
Net Pension Liability	$3,003,181,095	$2,090,310,698	$1,323,158,712
Fiduciary Net Position as a % of the TPL	66.28%	73.85%	81.69%

JRS As of June 30, 2019	**1% decrease 6.65%**	**Discount Rate 7.65%**	**1% Increase 8.65%**
Total Pension Liability	$ 71,644,073	$ 65,318,710	$ 59,857,852
Fiduciary Net Position	104,885,637	104,885,637	104,885,637
Net Pension Asset	$ (33,241,564)	$ (39,566,927)	$ (45,027,785)
Fiduciary Net Position as a % of the TPL	146.40%	160.58%	175.22%

HPORS As of June 30, 2019	**1% Decrease 6.65%**	**Discount Rate 7.65%**	**1% Increase 8.65%**
Total Pension Liability	$ 270,309,456	$ 237,727,489	$ 211,391,353
Fiduciary Net Position	152,777,627	152,777,627	152,777,627
Net Pension Liability	117,531,829	$ 84,949,862	$ 58,613,726
Fiduciary Net Position as a % of the TPL	56.52%	64.27%	72.27%

SRS As of June 30, 2019	**1% decrease 6.65%**	**Discount Rate 7.65%**	**1% Increase 8.65%**
Total Pension Liability	$ 525,188,056	$ 460,620,635	$ 407,694,951
Fiduciary Net Position	377,222,848	377,222,848	377,222,848
Net Pension Liability	$ 147,965,208	$ 83,397,787	$ 30,472,103
Fiduciary Net Position as a % of the TPL	71.83%	81.89%	92.53%

GWPORS As of June 30, 2019	**1% decrease 6.65%**	**Discount Rate 7.65%**	**1% Increase 8.65%**
Total Pension Liability	$ 283,961,188	$ 247,012,363	$ 216,836,063
Fiduciary Net Position	206,346,965	206,346,965	206,346,965
Net Pension Liability	$ 77,614,223	$ 40,665,398	$ 10,489,098
Fiduciary Net Position as a % of the TPL	72.67%	83.54%	95.16%

MPORS As of June 30, 2019	**1% decrease 6.65%**	**Discount Rate 7.65%**	**1% Increase 8.65%**
Total Pension Liability	$ 732,406,259	$ 638,822,111	$ 563,908,681
Fiduciary Net Position	439,777,930	439,777,930	439,777,930
Net Pension Liability	$ 292,628,329	$ 199,044,181	$ 124,130,751
Fiduciary Net Position as a % of the TPL	60.05%	68.84%	77.99%

FURS As of June 30, 2019	**1% decrease 6.65%**	**Discount Rate 7.65%**	**1% Increase 8.65%**
Total Pension Liability	$ 661,539,434	$ 575,903,035	$ 506,853,614
Fiduciary Net Position	461,189,143	461,189,143	461,189,143
Net Pension Liability	$ 200,350,291	$ 114,713,892	$ 45,664,471
Fiduciary Net Position as a % of the TPL	69.71%	80.08%	90.99%

VFCA At June 30, 2019	**1% decrease 6.65%**	**Discount Rate 7.65%**	**1% Increase 8.65%**
Total Pension Liability	$ 51,299,085	$ 46,772,688	$ 42,935,225
Fiduciary Net Position	39,866,038	39,866,038	39,866,038
Net Pension Liability	$ 11,433,047	$ 6,906,650	$ 3,069,187
Fiduciary Net Position as a % of the TPL	77.71%	85.23%	92.85%

During the measurement year there were no changes in benefits for all plans.

Actuarial Status of the Plans

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. As of June 30, 2019 and June 30, 2018:

Fiscal Year	Amortization in years		Funded Ratio	
	2019	2018	2019	2018
PERS-DBRP	36	38	74.19%	73.81%
JRS	0	0	161.23%	161.29%
HPORS	42	40	64.55%	64.03%
SRS	21	21	81.56%	81.04%
GWPORS	53	72	84.24%	82.95%
MPORS	18	20	69.23%	67.69%
FURS	9	10	79.97%	78.27%
VFCA	5	5	84.76%	82.76%

- As of June 30, 2019, the statutory contribution rates for the PERS-DBRP, HPORS, and GWPORS are not sufficient to amortize the unfunded actuarial liability within 30 years.
- As of June 30, 2019, the JRS amortizes in 0 years, meaning it is fully funded.
- As of June 30, 2019, the most recent actuarial valuation, the statutory contribution rates are sufficient to amortize the unfunded actuarial liability for the DCRP Disability OPEB. The DCRP Disability OPEB assets gained 6.77% on an annualized market value basis during the year ended June 30, 2019. This return was above the assumed rate of return of 3.50%, resulting in an investment gain of about $151,842. The actuarial value of assets is set equal to the market value of assets. The DCRP Disability OPEB unfunded actuarial liability was a gain of $0.24 million and the funded ratio was 104.93%. Compared to the June 30, 2018 actuarial valuation, the Plan's unfunded actuarial liability was a gain of $0.10 million, and the funded ratio was 102.32%.
- The actuarial contribution increased to $899,555 at the June 30, 2019 VFCA valuation from $823,290 at the June 30, 2018 valuation. The actuarial contribution is determined as the normal cost, administrative expense, and a 20-year open amortization of the unfunded actuarial liability.

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Defined Contribution Retirement Plans

Plan Descriptions

Public Employees' Retirement System-DCRP (PERS-DCRP)

The PERS-Defined Contribution Retirement Plan (DCRP) is a multiple-employer plan established July 1, 2002 and governed by Title 19, chapters 2 & 3, MCA. This plan is available to eligible employees of the State, Montana University System, local governments, and school districts. All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. The PERS-DCRP provides retirement, disability, and death benefits to plan members and their beneficiaries.

DCRP Education Fund: The DCRP Education Fund (DCEd), as governed by section 19-3-112, MCA, was established to provide funding for the required education programs for members who have joined the PERS-DCRP. The DCEd was funded by 0.04% of the employers' contributions in fiscal year 2019.

DCRP Disability Fund: The DCRP Disability Fund (DC Disability), as governed by section 19-3-2141 MCA, provides disability benefits to eligible members who elect the PERS-DCRP. The DCRP Disability Fund received 0.3% of the employers' contribution in fiscal year 2019. The DC Disability OPEB is reported on the financial statements under the column heading *PERS-DCRP Disability OPEB*.

Plan Membership Elections: The financial statements reflect employer and employee contribution transfers of DCRP participants that filed elections at or near the June 30 cutoff date. The contributions will not be moved until early fiscal year 2020. At fiscal year end June 30, 2019, there were ongoing transfers of $627.3 thousand.

Deferred Compensation Plan (457(b))

The Deferred Compensation (457(b)) Plan is a voluntary supplemental retirement savings plan established in 1974. The Deferred Compensation Plan is governed by Title 19, chapter 50, MCA, in accordance with Internal Revenue Code (IRC) §457. This plan is available to all employees of the State, Montana University System, and contracting political subdivisions.

Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Empower™ Retirement is the recordkeeper for the plan. Participants elect to defer a portion of their salary, within IRC limits, into the Plan. Distribution of deferred salary is not allowed to employees until separation from service, retirement, or death. Unforeseen hardship distributions may be allowed while a participant is still employed, provided IRS-specified criteria are met.

Membership and Employers

Plan Membership as of Fiscal Year End June 30, 2019		
Type of Plan for Reporting Purposes as of Fiscal Year End June 30, 2019	**Multi-Employer Defined Contribution**	
Plan Designation	**PERS-DCRP**	**Deferred Compensation (457)**
Classification of Member		
Active	2,871	4,922
Inactive: entitled to, but not yet receiving benefits or a refund:		
Vested	559	4,618
Non-Vested	713	
Inactive members and beneficiaries currently receiving benefits:		
Service Retirements	111	
Disability Retirements	10	
Survivor benefits	2	
Total Membership	**4,266**	**9,540**

Participating Defined Contribution Employers				
Employer Type	**PERS-DCRP**		**Deferred Compensation (457)**	
As of Fiscal Year End June 30,	**2019**	**2018**	**2019**	**2018**
State Agencies*	31	32	1	1
Counties	51	53	6	4
Cities and Towns	57	58	14	14
Colleges and Universities	5	5	5	5
School Districts	122	117	15	15
High Schools	5	4		
Other Agencies	49	47	13	15
Total	**320**	**316**	**54**	**54**

* The State Agencies count as one employer for the 457 plan. The State of Montana includes 33 agencies; however, due to the nature of the reporting for the 457 plan we are unable to specifically determine which agencies have participating employees.

PERS-DCRP Active Membership by Employer Type		
Employer Type	**June 30, 2019**	**June 30, 2018**
State Agencies	1,397	1,296
Counties	439	416
Cities	334	320
Universities	156	143
High Schools	5	5
School Districts	332	301
Other Agencies	208	209
Total	2,871	2,690

Contributions

Public Employees' Retirement System-DCRP (PERS-DCRP)

Assets of the PERS-DCRP are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Empower™ Retirement is the recordkeeper for the plan.

Member and employer contribution rates are established by state law and may be amended only by the Legislature. (Reference Schedule of Contribution Rates).

Member contributions are deducted from each member's salary and remitted by participating employers. The entire amount of the member's contribution is credited to the individual account and maintained by the record keeper.

The 7.9% member contributions will be decreased to 6.9% on January 1 following actuary valuation results for the PERS-DBRP that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates. There is no reduction to the member contributions on January 1, 2020.

The total employer contribution rate of 8.67% is allocated as follows: 8.33% to the member's retirement account, 0.04% to the defined contribution education fund, 0.3% to the long term disability plan.

Employer contributions temporarily increased 1.0%, effective July 1, 2013. Further, employer contributions increase an additional 0.1% a year over 10 years beginning July 1, 2014, through 2024. The employer additional contributions, including the 0.27% added in 2007 and 2009, terminate on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and member contribution rates. Based on the June 30, 2019 actuarial valuation, the additional contributions will not be terminated on January 1, 2020.

Deferred Compensation (457(b)) Plan

The Deferred Compensation (457(b)) Plan is a voluntary retirement plan designed to supplement retirement savings. Participants designate the amount to contribute within IRC limitations; either pre-tax deferral or designated Roth contribution. Most employers do not contribute to this plan on behalf of their employees.

Defined Contribution and Deferred Compensation Summary of Benefits

	PERS-DCRP	Deferred Compensation
Eligibility for benefit	• Termination of Service	• Not available to participant until separation from service, retirement, or death. • Unforeseen hardship distributions may be allowed while a participant is still employed, provided IRS-specified criteria are met.
Vesting	• Immediate for participant's contributions and attributable income; • 5 years of membership service for the employer's contributions to individual accounts and attributable income.	• Participant's are fully vested in their accounts immediately.

Benefit	• Depends upon eligibility and individual account balance;
	• Various payout options are available, including:
	  • taxable lump sums,
	  • periodic payments per participant direction; and
	  • IRS-permitted rollovers.
		• Lump sum or periodic benefit payment, at the option of the participant.
		• Based on individual account balances and plan provisions.
		• IRS permitted rollovers are also possible.

Investments

Among the offered investment options, the participants of the:

- PERS-DCRP direct their contributions and their portion of employer's contributions.
- Deferred Compensation Plan direct their deferred salary.

Participants may invest in any or all of the offered options and transfer between options on a daily basis, if desired. The investment options offered are selected by the PERB in compliance with the PERS-DCRP or Deferred Compensation Investment Policy Statements, the advice of an independent investment consultant, and assistance from the statutorily-created Employee Investment Advisory Council.

The offered investment options fall into two primary types: (1) the variable investment options and (2) the fixed investment option.

Variable investments: The variable investment options include a variety of Large, Mid and Small Cap mutual funds, as well as a fixed income bond fund and Target Date Retirement Funds. Options range from conservative to aggressive. The mutual funds cover all standard asset classes and categories.

PERS-DCRP Investment Options as of June 30, 2019	Deferred Compensation (457) Plan Investment Options as of June 30, 2019
International Stock Funds • American Funds New Perspective R6 • Oakmark International I • Vanguard Total International Stock Index Adm • Oppenheimer Developing Markets Y	**International Stock Funds** • Vanguard Total Intl Stock Index - Adm • Artisan International Inv • Franklin Mutual Global Discovery Z • Dodge & Cox International Stock • American Funds New Perspective R6 • Oppenheimer Developing Markets Y
Small Company Stock Funds • Vanguard Small Cap Growth Index Instl • Vanguard Small Cap Index Signal Instl • PGIM QMA Small-Cap Value Z	**Small Company Stock Funds** • Vanguard Small Cap Growth Index Instl • Vanguard Small Cap Index Instl • Neuberger Berman Genesis-Trust
Mid-Sized Company Stock Funds • Janus Henderson Enterprise - N • MFS Mid-Cap Value • Vanguard Mid-Cap Index - Adm	**Mid Cap Company Stock Funds** • Janus Henderson Enterprise - N • MFS Mid Cap Value R6 • Vanguard Mid Cap Index Adm
Large Company Stock Funds • Alger Capital Appreciation Z • Black Rock Equity Index - Collective F • Vanguard Equity Income - Adm • JP Morgan US Equity R5	**Large Cap Stock Funds** • Vanguard Equity Income Adm • Fidelity Contrafund • Vanguard Institutional Index I • Parnassus Core Equity Inst
Balanced Funds • Vanguard Balanced Index - I	**Balanced Funds** • Vanguard Balanced Index I
Bond Funds • PGIM Total Return Bond R6 • Neuberger Berman High Income Bond - I • Vanguard Total Bond Market Index - Adm	**Bond Funds** • Vanguard Total Bond Market Index - Adm • Neuberger Berman High Income Bond Inv • PGIM Total Return Bond R6
Target Date Funds • T. Rowe Price Retirement - Balanced and 2005 through 2055	**Target Date Funds** • T. Rowe Price Retirement - Balanced and 2005 through 2055
Fixed Investment Options • Montana Fixed Fund	**Fixed Investment Options** • Montana Fixed Fund

In addition to the investments listed, Deferred Compensation plan participants previously had the option to direct a portion of their deferrals to a term life insurance policy provided through Allianz Life Insurance. The ability to invest in life insurance is allowed under the IRC and was offered to plan participants prior to life insurance being offered as a standard component of health insurance benefit packages. This investment option has been discontinued; however, plan participants who had previously elected this option may continue.

Fixed Investment: Montana Fixed Fund. The Montana Fixed Fund is a stable value investment option, administered and managed by outside vendors:

- Pacific Investment Management Company LLC (PIMCO), Stable Value Manager;
- State Street Bank and Trust Company (State Street), Custodial Bank; and
- Third-party synthetic Guaranteed Interest Contract (GIC) providers
    - Transamerica Premier Life Insurance Company (Transamerica),
    - The Prudential Insurance Company of America (Prudential), and
    - Voya Retirement Insurance and Annuity Company (Voya).

When participants invest in the Montana Fixed Fund option, they are guaranteed a fixed rate of return, which is adjusted in accordance with the terms of the respective GIC provider contracts. The Montana Fixed Fund employs a synthetic stable value strategy where the stable value manager, PIMCO, manages a diversified bond portfolio and third party insurers, Transamerica, Prudential, and Voya, guarantee the participants' principal investments and earnings in accordance with the respective contracts with the GIC providers. The third party insurers set a fixed quarterly rate of return based on the stable value manager's portfolio yield, duration, market value and the contracts provide assurance that future credited income will not be below zero.

All money invested in the Montana Fixed Fund from the PERS-DCRP and Deferred Compensation Plan are held in a Pooled Trust. The Pooled Trust qualifies as a group trust under sections 401(a), including section 401(a)(24) and 501(a), of the IRC of 1986, as amended. The Pooled Trust assets are invested by PIMCO and are held under a custodial agreement with State Street. The Pooled Trust assets are invested by PIMCO based on an investment guideline schedule described in the Montana Fixed Fund investment policy established by the PERB. Additional investment constraints are contained in the investment management agreement between PIMCO and the PERB, and in the respective contracts issued by the Pooled Trust by each GIC provider.

Administrative expenses and revenues: Expenses for the PERS-DCRP and Deferred Compensation Plan can generally be classified as 1) administrative, including miscellaneous or 2) investment management. Following is a summary of revenues and expenses.

Administrative funding: The PERB charges PERS-DCRP and Deferred Compensation participants an administrative fee on participants' account balances to fund each plans expenses. On a quarterly basis, the recordkeeper withholds the fee from each plan participant's account. Empower™ Retirement withholds a portion of the fee collected from the participant to pay their recordkeeping fee and submits the remainder to the PERB. The PERB records this as *Miscellaneous Revenue* for each plan in the financial statements.

Recordkeeping fees: The recordkeeper, Empower™ Retirement, charges a set fee to the PERB for all PERS-DCRP and Deferred Compensation plan participants. These amounts are recorded as *Miscellaneous Expense* in the financial statements.

Montana Fixed Fund fees: The Montana Fixed Fund's crediting rate is declared net of expenses. Fees on the fund are charged by each of the five providers, PIMCO, State Street, Transamerica, Prudential, and Voya. The fees are defined under each contract for specific services. The fees charged by PIMCO and State Street for the externally managed fixed investments are classified as *Investment Expense*. The fees charged by Transamerica, Prudential and Voya are classified as *Miscellaneous Expense.*

Mutual funds/variable investments fees: The variable investments have investment management fees and some may have additional administrative fees. These fees are not presented in the financial statements. Mutual fund earnings are declared net of expenses, both investment management and administrative expenses, in accordance with the Securities and Exchange

Commission and other regulatory authorities. Current reporting standards for mutual fund companies do not require costs be made available in the detailed cost reports.

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Changes in Multiple-Employer Plans Net Pension Liability / (Asset)

as of June 30, 2019

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
PERS-DBRP			
Total pension liability			
Service cost (Beginning of year)	**$ 123,618,712**	$ 132,567,233	$ 144,475,909
Interest (includes interest on service cost)	**585,204,569**	552,036,737	507,380,846
Changes of benefit terms			
Differences between expected and actual experience	**(147,536,263)**	170,344,495	55,782,342
Changes of assumptions			354,960,213
Benefit payments[2]	**(422,444,896)**	(395,338,673)	(366,354,719)
Refunds of Contributions[3]	**(12,360,997)**	(12,619,498)	(12,252,007)
Net change in total pension liability	**$ 126,481,125**	$ 446,990,294	$ 683,992,584
Total pension liability-beginning	**7,867,135,877**	7,420,145,583	6,736,152,999
Total pension liability-ending (a)	**$ 7,993,617,002**	$ 7,867,135,877	$ 7,420,145,583
Plan fiduciary net position			
Contributions - employer[4, 9]	**$ 107,257,974**	$ 106,650,985	$ 103,537,059
Contributions - non-employer	**34,641,994**	34,659,174	28,757,463
Contributions - member[5]	**101,713,235**	102,075,271	100,768,139
Net investment income[6]	**320,879,899**	478,690,356	591,434,954
Benefit payments[2]	**(422,444,896)**	(395,338,673)	(366,354,719)
Administrative expense	**(3,806,945)**	(4,168,771)	(4,472,084)
Refunds of Contributions[3]	**(12,360,997)**	(12,619,498)	(12,252,007)
Other[7]	**(2,567,968)**	(2,474,018)	(1,706,733)
Net change in plan fiduciary net position	**$ 123,312,296**	$ 307,474,826	$ 439,712,072
Plan fiduciary net position - beginning	**5,779,994,008**	5,472,519,182	5,032,807,110
Beginning of Year Adjustment			
Plan fiduciary net position - ending (b)[6,9]	**$ 5,903,306,304**	$ 5,779,994,008	$ 5,472,519,182
Net pension liability / (asset) - ending (a-b)	**$ 2,090,310,698**	$ 2,087,141,869	$ 1,947,626,401
SRS			
Total pension liability			
Service cost (Beginning of year)	**$ 12,249,276**	$ 11,484,473	$ 19,186,527
Interest (includes interest on service cost)	**32,403,605**	30,388,560	27,621,242
Changes of benefit terms			(1,494,604)
Differences between expected and actual experience	**2,866,788**	4,714,268	(170,781)
Changes of assumptions[8]			(94,881,687)
Benefit payments[2]	**(19,512,312)**	(18,052,544)	(16,700,117)
Refunds of Contributions[3]	**(1,438,814)**	(1,490,014)	(1,383,061)
Net change in total pension liability	**$ 26,568,543**	$ 27,044,743	$ (67,822,481)
Total pension liability-beginning	**434,052,092**	407,007,349	474,829,830
Total pension liability-ending (a)	**$ 460,620,635**	$ 434,052,092	$ 407,007,349
Plan fiduciary net position			
Contributions - employer[4]	**$ 10,572,559**	$ 10,366,141	$ 7,562,105
Contributions - non-employer			
Contributions - member[5]	**8,615,935**	8,469,282	7,188,857
Net investment income[6]	**20,396,435**	29,157,838	35,511,246
Benefit payments[2]	**(19,512,312)**	(18,052,544)	(16,700,117)
Administrative expense	**(246,523)**	(432,091)	(387,378)
Refunds of Contributions[3]	**(1,438,814)**	(1,490,014)	(1,383,061)
Other[7]	**(44,792)**	(48,421)	(33,489)
Net change in plan fiduciary net position	**$ 18,342,488**	$ 27,970,191	$ 31,758,163
Plan fiduciary net position - beginning	**358,880,360**	330,910,169	299,152,006
Plan fiduciary net position - ending (b)[6]	**$ 377,222,848**	$ 358,880,360	$ 330,910,169
Net pension liability / (asset) - ending (a-b)	**$ 83,397,787**	$ 75,171,732	$ 76,097,180

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
[2] For fiscal year 2016 forward, Benefit Payments are only benefit payments. In fiscal years 2014 and 2015 the benefit payments include refunds of contribution and transfers.
[3] For fiscal year 2016 forward, the Refunds of Contributions includes Refunds and Distributions, Refunds to other plans and Transfers.
[4] The Contributions - employer consists of the Employer, Membership Fees, Reduction in Force Program, and Miscellaneous Revenue.
[5] The Contributions - member consists of the Plan Member and Interest Reserve Buyback.
[6] The fiscal year 2017 Net Investment Income and Plan Fiduciary Net Position - ending are different in this schedule from what is presented in the financial statements due to late entries from Board of Investments.
[7] Other consists of the expense for Other Post Employment Benefits (OPEB). For PERS it also includes Refunds to other plans, and Transfers to DCRP and MUS-RP.
[8] The Changes in assumptions for SRS is the adjustment in the discount rate from 7.75% to 6.68% at June 30, 2015 and to 5.93% at June 30, 2016.
[9] The PERS-DBRP amounts will not tie to the financial statements due to the exclusion of the PERS-DB Education (DB Ed) amount on this schedule and adjustments for OPEB made after fiscal year end close.

2016	2015	2014
$ 132,620,813	$ 138,049,956	$ 137,452,701
486,830,869	476,777,225	456,406,491
12,254,313	(11,276,266)	
(344,103,875)	(333,401,463)	(307,741,308)
(10,379,388)		
$ 277,222,732	$ 270,149,452	$ 286,117,884
6,458,930,267	6,188,780,815	5,902,662,931
$ 6,736,152,999	$ 6,458,930,267	$ 6,188,780,815
$ 102,327,838	$ 100,175,856	$ 95,820,397
30,800,371	34,466,719	34,561,721
97,342,719	95,424,031	92,160,048
101,199,856	225,106,692	732,253,062
(344,103,875)	(333,401,463)	(307,741,308)
(3,858,330)	(3,483,531)	(3,522,346)
(10,379,388)		
(1,580,302)		
$ (28,251,111)	$ 118,288,304	$ 643,531,574
5,061,058,221	4,942,769,917	4,299,238,343
$ 5,032,807,110	$ 5,061,058,221	$ 4,942,769,917
$ 1,703,345,889	$ 1,397,872,046	$ 1,246,010,898
$ 18,802,901	$ 12,574,185	$ 15,117,708
22,900,429	25,664,435	23,976,049
749,213	(194,994)	
56,788,521	43,058,238	(49,542,278)
(15,476,437)	(15,280,070)	(13,943,335)
(1,028,890)		
$ 82,735,737	$ 65,821,794	$ (24,391,856)
392,094,093	326,272,299	350,664,155
$ 474,829,830	$ 392,094,093	$ 326,272,299
$ 7,316,674	$ 6,902,448	$ 6,689,311
6,982,217	6,623,175	6,447,179
6,063,591	13,041,786	41,789,437
(15,476,437)	(15,280,070)	(13,943,335)
(322,584)	(247,405)	(203,493)
(1,028,890)		
(77,778)		
$ 3,456,793	$ 11,039,934	$ 40,779,099
295,695,213	284,655,279	243,876,180
$ 299,152,006	$ 295,695,213	$ 284,655,279
$ 175,677,824	$ 96,398,880	$ 41,617,020

Public Employees' Retirement Board
A Component Unit of the State of Montana
Required Supplementary Information
Schedule of Changes in Multiple-Employer Plans Net Pension Liability / (Asset)
as of June 30, 2019
Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
GWPORS			
Total pension liability			
Service cost (Beginning of year)	8,004,271	$ 8,097,630	$ 8,624,297
Interest (includes interest on service cost)	17,617,514	16,018,113	14,268,596
Changes of benefit terms			
Differences between expected and actual experience	(4,728,366)	4,780,923	3,742,704
Changes of assumptions			5,877,594
Benefit payments[2]	(7,349,795)	(6,522,921)	(5,809,910)
Refunds of Contributions[3]	(1,000,919)	(1,105,281)	(1,035,917)
Net change in total pension liability	$ 12,542,705	$ 21,268,464	$ 25,667,364
Total pension liability / (asset) - beginning	234,469,658	213,201,194	187,533,830
Total pension liability / (asset) - ending (a)	$ 247,012,363	$ 234,469,658	$ 213,201,194
Plan fiduciary net position			
Contributions - employer[4]	$ 4,686,260	$ 4,613,066	$ 4,463,631
Contributions - non-employer			
Contributions - member[5]	5,565,627	5,512,148	5,278,141
Net investment income[6]	11,124,693	15,573,117	18,589,670
Benefit payments[2]	(7,349,795)	(6,522,921)	(5,809,910)
Administrative expense	(202,040)	(369,184)	(328,699)
Refunds of Contributions[3]	(1,000,919)	(1,105,281)	(1,035,917)
Other[7]	611	(19,293)	(549)
Net change in plan fiduciary net position	$ 12,824,437	$ 17,681,652	$ 21,156,367
Plan fiduciary net position - beginning	193,522,528	175,840,876	154,684,509
Plan fiduciary net position - ending (b)	$ 206,346,965	$ 193,522,528	$ 175,840,876
Net pension liability / (asset) - ending (a-b)	$ 40,665,398	$ 40,947,130	$ 37,360,318
MPORS			
Total pension liability			
Service cost (Beginning of year)	$ 12,020,270	$ 12,248,910	$ 12,267,430
Interest (includes interest on service cost)	43,960,204	41,949,138	39,632,065
Changes of benefit terms			
Differences between expected and actual experience	23,127,175	640,064	(5,057,920)
Changes of assumptions			16,011,685
Benefit payments[2]	(26,220,684)	(24,566,646)	(23,474,602)
Refunds of Contributions[3]	(3,636,764)	(2,675,247)	(1,043,487)
Net change in total pension liability	$ 49,250,201	$ 27,596,219	$ 38,335,171
Total pension liability / (asset) - beginning	589,571,910	561,975,691	523,640,520
Total pension liability / (asset) - ending (a)	$ 638,822,111	$ 589,571,910	$ 561,975,691
Plan fiduciary net position			
Contributions - employer[4]	$ 7,853,234	$ 7,757,950	$ 7,091,246
Contributions - non-employer	15,990,599	15,840,158	13,960,572
Contributions - member[5]	5,037,799	5,046,352	4,465,630
Net investment income[6]	22,635,730	33,237,702	39,775,778
Benefit payments[2]	(26,220,684)	(24,566,646)	(23,474,602)
Administrative expense	(189,981)	(350,328)	(339,344)
Refunds of Contributions[3]	(3,636,764)	(2,675,247)	(1,043,487)
Other[7]	(6,299)	(37,861)	(491)
Net change in plan fiduciary net position	$ 21,463,634	$ 34,252,080	$ 40,435,302
Plan fiduciary net position - beginning	418,314,296	384,062,216	343,626,914
Plan fiduciary net position - ending (b)[6]	$ 439,777,930	$ 418,314,296	$ 384,062,216
Net pension liability / (asset) - ending (a-b)	$ 199,044,181	$ 171,257,614	$ 177,913,475

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
[2] For fiscal year 2016, Benefit Payments are only benefit payments. In fiscal years 2014 and 2015, the benefit payments include refunds of contributions and transfers.
[3] For fiscal year 2016, the Refunds of Contributions includes Refunds and Distributions, Refunds to other plans and transfers.
[4] The Contributions - employer consists of the Employer, Membership Fees, Reduction in Force Program, and Miscellaneous Revenue.
[5] The Contributions - member consists of the Plan Member and Interest Reserve Buyback.
[6] The fiscal year 2017 Net Investment Income and Plan Fiduciary Net Position - ending are different in this schedule from what is presented in the FY17 financial statements due to late entries from Board of Investments.
[7] Other consists of the expense for Other Post Employment Benefits (OPEB)

2016	2015	2014
$ 8,403,076	$ 8,008,155	$ 7,849,828
12,910,129	12,398,209	11,258,354
2,705,238	730,818	
(5,068,318)	(5,351,847)	(5,229,489)
(1,065,541)		
$ 17,884,584	$ 15,785,335	$ 13,878,693
169,649,246	153,863,911	139,985,218
$ 187,533,830	$ 169,649,246	$ 153,863,911
$ 4,278,385	$ 4,088,117	$ 3,762,217
5,035,648	4,924,265	4,461,889
3,166,704	6,434,871	20,069,398
(5,068,318)	(5,351,847)	(5,229,489)
(269,496)	(200,745)	(161,663)
(1,065,541)		
(30,640)		
$ 6,046,742	$ 9,894,661	$ 22,902,352
148,637,767	138,743,106	115,840,754
$ 154,684,509	$ 148,637,767	$ 138,743,106
$ 32,849,321	$ 21,011,479	$ 15,120,805
$ 12,022,841	$ 12,083,166	$ 11,794,994
37,887,975	36,830,426	35,011,854
(3,546,948)	(2,014,310)	
(21,960,690)	(22,743,995)	(20,527,874)
(1,240,208)		
$ 23,162,970	$ 24,155,287	$ 26,278,974
500,477,550	476,322,263	450,043,289
$ 523,640,520	$ 500,477,550	$ 476,322,263
$ 6,927,587	$ 6,629,915	$ 6,459,488
13,751,561	13,432,838	13,048,938
4,384,573	4,291,826	4,133,021
7,112,851	14,471,898	45,230,427
(21,960,690)	(22,743,995)	(20,527,874)
(273,951)	(212,017)	(166,807)
(1,240,208)		
(131,634)		
$ 8,570,089	$ 15,870,465	$ 48,177,193
335,056,825	319,186,360	271,009,167
$ 343,626,914	$ 335,056,825	$ 319,186,360
$ 180,013,606	$ 165,420,725	$ 157,135,903

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Changes in Multiple-Employer Plans Net Pension Liability / (Asset)

as of June 30, 2019

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
FURS			
Total pension liability			
Service cost (Beginning of year)	**$ 12,421,310**	$ 11,819,193	$ 12,162,734
Interest (includes interest on service cost)	**41,022,969**	37,983,963	35,230,726
Changes of benefit terms			
Differences between expected and actual experience	**(931,198)**	14,798,655	893,628
Changes of assumptions			16,915,553
Benefit payments[2]	**(25,626,191)**	(23,863,193)	(22,335,636)
Refunds of Contributions[3]	**(89,824)**	(173,278)	(168,422)
Net change in total pension liability	**$ 26,797,066**	$ 40,565,340	$ 42,698,583
Total pension liability / (asset) - beginning	**549,105,969**	508,540,629	465,842,046
Total pension liability / (asset) - ending (a)	**$ 575,903,035**	$ 549,105,969	$ 508,540,629
Plan fiduciary net position			
Contributions - employer[4]	**$ 7,323,532**	$ 7,053,165	$ 6,499,776
Contributions - non-employer	**16,566,861**	16,127,433	14,438,412
Contributions - member[5]	**5,527,363**	5,314,833	4,925,425
Net investment income[6]	**23,722,343**	34,284,721	40,838,569
Benefit payments[2]	**(25,626,191)**	(23,863,193)	(22,335,636)
Administrative expense	**(170,851)**	(329,234)	(320,213)
Refunds of Contributions[3]	**(89,824)**	(173,278)	(168,422)
Other[7]	**1,405**	13,978	(485)
Net change in plan fiduciary net position	**$ 27,254,638**	$ 38,428,425	$ 43,877,426
Plan fiduciary net position - beginning	**433,934,505**	395,506,080	351,628,654
Plan fiduciary net position - ending (b)[6]	**$ 461,189,143**	$ 433,934,505	$ 395,506,080
Net pension liability / (asset) - ending (a-b)	**$ 114,713,892**	$ 115,171,464	$ 113,034,549
VFCA			
Total pension liability			
Service cost (Beginning of year)	**$ 112,527**	$ 92,294	$ 267,843
Interest (includes interest on service cost)	**3,434,677**	3,461,285	3,336,579
Changes of benefit terms			
Differences between expected and actual experience	**(173,854)**	(930,963)	(791,792)
Changes of assumptions			2,281,533
Benefit payments[2]	**(2,996,808)**	(2,944,046)	(2,858,443)
Refunds of Contributions[3]			
Net change in total pension liability	**$ 376,542**	$ (321,430)	$ 2,235,720
Total pension liability / (asset) - beginning	**46,396,146**	46,717,576	44,481,856
Total pension liability / (asset) - ending (a)	**$ 46,772,688**	$ 46,396,146	$ 46,717,576
Plan fiduciary net position			
Contributions - employer[4]			
Contributions - non-employer	**$ 2,370,454**	$ 2,212,113	$ 2,064,561
Contributions - member[5]			
Net investment income[6]	**2,070,508**	3,126,746	3,836,835
Benefit payments[2]	**(2,996,808)**	(2,944,046)	(2,858,443)
Administrative expense	**(296,866)**	(293,142)	(288,897)
Refunds of Contributions[3]			
Other[7]	**(10,875)**	(2,478)	(6,897)
Net change in plan fiduciary net position	**$ 1,136,413**	$ 2,099,193	$ 2,747,159
Plan fiduciary net position - beginning	**38,729,625**	36,630,432	33,883,273
Plan fiduciary net position - ending (b)[6]	**$ 39,866,038**	$ 38,729,625	$ 36,630,432
Net pension liability / (asset) - ending (a-b)	**$ 6,906,650**	$ 7,666,521	$ 10,087,144

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
[2] For fiscal year 2016, Benefit Payments are only benefit payments. In fiscal years 2014 and 2015, the benefit payments include refunds of contribution and transfers.
[3] For fiscal year 2016, the Refunds of Contributions includes Refunds and Distributions, Refunds to other plans and Transfers. Refunds are not applicable to VFCA.
[4] The Contributions - employer consists of the Employer, Membership Fees, Reduction in Force Program, and Miscellaneous Revenue.
[5] The Contributions - member consists of the Plan Member and Interest Reserve Buyback.
[6] The fiscal year 2017 Net Investment Income and Plan Fiduciary Net Position - ending are different in this schedule from what is presented in the FY17 financial statements due to late entries from Board of Investments.
[7] Other consists of the expense for Other Post Employment Benefits (OPEB).

2016	2015	2014
$ 11,519,465	$ 11,066,391	$ 10,608,895
33,514,243	32,580,262	30,847,306
(1,162,342)	(159,885)	
(20,896,200)	(19,747,008)	(19,052,130)
(46,128)		
$ 22,929,038	$ 23,739,760	$ 22,404,071
442,913,008	419,173,248	396,769,177
$ 465,842,046	$ 442,913,008	$ 419,173,248
$ 6,163,464	$ 6,100,252	$ 6,006,863
13,969,719	13,572,990	12,767,624
4,751,806	4,710,082	4,697,333
7,311,946	14,640,156	45,464,858
(20,896,200)	(19,747,008)	(19,052,130)
(259,560)	(197,110)	(153,622)
(46,128)		
(2,424)		
$ 10,992,623	$ 19,079,362	$ 49,730,926
340,636,031	321,556,669	271,825,743
$ 351,628,654	$ 340,636,031	$ 321,556,669
$ 114,213,392	$ 102,276,977	$ 97,616,579
$ 282,498	$ 221,969	$ 237,639
3,355,483	2,851,618	2,843,095
	6,173,245	
(1,141,179)	(618,854)	
(2,623,011)	(2,379,353)	(2,294,676)
$ (126,209)	$ 6,248,625	$ 786,058
44,608,065	38,359,440	37,573,382
$ 44,481,856	$ 44,608,065	$ 38,359,440
$ 2,036,297	$ 1,913,482	$ 1,818,237
622,331	1,479,954	4,815,491
(2,623,011)	(2,379,353)	(2,294,676)
(241,726)	(180,466)	(136,079)
(14,436)		
$ (220,545)	$ 833,617	$ 4,202,973
34,103,818	33,270,201	29,067,228
$ 33,883,273	$ 34,103,818	$ 33,270,201
$ 10,598,583	$ 10,504,247	$ 5,089,239

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Changes in Single-Employer Plans Net Pension Liability / (Asset)

as of June 30, 2019

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
JRS			
Total pension liability			
Service Cost - Beginning of year	**$ 1,771,629**	$ 1,664,039	$ 1,628,290
Interest (includes interest on service cost)	**4,457,587**	4,502,928	4,043,662
Changes of benefit terms			
Differences between expected and actual experience	**2,743,465**	(2,900,423)	862,189
Changes of assumptions			3,864,700
Benefit payments[2]	**(3,846,157)**	(3,872,322)	(3,554,335)
Net change in total pension liability	**$ 5,126,524**	$ (605,778)	$ 6,844,506
Total pension liability / (asset) - beginning	**60,192,186**	60,797,964	53,953,458
Total pension liability / (asset) - ending (a)	**$ 65,318,710**	$ 60,192,186	$ 60,797,964
Plan fiduciary net position			
Contributions - employer[9]	**$ (281)**	$ 1,084,880	$ 1,800,105
Contributions - non-employer			
Contributions - member[5]	**516,777**	575,050	488,208
Net investment income[8]	**5,687,228**	8,467,204	10,368,402
Benefit payments[2]	**(3,846,157)**	(3,872,322)	(3,554,335)
Administrative expense	**(122,618)**	(264,496)	(253,789)
Other[3]		6,737	(674)
Net change in plan fiduciary net position	**$ 2,234,949**	$ 5,997,053	$ 8,847,917
Plan fiduciary net position - beginning	**102,650,688**	96,653,635	87,805,718
Plan fiduciary net position - ending (b)[8]	**$ 104,885,637**	$ 102,650,688	$ 96,653,635
Net pension liability / (asset) - ending (a-b)	**$ (39,566,927)**	$ (42,458,502)	$ (35,855,671)
HPORS			
Total pension liability			
Service Cost - Beginning of year	**$ 3,453,066**	$ 3,643,015	$ 3,664,857
Interest (includes interest on service cost)	**16,926,240**	16,293,615	15,121,088
Changes of benefit terms[4]			
Differences between expected and actual experience	**2,412,675**	589,270	2,773,680
Changes of assumptions			7,892,479
Benefit payments[2]	**(12,062,607)**	(11,545,732)	(11,036,794)
Refund of Contributions[5]	**(582,438)**	(321,840)	(244,597)
Net change in total pension liability	**$ 10,146,936**	$ 8,658,328	$ 18,170,713
Total pension liability / (asset) - beginning	**227,580,553**	218,922,225	200,751,512
Total pension liability / (asset) - ending (a)	**$ 237,727,489**	$ 227,580,553	$ 218,922,225
Plan fiduciary net position			
Contributions - employer[6]	**$ 5,844,909**	$ 5,858,493	$ 5,782,258
Contributions - non-employer[6]	**233,139**	250,150	262,884
Contributions - member[7]	**2,002,319**	2,386,526	1,949,795
Net investment income[8]	**8,268,830**	12,282,824	15,098,813
Benefit payments[2]	**(12,062,607)**	(11,545,732)	(11,036,794)
Administrative expense	**(127,400)**	(256,309)	(248,124)
Refund of Contributions[5]	**(582,438)**	(321,840)	(244,597)
Other[3]	**2,007**	8,067	(466)
Net change in plan fiduciary net position	**$ 3,578,759**	$ 8,662,179	$ 11,563,769
Plan fiduciary net position - beginning	**149,198,868**	140,536,689	128,972,920
Plan fiduciary net position - ending (b)[8]	**$ 152,777,627**	$ 149,198,868	$ 140,536,689
Net pension liability / (asset) - ending (a-b)	**$ 84,949,862**	$ 78,381,685	$ 78,385,536

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

[2] For fiscal year 2016, Benefit Payments are only benefit payments. In fiscal years 2014 ,2015 and 2018, the benefit payments include refunds of contributions and transfers.

[3] Other consists of the expense for Other Post Employment Benefits (OPEB).

[4] For fiscal year 2015, the HPORS Changes of benefit terms was the addition of the DROP.

[5] For fiscal year 2016, the Refunds of Contributions includes refunds of member contributions.

[6] The fiscal year 2014 and 2015, HPORS employer and non-employer contribution differences are due to considering all non-employer contributions as employer.

[7] The HPORS Contributions - member consists of Plan Member and Interest Reserve Buyback on the financial statements.

2016	2015	2014
$ 1,578,705	$ 1,652,926	$ 1,593,854
3,986,420	3,933,947	3,824,389
(1,341,333)	(1,032,091)	
(3,416,023)	(3,040,988)	(3,022,512)
$ 807,769	$ 1,513,794	$ 2,395,731
53,145,689	51,631,895	49,236,164
$ 53,953,458	$ 53,145,689	$ 51,631,895
$ 1,807,493	$ 1,683,990	$ 1,651,483
729,180	534,091	481,461
1,778,748	3,842,387	12,420,597
(3,416,023)	(3,040,988)	(3,022,512)
(197,445)	(135,815)	(100,567)
(2,742)		
$ 699,211	$ 2,883,665	$ 11,430,462
87,106,507	84,222,842	72,792,380
$ 87,805,718	$ 87,106,507	$ 84,222,842
$ (33,852,260)	$ (33,960,818)	$ (32,590,947)
$ 3,798,553	$ 3,598,464	$ 3,464,399
14,545,022	14,112,116	13,517,924
	1,855,618	
18,339	267,336	
(10,482,414)	(10,000,856)	(9,443,007)
(93,811)		
$ 7,785,689	$ 9,832,678	$ 7,539,316
192,965,823	183,133,145	175,593,829
$ 200,751,512	$ 192,965,823	$ 183,133,145
$ 5,915,644	$ 5,839,336	$ 5,735,507
242,749		
1,917,487	1,624,327	1,458,042
2,605,256	5,738,373	18,678,284
(10,482,414)	(10,000,856)	(9,443,007)
(197,034)	(144,253)	(109,140)
(93,811)		
(2,276)		
$ (94,399)	$ 3,056,927	$ 16,319,686
129,067,319	126,010,392	109,690,706
$ 128,972,920	$ 129,067,319	$ 126,010,392
$ 71,778,592	$ 63,898,504	$ 57,122,753

Public Employees' Retirement Board
A Component Unit of the State of Montana
Required Supplementary Information
Schedule of Net Pension Liability / (Asset) for Multiple-Employer Plans
as of June 30, 2019
Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
PERS-DBRP			
Total Pension Liability	**$ 7,993,617,002**	$ 7,867,135,877	$ 7,420,145,583
Plan Fiduciary Net Position[2,4]	**5,903,306,304**	5,779,994,008	5,472,519,182
Multiple-Employers' Net Pension Liability / (Asset)	**$ 2,090,310,698**	$ 2,087,141,869	$ 1,947,626,401
Plan fiduciary net position as a percentage of the total pension liability	**73.85%**	73.47%	73.75%
Covered Payroll[3]	**$ 1,247,343,733**	$ 1,230,105,350	$ 1,232,066,537
Net pension liability / (asset) as a percentage of covered payroll[2]	**167.58%**	169.67%	158.08%
SRS			
Total Pension Liability	**$ 460,620,635**	$ 434,052,092	$ 407,007,349
Plan Fiduciary Net Position[2]	**377,222,848**	358,880,360	330,910,169
Multiple-Employers' Net Pension Liability / (Asset)	**$ 83,397,787**	$ 75,171,732	$ 76,097,180
Plan fiduciary net position as a percentage of the total pension liability	**81.89%**	82.68%	81.30%
Covered Payroll	**$ 80,461,048**	$ 77,587,294	$ 74,581,258
Net pension liability / (asset) as a percentage of covered payroll	**103.65%**	96.89%	102.03%
GWPORS			
Total Pension Liability	**$ 247,012,363**	$ 234,469,658	$ 213,201,194
Plan Fiduciary Net Position[2]	**206,346,965**	193,522,528	175,840,876
Multiple-Employers' Net Pension Liability / (Asset)	**$ 40,665,398**	$ 40,947,130	$ 37,360,318
Plan fiduciary net position as a percentage of the total pension liability	**83.54%**	82.54%	82.48%
Covered Payroll	**$ 51,676,963**	$ 50,823,150	$ 49,381,004
Net pension liability / (asset) as a percentage of covered payroll	**78.69%**	80.57%	75.66%

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

[2] The fiscal year 2017 Plan Fiduciary Net Position is different in this schedule from what was presented in the FY17 Statement of Fiduciary Net Position due to late entries from Board of Investments.

[3] The fiscal year 2014 covered payroll for PERS-DBRP has been re-stated due to the transfer of compensation from the PERS-DBRP to the PERS-DCRP. This also affected the dollar amount of the Actuarially Determined Contribution because it was determined as a percent of payroll.

[4] The PERS-DBRP amounts will not tie to the financial statements due to the exclusion of the PERS-DB Education (DB Ed) amount on this schedule.

2016	2015	2014
$ 6,736,152,999	$ 6,458,930,267	$ 6,188,780,815
5,032,807,110	5,061,058,221	4,942,769,917
$ 1,703,345,889	$ 1,397,872,046	$ 1,246,010,898
74.71%	78.36%	79.87%
$ 1,185,646,179	$ 1,154,866,605	$ 1,120,266,025
143.66%	121.04%	111.22%
$ 474,829,830	$ 392,094,093	$ 326,272,299
299,152,006	295,695,213	284,655,279
$ 175,677,824	$ 96,398,880	$ 41,617,020
63.00%	75.41%	87.24%
$ 70,593,304	$ 68,045,517	$ 64,672,635
248.86%	141.67%	64.35%
$ 187,533,830	$ 169,649,246	$ 153,863,911
154,684,509	148,637,767	138,743,106
$ 32,849,321	$ 21,011,479	$ 15,120,805
82.48%	87.61%	90.17%
$ 47,108,310	$ 44,884,739	$ 41,636,566
69.73%	46.81%	36.32%

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Net Pension Liability / (Asset) for Multiple-Employer Plans

as of June 30, 2019

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
MPORS			
Total Pension Liability	**$ 638,822,111**	$ 589,571,910	$ 561,975,691
Plan Fiduciary Net Position[2]	**439,777,930**	418,314,296	384,062,216
Multiple-Employers' Net Pension Liability / (Asset)	**$ 199,044,181**	$ 171,257,614	$ 177,913,475
Plan fiduciary net position as a percentage of the total pension liability	**68.84%**	70.95%	68.34%
Covered Payroll	**$ 54,282,431**	$ 52,035,958	$ 48,603,580
Net pension liability / (asset) as a percentage of covered payroll	**366.68%**	329.11%	366.05%
FURS			
Total Pension Liability	**$ 575,903,035**	$ 549,105,969	$ 508,540,629
Plan Fiduciary Net Position[2]	**461,189,143**	433,934,505	395,506,080
Multiple-Employers' Net Pension Liability / (Asset)	**$ 114,713,892**	$ 115,171,464	$ 113,034,549
Plan fiduciary net position as a percentage of the total pension liability	**80.08%**	79.03%	77.77%
Covered Payroll	**$ 50,756,445**	$ 47,934,517	$ 45,208,091
Net pension liability / (asset) as a percentage of covered payroll	**226.01%**	240.27%	250.03%
VFCA			
Total Pension Liability	**$ 46,772,688**	$ 46,396,146	$ 46,717,576
Plan Fiduciary Net Position[2]	**39,866,038**	38,729,625	36,630,432
Multiple-Employers' Net Pension Liability / (Asset)	**$ 6,906,650**	$ 7,666,521	$ 10,087,144
Plan fiduciary net position as a percentage of the total pension liability	**85.23%**	83.48%	78.41%
Covered Payroll	**N/A**	N/A	N/A
Net pension liability / (asset) as a percentage of covered payroll	**N/A**	N/A	N/A

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

[2] The fiscal year 2017 Plan Fiduciary Net Position is different in this schedule from what was presented in the FY17 Statement of Fiduciary Net Position due to late entries from Board of Investments.

2016	2015	2014
$ 523,640,520	$ 500,477,550	$ 476,322,263
343,626,914	335,056,825	319,186,360
$ 180,013,606	$ 165,420,725	$ 157,135,903
65.62%	66.95%	67.01%
$ 47,233,801	$ 45,736,127	$ 44,426,617
381.11%	361.69%	353.70%
$ 465,842,046	$ 442,913,008	$ 419,173,248
351,628,654	340,636,031	321,556,669
$ 114,213,392	$ 102,276,977	$ 97,616,579
75.48%	76.91%	76.71%
$ 43,118,925	$ 41,627,233	$ 39,891,869
264.88%	245.70%	244.70%
$ 44,481,856	$ 44,608,065	$ 38,359,440
33,883,273	34,103,818	33,270,201
$ 10,598,583	$ 10,504,247	$ 5,089,239
76.17%	76.45%	86.73%
N/A	N/A	N/A
N/A	N/A	N/A

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Required Supplementary Information

Schedule of Net Pension Liability / (Asset) for Single-Employer Plans

as of June 30, 2019

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
JRS			
Total Pension Liability	**$ 65,318,710**	$ 60,192,186	$ 60,797,964
Plan Fiduciary Net Position[2]	**104,885,637**	102,650,688	96,653,635
Single-Employers' Net Pension Liability / (Asset)	**$ (39,566,927)**	$ (42,458,502)	$ (35,855,671)
Plan fiduciary net position as a percentage of the total pension liability	**160.58 %**	170.54%	158.98%
Covered Payroll	**$ 7,382,476**	$ 7,290,904	$ 6,974,470
Net pension liability / (asset) as a percentage of covered payroll	**(535.96)%**	-582.35%	-514.10%
HPORS			
Total Pension Liability	**$ 237,727,489**	$ 227,580,553	$ 218,922,225
Plan Fiduciary Net Position[2]	**152,777,627**	149,198,868	140,536,689
Single-Employers' Net Pension Liability / (Asset)	**$ 84,949,862**	$ 78,381,685	$ 78,385,536
Plan fiduciary net position as a percentage of the total pension liability	**64.27 %**	65.56%	64.19%
Covered Payroll	**$ 15,177,612**	$ 15,251,339	$ 14,778,975
Net pension liability / (asset) as a percentage of covered payroll	**559.71 %**	513.93%	530.39%

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

[2] The fiscal year 2017 Plan Fiduciary Net Position is different in this schedule from what was presented in the FY17 Statement of Fiduciary Net Position due to late entries from Board of Investments.

	2016	2015	2014
	$ 53,953,458	$ 53,145,689	$ 51,631,895
	87,805,718	87,106,507	84,222,842
	$ (33,852,260)	$ (33,960,818)	$ (32,590,947)
	162.74%	163.90%	163.12%
	$ 6,920,367	$ 6,524,569	$ 6,354,763
	-489.17%	-520.51%	-512.86%
	$ 200,751,512	$ 192,965,823	$ 183,133,145
	128,972,920	129,067,319	126,010,392
	$ 71,778,592	$ 63,898,504	$ 57,122,753
	64.25%	66.89%	68.81%
	$ 15,275,964	$ 14,549,378	$ 14,149,269
	469.88%	439.18%	403.72%

Public Employees' Retirement Board

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Required Supplementary Information

Schedule of Employer and Non-Employer (State) Contributions

for Cost-Sharing Multiple-Employer Plans

as of June 30, 2019

(in thousands)

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
PERS-DBRP			
Actuarially Determined Contribution	**$ 152,663**	$ 141,310	$ 132,295
Actual Contributions in Relation to the			
Actuarially Determined Contribution			
Employer Contributions[2, 4]	**107,258**	106,651	103,537
Non-Employer Contributions (State)	**34,642**	34,659	28,758
Total Contributions	**$ 141,900**	$ 141,310	$ 132,295
Contribution Deficiency / (Excess)	**$ 10,763**	$ 0	$ 0
Covered Payroll[3]	**$ 1,247,344**	$ 1,230,105	$ 1,232,067
Contributions as a Percentage of			
Covered Payroll[3]	**11.38%**	11.49%	10.74%
SRS			
Actuarially Determined Contribution	**$ 10,573**	$ 10,366	$ 10,095
Actual Contributions in Relation to the			
Actuarially Determined Contribution			
Employer Contributions[2]	**10,573**	10,366	7,562
Non-Employer Contributions (State)			
Total Contributions	**$ 10,573**	$ 10,366	$ 7,562
Contribution Deficiency / (Excess)	**$ 0**	$ 0	$ 2,533
Covered Payroll	**$ 80,461**	$ 77,587	$ 74,581
Contributions as a Percentage of			
Covered Payroll	**13.14%**	13.36%	10.14%

[1] *This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

[2] *Employer consists of the Employer, Membership Fees, Reduction in Force Program and Miscellaneous Revenue.*

[3] *The fiscal year 2014 covered payroll of PERS-DBRP has been re-stated due to the transfer of compensation from the PERS-DBRP to the PERS-DCRP. This also affected the dollar amount of the Actuarially Determined Contribution (ADC) because it was determined as a percentage of payroll.*

[4] *The PERS-DBRP amounts will not tie to the financial statements due to the exclusion of the PERS-DB Education (DB Ed) amount on this schedule.*

2016	2015	2014
$ 133,128	$ 131,424	$ 137,681
102,328	100,176	95,820
30,800	34,467	34,562
$ 133,128	$ 134,643	$ 130,382
$ 0	$ (3,219)	$ 7,299
$ 1,185,646	$ 1,154,867	$ 1,120,266
11.23%	11.66%	11.64%
$ 8,640	$ 9,737	$ 9,779
7,317	6,902	6,689
$ 7,317	$ 6,902	$ 6,689
$ 1,323	$ 2,835	$ 3,090
$ 70,593	$ 68,046	$ 64,673
10.36%	10.14%	10.34%

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Employer and Non-Employer (State) Contributions

for Cost-Sharing Multiple-Employer Plans

as of June 30, 2019

(in thousands)

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
GWPORS			
Actuarially Determined Contribution	**$ 5,285**	$ 5,213	$ 5,495
Actual Contributions in Relation to the			
Actuarially Determined Contribution			
Employer Contributions[2]	**4,686**	4,613	4,464
Non-Employer Contributions (State)			
Total Contributions	**$ 4,686**	$ 4,613	$ 4,464
Contribution Deficiency / (Excess)	**$ 599**	$ 600	$ 1,031
Covered Payroll	**$ 51,677**	$ 50,823	$ 49,381
Contributions as a Percentage of Covered Payroll	**9.07%**	9.08%	9.04%
MPORS			
Actuarially Determined Contribution	**$ 23,844**	$ 23,598	$ 21,052
Actual Contributions in Relation to the			
Actuarially Determined Contribution			
Employer Contributions[2]	**7,853**	7,758	7,091
Non-Employer Contributions (State)	**15,991**	15,840	13,961
Total Contributions	**$ 23,844**	$ 23,598	$ 21,052
Contribution Deficiency / (Excess)	**$ 0**	$ 0	$ 0
Covered Payroll	**$ 54,282**	$ 52,036	$ 48,604
Contributions as a Percentage of Covered Payroll	**43.93%**	45.35%	43.31%

[1] *This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

[2] *Employer consists of the Employer, Membership Fees, Reduction in Force Program and Miscellaneous Revenue.*

	2016	2015	2014
	$ 4,707	$ 5,256	$ 4,976
	4,278	4,088	3,762
	$ 4,278	$ 4,088	$ 3,762
	$ 429	$ 1,168	$ 1,214
	$ 47,108	$ 44,885	$ 41,637
	9.08%	9.11%	9.04%
	$ 20,679	$ 17,229	$ 17,922
	6,928	6,630	6,459
	13,751	13,433	13,049
	$ 20,679	$ 20,063	$ 19,508
	$ 0	$ (2,834)	$ (1,586)
	$ 47,234	$ 45,736	$ 44,427
	43.78%	43.87%	43.91%

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Employer and Non-Employer (State) Contributions

for Cost-Sharing Multiple-Employer Plans

as of June 30, 2019

(in thousands)

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
FURS			
Actuarially Determined Contribution	$ 23,890	$ 23,181	$ 20,938
Actual Contributions in Relation to the			
Actuarially Determined Contribution			
Employer Contributions[2]	7,323	7,053	6,500
Non-Employer Contributions (State)	16,567	16,128	14,438
Total Contributions	$ 23,890	$ 23,181	$ 20,938
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0
Covered Payroll	$ 50,756	$ 47,935	$ 45,208
Contributions as a Percentage of			
Covered Payroll	47.07%	48.36%	46.32%
VFCA			
Actuarially Determined Contribution	$ 2,370	$ 2,212	$ 2,065
Actual Contributions in Relation to the			
Actuarially Determined Contribution			
Employer Contributions			
Non-Employer Contributions (State)	2,370	2,212	2,065
Total Contributions	$ 2,370	$ 2,212	$ 2,065
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0
Covered Payroll	N/A	N/A	N/A
Contributions as a Percentage of			
Covered Payroll	N/A	N/A	N/A

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
[2] Employer consists of the Employer, Membership Fees, Reduction in Force Program and Miscellaneous Revenue.

2016	2015	2014
$ 20,133	$ 13,279	$ 13,699
6,163	6,100	6,007
13,970	13,573	12,767
$ 20,133	$ 19,673	$ 18,774
$ 0	$ (6,394)	$ (5,075)
$ 43,119	$ 41,627	$ 39,892
46.69%	47.26%	47.06%
$ 2,037	$ 890	$ 1,116
2,036	1,913	1,818
$ 2,036	$ 1,913	$ 1,818
$ 1	$ (1,023)	$ (702)
N/A	N/A	N/A
N/A	N/A	N/A

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Required Supplementary Information

The information presented in the GASB Statement No. 67 required supplementary schedules was determined as part of the actuarial valuations for accounting purposes at the dates indicated.

Valuation date: June 30, 2018

Key Methods and Assumptions Used to Determine the Actuarially Determined Contribution (ADC) for fiscal year end 2019:

Timing	ADC are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Wage Inflation	3.50%
Inflation	2.75%
Salary increases	3.50%, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (Healthy)	RP 2000 Combined Employee and Annuitant Mortality Table Projected to 2020 using Scale BB, set back one year for males.
Mortality (Disabled)	RP-2000 Combined Employee and Annuitant Mortality Table with no projections.

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Employer Contributions

for Single-Employer Plans

as of June 30, 2019

(in thousands)

Last 10 Fiscal Years[1]

Fiscal Year	2019	2018	2017
JRS[2]			
Actuarially Determined Contribution			
Actual Contributions in Relation to the			
Actuarially Determined Contribution:			
Employer Contributions[3, 5]		$ 1,085	$ 1,800
Total Contributions		$ 1,085	$ 1,800
Contribution Deficiency / (Excess)		$ (1,085)	$ (1,800)
Covered Payroll	$ 7,382	$ 7,291	$ 6,974
Contributions as a Percentage of Covered Payroll	0.00%	14.88%	25.81%
HPORS[2]			
Actuarially Determined Contribution	$ 6,668	$ 6,530	$ 6,045
Actual Contributions in Relation to the			
Actuarially Determined Contribution:			
Employer Contributions[3, 4]	6,078	$ 6,109	$ 6,045
Total Contributions	$ 6,078	$ 6,109	$ 6,045
Contribution Deficiency / (Excess)	$ 590	$ 421	$ —
Covered Payroll	$ 15,178	$ 15,251	$ 14,779
Contributions as a Percentage of Covered Payroll	40.05%	40.05%	40.90%

[1] *This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

[2] **Notes to Schedule**

Valuation date: June 30, 2018

Key Methods and Assumptions Used to Determine the Actuarially Determined Contribution (ADC) for fiscal year end 2019:

Timing	ADC is determined on the actuarial valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Wage Inflation	3.50%
Inflation	2.75%
Salary increases	3.50%, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (Healthy)	RP-2000 Combined Employee and Annuitant Mortality Tables Projected to 2020 using Scale BB, set back one year for males
Mortality (Disabled)	RP-2000 Combined Employee and Annuitant Mortality Table

[3] Employer consists of the Employer, Membership Fees, Reduction in Force Program and Miscellaneous Revenue.

[4] For fiscal year 2014, the HPORS contributions for the supplemental benefit payment were classified as a non-employer contribution. It has been determined that the supplemental contribution should be classified as an employer contribution.

[5] For FY2019, the JRS employer contributions were temporarily suspended due to the November 2017 Special Legislation Session, Senate Bill 1.

2016	2015	2014
$ 1,807	$ 1,684	$ 1,651
$ 1,807	$ 1,684	$ 1,651
$ (1,807)	$ (1,684)	$ (1,651)
$ 6,920	$ 6,525	$ 6,355
26.11%	25.81%	25.98%
$ 6,158	$ 5,706	$ 6,121
$ 6,158	$ 5,839	$ 5,736
$ 6,158	$ 5,839	$ 5,736
$ —	$ (133)	$ 385
$ 15,276	$ 14,549	$ 14,149
40.31%	40.13%	40.54%

Public Employees' Retirement Board

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Required Supplementary Information

Schedule of Investment Returns for Multiple-Employer Plans

as of June 30, 2019

Last 10 Fiscal Years[1]

	Year Ended June 30	PERS-DBRP	SRS	GWPORS
Annual money-weighted rate of return, net investment expense				
	2019	**5.64%**	**5.70%**	**5.73%**
	2018	8.88%	8.83%	8.82%
	2017	11.94%	11.96%	11.97%
	2016	2.04%	2.05%	2.09%
	2015	4.60%	4.59%	4.59%
	2014	17.18%	17.15%	17.12%

	Year Ended June 30	MPORS	FURS	VFCA
Annual money-weighted rate of return, net investment expense				
	2019	**5.56%**	**5.59%**	**5.59%**
	2018	8.86%	8.85%	8.97%
	2017	11.92%	11.93%	11.89%
	2016	2.18%	2.19%	1.85%
	2015	4.66%	4.66%	4.63%
	2014	17.16%	17.15%	17.23%

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Public Employees' Retirement Board

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Required Supplementary Information

Schedule of Investment Returns for Single-Employer Plans

as of June 30, 2019

Last 10 Fiscal Years[1]

	Year Ended June 30	JRS	HPORS
Annual money-weighted rate of return, net investment expense			
	2019	**5.65%**	**5.64%**
	2018	8.87%	8.89%
	2017	11.96%	11.92%
	2016	2.03%	2.02%
	2015	4.60%	4.61%
	2014	17.17%	17.19%

[1] This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Public Employees' Retirement Board

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Required Supplementary Information

Schedule of Total OPEB (Healthcare) Liability and Related Ratios, Last Ten Fiscal Years[1]

Fiscal Year		2019		2018
Total OPEB Liability				
Service cost	$	6,271	$	27,891
Interest		6,096		29,728
Changes of benefit terms				
Difference between expected and actual experience				(69,725)
Changes of assumptions or other inputs		8,460		(4,363)
Benefit payments		(5,220)		25,170
Net change in total OPEB liability	$	15,607	$	8,701
Total OPEB liability - Beginning		84,795		76,094
Total OPEB liability - Ending	$	100,402	$	84,795
Proportionate Share of Total OPEB Liability		0.18026%		0.16805%
Covered employee payroll	$	3,909,710	$	3,703,606
Total OPEB liability as a percentage of covered employee payroll		2.57%		2.29%

[1] Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

In accordance with GASB Statement No. 75, the above information is presented to reflect the funding progress of the Healthcare OPEB Plan for MPERA as a State of Montana employer and is determined by the State of Montana. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Factors that significantly affect trends in the amounts reported:
There were no changes in terms or methods that significantly affected the trends since the last measurement date.

At June 30, 2018, the most recent actuarial valuation available was performed by the State of Montana as of January 1, 2017 for the calendar year ending December 31, 2017. This actuarial valuation is performed every two years with the next valuation to be performed as of January 1, 2019 for the calendar year ending December 31, 2019. The State of Montana finances claims on a pay-as-you-go basis and does not advance fund the OPEB liability. This is the OPEB obligation for MPERA as a State of Montana employer and is determined by the State of Montana.

Public Employees' Retirement Board

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Notes to Required Supplementary Information for OPEB (Healthcare)

Actuarial valuation date	December 31, 2017
Actuarial measurement date[1]	March 31, 2019
Actuarial cost method	Entry age normal funding method
Amortization method	Open basis
Asset valuation method	Not applicable because no assets meeting the definition of plan assets under GASB 75
Actuarial assumptions:	
Discount rate	3.79%
Projected payroll increases	4.00%
Participation:	
Future retirees	55.00%
Future eligible spouses	60.00%
Marital status at retirement	70.00%

[1] Update procedures were used to roll forward the total OPEB liability to the measurement date.

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Notes to the Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations for ***funding*** purposes at the dates indicated. Additional information as of latest actuarial valuation follows:

	PERS-DBRP	JRS	HPORS
Valuation date	June 30, 2019	June 30, 2019	June 30, 2019
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period in years:			
Unfunded Liability[1]	36		42
Unfunded Credit [2]		0	
Asset valuation method	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
Actuarial assumptions:			
Investment rate of return compounded annually (net of investment expense)	7.65%	7.65%	7.65%
Projected salary increases			
General Wage Growth*	3.50%	3.50%	3.50%
Merit	0% - 4.8%	None	0% - 6.3%
*Includes inflation at	2.75%	2.75%	2.75%
Administrative Expenses as a Percentage of Payroll[3]	0.30%	0.08%	0.18%
Benefit Adjustments			
GABA	3% if hired prior to July 1, 2007; or 1.5% if hired between July 1, 2007 and June 30, 2013; or 0% to 1.5% if hired on or after July 1, 2013; after 1 year	3% after 1 yr	3% after 1 year or 1.5% after 3 years if hired on or after July 1, 2013
Non-GABA	N/A	Biennial increase to salary of active member in like position	2% per yr service, not to exceed 5% of current benefit, for probationary officer's base pay

[1] The unfunded actuarial liability in the PERS, HPORS and GWPORS do not amortize in 30 years.

[2] Assets are larger than the past service liability – creating an unfunded credit; the credit is amortized over future costs.

[3] The administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

SRS	GWPORS	MPORS	FURS	VFCA
June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percent of inflation, open
21	53	18	9	5
				Based on Current Revenue
4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
7.65%	7.65%	7.65%	7.65%	7.65%
3.50%	3.50%	3.50%	3.50%	N/A
0% - 6.3%	0% - 6.3%	0% - 6.6%	0% - 6.3%	N/A
2.75%	2.75%	2.75%	2.75%	N/A
0.16%	0.16%	0.15%	0.13%	$201,971
3% or 1.5% for new hires on or after July 1, 2007, after 1 year	3% or 1.5% for new hires on or after July 1, 2007, after 1 year	3% after 1 yr	3% after 1 yr	N/A
N/A	N/A	50% newly confirmed officer	50% newly confirmed firefighter	N/A

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Administrative Expenses

Year Ended June 30, 2019

	Defined Benefit Plans	PERS-DBRP Education Fund	Defined Contribution PERS-DCRP	Deferred Compensation (457) Plan
Personal Services	$ 1,928,154	$ 491,244	$ 278,298	$ 132,345
Board Members' Per Diem	1,849		172	129
Employee Benefits	723,749	213,456	98,628	43,836
Total Personal Services	2,653,752	704,700	377,098	176,310
Other Services				
Consulting and Professional Services	942,547		104,513	114,685
Legal Fees and Court Costs	37,425		131	90
Audit Fees	48,756		2,977	2,233
Medical Services	4,334		181	
Records Storage	4,776		444	333
Computer Processing	171,137	6,274	17,902	13,058
Printing and Photocopy Charges	17,545	1,120	839	1,376
Warrant Writing Services	50,618		4,709	3,532
Other	204,063	6,287	19,917	14,326
Total Other Services	1,481,201	13,681	151,613	149,633
Communications				
Recruitment Costs				
Postage and Mailing	59,118	762	2,228	8,631
Telephone	38,516	9,693	5,023	2,825
Total Communications	97,634	10,455	7,251	11,456
Other Expenses				
Supplies and Materials	83,368	20,980	10,882	6,952
Travel	19,456	5,826	4,696	3,760
Rent	207,044	53,632	27,228	15,207
Repairs and Maintenance	344	68	43	25
Compensated Absences	(42,048)	(6,230)	(7,667)	(2,319)
OPEB Expenses	5,884	1,935	773	343
Miscellaneous	659,922	32,536	62,155	65,686
Total Other Expenses	933,970	108,747	98,110	89,654
Total Administrative Expenses	**$ 5,166,557**	**$ 837,583**	**$ 634,072**	**$ 427,053**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Investment Expenses

Year Ended June 30, 2019

Plan	Investment Manager	Fees	
PERS-DBRP	Board of Investments	$	36,002,624
PERS-DCRP DISABILITY OPEB	Board of Investments		7,435
JRS	Board of Investments		637,775
HPORS	Board of Investments		926,708
SRS	Board of Investments		2,267,168
GWPORS	Board of Investments		1,231,417
MPORS	Board of Investments		2,577,368
FURS	Board of Investments		2,689,133
VFCA	Board of Investments		234,330
DC	PIMCO		32,535
	State Street Bank		2,515
	Transamerica		10,961
	Prudential		10,698
	Voya		11,439
457	PIMCO		454,419
	State Street Bank		35,130
	Transamerica		153,114
	Prudential		149,611
	Voya		159,849
Total Investment Expense		**$**	**47,594,229**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Professional/Consultant Fees

Year Ended June 30, 2019

Individual or Firm	Nature of Service	Amount Paid
Consultant Fees		
Ascension Electric Corportion	Electricians	$ 122
Buck Global	Investment Consultants	98,000
Big Sky Plumbing & Heating	Heating Maintenance	100
Cavanaugh Macdonald Consulting	Actuarial Audit	262,687
Cheryl Romsa	Court Reporting	564
Government Finance Officers Assoc.	CAFR Review	1,095
Ice Miller, LLP	Tax Consultants	13,510
Lexis Nexis	Risk Data Management Services	360
Pension Benefit Informations, LLC	Death Validation Services	3,500
Public Pension Coordinating Council	Pension Standards Award	100
Risk Managment & Tort Division	Risk Management Services	1,721
Russell S Ring	Private Contracting	270
Sagitec Solutions Inc.	Pension Systems Design	727,701
SHI International Corp.	Software Contracted Services	52,015
Consultant Fees Subtotal		1,161,745
Other Professional Fees		
Dean Gregg, PHD	Medical Consultant	423
Department of Justice	Legal Services	6,716
Legislative Audit Division	Independent Auditors	53,966
Timothy D. Schofield, MD PLLC	Medical Consultant	4,092
Other Professional Fees Subtotal		65,197
Total Professional/Consultant Fees		$ 1,226,942

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Position (PERS-DBRP and PERS-DBEd)

as of June 30, 2019

	PERS-DBRP	PERS-DBEd	TOTAL
Assets			
Cash and Short-term Investments	$ 182,218,375	$ 2,378,924	$ 184,597,299
Securities Lending Collateral	27,173,882		27,173,882
Receivables			
Interest	363,761	4,749	368,510
Accounts Receivables	3,330,947	4,454	3,335,401
Due from Other Funds	605,258		605,258
Due from Primary Government			
Notes Receivable	12,762		12,762
Total Receivables	4,312,728	9,203	4,321,931
Investments, at fair value			
CAPP Participant Pool	5,716,675,412		5,716,675,412
Total Investments	5,716,675,412		5,716,675,412
Capital Assets			
Property and Equipment, at cost,			
net of Accumulated Depreciation	15,304	1,099	16,403
Intangible Assets at cost,			
net of amortization expense	1,214,386		1,214,386
Total Capital Assets	1,229,690	1,099	1,230,789
Total Assets	5,931,610,087	2,389,226	5,933,999,313
Deferred Outflow of Resources - OPEB	8,425	2,776	11,201
Liabilities			
Securities Lending Liability	27,173,882		27,173,882
Accounts Payable	370,093	39,284	409,377
Unearned Revenue	384,310	120	384,430
Due to Other Funds			
Compensated Absences	273,817	38,581	312,398
OPEB Implicit Rate Subsidy LT	65,759	21,556	87,315
Total Liabilities	28,267,861	99,541	28,367,402
Deferred Inflow of Resources - OPEB	44,403	14,533	58,936
Net Position Restricted for Pension Benefits	**$ 5,903,306,248**	**$ 2,277,928**	**$ 5,905,584,176**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Changes in Fiduciary Net Position (PERS-DBRP and PERS-DBEd)

for the Fiscal Year Ended June 30, 2019

	PERS-DBRP	PERS-DBEd	TOTAL
Additions			
Contributions			
Employer	$ 107,359,980	$ 492,624	$ 107,852,604
Plan Member	101,600,460		101,600,460
Interest Reserve Buyback	112,775		112,775
Retirement Incentive Program	1,221		1,221
Miscellaneous Revenue	(103,227)	18	(103,209)
State Contributions	1,026,994		1,026,994
State Appropriations	33,615,000		33,615,000
Total Contributions	243,613,203	492,642	244,105,845
Investment Income			
Net Appreciation (Depreciation)			
in Fair Value of Investments	352,531,699	139	352,531,838
Interest	3,626,682	58,140	3,684,822
Dividends			
Investment Expense	(36,002,624)		(36,002,624)
Net Investment Income	320,155,757	58,279	320,214,036
Securities Lending Income			
Securities Lending Income	1,453,616		1,453,616
Securities Lending Rebate and Fees	(729,473)		(729,473)
Net Securities Lending Income	724,143		724,143
Total Net Investment Income	320,879,900	58,279	320,938,179
Total Additions	564,493,103	550,921	565,044,024
Deductions			
Benefits	422,444,896		422,444,896
Refunds/Distributions	12,360,997		12,360,997
Refunds to Other Plans	407,696		407,696
Transfers to MUS-RP	232,194		232,194
Transfers to DCRP	1,968,902		1,968,902
OPEB Expenses	5,884	1,935	7,819
Administrative Expenses	3,804,394	835,648	4,640,042
Total Deductions	441,224,963	837,583	442,062,546
Net Increase (Decrease)	123,268,140	(286,662)	122,981,478
Net Position Restricted for Pension Benefits			
Beginning of Year	**5,779,994,008**	**2,564,590**	**5,782,558,598**
Prior Year Adjustments	**44,101**		**44,101**
End of Year	**$ 5,903,306,249**	**$ 2,277,928**	**$ 5,905,584,177**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Position (PERS-DCRP, PERS-DCEd)

as of June 30, 2019

	PERS-DCRP	PERS-DCEd	TOTAL
Assets			
Cash and Short-term Investments	$ 2,262,198	$ 166,395	**$ 2,428,593**
Securities Lending Collateral			
Receivables			
Interest	2,794	328	**3,122**
Accounts Receivables	238,977	343	**239,320**
Due from Other Funds			
Total Receivables	241,771	671	**242,442**
Investments, at fair value			
Defined Contributions Fixed Investments	16,945,434		**16,945,434**
Defined Contributions Variable Investments	244,027,337		**244,027,337**
Total Investments	260,972,771		**260,972,771**
Property and Equipment, at cost,			
net of Accumulated Depreciation (Note A2)	1,892	157	**2,049**
Intangible Assets at cost,			
net of amortization expense	290,126		**290,126**
Total Capital Assets	292,018	157	**292,175**
Total Assets	263,768,758	167,223	**263,935,981**
Deferred Outflow of Resources - OPEB	799	291	**1,090**
Liabilities			
Securities Lending Liability			
Accounts Payable	662,424	4,309	**666,733**
Unearned Revenue	427	1	**428**
Compensated Absences	42,559	4,380	**46,939**
OPEB Implicit Rate Subsidy LT	6,533	2,309	**8,842**
Total Liabilities	711,943	10,999	**722,942**
Deferred Inflow of Resources - OPEB	4,469	1,567	**6,036**
Net Position Restricted for Pension Benefits	**$ 263,053,145**	**$ 154,948**	**$ 263,208,093**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Changes in Fiduciary Net Position (PERS-DCRP, PERS-DCEd)

for the Fiscal Year Ended June 30, 2019

	PERS-DCRP	PERS-DCEd	TOTAL
Additions			
Contributions			
Employer	$ 12,989,508	$ 71,325	$ 13,060,833
Plan Member	13,505,558		13,505,558
Miscellaneous Revenue	122,679	2	122,681
Nonvested Member Forfeitures	714,024		714,024
Total Contributions	27,331,769	71,327	27,403,096
Investment Income			
Net Appreciation (Depreciation)			
in Fair Value of Investments	6,705,553		6,705,553
Interest	11,320,743	3,968	11,324,711
Investment Expense	(68,148)		(68,148)
Net Investment Income	17,958,148	3,968	17,962,116
Securities Lending Income			
Securities Lending Income			
Securities Lending Rebate and Fees			
Net Securities Lending Income			
Total Net Investment Income	17,958,148	3,968	17,962,116
Total Additions	45,289,917	75,295	45,365,212
Deductions			
Distributions	9,022,446		9,022,446
OPEB Expenses	568	205	773
Administrative Expenses	542,811	90,488	633,299
Miscellaneous Expenses	284,100		284,100
Total Deductions	9,849,925	90,693	9,940,618
Net Increase (Decrease)	35,439,992	(15,398)	35,424,594
Net Position Restricted for Pension Benefits			
Beginning of Year	**227,613,153**	**170,346**	**227,783,499**
Prior Year Adjustments			
End of Year	**$ 263,053,145**	**$ 154,948**	**$ 263,208,093**

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Public Employees' Retirement Board, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the board's basic financial statements, and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the board's internal control. Accordingly, we do not express an opinion on the effectiveness of the board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Room 160 • State Capitol Building • PO Box 201705 • Helena, MT • 59620-1705
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The identified instances of noncompliance are described below:

The board administers eight defined benefit retirement plans. The Montana Constitution and state law require all retirement systems to be actuarially sound, meaning the retirement system must amortize in 30 years or less. The actuarial valuations as of June 30, 2019, indicate the Games Wardens' and Peace Officers', Highway Patrol Officers', and Public Employees retirement systems are not actuarially sound as they amortize in 53, 42, and 36 years, respectively.

Public Employee's Retirement Board Response to Findings

The board's response to the noncompliance identified in our audit are described on page C-1 of this report. The board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Jeane Carstensen-Garrett

Jeane Carstensen-Garrett, CPA
Audit Manager
Helena, MT

December 6, 2019

Public Employees' Retirement Board

Board Response

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

STEVE BULLOCK
GOVERNOR

DORE SCHWINDEN
EXECUTIVE DIRECTOR

STATE OF MONTANA

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December 16, 2019

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LEGISLATIVE AUDIT DIV.

Angus Maciver, Legislative Auditor
Legislative Audit Division
State Capitol, Room 160
Helena, MT 59620

Dear Mr. Maciver:

The Montana Public Employee Retirement Administration (MPERA) has reviewed the financial audit report for fiscal year 2019. We are pleased with the findings of the report and will work hard to continue to provide the highest quality service possible to our members.

As you are aware and as constitutionally required by Article VIII § 15 of the Montana Constitution, MPERA and the MPERB monitors and confronts all defined benefit plan funding shortfalls and recommends funding legislation when necessary for plans that will not amortize within 30 years. MPERA, on behalf of the MPERB, is monitoring closely the funding status of PERS, HPORS and GWPORS and has already seen a decrease in the amortization period for both PERS and GWPORS. Based upon the expert opinion furnished to MPERA and MPERB by its actuary, Cavanaugh Macdonald Consulting LLC, during the most recent valuation for each system, MPERA and the MPERB expect actuarial gains on investments for each system in future fiscal years. As such, if the adopted actuarial assumptions of the MPERB are met for each of these systems during these years, the future valuations of PERS, HPORS and GWPORS are set to recognize more actuarial gains than losses. Ahead of the 2021 Legislative Session, MPERA and the MPERB will continue monitoring PERS, HPORS, and GWPORS and should it become necessary, based upon the expert opinion of its actuary, MPERA will propose funding legislation for approval by MPERB for any one or all these plans.

Regards,

Dore Schwinden
Executive Director