



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Public Employees' Retirement Board

*For the Fiscal Year Ended
June 30, 2020*

JANUARY 2021

LEGISLATIVE AUDIT
DIVISION

20-08A

**LEGISLATIVE AUDIT
COMMITTEE**

REPRESENTATIVES

KIM ABBOTT

Kim.Abbott@mtleg.gov

DAN BARTEL

Danbartel2@gmail.com

DENISE HAYMAN, CHAIR

Denise.Hayman@mtleg.gov

EMMA KERR-CARPENTER

Emma.KC@mtleg.gov

TERRY MOORE

terry.moore@mtleg.gov

MATT REGIER

Matt.Regier@mtleg.gov

SENATORS

JASON ELLSWORTH, VICE CHAIR

Jason.Ellsworth@mtleg.gov

JOHN ESP

Johnesp2001@yahoo.com

PAT FLOWERS

Pat.Flowers@mtleg.gov

TOM JACOBSON

Tom.Jacobson@mtleg.gov

TOM MCGILLVRAY

Tom.McGillvray@mtleg.gov

MARY McNALLY

McNally4MTLeg@gmail.com

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. 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-compliance 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, 2019, was issued March 30, 2020. The Single Audit Report for the two fiscal years ended June 30, 2021, will be issued by March 31, 2022.

AUDIT STAFF

JENNIFER ERDAHL
MARY V. YUREWITCH

KATIE MAJERUS
KELLY ZWANG

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LEGISLATIVE AUDIT DIVISION

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



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

January 2021

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Public Employees' Retirement Board, a component unit of the State of Montana, for the fiscal year ended June 30, 2020. This report contains our Independent Auditor's Report which includes an unmodified opinion, meaning the reader can rely on the information presented. The report includes one recommendation to the legislature and the board related to the actuarial soundness of three retirement systems. Also included in the report are two disclosure issues: one related to the options available to restore the actuarial soundness of three of the board's retirement systems and one related to the use of different assumptions for the funding valuation and financial reporting calculations.

The report also includes the board-prepared financial statements, related notes to the financial statements, required supplementary information, and supplementary information. Additional information about each retirement system's total and net pension liability, investments, contributions, and expense data is included in the required supplementary information and supplementary information.

The board's written response to the audit is included in the audit report at page C-1. We thank the Executive Director and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Public Employees' Retirement Board	C-1
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APPOINTED AND ADMINISTRATIVE OFFICIALS

			<u>Term Expires</u>
Public Employees' Retirement Board	Sheena Wilson, President	Helena	April 2023
	Maggie Peterson, Vice President	Anaconda	April 2024
	Robyn Driscoll	Billings	April 2023
	Terri Hogan	Helena	April 2024
	Dustin LeRette	Helena	April 2025
	Aaron Pratt	Helena	April 2022
	David Severson	Missoula	April 2021
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:

Dore Schwinden, Executive Director
 100 North Park Avenue, Suite 200
 P.O. Box 200131
 Helena, MT 59620-0131
 (406) 444-4559
 e-mail: DSchwinden@mt.gov



MONTANA LEGISLATIVE AUDIT DIVISION

Public Employees' Retirement Board

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

BACKGROUND

The Public Employees' Retirement Board (board) administers eight defined benefit pension plans, two defined contribution pension plans, and one other post employment benefits plan. The board is a fiduciary component unit of the State of Montana.

The Montana Constitution requires the defined benefit pension plans to be funded on an actuarially sound basis. According to state law, a defined benefit retirement plan 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. The most recent actuarial valuations, performed as of June 30, 2020, found the unfunded liability of five of the systems amortizes within 30 years, while the remaining three do not.

Public Employees'
Retirement Board President:
Sheena Wilson

Executive Director:
Dore Schwinden

The defined benefit pension plans received approximately \$359 million in contributions and paid approximately \$554 million in benefits during fiscal year 2020. The Game Wardens' and Peace Officers' Retirement System, the Highway Patrol Officers' Retirement System, and the Public Employees' Defined Benefit Retirement Plan remain actuarially unsound as of June 30, 2020. This report contains a recommendation to the legislature and the board to address these unsound systems.

AUDITOR'S OPINION (page A-1): **UNMODIFIED**

We found the board's financial statements and note disclosures presented fairly the activity of the systems in all material respects and we issued an unmodified opinion. This means a reader can rely on the information presented and the underlying financial records.

For the full context of the board's financial activity, see the financial schedules and notes beginning on page A-5.

RECOMMENDATIONS:

In this report, we issued the following recommendation:
To the legislature and the board: 1

The prior audit report contained no recommendations.

RECOMMENDATION #1 (page 5):

Noncompliance with state law

The Game Wardens' and Peace Officers' Retirement System, the Highway Patrol Officers' Retirement System, and the Public Employees' Defined Benefit Retirement Plan are actuarially unsound based on the June 30, 2020, actuarial valuations. The board has proposed employer rate increases and additional statutory appropriations from the General Fund to address the funding for these systems.

We recommend the legislature work with the board to restore the actuarial soundness of these three systems as required by the Montana Constitution and state law.

Board response: **Concur**

For the full report or more information, contact the Legislative Audit Division.

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Room 160, State Capitol
PO Box 201705
Helena, Montana 59620
(406) 444-3122

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DISCLOSURE ISSUE #1 (page 9):

Because the State of Montana is the largest or only employer in the three actuarially unsound systems and any changes in the funding for them would primarily come from state resources, we considered if there were cost neutral options available to address the issue. Based on the analyses, it is clear there are options to address the funding of the three unsound retirement systems besides contribution rate increases that warrant further consideration by the board and the legislature. These options include reallocating existing resources in a more cost-effective manner, and thus potentially eliminating the need to use new resources to address the funding requirements for the unsound systems. We disclose this consideration for informational purposes.

DISCLOSURE ISSUE #2 (page 13):

The board's actuary used different assumptions between the funding valuation and financial reporting calculations. If the same assumptions were used for the funding valuation as were used for the financial reporting calculation, the amortization period for each system would be higher. Because nothing precludes using different assumptions for these two separate calculations, we make no recommendation, but disclose this for informational purposes.

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):

In this report, we identified the following:
Material Weaknesses in Internal Control: 0
Significant Deficiencies in Internal Control: 0
Material Non-Compliance: 1
Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

Chapter I – Introduction and Background

Audit Scope

We performed a financial-compliance audit of the Public Employees' Retirement Board (board) for the fiscal year ended June 30, 2020. The objectives of our audit were to:

1. Determine whether the board's financial statements present fairly the board's fiduciary net position and changes in fiduciary net position for the fiscal year ended June 30, 2020.
2. Determine the board's compliance with selected 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.
4. Perform the work necessary over the supplemental information to determine whether that information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit work included reviewing support for contribution receipts and benefit payments and determining the reasonableness of investment balances and associated net investment income. We considered the board's control systems throughout the audit, including the computer system used by the board to electronically process contributions and benefits. We also performed testing to determine the accuracy of the data in this system. We reviewed the financial statements and note disclosures to determine if they were supported by the underlying accounting records and the actuarial valuation as of June 30, 2020. We also evaluated compliance with selected laws and regulations.

We completed testing of 25 samples ranging in size from 10 to 28 members, based on the size of each employer, at 25 different employers across the state as well as analytical procedures over each system as a whole to determine the accuracy and completeness of important member census data such as gender, birthdate, hire date, salary, and employment status that is used by the actuary to calculate the total pension liability. This is the seventh year we have performed such testing and we have visited a different group of individual employers each year. No material errors were identified in the testing of the census data to indicate the calculation of the total pension liability is inaccurate. We also hired an independent actuary to provide actuarial expertise during the audit, including reviewing each system's actuarial valuation and assumptions underlying the calculation of the total pension liability for reasonableness. There is a disclosure issue associated with the assumptions used for the most recent valuations beginning on page 13.

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 Plan (OPEB) plan. The board manages the following defined benefit plans:

- ◆ Public Employees' Retirement System—Defined Benefit Retirement Plan (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)
- ◆ Volunteer Firefighter's Compensation Act (VFCA).

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 two defined contribution plans managed by the board are: the Public Employees' Retirement System—Defined Contribution Retirement Plan (PERS-DCRP) and the Deferred Compensation (457) Plan. The PERS-DCRP provides retirement and death benefits for plan members. The OPEB plan mentioned above provides disability benefits for the members of the PERS-DCRP. The 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 and investments 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, 2020, and June 30, 2019.

Table 1 Defined Benefit Plan Amortization Periods		
System	Amortization Period at June 30, 2020	Amortization Period at June 30, 2019
Public Employees' - Defined Benefit	35	36
Public Employees' - DCRP Disability OPEB	0*	0*
Judges'	0*	0*
Highway Patrol Officers'	39	42
Sheriffs'	21	21
Game Wardens' and Peace Officers'	40	53
Municipal Police Officers'	16	18
Firefighters' Unified	8	9
Volunteer Firefighters' Compensation Act	4	5
Source: Compiled by the Legislative Audit Division from Public Employees' Retirement Board Actuarial Information.		
* These systems were fully funded for the year.		

The actuarial valuations as of June 30, 2020, 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. The actuarial soundness of these plans is further discussed in Recommendation #1, starting on page 5.

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. A net pension asset occurs when the plan's fiduciary net position is larger than the total pension liability. Table 2 (see page 4) shows the Net Pension Liability/(Asset) for the defined benefit plans at June 30, 2020, and June 30, 2019.

Table 2
Net Pension Liability/(Asset) by Defined Benefit Plan

System	June 30, 2020	June 30, 2019	Increase/ (Decrease)
Public Employees' - Defined Benefit	\$2,638,211,389	\$2,090,310,698	\$547,900,691
Judges'	\$(36,544,558)	\$(36,566,927)	(\$22,369)
Highway Patrol Officers'	\$233,831,374	\$84,949,862	\$148,881,512
Sheriffs'	\$121,885,990	\$83,397,787	\$38,488,203
Game Wardens' and Peace Officers'	\$135,159,982	\$40,665,398	\$94,494,584
Municipal Police Officers'	\$244,586,402	\$199,044,181	\$45,542,221
Firefighters' Unified	\$156,477,151	\$114,713,892	\$41,763,259
Volunteer Firefighters' Compensation Act	\$9,106,029	\$6,906,650	\$2,199,379

Source: Compiled by the Legislative Audit Division from board actuarial information.

Generally, the net pension liability/(asset) will increase as members complete an additional year of service and if investment returns are less than the assumed rate of return. Changes in the underlying actuarial assumptions can also cause fluctuations in the liability. The disclosure issue beginning on page 13 discusses one such change. Additionally, if a plan's fiduciary net position is projected to not be able to pay the future benefits for current plan members, the assumed rate of return is blended with the lower, municipal bond rate. This results in a lower discount rate used to calculate the net pension liability and thus a higher amount. A blended rate had to be used for the Game Wardens' and Peace Officers' and the Highway Patrol Officers' retirement systems for fiscal year 2020. In addition to resulting in a higher liability, the required use of a blended rate can be an indicator of a plan that is not actuarially sound, as is the case for HPORS and GWPORS.

Chapter II – Findings and Recommendations

Actuarial Soundness of Defined Benefit Plans

The Game Wardens’ and Peace Officers’ Retirement System, the Highway Patrol Officers’ Retirement System, and the Public Employees’ Defined Benefit Retirement Plan are actuarially unsound based on the June 30, 2020, actuarial valuations.

Article VIII, Section 15, of the Montana Constitution, requires defined benefit public retirement systems be funded on an actuarially sound basis. To be actuarially sound, a retirement system’s contributions and investments must be sufficient to pay the full actuarial cost of the plan over a scheduled period of no more than 30 years. The full actuarial cost includes both the normal cost of providing benefits as they accrue in the future and the cost of amortizing unfunded liabilities. Based on the June 30, 2020, actuarial valuations, the amortization periods for Game Wardens’ and Peace Officers’ Retirement System (GWPORS), the Highway Patrol Officers’ Retirement System (HPORS), and the Public Employees’ Defined Benefit Retirement Plan (PERS-DBRP), are 40, 39, and 35 years, respectively. We considered these amortization periods to be material noncompliance as noted in the report on internal control and compliance starting on page B-1.

These systems remain above the 30-year amortization period primarily because the average annual investment returns over the last 7 years have been lower than the assumed rate. However, for GWPORS, the actuarial valuation also notes that without significant good investment experience, the current contributions are not sufficient to ever bring the amortization period below 30 years. We looked back at previous valuations and found GWPORS has not amortized within 30 years since prior to June 30, 2012. For HPORS and PERS-DBRP, each system last amortized within 30 years on June 30, 2016, and 2017, respectively.

Public Employees’ Retirement Board (board) policy requires them to recommend changes to the legislature for systems whose amortization period has exceeded 30 years for two consecutive valuations, and the board can not reasonably expect the period to decline without a funding increase. As a result of this policy, the board recommended changes to the three unsound systems as part of House Bills 44, 59, and 72 in the 2021 Legislative Session. The board requested legislative changes to increase the employer contribution amounts in order to bring the amortization periods down to 25 years for GWPORS and PERS-DBRP. These changes are summarized in Table 3 (see page 6).

Table 3
Fiscal Year 2020 and Proposed Employer Contribution Rates

System/Employer	FY2020 Employer Contribution Percentage	Proposed Increase Percentage	Total Proposed Employer Contribution Percentage
GWPORS	9.0%	1.05%	10.05%
PERS-DBRP			
State & University Employers	8.77% *	1.67%	10.44%**
Local Government Employers	8.67% *	1.67%	10.34%**
School District Employers	8.4%*	1.67%	10.07%**

Source: Compiled by the Legislative Audit Division from introduced bills.

*Current state law provides for a 0.10% increase each year through 2024 and terminates when the plan amortizes in less than 25 years.

**The yearly 0.10% increase is removed as part of the proposed increase.

For HPORS, the board proposed legislation to create a statutory appropriation for a portion of the state lottery net revenue currently transferred to the General Fund: \$860,000 in fiscal year 2022, \$910,000 in fiscal year 2023, and \$960,000 in subsequent fiscal years.

Because the State of Montana is the largest employer in the PERS-DBRP and the only employer in the HPORS and GWPORS, any changes in funding for these systems would come from state resources. As illustrated in Table 4 below, these proposed changes are expected to cost the state an additional approximately \$14,900,000 in fiscal year 2022 alone, with approximately \$5,400,000 coming from the General Fund.

Table 4
Estimated Impacts of Proposed Changes
For Fiscal Year 2022

House Bill	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Other Funds
44 – GWPORS	\$417,235	\$129,883	\$22,413	\$35,886
59 – PERS-DBRP	4,165,456	3,410,181	2,311,599	3,578,799
72 - HPORS	860,000			
Total	\$5,442,691	\$3,540,064	\$2,334,012	\$3,614,685

Source: Compiled by the Legislative Audit Division based on the first fiscal notes for each house bill.

As discussed above, the board does not expect these systems to become actuarially sound without funding increases. Because the funding for these systems is outlined

in state law, the board cannot make the necessary changes alone. Legislative action is needed to implement the changes the board has proposed as part of the 2021 Legislative Session and to bring these systems back to actuarial soundness.

RECOMMENDATION #1

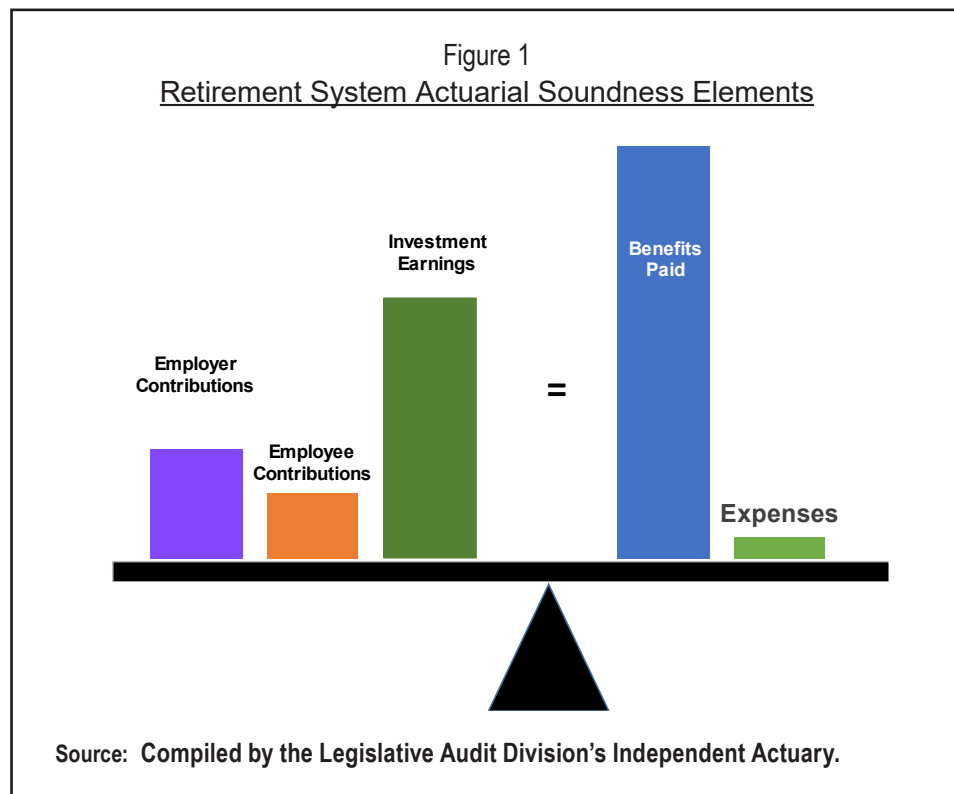
We recommend the Legislature work with the Public Employees' Retirement Board to restore the actuarial soundness of the Game Wardens' and Peace Officers' Retirement System, the Highway Patrol Officers' Retirement System, and the Public Employees' Defined Benefit Retirement Plan as required by the Montana Constitution and state law.

Disclosure Issues

Achieving Actuarial Soundness: Are There Cost Neutral Options Available to the Legislature?

As mentioned in the recommendation on the previous pages, the State of Montana is the largest employer in the Public Employees' Defined Benefit Retirement Plan (PERS-DBRP) and the only employer in the Game Wardens' and Peace Officers' Retirement System (GWPORS) and the Highway Patrol Officers' Retirement System (HPORS). This means any changes in funding for these systems will primarily come from state resources. As a result, we considered if there were other options to address the funding for these three systems which would have less of an impact on the state's finances.

Actuarial soundness for retirement systems is comprised of elements that all work together: contributions received, benefits paid, investments, and other expenses. As illustrated in Figure 1, contributions received are used to fund the benefits paid each year and any excess or deficiency is added to or covered by investments.



State law requires the retirement systems' investments be managed by the Montana Board of Investments. While the Montana Board of Investments is tasked with managing the investments to achieve steady returns in the long-term, the investment

returns are still subject to the movements of the markets and can have good and bad years. The remainder of this section is going to focus on the elements that are within the control of the legislature and the Public Employees' Retirement Board (board), namely contributions received and benefits paid.

Contributions Received

We asked our independent actuary to calculate the amount of additional contributions needed to immediately bring each system's amortization period down to 30 years and keep it there with the current contribution rates outlined in state law. The amounts

Table 5
Estimated Immediate Lump Sum Contributions
Required
For Unsound Defined Benefit Systems

GWPORS	\$5,400,000
HPORS	10,100,000
PERS-DBRP	138,200,000
Total	\$153,700,000

Source: Compiled by the Legislative Audit Division from independent actuarial estimates.

required are summarized in Table 5 and are based on the facts and circumstances existing at December 2020.

Because making the immediate lump sum payments might not be feasible, especially for the PERS-DBRP, we also asked our actuary to calculate the amount of additional yearly contributions that

would be needed. If the annual payments were made for the amounts in Table 6 for the next 30 years and increased each year by the board's current payroll growth assumption of 3.50 percent, the amortization periods for each system would drop down to 30 years.

Knowing the amount of payments needed to make these systems actuarially sound alone does not resolve the issue of the state having to devote more resources to the pension plans. Thus, we next looked at what resources the state currently provides to pension plans that could perhaps be reallocated for these additional contributions.

Table 6
Estimated Additional Annual
Contributions Required
For Unsound Defined Benefit Systems

System	Additional Annual Contributions
GWPORS	\$310,000
HPORS	580,000
PERS-DBRP	7,920,000
Total	\$8,810,000

Source: Compiled by the Legislative Audit Division from independent actuarial estimates.

Per state law, the state provided a little over \$72,000,000 in supplemental contributions from the General Fund in addition to the employee and employer contributions in fiscal year 2020. Fifty-one percent of these supplemental contributions were for three retirement systems whose amortization periods are already well below the required

30 years: Firefighters' Unified Retirement System (FURS), Municipal Police Officers' Retirement System (MPORS), and Volunteer Firefighter's Compensation Act (VFCA). Table 7 shows these General Fund contributions for fiscal year 2020.

Table 7
Current Amortization Periods and State Supplemental Contributions
For Selected Defined Benefit Systems

System	Amortization Period as of June 30, 2020	Fiscal Year 2020 State Supplemental Contributions	
		Percentage	Amount
FURS	8	32.61% of salaries	\$17,807,526
MPORS	16	29.37% of salaries	16,685,125
VFCA*	4	5.0% of fire insurance premium taxes paid	2,486,769
Total			\$36,979,420

Source: Compiled by the Legislative Audit Division from independent actuarial estimates.

*These are the only contributions made for this system as all members are volunteers.

We asked our actuary to calculate the impact to these systems if some of the supplemental contributions they receive were reallocated to the unsound systems:

Table 8
Possible Reallocation of State Supplemental Contributions
For Selected Defined Benefit Systems

System	Minimum Reallocation			Maximum Reallocation		
	Reallocation Amount	Reallocation Percentage	Remaining Amortization Period	Reallocation Amount	Reallocation Percentage	Remaining Amortization Period
FURS	\$4,500,000	25%	11 years	\$11,470,000	64%	30 years
MPORS	4,100,000	25%	26 years	4,780,000	29%	30 years
VFCA	520,000	21%	5 years	1,570,000	76%	30 years
Total	\$9,120,000			\$17,820,000		

Source: Compiled by the Legislative Audit Division from independent actuarial estimates.

As you can see in the table above as compared to Table 6 on page 10, reallocating 25 percent of the future annual supplemental contributions FURS, MPORS, and VFCA receive from the state's General Fund to GWPORS, HPORS, and PERS-DBRP is enough to cover the amount of the additional annual lump sum payments required to make the latter three systems actuarially sound without causing the three former systems to become unsound. Reallocating these resources would have significantly less impact on state resources than the legislation proposed by the board.

Benefits Paid

The amount of benefits paid to members of each system are established in state law. The 2011 and 2013 Legislatures enacted changes to the various plans, primarily affecting new employees:

- ♦ Clarifying existing statutes governing termination of service, disability benefits, service credits, and retirement eligibility
- ♦ Changes in retirement benefit calculations
- ♦ Changes in highest average salary calculations
- ♦ Reduction in the guaranteed annual benefit adjustments

These changes mean it costs the plans less to provide benefits to new members than it does for those already in the plans. This lower normal cost for these members frees up more of their contributions to pay down the unfunded actuarial accrued liability (UAAL) and thus reduces the amortization period.

We asked our independent actuary to calculate the impact another round of benefit changes that produce a similar cost savings for new members would have on the amortization periods of GWPORS, HPORS, and PERS-DBRP. We did not ask them to suggest specific benefit changes, but rather to just assume changes could be made. If similar cost savings were achieved, the amortization periods of GWPORS, HPORS, and PERS-DBRP are estimated to be reduced by 12, 6, and 3 years, respectively. However, changing the benefit formula for future hires would not have an immediate impact on the amortization periods presented in the system valuation reports as they are based on a snapshot of the system's population mix each June 30 and do not consider what would happen in future years as the population mix changes. As new members entered the systems under the new benefits, we would slowly see the amortization periods reduced as estimated above.

Although we assumed benefit changes could be made to these plans for the analysis in the previous paragraph, further benefit changes would not be practical. Our actuary cautioned the benefit provisions for these plans, especially PERS-DBRP, are already on the lower end of what is considered normal for public pension systems and further reductions in benefits may not be possible without unintended workforce impacts. They explained that plans in similar situations typically transition to defined contribution plans for new members instead of instituting more benefit cuts. Closing defined benefit pension plans and transitioning to defined contribution plans will result in other economic impacts to the state that are not included in this analysis.

Summary

Funding defined benefit pension plans is a complex process of trying to hit a constantly moving target by using estimates to project what will happen in the future. The estimates calculated by our independent actuary above are based on the published valuation reports, experience of the other defined benefit plans administered by the board, and our actuary's own experience working with other public pension plans. It is clear there are options to address the funding of the three unsound retirement systems besides contribution rate increases that warrant further consideration by the board and the legislature. These options include reallocating existing resources in a more cost-effective manner, and thus potentially eliminating the need to use new resources to address the funding requirements for the unsound systems. If the legislature pursues a reallocation of General Fund contributions, an additional actuarial analysis will be required to determine the estimated costs specific to the proposal being considered. However, as the board has a fiduciary responsibility to act in the best interests of each retirement system, they cannot fully explore these options with their actuary without the assistance or direction of the legislature.

We present this item for informational purposes only and make no recommendation.

Assumption Differences: Funding Valuation Versus Financial Reporting Calculations

To determine the amortization period discussed in the actuarial soundness section on page 2, the board's actuary calculates an actuarially accrued liability, which is the actuarial present value of projected pension plan benefits and expenses. The actuarial value of the system's assets is then subtracted from this amount to determine the unfunded actuarial accrued liability (UAAL).

To determine the total pension liability and the net pension liability reported in the system's financial statement notes and required supplementary information, the board's actuary calculates the actuarial present value of projected benefit payments attributable to past periods of member service. The system's net position is then subtracted from this amount to determine the net pension liability (NPL).

These calculations sound very similar, but have a few important differences:

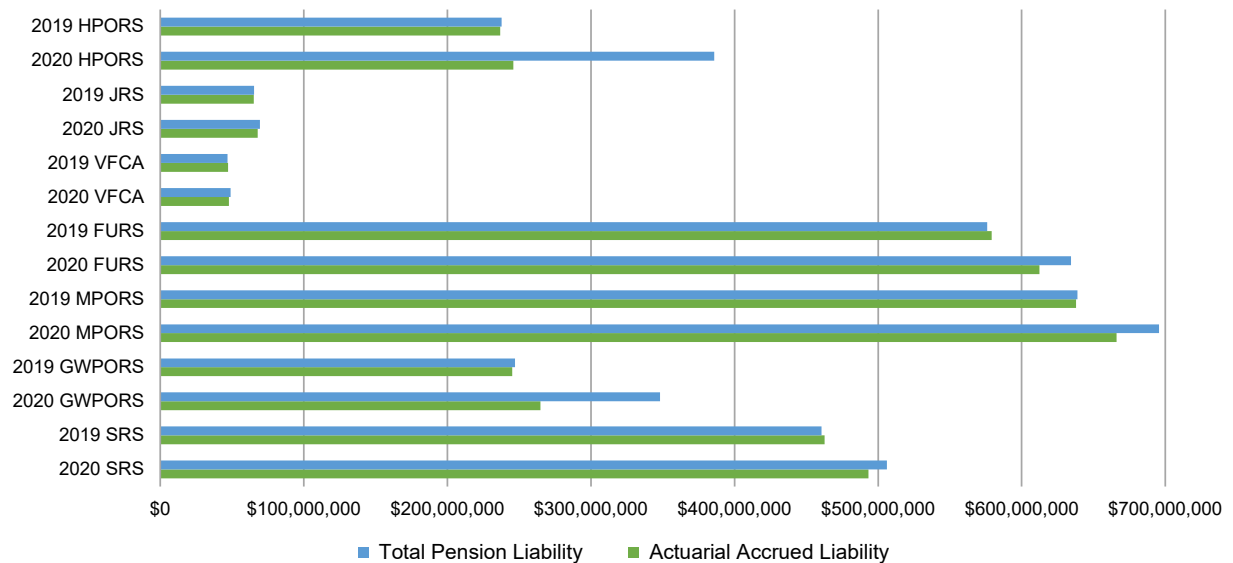
Table 9
Actuarial Accrued Liability and Total Pension Liability Calculation Elements

	Actuarial Accrued Liability	Total Pension Liability
Actuarial gains and losses are smoothed over 4 years	X	
Blended rate of return can be used		X
Rate of return is net of investment expenses	X	X
Rate of return is net of administrative expenses	X	
Market value of assets is used		X
Actuarial value of assets is used	X	

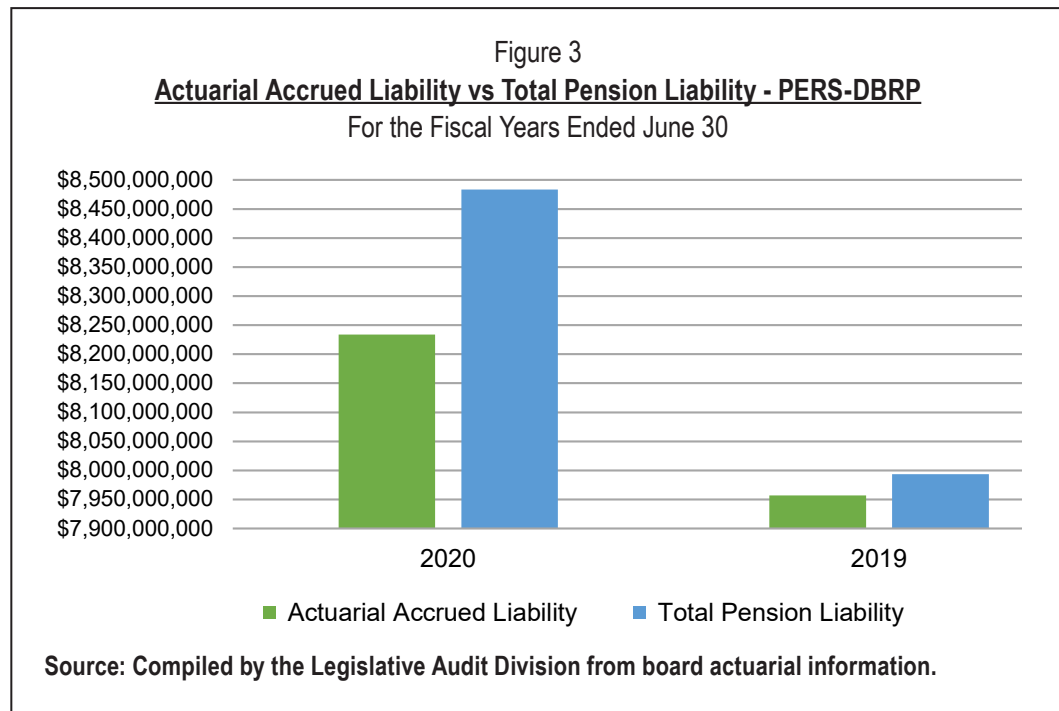
Source: Compiled by the Legislative Audit Division based on Generally Accepted Accounting Principles and Actuarial Standards of Practice.

Even though these two measures are calculated with slightly different methodologies, the results are typically similar. However, as you can see in Figures 2 and 3, the two liability measures are farther apart for fiscal year 2020 for each system.

Figure 2
Actuarial Accrued Liability vs Total Pension Liability
For the Fiscal Years Ended June 30



Source: Compiled by the Legislative Audit Division from board actuarial information.



Our independent actuary identified a difference in the economic assumptions used by the board's actuary to complete the funding valuation and the financial report analysis. While they both have a total payroll growth assumption of 3.50 percent, the components are different. For the funding valuation, the inflation and real wage growth remained at 2.75 percent and .75 percent, respectively. For the financial report, the inflation was lowered to 2.40 percent and the real wage growth was increased to 1.10 percent. In the past, the assumptions have been consistent between the two analyses.

The funding valuation assumptions are approved by the board as part of the experience study process. While these assumptions can be updated between experience studies based on recommendations from the actuary, this has not happened recently, and they were last updated in June 2017. In contrast, the assumptions for the financial report are analyzed and justified by the actuary on a yearly basis and may change before the funding assumptions. As a result, the assumptions used in the financial report analysis represent the more current outlook for the system and are an early indicator of what will happen in future funding valuations. Essentially, the actuary has determined the assumptions needed to change in order to reasonably reflect the systems' current position in the financial report, as required by GAAP. In a public hearing on October 8, 2020, the board's actuary indicated the inflation rate is on a downward trend and expects it to continue. This trend will be considered as part of the actuary's evaluation of the assumptions in the next experience study for the retirement systems.

While the difference in the liability amounts between the analyses is large, it did not result in a material misstatement in the estimated total pension liability. We discussed this with management for their consideration as part of the June 30, 2021, valuation. Because management was aware of the change and there is nothing precluding the use of different assumptions in these two analyses, we present this item for informational purposes only and make no recommendation. However, if the updated assumptions were used for the funding valuation, the UAAL would more closely approximate the NPL; and the amortization periods listed on page 3 would be higher for each retirement system.

Independent Auditor's Report and Board Financial Statements

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



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

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, 2020, 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, 2020, 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; Detail of Fiduciary Net Position (PERS-DBRP and PERS-DBED); the Detail of Changes in Fiduciary Net Position (PERS-DBRP and

PERS-DBEd); Detail of Fiduciary Net Position (PERS-DCRP, PERS-DCEd); and Detail of Changes in Fiduciary Net Position (PERS-DCRP, PERS-DCEd) for the fiscal year ended June 30, 2020. 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 23, 2020, 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/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

December 23, 2020

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, 2020. Throughout this discussion and analysis the 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	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Total Assets	\$ 7,719,731	\$ 7,730,149	\$ (10,418)	(0.1) %	\$ 859,494	\$ 797,227	\$ 62,267	7.8 %
Deferred Outflow of Resources	63	11	52	472.7 %	8	1	7	700.0 %
Total Liabilities	42,410	37,315	5,095	13.7 %	585	1,022	(437)	(42.8) %
Deferred Inflow of Resources	53	59	(6)	(10.2) %	7	9	(2)	(22.2) %
Total Fiduciary Net Position Restricted	\$ 7,677,331	\$ 7,692,786	\$ (15,455)	(0.2) %	\$ 858,910	\$ 796,197	\$ 62,713	7.9 %

The PERB's defined benefit plans combined total fiduciary net position decrease of \$15.5 million, or 0.2%, in fiscal year 2020 was attributed to a combination of a decrease in cash and receivables of \$148.3 million and an increase in total investments of \$133.4 million.

The PERB's defined contribution plans combined total fiduciary net position increase of \$62.7 million, or 7.9%, in fiscal year 2020 was primarily attributed to the total investments of \$855.4 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	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Total Additions	\$ 565,093	\$ 758,437	\$ (193,344)	(25.5) %	\$ 110,488	\$ 106,278	\$ 4,210	4.0 %
Total Deductions	580,659	547,950	32,709	6.0 %	47,790	40,168	7,622	19.0 %
Net Increase / (Decrease) in Fiduciary Net Position	\$ (15,566)	\$ 210,487	\$ (226,053)	(107.4)%	\$ 62,698	\$ 66,110	\$ (3,412)	(5.2)%
Prior Period Adjustment	\$ 112	\$ 55	\$ 57	51.0 %	\$ 14		\$ 14	100.0 %

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	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Additions (Major Source)								
Contributions	\$ 359,230	\$ 343,278	\$ 15,952	4.6 %	\$ 62,689	\$ 51,657	\$ 11,032	21.4 %
Net Investment Income (Loss)	205,863	415,159	(209,296)	(50.4) %	47,799	54,621	(6,822)	(12.5) %
Deductions by Type								
Benefits and Refunds	571,630	539,733	31,897	5.9 %	45,449	37,948	7,501	19.8 %
Administrative Expenses and Net Other Addition/ Deductions	9,029	8,217	812	9.9 %	2,341	2,220	121	5.5 %
Net Increase / (Decrease) in Fiduciary Net Position	\$ (15,566)	\$ 210,487	\$ (226,053)	(107.4)%	\$ 62,698	\$ 66,110	\$ (3,412)	(5.2)%

Defined benefit plan revenues (additions to plan net position) and expenses (deductions to plan net position) for the PERB's fiscal year 2020.

- The Total contributions increased from the prior year by \$16.0 million 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. The JRS employer contributions moratorium ended on June 30, 2019 (last full pay period of June 2019).
- The Total net investment income decreased from the prior year by \$209.3 million, or 50.4%. The decrease is a result of the money-weighted rate of return for fiscal year 2020 being 2.71% compared to 5.64% in fiscal year 2019. The 2.71% was below the actuarial assumed rate of return of 7.65% for fiscal year 2020.
- Total benefits and refunds increased by \$31.9 million, or 5.9%, 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, increased by \$812 thousand, or 9.9%, primarily due to an increase in expenses to administer the plans especially in increased consulting/professional services.

Defined contribution plan revenues (additions to plan net position) and expenses (deductions to plan net position) for the PERB's fiscal year 2020.

- Total contributions increased by \$11.0 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 decreased from the prior year by \$6.8 million as a result of a decrease in investment returns.
- Total distributions increased by \$7.5 million due to an increase in members taking distributions.
- The total net other additions and deductions, which includes administrative expenses, increased by \$121 thousand due to an increase of expenses to administer the plans especially in increased consulting/professional services.

Actuarial Funding Valuations

The PERB's defined benefit plans' funding objective is to meet long-term benefit obligations. As of June 30, 2020, 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 2017, and smoothing losses in 2018, 2019 and 2020, return on actuarial value ranged from 6.79% to 7.11% 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, 2020. 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, 2020, 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 six 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' Chief Investment Officer, Jon Putnam, had the following remarks on fiscal year 2020 economic conditions:

"The 2020 fiscal year net return of 2.71% marks the eleventh consecutive year of positive returns for the Public Employees' Retirement System (PERS). Net return performance for PERS since inception was 7.47% annualized. Returns over the five, seven and ten-year time frames ranked in the top quartile versus a public fund, peer universe. Similar returns were realized for all other Montana Public Employee Retirement Administration (MPERA) retirement systems."

"The asset allocation approved by the Montana Board of Investments (MBOI) is designed to reach the pension funds strategic objective while minimizing risk. It provides a framework to capture gains over the long-term while protecting against unmanageable losses during periodic economic declines."

"Returns across asset classes were volatile in fiscal year 2020 as the COVID-19 pandemic and subsequent economic disruption rippled across markets. Core Fixed Income (6.7%), Domestic Equity (5.2%), Private Investments (3.23%), Cash (1.65%), Real Estate (0.74%) and Non-Core Fixed Income (0.43%) all posted positive returns as investors generally sought safety in more conservative asset classes and U.S. dollar denominated investments. Natural Resources (-18.6%) and International Equity (-3.7%) posted negative returns as energy prices collapsed and global economies struggled."

"Going forward, some of the challenges facing the markets include: the ongoing pandemic, domestic and geopolitical tensions, historically low interest rates, and long-term shifts in the supply and demand of goods and services."

"Despite the challenges, MBOI continues to pursue attractive opportunities in the market that are additive to the portfolio over an extended time frame. We expect periods of extreme market volatility and continually mitigate risks in order to meet the liquidity of the pension plans. MBOI believes that disciplined execution of our investment process will help us achieve the long-term objectives of the pension plans." (From Investment Letter written September 10, 2020)

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Fiduciary Net Position - Defined Benefit Plans

As of June 30, 2020 - and comparative totals for June 30, 2019

(dollars in thousands)

	PERS		PERS-DCRP DISABILITY OPEB		JRS		HPORS		SRS	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Assets:										
Cash and Receivables	\$ 72,267	188,920	482	403	1,224	3,197	2,324	5,682	4,868	12,100
Securities Lending Collateral	30,813	27,174			558	482	797	699	2,024	1,735
Investments	5,775,148	5,716,675	5,271	4,734	104,563	101,339	149,444	147,047	379,310	364,915
Property and Equipment ¹	11	16								
Intangible Assets	1,030	1,214			303	356	257	303	303	357
Total Assets	5,879,269	5,933,999	5,753	5,137	106,648	105,374	152,822	153,731	386,505	379,107
Deferred Outflow of Resources	63	11								
Liabilities:										
Securities Lending Liability ²	30,813	27,174			558	482	797	699	2,024	1,735
Other Payables ³	1,122	1,193			24	7	57	255	186	149
Total Liabilities	31,935	28,367			582	489	854	954	2,210	1,884
Deferred Inflow of Resources	\$ 53	59								
Total Net Position - restricted for pension benefits	\$ 5,847,344	5,905,584	5,753	5,137	106,066	104,885	151,968	152,777	384,295	377,223

¹Due 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 2020 figures. Therefore, the Total Net Position for 2020 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, 2020 - and comparative totals for June 30, 2019

(dollars in thousands)

	PERS		PERS-DCRP DISABILITY OPEB		JRS		HPORS		SRS	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Additions:										
Contributions	\$ 252,518	244,106	511	465	2,548	517	8,399	8,080	20,290	19,188
Investment Income (Loss)	158,013	320,938	206	314	2,827	5,687	4,101	8,269	10,182	20,397
Total Additions	410,531	565,044	717	779	5,375	6,204	12,500	16,349	30,472	39,585
Deductions:										
Benefits	449,602	422,445	101	97	4,038	3,846	12,684	12,063	21,481	19,512
Refunds	12,097	12,769					361	582	1,631	1,484
OPEB Expenses	10	8								
Administrative Expenses	5,021	4,640			157	123	163	127	295	247
Miscellaneous Expenses ¹	2,252	2,201								
Total Deductions	468,982	442,063	101	97	4,195	3,969	13,208	12,772	23,407	21,243
Incr/(Decr) in Net Position	\$ (58,451)	122,981	616	682	1,180	2,235	(708)	3,577	7,065	18,342
Prior Period ²	211	44					(102)	2	7	

¹Miscellaneous Expenses includes transfers to all other plans.

²Due to the rounding to thousands instead of hundreds, the Prior Period adjustments for some of the systems may not show the 2020 figures.

GWPORS		MPORS		FURS		VFCA		TOTAL		Total Change	Total % of Change
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
\$ 2,659	6,627	21,789	29,160	23,040	30,317	869	1,437	129,522	277,843	(148,321)	(53.4)%
1,121	948	2,291	1,951	2,426	2,047	209	182	40,239	35,218	5,021	14.3 %
210,059	199,466	429,318	410,397	454,769	430,646	39,098	38,342	7,546,980	7,413,561	133,419	1.8 %
								11	16	(5)	(31.3)%
302	357	271	319	267	315	246	290	2,979	3,511	(532)	(15.2)%
214,141	207,398	453,669	441,827	480,502	463,325	40,422	40,251	7,719,731	7,730,149	(10,418)	(0.1)%
								63	11	52	472.7 %
1,121	948	2,291	1,951	2,426	2,047	209	182	40,239	35,218	5,021	14.3 %
110	103	228	98	139	89	305	203	2,171	2,097	74	3.5 %
1,231	1,051	2,519	2,049	2,565	2,136	514	385	42,410	37,315	5,095	13.7 %
								53	59	(6)	(10.2)%
\$ 212,910	206,347	451,150	439,778	477,937	461,189	39,908	39,866	7,677,331	7,692,786	(15,455)	(0.2)%

GWPORS		MPORS		FURS		VFCA		TOTAL		Total Change	Total % of Change
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
\$ 10,672	10,252	30,172	28,882	31,633	29,418	2,487	2,370	359,230	343,278	15,952	4.6 %
5,583	11,125	11,658	22,636	12,247	23,722	1,046	2,071	205,863	415,159	(209,296)	(50.4)%
16,255	21,377	41,830	51,518	43,880	53,140	3,533	4,441	565,093	758,437	(193,344)	(25.5)%
8,247	7,350	27,866	26,221	26,839	25,626	3,065	2,997	553,923	520,157	33,766	6.5 %
1,205	1,000	2,351	3,651	62	90			17,707	19,576	(1,869)	(9.5)%
								10	8	2	25.0 %
240	202	241	190	224	171	414	297	6,755	5,997	758	12.6 %
						12	11	2,264	2,212	52	2.4 %
9,692	8,552	30,458	30,062	27,125	25,887	3,491	3,305	580,659	547,950	32,709	6.0 %
\$ 6,563	12,825	11,372	21,456	16,755	27,253	42	1,136	(15,566)	210,487	(226,053)	(107.4)%
1		1	8	(7)	1	1		112	55	57	51.0 %

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 2019, are shown on the previous pages.

PERS-DBRP and Education

The PERS-DBRP fiduciary net position restricted for pension benefits, the largest PERB defined benefit retirement fund, decreased to \$5.8 billion at June 30, 2020, a decrease of \$58.2 million, or 1.0%, 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, 2020:

- Contributions increased from the prior fiscal year by \$8.4 million, or 3.5%. Contributions increased due to an increased employer contribution rate.
- The plan's total net investment income decreased from the prior fiscal year by \$162.9 million, or 50.8%. The decrease is a result of a 2.71% market rate of return for the current fiscal year compared to 5.70% for fiscal year 2019. The 2.71% 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 2020 was \$34.0 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 2020:

- Benefits increased from the prior fiscal year by \$27.2 million, or 6.4%. 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 \$672.1 thousand, or 5.3%. The decrease is due to the number of members taking a refund decreasing.
- The costs of administering the plan's benefits increased from the prior fiscal year by \$381.3 thousand, or 8.2%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

PERS-DCRP DISABILITY OPEB

The DCRP Disability OPEB net position restricted for pension benefits at June 30, 2020 amounted to \$5.8 million, an increase of \$616 thousand, or 12.0%, 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, 2020:

- Employer contributions increased from the prior fiscal year by \$46.3 thousand or 10.0%. The increase is due to an increase in PERS-DCRP participants.
- The plan's total net investment income decreased from the prior fiscal year by \$108.1 thousand, or 34.4%. The decrease is a result of the subsequent economic disruption across markets due to the COVID-19 pandemic.

Deductions from the DCRP Disability OPEB net position restricted for pension benefits are disability retirement benefits. For fiscal year 2020, benefits had a slight increase of \$4.4 thousand, or 4.5%, from the prior fiscal year. Even though there was a decrease in the number of benefit recipients by one at the end of this fiscal year 2020, the new benefit recipients added during fiscal year 2019 received their benefits for a full fiscal year, resulting in a slight increase in the benefits paid.

JRS

The JRS net position restricted for pensions at June 30, 2020 amounted to \$106.1 million, an increase of \$1.2 million, or 1.1%, 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, 2020:

- Contributions increased from the prior fiscal year by \$2.0 million, or 392.4%. The increase is due to the end of the 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 \$2.9 million, or 50.3%. The decrease is a result of a 2.71% market rate of return for the current fiscal year compared to 5.71% for fiscal year 2019. The 2.71% 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 2020:

- Benefits increased from the prior fiscal year by \$192.2 thousand, or 5.0%. The increase is due to an increase in the average recipient's benefit resulting from the guaranteed annual benefit adjustment (GABA) or the minimum benefit adjustment for non-GABA recipients.
- Administrative expenses increased from the prior fiscal year by \$34.4 thousand, or 28.1%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

HPORS

The HPORS net position restricted for pensions at June 30, 2020 amounted to \$152.0 million, a decrease of \$808.9 thousand, or 0.5%, 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, 2020:

- Contributions increased from the prior fiscal year by \$318.7 thousand, or 3.9%. The slight increase is a result of an increase in active members contributing to the plan.
- The plan's total net investment income decreased from the prior fiscal year by \$4.2 million, or 50.4%. The decrease is a result of a 2.72% market rate of return for the current fiscal year compared to 5.72% for fiscal year 2019. The 2.72% 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 2020:

- Benefits increased from the prior fiscal year by \$621.7 thousand, or 5.2%. 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 decreased from the prior fiscal year by \$221.9 thousand, or 38.1%. The decrease was due to refunds being processed for smaller dollar amounts.
- Administrative expenses increased from the prior fiscal year by \$35.9 thousand, or 28.2%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

SRS

The SRS net position restricted for pension benefits at June 30, 2020 amounted to \$384.3 million, an increase of \$7.1 million, or 1.9%, 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, 2020:

- Contributions increased from the prior fiscal year by \$1.1 million, or 5.7%. 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 \$10.2 million, or 50.1%. The decrease is a result of a 2.70% market rate of return for the current fiscal year compared to 5.71% for fiscal year 2019. The 2.70% 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 2020:

- Benefits increased from the prior fiscal year by \$2.0 million, or 10.1%. 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 increased from the prior fiscal year by \$147.3 thousand, or 9.9%. The increase is due to an increase in the number of members taking a refund.
- Administrative expenses increased from the prior fiscal year by \$48.5 thousand, or 19.7%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

GWPORS

The GWPORS net position restricted for pension benefits at June 30, 2020, amounted to \$212.9 million, an increase of \$6.6 million, or 3.2%, 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, 2020:

- Contributions increased from the prior fiscal year by \$419.8 thousand, or 4.1%. 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 \$5.5 million, or 49.8%. The decrease is a result of a 2.69% market rate of return for the current fiscal year compared to 5.72% for fiscal year 2019. The 2.69% 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 2020:

- Benefits increased from the prior fiscal year by \$897.3 thousand, 12.2%. 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 increased from the prior fiscal year by \$205.0 thousand, or 20.5%. The increase is due to an increase in refund requests from members.
- Administrative expenses increased from the prior fiscal year by \$38.2 thousand, or 18.9%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

MPORS

The MPORS net position restricted for pension benefits at June 30, 2020 amounted to \$451.2 million, an increase of \$11.4 million, or 2.6%, 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, 2020:

- Contributions increased from the prior fiscal year by \$1.3 million, or 4.5%. 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 \$11.0 million, or 48.5%. The decrease is a result of a 2.74% market rate of return for current fiscal year compared to 5.72% for fiscal year 2019. The 2.74% 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 2020:

- Benefits increased from the prior fiscal year by \$1.6 million, or 6.3%. 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 \$1.3 million, or 35.6%. The decrease is due to a decrease of refund requests from members.
- Administrative expenses increased from the prior fiscal year by \$51.0 thousand, or 26.8%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

FURS

The FURS net position restricted for pension benefits at June 30, 2020, amounted to \$477.9 million, an increase of \$16.7 million, or 3.6% 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, 2020:

- Contributions increased from the prior fiscal year by \$2.2 million, or 7.5%. 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 \$11.5

million, or 48.4%. The decrease is a result of a 2.73% market rate of return for current fiscal year compared to 5.72% for fiscal year 2019. The 2.73% 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 2020:

- Benefits increased from the prior fiscal year by \$1.2 million, or 4.7%. 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 decreased from the prior fiscal year by \$28.0 thousand, or 31.2%. The decrease is due to a decrease in refund requests from members and smaller refund amounts.
- Administrative expenses increased from the prior fiscal year by \$53.2 thousand, or 31.2%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

VFCA

The VFCA net position restricted for pension benefits at June 30, 2020 amounted to \$39.9 million, an increase of \$42.2 thousand, or 0.1%, 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, 2020:

- Contributions increased from the prior fiscal year by \$116.3 thousand, or 4.9%. 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 \$1.0 million, or 49.5%. The decrease is a result of a 2.73% market rate of return for current fiscal year compared to 5.70% for fiscal year 2019. The 2.73% 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 2020:

- Benefits increased from the prior fiscal year by \$68.2 thousand, or 2.3%. The increase is due to the increase in benefit recipients.
- Administrative expenses increased from the prior fiscal year by \$117.2 thousand, or 39.5%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.
- Supplemental insurance payments increased from the prior fiscal year by \$1.3 thousand. The increase is due to an increase of supplemental insurance claims by VFCA companies.

Fiduciary Net Position - Defined Contribution Plans

As of June 30, 2020 - and comparative totals for June 30, 2019

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL		Total Change	Total % of Change
	2020	2019	2020	2019	2020	2019		
Assets:								
Cash and Receivables	\$ 2,675	2,671	924	740	3,599	3,411	188	5.5 %
Securities Lending Collateral								
Investments	294,649	260,973	560,706	532,205	855,355	793,178	62,177	7.8 %
Property and Equipment	1	2	1	2	2	4	(2)	(50.0)%
Intangible Assets	246	290	292	344	538	634	(96)	(15.1)%
Total Assets	297,571	263,936	561,923	533,291	859,494	797,227	62,267	7.8 %
Deferred Outflow of Resources*	6	1	2		8	1	7	449.4 %
Liabilities:								
Other Payables	280	723	305	299	585	1,022	(437)	(42.8)%
Total Liabilities	280	723	305	299	585	1,022	(437)	(42.8)%
Deferred Inflow of Resources	\$ 5	6	2	3	7	9	(2)	(22.2)%
Total Net Position - restricted for pension benefits	\$ 297,292	263,208	561,618	532,989	858,910	796,197	62,713	7.9 %

* 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, 2020 - and comparative totals for June 30, 2019

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL		Total Change	Total % of Change
	2020	2019	2020	2019	2020	2019		
Additions:								
Contributions	\$ 29,571	27,403	33,118	24,254	62,689	51,657	11,032	21.4 %
Investment Income (Loss)	15,374	17,962	32,425	36,659	47,799	54,621	(6,822)	(12.5)%
Total Additions	44,945	45,365	65,543	60,913	110,488	106,278	4,210	4.0 %
Deductions:								
Benefits								
Distributions	9,859	9,022	35,590	28,926	45,449	37,948	7,501	19.8 %
OPEB Expenses	1	1			1	1		
Administrative Expenses	678	633	457	427	1,135	1,060	75	7.1 %
Miscellaneous Expenses	330	284	875	875	1,205	1,159	46	4.0 %
Total Deductions	10,868	9,940	36,922	30,228	47,790	40,168	7,622	19.0 %
Incr/(Decr) in Net Position ¹	\$ 34,077	35,425	28,621	30,685	62,698	66,110	(3,412)	(5.2)%
Prior Period	\$ 7		7		14		14	

¹Due to rounding to thousands instead of hundreds on this Comparative Statement, the Incr/(Decr) in Net Position for the 457 Plan will not tie to the Net Increase (Decrease) on the Statement of Changes in Fiduciary Net Position.

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 2019, are presented above.

PERS-DCRP

The PERS-DCRP net position restricted for pension benefits at June 30, 2020, amounted to \$297.3 million, an increase of \$34.1 million, or 12.9%, 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, 2020:

- Contributions increased from the prior fiscal year by \$2.2 million, or 7.9%. 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 \$2.6 million, or 14.4%. The decrease is a result of the COVID-19 pandemic and subsequent economic disruption across markets.

Deductions from the PERS-DCRP net position restricted for pension benefits include member and beneficiary distributions, administrative expenses, and miscellaneous expenses. For fiscal year 2020:

- Distributions increased from the prior fiscal year by \$837 thousand, or 9.3%. The increase in distributions was due to an increase in defined contribution members taking IRS permitted rollovers and periodic or lump sum distributions.
- The costs of administering the plan increased from the prior fiscal year by \$44 thousand, or 7.0%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

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 \$46 thousand, or 16.3%. 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, 2020 amounted to \$561.6 million, an increase of \$28.6 million, or 5.4%, 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, 2020:

- Contributions increased from the prior fiscal year by \$8.9 million, or 36.6%. The increase is due to an increase in participants contributing to the plan and larger deferral amounts.
- The plan's net investment income decreased from prior fiscal year by \$4.2 million, or 11.6%. The decrease is a result of the COVID-19 pandemic and subsequent economic disruption across markets.

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 2020:

- Distributions increased from the prior fiscal year by \$6.7 million, or 23.0%. The increase is due to more deferred compensation participants taking distributions.

- The administrative expenses increased from the prior fiscal year by \$30 thousand, or 7.1%. The increase is primarily due to the costs in consulting and professional services pertaining to the computer system project increasing.

Miscellaneous expenses are the PERB's administrative fees assessed by the vendors based on account balances. Miscellaneous expenses increased slightly from the prior fiscal year by \$1 thousand, or 0.08%. The increase is due to a slight increase 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 seventh 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, 2020. 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, 2020, GASB-compliant actuarial valuation report revealed a net pension liability of \$2.6 billion. This is an increase from the fiscal year 2019 net pension liability of \$2.1 billion. As a result of this June 30, 2020 actuarial valuation, the plan's fiduciary net position as a percentage of the total pension liability was 68.90%, decreasing 4.95% from the ratio of 73.85% reported as of June 30, 2019.

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* beginning 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, 2020.

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, 2020 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 in the latest valuation, decreased slightly for PERS, HPORS, SRS, and GWPORS. The funding status in the latest valuation, increased slightly for JRS, MPORS, FURS, and VFCA.

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, 2020 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 162.86% (JRS) to a low of 64.52% (HPORS). 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, 2020, the actuarial value of assets of all plans was more than the market value of assets by \$333.9 million due to an average positive 2.68% market return in fiscal year 2020.

The changes in the unfunded actuarial accrued liability is shown in the table on the top of the following page.

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Changes in the Unfunded Actuarial Accrued Liability (UAAL)

System	June 30, 2019 Valuation UAAL	June 30, 2020 Expected UAAL	Total UAAL (Gain)/Loss ¹	June 30, 2020 Valuation UAAL
PERS-DBRP	\$ 2,053,846,849	\$ 2,076,770,816	\$ 57,834,005	\$ 2,134,604,821
PERS-OPEB²	(241,268)	(343,207)	(207,499)	(550,706)
JRS	(39,842,524)	(43,618,881)	914,038	(42,704,843)
HPORS	83,954,141	85,168,932	2,088,164	87,257,096
SRS	85,310,852	83,596,563	8,925,234	92,521,797
GWPORS	38,625,906	38,789,027	4,007,072	42,796,099
MPORS	196,300,383	192,960,576	1,809,769	194,770,345
FURS	116,018,199	105,378,710	7,735,305	113,114,015
VFCA	7,191,183	5,715,165	436,491	6,151,656

¹Asset gains decrease the UAAL and losses increase the UAAL.

²PERS-DCRP Disability OPEB.

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.

Request for Information

This financial report is intended to provide a general overview of the PERB's financial position as of June 30, 2020, and the results of the financial activities for fiscal year 2020. 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.

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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, 2020

	PERS-DBRP	PERS-DCRP DISABILITY OPEB	JRS	HPORS	SRS	GWPORS
Assets						
Cash and Short-term Investments	\$ 68,162,583	475,448	1,216,217	2,319,622	4,478,166	2,613,315
Securities Lending Collateral (Note A6)	30,812,956		557,891	797,350	2,023,785	1,120,758
Receivables						
Interest	30,492	201	513	802	2,001	1,150
Accounts Receivable	3,283,678	6,257	6,795	3,630	387,914	43,755
Due from Other Funds	779,959	287				
Due from Primary Government						
Notes Receivable	9,210					
<i>Total Receivables</i>	4,103,339	6,745	7,308	4,432	389,915	44,905
Investments, at fair value (Note A6)						
Commingled Equity Securities		5,271,096				
CAPP Investment Pool	5,775,148,023		104,563,180	149,444,094	379,309,902	210,059,084
Defined Contributions Fixed Investments						
Defined Contributions Variable Investments						
Deferred Compensation Life Insurance						
<i>Total Investments</i>	5,775,148,023	5,271,096	104,563,180	149,444,094	379,309,902	210,059,084
Capital Assets						
Property and Equipment, at cost,						
net of Accumulated Depreciation (Note A2)	11,410		366	311	366	366
Intangible Assets at cost,						
net of amortization expense	1,030,401		302,439	256,721	302,439	302,439
<i>Total Capital Assets</i>	1,041,811		302,805	257,032	302,805	302,805
Total Assets	5,879,268,712	5,753,289	106,647,401	152,822,530	386,504,573	214,140,867
Deferred Outflow of Resources - OPEB	63,331					
Liabilities						
Securities Lending Liability	30,812,956		557,891	797,350	2,023,785	1,120,758
Accounts Payable	402,737		14,430	16,861	37,302	14,242
Unearned Revenue	223,918		588	3,110	1,964	3,643
Due to Other Funds	16,980		8,820	37,500	146,768	92,033
Compensated Absences	370,735					
OPEB Implicit Rate Subsidy LT	108,221					
Total Liabilities	31,935,547		581,729	854,821	2,209,819	1,230,676
Deferred Inflow of Resources - OPEB	52,833					
<i>Net Position - Restricted for Pension Benefits</i>	\$ 5,847,343,663	5,753,289	106,065,672	151,967,709	384,294,754	212,910,191

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

Defined Benefit Pension Plans				Defined Contribution Plans			Total Pension Trust Funds
MPORS	FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	
4,727,491	4,979,189	865,237	89,837,268	2,409,690	522,700	2,932,390	92,769,658
2,290,598	2,426,392	208,607	40,238,337				40,238,337
2,070	2,237	231	39,697	857	215	1,072	40,769
423,187	336,853	3,485	4,495,554	247,704	400,954	648,658	5,144,212
			780,246	16,694		16,694	796,940
16,636,173	17,721,053		34,357,226				34,357,226
			9,210				9,210
17,061,430	18,060,143	3,716	39,681,933	265,255	401,169	666,424	40,348,357
			5,271,096				5,271,096
429,317,602	454,768,867	39,098,340	7,541,709,092				7,541,709,092
				20,409,924	251,031,535	271,441,459	271,441,459
				274,238,478	309,662,157	583,900,635	583,900,635
					12,316	12,316	12,316
429,317,602	454,768,867	39,098,340	7,546,980,188	294,648,402	560,706,008	855,354,410	8,402,334,598
328	324	298	13,769	1,468	1,278	2,746	16,515
270,788	267,271	246,171	2,978,669	246,171	291,888	538,059	3,516,728
271,116	267,595	246,469	2,992,438	247,639	293,166	540,805	3,533,243
453,668,237	480,502,186	40,422,369	7,719,730,164	297,570,986	561,923,043	859,494,029	8,579,224,193
			63,331	5,964	2,524	8,488	71,819
2,290,598	2,426,392	208,607	40,238,337				40,238,337
16,001	13,714	11,742	527,029	225,019	277,306	502,325	1,029,354
102,898	32,029	315	368,465	23	425	448	368,913
108,258	93,110	293,469	796,938				796,938
			370,735	44,693	23,365	68,058	438,793
			108,221	10,191	4,314	14,505	122,726
2,517,755	2,565,245	514,133	42,409,725	279,926	305,410	585,336	42,995,061
			52,833	4,975	2,106	7,081	59,914
451,150,482	477,936,941	39,908,236	7,677,330,937	297,292,049	561,618,051	858,910,100	8,536,241,037

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, 2020

	PERS-DBRP	PERS-DCRP DISABILITY OPEB	JRS	HPORS	SRS	GWPORS
Additions						
Contributions (Note C)						
Employer	\$ 112,448,942	510,981	1,988,166	6,001,646	11,165,645	4,867,879
Plan Member	104,673,083		560,108	2,169,375	9,102,116	5,797,479
Interest Reserve Buyback	335,934			580	12,499	5,640
Retirement Incentive Program	973					
Miscellaneous Revenue	50,442			1,251	9,536	659
State Contributions	1,057,709			226,239		
State Appropriations	33,951,150					
Nonvested Member Forfeitures						
<i>Total Contributions</i>	252,518,233	510,981	2,548,274	8,399,091	20,289,796	10,671,657
Investments (Note A6)						
Net Appreciation (Depreciation)						
in Fair Value of Investments	187,097,260	211,807	3,349,403	4,850,772	12,064,624	6,620,065
Interest	1,942,185	7,676	33,330	51,199	127,337	69,333
Dividends						
Investment Expense	(31,339,257)	(13,333)	(561,187)	(809,306)	(2,030,317)	(1,117,480)
<i>Net Investment Income</i>	157,700,188	206,150	2,821,546	4,092,665	10,161,644	5,571,918
Securities Lending Income						
Securities Lending Income	669,753		11,994	17,293	43,385	23,880
Securities Lending Rebate and Fees	(356,954)		(6,392)	(9,217)	(23,123)	(12,727)
<i>Net Securities Lending Income</i>	312,799		5,602	8,076	20,262	11,153
Total Net Investment Income	158,012,987	206,150	2,827,148	4,100,741	10,181,906	5,583,071
Total Additions	410,531,220	717,131	5,375,422	12,499,832	30,471,702	16,254,728
Deductions (Note C)						
Benefits	449,601,997	101,436	4,038,362	12,684,315	21,481,264	8,247,117
Refunds/Distributions	11,922,673			331,169	1,565,536	1,200,125
Refunds to Other Plans	173,928			29,350	65,353	5,148
Transfers to MUS-RP	268,057					
Transfers to DCRP	1,983,881					
Supplemental Insurance Payments						
OPEB Expenses	10,416					
Administrative Expenses	5,021,348		157,040	163,315	294,988	240,254
Miscellaneous Expenses						
Total Deductions	468,982,300	101,436	4,195,402	13,208,149	23,407,141	9,692,644
Net Increase (Decrease)	(58,451,080)	615,695	1,180,020	(708,317)	7,064,561	6,562,084
Net Position Restricted for Pension Benefits						
Beginning of Year	5,905,584,176	5,137,296	104,885,637	152,777,627	377,222,848	206,346,965
Prior Period Adjustments (Note A1)	210,567	298	15	(101,601)	7,345	1,142
End of Year	\$ 5,847,343,663	5,753,289	106,065,672	151,967,709	384,294,754	212,910,191

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

Defined Benefit Pension Plans				Defined Contribution Plans			Total Pension Trust Funds 2020
MPORS	FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	
8,274,633	7,884,647		153,142,539	14,415,615	100,836	14,516,451	167,658,990
5,210,744	5,937,818		133,450,723	14,207,961	32,413,628	46,621,589	180,072,312
3,518	527		358,698				358,698
			973				973
(1,957)	2,590	3	62,524	77,497	603,867	681,364	743,888
16,685,125	17,807,526	2,486,769	38,263,368	95,035		95,035	38,358,403
			33,951,150				33,951,150
				775,195		775,195	775,195
30,172,063	31,633,108	2,486,772	359,229,975	29,571,303	33,118,331	62,689,634	421,919,609
13,809,753	14,514,223	1,237,999	243,755,906	8,434,392	19,415,534	27,849,926	271,605,832
140,825	151,042	12,278	2,535,205	7,011,479	13,890,535	20,902,014	23,437,219
(2,315,913)	(2,443,114)	(206,444)	(40,836,351)	(72,272)	(880,784)	(953,056)	(41,789,407)
11,634,665	12,222,151	1,043,833	205,454,760	15,373,599	32,425,285	47,798,884	253,253,644
49,493	52,209	4,413	872,420				872,420
(26,378)	(27,825)	(2,352)	(464,968)				(464,968)
23,115	24,384	2,061	407,452				407,452
11,657,780	12,246,535	1,045,894	205,862,212	15,373,599	32,425,285	47,798,884	253,661,096
41,829,843	43,879,643	3,532,666	565,092,187	44,944,902	65,543,616	110,488,518	675,580,705
27,866,365	26,838,506	3,065,017	553,924,379				553,924,379
2,327,658	61,799		17,408,960	9,859,130	35,589,945	45,449,075	62,858,035
23,062			296,841				296,841
			268,057				268,057
			1,983,881				1,983,881
		12,150	12,150				12,150
			10,416	993	418	1,411	11,827
240,967	224,096	414,114	6,756,122	677,649	456,873	1,134,522	7,890,644
				330,467	874,334	1,204,801	1,204,801
30,458,052	27,124,401	3,491,281	580,660,806	10,868,239	36,921,570	47,789,809	628,450,615
11,371,791	16,755,242	41,385	(15,568,619)	34,076,663	28,622,046	62,698,709	47,130,090
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
761	(7,444)	813	111,896	7,293	6,579	13,872	125,768
451,150,482	477,936,941	39,908,236	7,677,330,937	297,292,049	561,618,051	858,910,100	8,536,241,037

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Year Ended June 30, 2020

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 recordkeeper, EmpowerTM Retirement, withholds the basis point fees from participant accounts. The PERB incurs administrative expenses for the cost of EmpowerTM services and agency expenses. Fees collected from participant accounts are used to offset the costs of Empower'sTM 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 2020 were adjustments as a result of reconciliations of credit memos, benefit receivables, and corrections to Internal Revenue and Department of Revenue receivables.

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. There were no significant accounting changes during fiscal year 2020.

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 \$3,516,728 *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 negotiated a 10-year lease for office space in June 2020, effective July 1, 2020, 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.

Below are the changes to the actuarial assumptions used in the measurement of the Total Pension Liability (TPL) for June 30, 2020.

1. The discount rate was lowered from 7.65% to 7.34% for all systems except HPORS and GWPORS. The discount rates were lowered from the 7.65% to 4.43% for HPORS and 7.65% to 5.65% for GWPORS.
2. The investment rate of return was lowered from 7.65% to 7.34%.
3. The inflation rate was reduced from 2.75% to 2.40%.

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A summary of the actuarial assumptions for the retirement plan's GASB No. 67 reporting as of the latest actuarial valuation on June 30, 2020 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	VFCA¹
Valuation date	6/30/2020	6/30/2020	6/30/2020	6/30/2020	6/30/2020	6/30/2020	6/30/2020	6/30/2020
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:²								
Investment rate of return compounded annually (net of investment expenses)	7.34%	7.34%	7.34%	7.34%	7.34%	7.34%	7.34%	7.34%
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	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Administrative Expenses as a Percentage of Payroll	0.30%	0.08%	0.18%	0.16%	0.16%	0.15%	0.13%	\$201,971
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.

² Most of the Actuarial Assumptions are based on 2017 Experience Study, except for the changes in investment rate of return from 7.65% to 7.34% and inflation rate from 2.75% to 2.40% used in this years' reports for the measurement of the Total Pension Liability.

Long-Term Expected Rate of Return on Investments

The average long-term capital market assumptions published in the *Survey of Capital Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the *2020 OASDI Trustees Report* used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.34%.

Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of June 30, 2020, are summarized in the following Target Allocations table.

Target Allocations as of June 30, 2020		
Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash	2.0 %	0.11 %
Domestic equities	30.0 %	6.19 %
International equities	16.0 %	6.92 %
Private investments	14.0 %	10.37 %
Natural resources	4.0 %	3.43 %
Core fixed income	20.0 %	1.57 %
Non-core fixed income	5.0 %	3.97 %
Real estate	9.0 %	5.74 %
Totals	100.0 %	

Single Discount Rate

The discount rate used to measure the TPL for all Plans, except HPORS and GWPORS, was 7.34% 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, except HPORS and GWPORS, 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.

If, however, the fiduciary net position is projected to be depleted, such as with HPORS and GWPORS, the Discount Rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate published weekly by the Bond Buyer (www.bondbuyer.com).

For HPORS, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the plan year ending June 30, 2057. Therefore, the long-term expected rate of return on pension plan investments of 7.34% was applied to all periods of projected benefit payments through June 30, 2057 and the applicable municipal bond index rate of 2.19%, was applied to all periods of projected benefit payments after June 30, 2057. The Single Equivalent Interest Rate (SEIR) of 4.43% that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability for HPORS as of June 30, 2020.

For GWPORS, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the plan year ending June 30, 2063. Therefore, the long-term expected rate of return on pension plan investments of 7.34% was applied to all periods of projected benefit payments through June 30, 2063 and the applicable municipal bond index rate of 2.19%, was applied to all periods of projected benefit payments as of June 30, 2063. The Single Equivalent Interest Rate (SEIR) of 5.65% that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability for GWPORS as of June 30, 2020.

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 7.34%, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate. However, because of the blending of the long-term rate of return of 7.34% and the municipal bond index rate of 2.19%, HPORS current discount rate is 4.43% and the GWPORS current discount rate is 5.65%. 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, 2020 (dollar amounts are in thousands)			
System	1% Decrease 6.34%, 3.43%* and 4.65%**	Current Discount Rate 7.34%, 4.43%* and 5.65%**	1% Increase 8.34%, 5.43%* and 6.65%**
PERS-DBRP	\$ 3,631,342	\$ 2,638,211	\$ 1,803,989
JRS	(29,733)	(36,545)	(42,413)
HPORS*	306,955	233,831	177,819
SRS	193,872	121,886	63,001
GWPORS**	194,348	135,160	87,670
MPORS	348,673	244,586	161,549
FURS	253,076	156,477	78,859
VFCA	13,962	9,106	5,002

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, 2020			
PERS-DBRP	2.71 %	GWPORS	2.69 %
JRS	2.72 %	MPORS	2.72 %
HPORS	2.73 %	FURS	2.71 %
SRS	2.70 %	VFCA	2.73 %

A5. OTHER POST-EMPLOYMENT BENEFITS (OPEB FOR HEALTHCARE)

General Information

In accordance with Section 2-18-704, MCA, the State of Montana 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. 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 post-employment 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.

Plan Description

The State of Montana Employee Group Benefits Plan, administered by the Montana Department of Administration, is considered a single-employer plan and MPERA is considered to be a participating employer in the plan. In accordance with GASB Statement No. 75, 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 of Montana Employee Group Benefits Plan. This 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.

In addition to the employee benefits, the following post-employment benefits are provided. The Montana Department of Administration established retiree medical premiums varying between \$457 and \$1,944 per month for calendar year 2020 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.

Employees covered by benefit terms

At December 31, 2019, MPERA had 48 active employees and one retired employee/spouse/surviving spouse covered by the benefit terms for a total of 49 covered employees.

The estimates were prepared based on an actuarial valuation as of the year ending December 31, 2019, rolled forward to the measurement date of March 31, 2020, 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, 2020, MPERA reported a liability of \$122,726 for its 0.25924% proportionate share of the 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. 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 0.07898%.

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 6/30/2019	\$ 100,402
Changes for the year:	
Service Cost	4,763
Interest	2,892
Difference between Expected and Actual Experience	22,201
Changes of assumptions or other inputs	(5,706)
Benefit Payments (Contributions)	(1,826)
Net Changes	22,324
Balances as of 6/30/2020	\$ 122,726

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2019 actuarial valuation, rolled forward to March 31, 2020, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Contributions:	\$ (1,826)
Actuarial valuation date	December 31, 2019
Experience study period	January 1, 2017 through December 31, 2019
Actuarial measurement date ⁽¹⁾	March 31, 2020
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	2.75%
Projected payroll increases	2.50%
Participation:	
Future retirees	40.00%
Future eligible spouses	70.00%
Marital status at retirement	70.00%
⁽¹⁾ Update procedures were used to roll forward the total OPEB liability to the measurement date.	

Mortality - Healthy: 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: Disabled mortality is assumed to follow the RP2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date

- Participation rate reduction from 55% to 40% based on recent experience study.
- Revised rates per the Retirement System pension valuations as of July 1, 2019.
- Interest/discount rate based on the average of multiple March 31, 2020 municipal bond rate sources.

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 (1.75%) or 1.00% higher (3.75%) than the current discount rate:

Discount Rate 3/31/2020	1% Decrease (1.75%)	Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB Liability	\$ 171,089	\$ 122,726	\$ 87,016

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 (5.0%) or 1.00% higher (7.0%) than the current healthcare cost trend rates:

Healthcare Rate 3/31/2020	1% Decrease (5.0%)	Current Rate (6.0%)	1% Increase (7.0%)
Total OPEB Liability	\$ 86,932	\$ 122,726	\$ 172,909

OPEB Expense

For the year ended June 30, 2020, MPERA recognized OPEB expense of \$11,827.

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, 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	20,438	\$ 10,803
Changes of assumptions or other inputs	50,447	49,111
*Benefit Payments associated with transactions subsequent to the measurement date of the total OPEB liability	934	
Total	71,819	\$ 59,914
*Amounts reported as deferred outflows of resources related to OPEB resulting from MPERA's benefit payments in FY2020 (April 1, 2020 through June 30, 2020) 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, 2020	Amount recognized as an Increase or (Decrease) to OPEB Expense
2021	\$ 820
2022	\$ 820
2023	\$ 820
2024	\$ 820
2025	\$ 820
Thereafter	\$ 6,871

A6. METHOD USED TO VALUE INVESTMENTS

According to Article VIII, section 13 of the Montana Constitution and section 19-2-504, MCA, the Montana 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 (IPS) that are drafted and approved by the BOI. The BOI utilizes 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:

Board of Investments
PO Box 200126
2401 Colonial Drive, 3rd Floor
Helena, MT 59620-0126

BOI has separately issued audited financial statements that can be accessed by contacting BOI at the above address or <http://investmentmt.com>.

Defined benefit investments are reported on the PERB's financial statements at fair value as of June 30, 2020.

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, 2020.

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, 2020, BOI managed two major diversified pools for the retirement funds, Montana Short Term Investment Pool (STIP) and Montana Consolidated Asset Pension Pool (CAPP). The BOI also manages the PERS-DCRP Disability OPEB trust fund, which consists of a portfolio of commingled 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 a custodial cash vehicle, which invests in high quality short-term securities. For external managers, it is invested per BOI established guidelines.

CAPP's Underlying Asset Classes

Domestic Equities	Real Estate
International Equities	Core Fixed Income
Private Investments	Non-Core Fixed Income
Natural Resources	Cash

As part of the asset allocation approved by BOI in November 2019, the Private Equity PAC is now referred to as the Private Investments PAC and the High Yield PAC is referred to as the Non-Core Fixed Income PAC. The assets with the U.S. Treasury Inflation Protected Securities (TIPS) PAC, Investment Grade PAC, Agency Mortgage Backed Securities PAC, U.S. Treasury and Agency PAC, Diversifying Strategies PAC, and Broad Fixed Income PAC were combined into the Core Fixed Income PAC. These changes were effective in December 2019. These changes did not have an impact on the underlying value of securities with the impacted PACs.

Domestic Equities PAC – Invests primarily in U.S. traded equity securities such as common stock. The type of portfolio structures include separately managed accounts, commingled accounts, limited partnerships, or limited liability companies, and exchange traded funds.

International Equities PAC – Invests primarily in international equity securities that trade on foreign exchanges in developed and emerging markets. The type of portfolio structures include separately managed accounts, commingled accounts, limited partnerships, or limited liability companies, and exchange traded funds.

Private Investments PAC – Invests in the entire capital structure of private companies. The type of portfolio structures include private partnership interests, separate accounts, commingled funds and exchange traded funds. The investments typically have well-defined strategies such as buyout, venture, or distressed debt. Private Investments generally require a long, time horizon to realize the value of the asset.

Natural Resource PAC – Invests in energy, timber investments or other commodity related assets. The type of portfolio structures include private partnership interests, separate accounts, commingled funds and exchange traded funds. Natural Resources investments generally require a long, time horizon to realize the value of the asset.

Real Estate PAC – Invests primarily in real estate properties. The type of portfolio structures include private partnership interests, real estate investment trusts (REITs), separate accounts, commingled funds and exchange traded funds. The funds typically have well-defined strategies such as core, value-add, or opportunistic. Real Estate investments generally require long, time horizon to realize the value of the assets.

Core Fixed Income PAC - Invests primarily in marketable, publicly traded, investment grade fixed income securities denominated in U.S. dollars. The type of portfolio structures include internally managed portfolios or externally managed separate accounts, commingled funds and limited partnerships.

Non-Core Fixed Income PAC – Invests primarily in marketable, publicly traded, high yield corporate debt, emerging market debt, convertible debt and preferred securities. The type of portfolio structures include separately managed accounts, commingled accounts, and limited partnerships.

Cash PAC – Invests primarily in highly liquid, money-market type securities. The type of portfolio structures include the internally managed Short Term Investment Pool (STIP) or cash vehicles managed through BOI's custodian or other Security Exchange Commission registered U.S. government money market funds.

PERB Cash Equivalent and Investment Portfolio		
June 30, 2020		
<u>Investment Pools</u>	<u>Fair Value</u>	<u>Net Asset Value (NAV)</u>
Short-term Investment Pool	\$ 82,954,837	\$ 82,954,837
CAPP Investment Pool	7,541,709,092	7,541,709,092
Commingled Equity Securities ¹	5,271,096	
Total	\$ 7,629,935,025	\$ 7,624,663,929

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 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, 2020, the PERB's portion of the defined benefit investment pools is presented in the table below.

PERB Portions of BOI Pools at June 30, 2020		
<u>Investment</u>	<u>Fair Value</u>	<u>PERB Portion</u>
	<u>June 30, 2020</u>	<u>June 30, 2020</u>
STIP	\$ 82,954,837	0.68%
CAPP	\$ 7,541,709,092	64.13%

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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1: 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.

BOI has cash and cash equivalents measured at cost. Other investments are measured at cost or net asset value (NAV) by BOI.

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 NAV in years prior to 2019.

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 an internal investment 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 have bank ratings from at least two Nationally Recognized Rating Organization (NRSROs) on an annual basis. As of June 30, 2020, all investments were recorded under the BOI's name at their custodial bank.

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 within 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.

Foreign Currency Risk - Foreign currency risk is the risk that changes in the 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.

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, 2020 are categorized in the table below. 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 6/30/2020	Credit Quality Rating ¹ 6/30/2020	Effective Duration 6/30/2020
CAPP	\$ 7,541,709,092	N/R	N/A
STIP	\$ 82,954,837	N/R	46 days WAM ²
¹ CAPP has eight security investment types that are rated for credit and interest rate risk as of June 30, 2020, refer to BOI's UIP Financial Statements and IPSs for the investment types that are involved.			
² Weighted Average Maturity (WAM).			

Although CAPP and STIP investments have been rated by investment security type, CAPP, as an internal investment pool, and STIP, as an external investment pool, have not been rated.

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% of the fair value of domestic securities and 105% 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. For PERB, 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, 2020, 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 promise to repay participants' principal investments, plus earnings in accordance with terms of the respective synthetic GIC contracts issued to the Fund. Transamerica, Prudential, and Voya calculate a rate of interest to be applied to the contract value of the synthetic GIC for each calendar 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 synthetic GIC contracts and with the bond portfolio 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, 2020, 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, 2020, is 3.98 years.

Foreign Currency Risk: Currency risk is the chance 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 following page for the defined contribution investments.

PERB Defined Benefit Investments Measured at Fair Value

	Fair Value Measurements Using			
	June 30, 2020	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	\$ 5,271,096	\$ 5,271,096		
Total Investments by fair value level	<u>\$ 5,271,096</u>	<u>\$ 5,271,096</u>		
Investments measured at the net asset value (NAV)				
CAPP Investment Pool ²	\$ 7,541,709,092			
Short Term Investment Pool (STIP)	<u>82,954,837</u>			
Total investments measured at the NAV	<u>7,624,663,929</u>			
Total investments measured at fair value	<u>\$ 7,629,935,025</u>			

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, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
CAPP Investment Pool ¹	\$ 7,541,709,092		Monthly, quarterly	45-90 days
Short Term Investment Pool (STIP)	<u>82,954,837</u>		Daily	1 - 3 days
Total investments measured at the NAV	<u>\$ 7,624,663,929</u>			

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

	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
	June 30, 2020			
Investments by fair value level				
Total Investments by fair value level ¹				
<u>Investments measured at the net asset value (NAV)</u>				
Montana Fixed Fund (Stable Value Pool) ²	\$ 271,441,459			
Variable Pooled Investments ³	583,900,635			
Short Term Investment Pool ⁴	2,266,944			
Allianz Life Insurance Investment ⁵	12,316			
Total investments measured at the NAV	\$ 857,621,354			
Total investments measured at fair value	\$ 857,621,354			

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, 2020				
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Montana Fixed Fund (Stable Value Pool) ¹	\$ 271,441,459		Daily	None
Variable Pooled Investments ²	583,900,635		Daily	None
Short Term Investment Pool ³	2,266,944		Daily	1 - 3 days
Allianz Life Insurance Investment ⁴	12,316		Daily	None
Total investments measured at the NAV	\$ 857,621,354			

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 will have a material, adverse effect on the plans implicated in the litigation. In the opinion of management and legal counsel, the disposition of unfunded actuarial accrued liabilities owed to PERS in the Lewis and Clark County case and the Montana Association of Counties case, will have a material, adverse effect on the PERS plan's financial position as a whole should the Court rule against MPERA and the MPERB. 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 Lewis and Clark County and Montana Association of Counties (MACo) cases 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. 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, Montana. 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. Counsel representing the class are Lawrence A. Anderson from Great Falls, Montana and Tom and Sean Morrison from Helena, Montana.

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 15, 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 26, 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's 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 12, 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 15, Petitioner filed a response to MPERA's motion, and MPERA filed a reply on July 19, 2019. A notice of submittal was filed by MPERA on July 22, 2019. On August 21, 2020, an amended Scheduling Order was issued by the Court extending deadlines for periods of discovery as well as all pre-trial dates. This matter was settled between the parties on October 8, 2020.

MPERB v. Lewis and Clark County. On May 1, 2020, the MPERB filed a Complaint for Declaratory Relief in the First Judicial District against Lewis and Clark County. This complaint

asks the District Court to rule that Article VIII, § 15 of the Montana Constitution vests the Montana Public Employees' Retirement Board with the authority to: 1) actuarially determine the amount of the unfunded pension liabilities attributable to a component unit of the Lewis and Clark County that has terminated its participation in a MPERB administered defined benefit plan; and 2) compel the payment of and collect this unfunded pension liability upon this component unit's termination. On May 13, 2020, Lewis and Clark County filed a motion to dismiss the Complaint. This motion has been fully briefed by both parties and the MPERB awaits a ruling from the District Court. On June 1, the MPERB filed its First Amended Complaint amending its original pleading to add a claim for breach of contract against Lewis and Clark County. On June 18, 2020, Lewis and Clark County filed a motion to dismiss MPERB's 1st Amended Complaint. This motion has been fully briefed and the MPERB awaits a ruling from the District Court.

Montana Association of Counties (MACo), Lewis and Clark County, and Cascade County v. MPERB and MPERA. On May 1, 2020, the Montana Association of Counties (MACo) filed a Complaint for Declaratory Judgment, Injunctive Relief, and a Writ of Prohibition against the MPERB and MPERA in the First Judicial District Court of Lewis and Clark County. This Complaint asked the District Court to rule that: 1) Article VIII, § 15 of the Montana Constitution does not vest the MPERB with the authority to determine and collect unfunded pension liabilities owed to the PERS trust as a result of partial withdrawals of employees or reductions in force; 2) the 1947 Contract between the MPERB and Lewis and Clark County and Cascade County, as well as other similar agreements between the MPERB and all other Montana counties, does not vest the MPERB with the authority to determine and collect unfunded pension liabilities owed to the PERS trust as a result of partial withdrawals of employees or reductions in force; 3) MACo is entitled to a preliminary and permanent injunction enjoining the MPERB from assessing withdrawal penalties against Montana counties; and 4) MACo is entitled to a Writ of Prohibition arresting the MPERB from assessing withdrawal penalties against Montana counties. On May 15, 2020, MACo amended its original pleading by filing its First Amended Complaint. This amendment added the additional parties of Lewis and Clark County and Cascade County to this action as plaintiffs as well as additional claims for breach of express and implied contract. On June 25, 2020, the MPERB filed a Motion to Dismiss, or in the Alternative, Partial Summary Judgment with regard to the Plaintiffs' Count II, IV, V, and VI. This motion has been fully briefed by all parties and the MPERB awaits a ruling from the District Court.

NOTE C. PLAN DESCRIPTIONS, MEMBERSHIP 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 \$1,983,881 in *Transfers to DCRP* and \$268,057 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 2021.

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, 2020, there are nine members receiving a benefit from the disability plan, one less than as of June 30, 2019.

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, 2020, there were 22 DROP participants. Since program inception, a total of 29 members have participated in the DROP. The balance of the DROP accounts is \$3.8 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, 2020, there were 66 DROP participants. Since program inception, a total of 191 members have participated in the DROP. The balance of the DROP accounts is \$10.7 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.

MEMBERS AND EMPLOYERS

Membership in each plan as of June 30, 2020 is detailed in the following chart.

Plan Membership as of Fiscal Year End June 30, 2020										
Type of Plan for Reporting Purposes as of Fiscal Year End June 30, 2020	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	233	29,039	1,502	1,033	829	735	2,401	3,100	5,601
Inactive: entitled to, but not yet receiving benefits or a refund:										
Vested	2	17	4,070	146	135	95	39	766	639	4,293
Non-Vested	1	31	20,548	696	495	181	72		790	
Inactive members and beneficiaries currently receiving benefits:										
Service Retirements	67	335	23,195	711	371	811	648	1,519	106	
Disability Retirements		4	138	28	2	27	12	1	9	
Survivor benefits	5	11	523	24	11	32	18	4	1	
Total Membership	133	631	77,513	3,107	2,047	1,975	1,524	4,691	4,645	9,894

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,	2020	2019	2020	2019	2020	2019
State Agencies ²	10,240	10,141				
Department of Justice			59	62		
Department of Corrections					761	736
Department Fish, Wildlife & Parks					107	112
Department of Livestock					40	46
Department of Transportation					84	86
Counties	5,525	5,537	1,443	1,392		
Cities and Towns	3,527	3,553				
Colleges and Universities	2,743	2,723			41	41
School Districts	5,705	5,664				
High Schools	70	67				
Other Agencies	1,229	1,223				
Total	29,039	28,908	1,502	1,454	1,033	1,021

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,	2020	2019	2020	2019	2020	2019	2020 2019
GABA	56	56	233	232	825	802	733 720
Non-GABA	2	2	0	0	4	4	2 2
Total	58	58	233	232	829	806	735 722

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,	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
State Agencies	33	33	1	1	4	4			1	1
Counties	55	55	56	56						
Cities and Towns	97	98					33	33	15	15
Colleges and Universities	5	5			3	3				
School Districts	241	238								
High Schools	5	5								
Other Agencies	112	112								
Rural Fire Districts									11	11
Total	548	546	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	2020	2019
Participants Beginning of Year	18	13
Participants Added	7	7
Completed DROP	3	2
Participants End of Year	22	18
DROP Distributions	\$364,778	\$248,628

MPORS DROP Participation		
As of June 30	2020	2019
Participants Beginning of Year	64	62
Participants Added	12	19
Completed DROP	9	17
Participants End of Year	67	64
DROP Distributions	\$1,876,643	\$3,379,901

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

PERS-DCRP PARTICIPATING EMPLOYERS		
Employers	June 30, 2020	June 30, 2019
State Agencies	32	31
Counties	53	51
Cities and Towns	60	57
Universities	5	5
School Districts	125	122
High Schools	4	5
Other Agencies	50	49
Total	329	320

PERS-DCRP Active Membership by Employer Type		
Employer Type	June 30, 2020	June 30, 2019
State Agencies	1,526	1,397
Counties	479	439
Cities	354	334
Universities	152	156
High Schools	5	5
School Districts	363	332
Other Agencies	221	208
Total	3,100	2,871

FY 2020 Schedule of Contribution Rates			
System	Member	Employer	State
PERS-DBRP¹	7.9% [19-3-315(1)(a), MCA]	8.77% State & University 8.67% Local Governments 8.4% 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-DCRP¹	7.9% [19-3-315(1)(a), MCA]	8.77% State & University 8.67% Local Governments 8.4% 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	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, 2020 for PERS-DBRP and PERS-DCRP.			

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, 2021 due to the amortization period being 35 years at June 30, 2020.
- 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, 2020 actuarial valuation, the additional contributions will not be terminated on January 1, 2021.

- 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.
- 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 2020 was \$34.0 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 260 in fiscal year 2019 to 261 in fiscal year 2020. The contributions received (including interest) during fiscal year 2020 totaled \$17,924. These are recorded in the *Accounts Receivable* on the financial statements. The outstanding balance at June 30, 2020, totaled \$9,210. 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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System	Common provisions and terms	
	Working Retiree Limitations	Retirement Benefits - Form of Payment
PERS-DBRP	<p>(1) Pre-7/1/2011 and < 65 years of age * \$1 reduced for \$1 earned over 960 hours</p> <p>(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.</p>	<ul style="list-style-type: none"> • 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. <p>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.</p> <p>* Trusts, estates, and charitable organizations as beneficiaries can only receive a lump-sum payment.</p>
JRS	N/A	
HPORS	<p>Return on or after 7/1/2017:</p> <p>(1) < 480 hours in a calendar year:</p> <ul style="list-style-type: none"> • \$1 reduced for each \$3 > \$5 thousand in year. <p>(2) 480 or more hours in a calendar year:</p> <ul style="list-style-type: none"> • become active member of the system; • retirement benefit stops. <p>* Employer and state contributions are paid on working retirees.</p>	<p>* Life annuity, 100% continuation to surviving spouse or dependent children.</p>
GWPORS		<ul style="list-style-type: none"> • 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.
SRS		<p>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.</p> <p>* Trusts, estates, and charitable organizations as beneficiaries can only receive a lump-sum payment.</p>
MPORS		<p>* Life annuity, 100% continuation to surviving spouse or dependent children.</p>
FURS		<p>* Life annuity, 100% continuation to surviving spouse or dependent children.</p>
VFCA	N/A	N/A

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System	Working Retiree Limitations	Retirement Benefits - Form of Payment
HPORS DROP	N/A	<p>During DROP employment:</p> <ul style="list-style-type: none"> * Monthly DROP accruals, including GABA for MPORS only; plus * interest at assumed rate of return. <p>Post DROP employment:</p> <ul style="list-style-type: none"> * no retirement or DROP payment; * DROP account accrues interest.
MPORS DROP	N/A	<p>Termination of Post DROP employment:</p> <ul style="list-style-type: none"> * retirement benefit; * Additional benefit based on member's service credit and HAC after DROP; * DROP benefit.

System	Common provisions and terms	
	Service Credit	Membership Service
PERS-DBRP	<p>* Service credit determines benefit.</p> <p>* 1 month of service credit = 160 compensated hours. This includes certain transferred and purchased service.</p> <p>* Eligible active members may purchase 1 for 5 service credit.</p>	<p>* Membership service determines vesting and benefits.</p> <p>* 1 month of membership service = any month member contributions are reported.</p> <p>* Eligible member may purchase membership service.</p>
JRS		
HPORS		
SRS		
GWPORS		
MPORS		
FURS		
VFCA	<p>1 year of credit for service:</p> <ul style="list-style-type: none"> • serve with same fire company entire fiscal year, and • minimum 30 hours training. <p>* Fractional years are not credited.</p>	N/A

System	Common provisions and terms	
	Compensation	Withdrawal of member contributions
PERS-DBRP	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.
JRS		
HPORS		
SRS		
GWPORS		
MPORS		
FURS		
VFCA	N/A	N/A

System	Common provisions and terms	
	Contributions	Member contributions interest credited
PERS-DBRP	* 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 2020 interest rate credited to member accounts was 2.39%.
JRS		
HPORS		
SRS		
GWPORS		
MPORS		
FURS		
PERS-DCRP Disability OPEB	* Member contributions: None * Employer contributions: 0.30% of member compensation	
VFCA	N/A	N/A

System	Early Retirement Benefit	Second Retirement Benefit
PERS-DBRP	<p>Actuarially reduced:</p> <ul style="list-style-type: none"> * Pre-7/01/2011: <ul style="list-style-type: none"> • 5 years membership service, age 50 or • 25 years membership service, any age * 7/01/2011: <ul style="list-style-type: none"> • 5 years membership service, age 55 	<p><u>Requires returning to PERS-covered employment:</u></p> <p>Retire before 1/01/2016</p> <p>< 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.</p> <p>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.</p> <p>Retire on or after 1/01/2016:</p> <p>< 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.</p> <p>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.</p>
JRS	N/A	N/A
MPORS	<ul style="list-style-type: none"> * 5 years membership service, age 50 	<p>MPORS Initial Second Retirement: Age 50, re-employed in a MPORS position.</p> <p>Return prior to 7/01/2017:</p> <ul style="list-style-type: none"> * < 20 years of membership service: <ul style="list-style-type: none"> • repay benefits; and • new benefit based on total service. * > 20 years of membership service: <ul style="list-style-type: none"> • receives initial benefit; and • new retirement benefit based on new service credit and FAC.

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System	Early Retirement Benefit	Second Retirement Benefit
HPORS	Actuarially reduced from age 60: * Pre-7/01/2013 - 5 years of membership service * 7/01/2013 - 10 years of membership service	Return on or after July 1, 2017: * > 480 hours in a calendar year and < 5 years service credit: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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.
SRS	Actuarially reduced from age 60 or 20 years of membership service: * 5 years membership service, age 50	
GWPORS	* 5 years of membership service, age 55	
MPORS	* 5 years membership service, age 50	
FURS	* 5 years of membership service, age 50	
VFCA	N/A	N/A

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System	Post Retirement Benefit Increases		
	Guaranteed Annual Benefit Adjustment (GABA)	GABA Waiting Period	Minimum Benefit Adjustment
PERS-DBRP	<ul style="list-style-type: none"> • Pre-7/01/2007 - 3.0% • 7/01/2007 through 6/30/2013 - 1.5% • 7/01/2013 - <ul style="list-style-type: none"> (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

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System	Disability	Survivor
	Eligibility & Benefit Formula	Eligibility & Benefit Formula
PERS-DBRP	<p>* 5 years of membership service</p> <p>Pre-2/24/1991 and did not make a contrary election - Greater of:</p> <ul style="list-style-type: none"> • (90% of 1.785% of HAC) x service credit, or • 25% of HAC <p>2/24/1991 to 7/01/2011 -</p> <ul style="list-style-type: none"> • < 25 years membership service: 1.758% of HAC x service credit, or • At least 25 years membership service: 2% of HAC x service credit <p>7/01/2011 -</p> <ul style="list-style-type: none"> • < 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 	<p>Vested member's status at time of death:</p> <ul style="list-style-type: none"> • active; • receiving disability benefit for less than six months; • continuously disabled without receiving a disability benefit; or • inactive. <p>Hired prior to 7/01/2011 -</p> <p>Age 50 or 25 years membership service</p> <ul style="list-style-type: none"> • actuarial equivalent of accrued benefit at death; or, <p>< Age 50 and < 25 years membership service</p> <ul style="list-style-type: none"> • actuarial equivalent of the accrued early benefit paid at age 50. <p>Hired on or after 7/01/2011 -</p> <p>Age 55</p> <ul style="list-style-type: none"> • actuarial equivalent of accrued benefit at death; or <p>< Age 55</p> <ul style="list-style-type: none"> • actuarial equivalent of accrued early benefit paid at age 55.
PERS-DCRP Disability OPEB	<p>* Any age 5 years of membership service</p> <p>Hired prior to 7/1/2011, or hired prior to 2/24/1991 -</p> <ul style="list-style-type: none"> • < 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. <p>Hired on or after July 1, 2011 -</p> <ul style="list-style-type: none"> • 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; <ul style="list-style-type: none"> • 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. 	<p>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.</p> <p>Form of payment:</p> <ul style="list-style-type: none"> • Normal form of payment is an annuity. • No other forms of payment are available

	Disability	Survivor
System	Eligibility & Benefit Formula	Eligibility & Benefit Formula
JRS	<p>Duty-related disability:</p> <ul style="list-style-type: none"> Any amount of membership service Greater of 50% of salary or 50% of HAC <p>Non-duty-related disability:</p> <ul style="list-style-type: none"> 5 years membership service Actuarial equivalent of normal retirement at disability 	<p>Duty-related death:</p> <ul style="list-style-type: none"> service retirement benefit on date of death. <p>Non-duty-related death:</p> <ul style="list-style-type: none"> vested member; refund of member's contributions, or actuarial equivalent of service retirement at death. <ul style="list-style-type: none"> Retired members without contingent annuitant, payment made to member's designated beneficiary = accumulated contributions reduced by any retirement benefits already paid.
HPORS	<p>Duty-related disability:</p> <ul style="list-style-type: none"> Any active member < 20 years membership service: 50% of HAC, or > 20 years membership service: 2.6% of HAC x years of service credit <p>Regular disability:</p> <ul style="list-style-type: none"> Any vested member Actuarial equivalent of service retirement benefit at age 60. 	<p>Duty-related deaths:</p> <ul style="list-style-type: none"> active member; 50% HAC to spouse or dependent child. <p>Non-duty-related death:</p> <ul style="list-style-type: none"> active or inactive member; actuarial equivalent of early retirement benefit to spouse or dependent child. <p>* 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.</p>
HPORS DROP	N/A	<p>Death Before the End of DROP Period:</p> <ul style="list-style-type: none"> * 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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System	Disability	Survivor
	Eligibility & Benefit Formula	Eligibility & Benefit Formula
SRS	<p>Duty-related disability:</p> <ul style="list-style-type: none"> 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 <p>Non-duty-related disability:</p> <ul style="list-style-type: none"> Any vested member with 5 years membership service Actuarial equivalent of the normal retirement benefit at disability. 	<p>Duty-related death:</p> <ul style="list-style-type: none"> any active member lump-sum payment of member contributions; or benefit to the designated beneficiary that is greater of: <ul style="list-style-type: none"> 50% of HAC; or > 20 years = 2.5% x HAC x service credit <p>Non-duty-related death:</p> <ul style="list-style-type: none"> 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.
GWPORS	<p>Duty-related disability:</p> <ul style="list-style-type: none"> 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 <p>Regular disability:</p> <ul style="list-style-type: none"> vested member actuarial equivalent of normal retirement benefit disability. 	<p>Duty-related death:</p> <ul style="list-style-type: none"> * 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 <p>Non-duty-related death:</p> <ul style="list-style-type: none"> 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.

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System	Disability	Survivor
	Eligibility & Benefit Formula	Eligibility & Benefit Formula
MPORS	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Any active member; benefit to spouse of dependent child: <ul style="list-style-type: none"> < 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	<ul style="list-style-type: none"> If a member becomes disabled during DROP Period, member will not be eligible for MPORS disability benefits. 	<p>Death Before the End of DROP Period:</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Any active member The greater of: <ul style="list-style-type: none"> 50% of HAC, or 2.5% of HAC x years of service credit 	<ul style="list-style-type: none"> Any active or inactive member; benefit to spouse or dependent child: <ul style="list-style-type: none"> < 20 years of membership service 50% of HAC. > 20 years of membership service retirement benefit at date of death.
VFCA	<p>Duty-related disability:</p> <ul style="list-style-type: none"> Any current member on a fire company's roster Monthly benefit greater of: <ul style="list-style-type: none"> \$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: <ul style="list-style-type: none"> Additional \$7.50 per month per year 	<ul style="list-style-type: none"> 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, 2019 Actuarial Valuation Report for all defined benefit plans.

Projections of the fiduciary net position have indicated that it is expected to be sufficient to make projected benefit payments for current plan members. Therefore, the discount rate used to measure the Total Pension Liability as of June 30, 2020 is 7.34% from 7.65% for all plans except HPORS (4.43%) and GWPORS (5.65%). The 7.34% is the assumed long-term expected rate of return on the PERB's investments.

Changes in the discount rate affect the measurement of the TPL. At June 30, 2020, 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, 2020	1% Decrease 6.34%	Discount Rate 7.34%	1% Increase 8.34%
Total Pension Liability	\$ 9,476,815,827	\$ 8,483,685,413	\$ 7,649,462,651
Fiduciary Net Position	5,845,474,024	5,845,474,024	5,845,474,024
Net Pension Liability	\$ 3,631,341,803	\$ 2,638,211,389	\$ 1,803,988,627
Fiduciary Net Position as a % of the TPL	61.68%	68.90%	76.42%

GWPORS As of June 30, 2020	1% Decrease 4.65%	Discount Rate 5.65%	1% Increase 6.65%
Total Pension Liability	\$407,258,420	\$ 348,070,173	\$300,580,126
Fiduciary Net Position	212,910,191	212,910,191	212,910,191
Net Pension Liability	\$ 194,348,229	\$ 135,159,982	\$ 87,669,935
Fiduciary Net Position as a % of the TPL	52.28 %	61.17 %	70.83 %

JRS As of June 30, 2020	1% Decrease 6.34%	Discount Rate 7.34%	1% Increase 8.34%
Total Pension Liability	\$ 76,332,639	\$ 69,521,114	\$ 63,652,756
Fiduciary Net Position	106,065,672	106,065,672	106,065,672
Net Pension Asset	\$ (29,733,033)	\$ (36,544,558)	\$ (42,412,916)
Fiduciary Net Position as a % of the TPL	138.95%	152.57%	166.63%

MPORS As of June 30, 2020	1% Decrease 6.34%	Discount Rate 7.34%	1% Increase 8.34%
Total Pension Liability	\$ 799,823,808	\$ 695,736,884	\$ 612,699,315
Fiduciary Net Position	451,150,482	451,150,482	451,150,482
Net Pension Liability	\$ 348,673,326	\$ 244,586,402	\$ 161,548,833
Fiduciary Net Position as a % of the TPL	56.41%	64.84%	73.63%

HPORS As of June 30, 2020	1% Decrease 3.43%	Discount Rate 4.43%	1% Increase 5.43%
Total Pension Liability	\$ 458,923,163	\$ 385,799,083	\$ 329,786,976
Fiduciary Net Position	151,967,709	151,967,709	151,967,709
Net Pension Liability	306,955,454	\$ 233,831,374	\$ 177,819,267
Fiduciary Net Position as a % of the TPL	33.11%	39.39%	46.08%

FURS As of June 30, 2020	1% Decrease 6.34%	Discount Rate 7.34%	1% Increase 8.34%
Total Pension Liability	\$ 731,013,134	\$ 634,414,092	\$ 556,796,178
Fiduciary Net Position	477,936,941	477,936,941	477,936,941
Net Pension Liability	\$ 253,076,193	\$ 156,477,151	\$ 78,859,237
Fiduciary Net Position as a % of the TPL	65.38%	75.34%	85.84%

SRS As of June 30, 2020	1% Decrease 6.34%	Discount Rate 7.34%	1% Increase 8.34%
Total Pension Liability	\$ 578,166,300	\$ 506,180,744	\$447,296,153
Fiduciary Net Position	384,294,754	384,294,754	384,294,754
Net Pension Liability	\$ 193,871,546	\$ 121,885,990	\$63,001,399
Fiduciary Net Position as a % of the TPL	66.47%	75.92%	85.92 %

VFCA At June 30, 2020	1% Decrease 6.34%	Discount Rate 7.34%	1% Increase 8.34%
Total Pension Liability	\$ 53,870,586	\$ 49,014,265	\$ 44,910,454
Fiduciary Net Position	39,908,236	39,908,236	39,908,236
Net Pension Liability	\$ 13,962,350	\$ 9,106,029	\$ 5,002,218
Fiduciary Net Position as a % of the TPL	74.08 %	81.42 %	88.86 %

During the measurement year there were changes to the actuarial assumptions for all plans.

- The discount rate was lowered from 7.65% to 7.34% for PERS, JRS, SRS, MPORS, FURS and VFCA. The discount rate was lowered from 7.65% to 4.43% for HPORS and 5.65% for GWPORS.
- The investment rate of return was lowered from 7.65% to 7.34%.
- The inflation rate was reduced from 2.75% to 2.40%.

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, 2020 and June 30, 2019:

Fiscal Year	Amortization in years		Funded Ratio	
	2020	2019	2020	2019
PERS-DBRP	35	36	74.08 %	74.19 %
JRS	0	0	162.86 %	161.23 %
HPORS	39	42	64.52 %	64.55 %
SRS	21	21	81.24 %	81.56 %
GWPORS	40	53	83.83 %	84.24 %
MPORS	16	18	70.76 %	69.23 %
FURS	8	9	81.53 %	79.97 %
VFCA	4	5	87.15 %	84.76 %

- As of June 30, 2020, 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, 2020, the **JRS** amortizes in 0 years, meaning it is fully funded.
- As of June 30, 2020, 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 3.86% on an annualized market value basis during the year ended June 30, 2020. This return was above the assumed rate of return of 3.50%, resulting in an investment gain of about \$19,476. 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 \$0.55 million and the funded ratio was 110.59%. Compared to the June 30, 2019 actuarial valuation, the Plan's unfunded actuarial liability was a gain of \$0.24 million, and the funded ratio was 104.93%.
- The actuarial contribution increased to \$913,824 at the June 30, 2020 **VFCA** valuation from \$899,555 at the June 30, 2019 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 2020.

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 2020. 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 2021. At fiscal year end June 30, 2020, there were ongoing transfers of \$157.5 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, 2020		
Type of Plan for Reporting Purposes as of Fiscal Year End June 30, 2020	Multi-Employer Defined Contribution	
Plan Designation	PERS-DCRP	Deferred Compensation (457)
Classification of Member		
Active	3,100	5,601
Inactive: entitled to, but not yet receiving benefits or a refund:		
Vested	639	4,293
Non-Vested	790	
Inactive members and beneficiaries currently receiving benefits:		
Service Retirements	106	
Disability Retirements	9	
Survivor benefits	1	
Total Membership	4,645	9,894

Participating Defined Contribution Employers				
Employer Type	PERS-DCRP		Deferred Compensation (457)	
As of Fiscal Year End June 30,	2020	2019	2020	2019
State Agencies*	32	31	1	1
Counties	53	51	7	6
Cities and Towns	60	57	19	14
Colleges and Universities	5	5	5	5
School Districts	125	122	15	15
High Schools	4	5		
Other Agencies	50	49	14	13
Total	329	320	61	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, 2020	June 30, 2019
State Agencies	1,526	1,397
Counties	479	439
Cities	354	334
Universities	152	156
High Schools	5	5
School Districts	363	332
Other Agencies	221	208
Total	3,100	2,871

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.

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 recordkeeper.

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, 2021.

The total **employer contribution** rate of 8.77% is allocated as follows: 8.43% 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, 2020 actuarial valuation, the additional contributions will not be terminated on January 1, 2021.

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	<ul style="list-style-type: none"> Termination of Service 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Immediate for participant's contributions and attributable income; 5 years of membership service for the employer's contributions to individual accounts and attributable income. 	<ul style="list-style-type: none"> Participant's are fully vested in their accounts immediately.
Benefit	<ul style="list-style-type: none"> Depends upon eligibility and individual account balance; Various payout options are available, including: <ul style="list-style-type: none"> taxable lump sums, periodic payments per participant direction; and IRS-permitted rollovers. 	<ul style="list-style-type: none"> 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, 2020	Deferred Compensation (457) Plan Investment Options as of June 30, 2020
International Stock Funds <ul style="list-style-type: none"> American Funds New Perspective R6 Oakmark International I Vanguard Total International Stock Index Adm Oppenheimer Developing Markets Y 	International Stock Funds <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Vanguard Small Cap Growth Index Instl Vanguard Small Cap Index Signal Instl PGIM QMA Small-Cap Value Z 	Small Company Stock Funds <ul style="list-style-type: none"> Vanguard Small Cap Growth Index Instl Vanguard Small Cap Index Instl Neuberger Berman Genesis-Trust
Mid-Sized Company Stock Funds <ul style="list-style-type: none"> Janus Henderson Enterprise - N MFS Mid-Cap Value R6 Vanguard Mid-Cap Index - Adm 	Mid Cap Company Stock Funds <ul style="list-style-type: none"> Janus Henderson Enterprise - N MFS Mid Cap Value R6 Vanguard Mid Cap Index Adm
Large Company Stock Funds <ul style="list-style-type: none"> Alger Capital Appreciation Z Black Rock Equity Index - Collective F Vanguard Equity Income - Adm JP Morgan US Equity R5 	Large Cap Stock Funds <ul style="list-style-type: none"> Vanguard Equity Income Adm Fidelity Contrafund Vanguard Institutional Index I Parnassus Core Equity Inst
Balanced Funds <ul style="list-style-type: none"> Vanguard Balanced Index - I 	Balanced Funds <ul style="list-style-type: none"> Vanguard Balanced Index I
Bond Funds <ul style="list-style-type: none"> PGIM Total Return Bond R6 Neuberger Berman High Income Bond - I Vanguard Total Bond Market Index - Adm 	Bond Funds <ul style="list-style-type: none"> Vanguard Total Bond Market Index - Adm Neuberger Berman High Income Bond Inv PGIM Total Return Bond R6
Target Date Funds <ul style="list-style-type: none"> T. Rowe Price Retirement - Balanced and 2005 through 2060 	Target Date Funds <ul style="list-style-type: none"> T. Rowe Price Retirement - Balanced and 2005 through 2060
Fixed Investment Options <ul style="list-style-type: none"> Montana Fixed Fund 	Fixed Investment Options <ul style="list-style-type: none"> 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, 2020

Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
PERS-DBRP			
Total pension liability			
Service cost (Beginning of year)	\$ 123,083,106	\$ 123,618,712	\$ 132,567,233
Interest (includes interest on service cost)	593,858,382	585,204,569	552,036,737
Changes of benefit terms			
Differences between expected and actual experience	(39,377,503)	(147,536,263)	170,344,495
Changes of assumptions ⁸	274,029,096		
Benefit payments ²	(449,601,997)	(422,444,896)	(395,338,673)
Refunds of Contributions ³	(11,922,673)	(12,360,997)	(12,619,498)
Net change in total pension liability	\$ 490,068,411	\$ 126,481,125	\$ 446,990,294
Total pension liability-beginning	7,993,617,002	7,867,135,877	7,420,145,583
Total pension liability-ending (a)	\$ 8,483,685,413	\$ 7,993,617,002	\$ 7,867,135,877
Plan fiduciary net position			
Contributions - employer ^{4, 9}	\$ 111,991,380	\$ 107,257,974	\$ 106,650,985
Contributions - non-employer	35,008,859	34,641,994	34,659,174
Contributions - member ⁵	105,009,017	101,713,235	102,075,271
Net investment income ⁶	157,977,027	320,879,899	478,690,356
Benefit payments ²	(449,601,997)	(422,444,896)	(395,338,673)
Administrative expense	(4,059,627)	(3,806,945)	(4,168,771)
Refunds of Contributions ³	(11,922,673)	(12,360,997)	(12,619,498)
Other ⁷	(2,234,266)	(2,567,968)	(2,474,018)
Net change in plan fiduciary net position	\$ (57,832,280)	\$ 123,312,296	\$ 307,474,826
Plan fiduciary net position - beginning	5,903,306,304	5,779,994,008	5,472,519,182
Beginning of Year Adjustment			
Plan fiduciary net position - ending (b) ^{8,9}	\$ 5,845,474,024	\$ 5,903,306,304	\$ 5,779,994,008
Net pension liability / (asset) - ending (a-b)	\$ 2,638,211,389	\$ 2,090,310,698	\$ 2,087,141,869
SRS			
Total pension liability			
Service cost (Beginning of year)	\$ 12,507,758	\$ 12,249,276	\$ 11,484,473
Interest (includes interest on service cost)	34,355,938	32,403,605	30,388,560
Changes of benefit terms			
Differences between expected and actual experience	2,236,018	2,866,788	4,714,268
Changes of assumptions ⁸	19,507,195		
Benefit payments ²	(21,481,264)	(19,512,312)	(18,052,544)
Refunds of Contributions ³	(1,565,536)	(1,438,814)	(1,490,014)
Net change in total pension liability	\$ 45,560,109	\$ 26,568,543	\$ 27,044,743
Total pension liability-beginning	460,620,635	434,052,092	407,007,349
Total pension liability-ending (a)	\$ 506,180,744	\$ 460,620,635	\$ 434,052,092
Plan fiduciary net position			
Contributions - employer ⁴	\$ 11,175,181	\$ 10,572,559	\$ 10,366,141
Contributions - non-employer			
Contributions - member ⁵	9,114,615	8,615,935	8,469,282
Net investment income ⁶	10,181,906	20,396,435	29,157,838
Benefit payments ²	(21,481,264)	(19,512,312)	(18,052,544)
Administrative expense	(294,988)	(246,523)	(432,091)
Refunds of Contributions ³	(1,565,536)	(1,438,814)	(1,490,014)
Other ⁷	(58,008)	(44,792)	(48,421)
Net change in plan fiduciary net position	\$ 7,071,906	\$ 18,342,488	\$ 27,970,191
Plan fiduciary net position - beginning	377,222,848	358,880,360	330,910,169
Plan fiduciary net position - ending (b) ⁸	\$ 384,294,754	\$ 377,222,848	\$ 358,880,360
Net pension liability / (asset) - ending (a-b)	\$ 121,885,990	\$ 83,397,787	\$ 75,171,732

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 of assumptions for PERS and SRS at June 30, 2020 is the change in the discount rate from 7.65% to 7.34%. The Changes of assumption for SRS at June 30, 2015 and at June 30, 2016 is the adjustment in the discount rate from 7.75% to 6.68% and to 5.93%, respectively.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.

2017	2016	2015	2014
\$ 144,475,909	\$ 132,620,813	\$ 138,049,956	\$ 137,452,701
507,380,846	486,830,869	476,777,225	456,406,491
55,782,342	12,254,313	(11,276,266)	
354,960,213			
(366,354,719)	(344,103,875)	(333,401,463)	(307,741,308)
(12,252,007)	(10,379,388)		
\$ 683,992,584	\$ 277,222,732	\$ 270,149,452	\$ 286,117,884
6,736,152,999	6,458,930,267	6,188,780,815	5,902,662,931
\$ 7,420,145,583	\$ 6,736,152,999	\$ 6,458,930,267	\$ 6,188,780,815
\$ 103,537,059	\$ 102,327,838	\$ 100,175,856	\$ 95,820,397
28,757,463	30,800,371	34,466,719	34,561,721
100,768,139	97,342,719	95,424,031	92,160,048
591,434,954	101,199,856	225,106,692	732,253,062
(366,354,719)	(344,103,875)	(333,401,463)	(307,741,308)
(4,472,084)	(3,858,330)	(3,483,531)	(3,522,346)
(12,252,007)	(10,379,388)		
(1,706,733)	(1,580,302)		
\$ 439,712,072	\$ (28,251,111)	\$ 118,288,304	\$ 643,531,574
5,032,807,110	5,061,058,221	4,942,769,917	4,299,238,343
\$ 5,472,519,182	\$ 5,032,807,110	\$ 5,061,058,221	\$ 4,942,769,917
\$ 1,947,626,401	\$ 1,703,345,889	\$ 1,397,872,046	\$ 1,246,010,898
\$ 19,186,527	\$ 18,802,901	\$ 12,574,185	\$ 15,117,708
27,621,242	22,900,429	25,664,435	23,976,049
(1,494,604)			
(170,781)	749,213	(194,994)	
(94,881,687)	56,788,521	43,058,238	(49,542,278)
(16,700,117)	(15,476,437)	(15,280,070)	(13,943,335)
(1,383,061)	(1,028,890)		
\$ (67,822,481)	\$ 82,735,737	\$ 65,821,794	\$ (24,391,856)
474,829,830	392,094,093	326,272,299	350,664,155
\$ 407,007,349	\$ 474,829,830	\$ 392,094,093	\$ 326,272,299
\$ 7,562,105	\$ 7,316,674	\$ 6,902,448	\$ 6,689,311
7,188,857	6,982,217	6,623,175	6,447,179
35,511,246	6,063,591	13,041,786	41,789,437
(16,700,117)	(15,476,437)	(15,280,070)	(13,943,335)
(387,378)	(322,584)	(247,405)	(203,493)
(1,383,061)	(1,028,890)		
(33,489)	(77,778)		
\$ 31,758,163	\$ 3,456,793	\$ 11,039,934	\$ 40,779,099
299,152,006	295,695,213	284,655,279	243,876,180
\$ 330,910,169	\$ 299,152,006	\$ 295,695,213	\$ 284,655,279
\$ 76,097,180	\$ 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, 2020**Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
GWPORS			
Total pension liability			
Service cost (Beginning of year)	8,029,455	\$ 8,004,271	\$ 8,097,630
Interest (includes interest on service cost)	18,535,089	17,617,514	16,018,113
Changes of benefit terms			
Differences between expected and actual experience	(2,026,639)	(4,728,366)	4,780,923
Changes of assumptions ⁸	85,967,147		
Benefit payments ²	(8,247,117)	(7,349,795)	(6,522,921)
Refunds of Contributions ³	(1,200,125)	(1,000,919)	(1,105,281)
Net change in total pension liability	\$ 101,057,810	\$ 12,542,705	\$ 21,268,464
Total pension liability / (asset) - beginning	247,012,363	234,469,658	213,201,194
Total pension liability / (asset) - ending (a)	\$ 348,070,173	\$ 247,012,363	\$ 234,469,658
Plan fiduciary net position			
Contributions - employer ⁴	\$ 4,868,538	\$ 4,686,260	\$ 4,613,066
Contributions - non-employer			
Contributions - member ⁵	5,803,119	5,565,627	5,512,148
Net investment income ⁶	5,583,071	11,124,693	15,573,117
Benefit payments ²	(8,247,117)	(7,349,795)	(6,522,921)
Administrative expense	(240,254)	(202,040)	(369,184)
Refunds of Contributions ³	(1,200,125)	(1,000,919)	(1,105,281)
Other ⁷	(4,006)	611	(19,293)
Net change in plan fiduciary net position	\$ 6,563,226	\$ 12,824,437	\$ 17,681,652
Plan fiduciary net position - beginning	206,346,965	193,522,528	175,840,876
Plan fiduciary net position - ending (b)	\$ 212,910,191	\$ 206,346,965	\$ 193,522,528
Net pension liability / (asset) - ending (a-b)	\$ 135,159,982	\$ 40,665,398	\$ 40,947,130
MPORS			
Total pension liability			
Service cost (Beginning of year)	\$ 12,709,957	\$ 12,020,270	\$ 12,248,910
Interest (includes interest on service cost)	47,714,970	43,960,204	41,949,138
Changes of benefit terms			
Differences between expected and actual experience	(1,029,413)	23,127,175	640,064
Changes of assumptions ⁸	27,713,282		
Benefit payments ²	(27,866,365)	(26,220,684)	(24,566,646)
Refunds of Contributions ³	(2,327,658)	(3,636,764)	(2,675,247)
Net change in total pension liability	\$ 56,914,773	\$ 49,250,201	\$ 27,596,219
Total pension liability / (asset) - beginning	638,822,111	589,571,910	561,975,691
Total pension liability / (asset) - ending (a)	\$ 695,736,884	\$ 638,822,111	\$ 589,571,910
Plan fiduciary net position			
Contributions - employer ⁴	\$ 8,272,676	\$ 7,853,234	\$ 7,757,950
Contributions - non-employer	16,685,125	15,990,599	15,840,158
Contributions - member ⁵	5,214,262	5,037,799	5,046,352
Net investment income ⁶	11,657,780	22,635,730	33,237,702
Benefit payments ²	(27,866,365)	(26,220,684)	(24,566,646)
Administrative expense	(240,967)	(189,981)	(350,328)
Refunds of Contributions ³	(2,327,658)	(3,636,764)	(2,675,247)
Other ⁷	(22,301)	(6,299)	(37,861)
Net change in plan fiduciary net position	\$ 11,372,552	\$ 21,463,634	\$ 34,252,080
Plan fiduciary net position - beginning	439,777,930	418,314,296	384,062,216
Plan fiduciary net position - ending (b) ⁹	\$ 451,150,482	\$ 439,777,930	\$ 418,314,296
Net pension liability / (asset) - ending (a-b)	\$ 244,586,402	\$ 199,044,181	\$ 171,257,614

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).⁸ The Changes of assumptions for GWPORS at June 30, 2020 is the adjustment in the discount rate from 7.65% to 5.65%. The Changes of assumptions for MPORS at June 30, 2020 is the change in the discount rate from 7.65% to 7.34%.

2017	2016	2015	2014
\$ 8,624,297	\$ 8,403,076	\$ 8,008,155	\$ 7,849,828
14,268,596	12,910,129	12,398,209	11,258,354
3,742,704	2,705,238	730,818	
5,877,594			
(5,809,910)	(5,068,318)	(5,351,847)	(5,229,489)
(1,035,917)	(1,065,541)		
\$ 25,667,364	\$ 17,884,584	\$ 15,785,335	\$ 13,878,693
187,533,830	169,649,246	153,863,911	139,985,218
\$ 213,201,194	\$ 187,533,830	\$ 169,649,246	\$ 153,863,911
\$ 4,463,631	\$ 4,278,385	\$ 4,088,117	\$ 3,762,217
5,278,141	5,035,648	4,924,265	4,461,889
18,589,670	3,166,704	6,434,871	20,069,398
(5,809,910)	(5,068,318)	(5,351,847)	(5,229,489)
(328,699)	(269,496)	(200,745)	(161,663)
(1,035,917)	(1,065,541)		
(549)	(30,640)		
\$ 21,156,367	\$ 6,046,742	\$ 9,894,661	\$ 22,902,352
154,684,509	148,637,767	138,743,106	115,840,754
\$ 175,840,876	\$ 154,684,509	\$ 148,637,767	\$ 138,743,106
\$ 37,360,318	\$ 32,849,321	\$ 21,011,479	\$ 15,120,805
\$ 12,267,430	\$ 12,022,841	\$ 12,083,166	\$ 11,794,994
39,632,065	37,887,975	36,830,426	35,011,854
(5,057,920)	(3,546,948)	(2,014,310)	
16,011,685			
(23,474,602)	(21,960,690)	(22,743,995)	(20,527,874)
(1,043,487)	(1,240,208)		
\$ 38,335,171	\$ 23,162,970	\$ 24,155,287	\$ 26,278,974
523,640,520	500,477,550	476,322,263	450,043,289
\$ 561,975,691	\$ 523,640,520	\$ 500,477,550	\$ 476,322,263
\$ 7,091,246	\$ 6,927,587	\$ 6,629,915	\$ 6,459,488
13,960,572	13,751,561	13,432,838	13,048,938
4,465,630	4,384,573	4,291,826	4,133,021
39,775,778	7,112,851	14,471,898	45,230,427
(23,474,602)	(21,960,690)	(22,743,995)	(20,527,874)
(339,344)	(273,951)	(212,017)	(166,807)
(1,043,487)	(1,240,208)		
(491)	(131,634)		
\$ 40,435,302	\$ 8,570,089	\$ 15,870,465	\$ 48,177,193
343,626,914	335,056,825	319,186,360	271,009,167
\$ 384,062,216	\$ 343,626,914	\$ 335,056,825	\$ 319,186,360
\$ 177,913,475	\$ 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, 2020**Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
FURS			
Total pension liability			
Service cost (Beginning of year)	\$ 13,086,953	\$ 12,421,310	\$ 11,819,193
Interest (includes interest on service cost)	43,027,646	41,022,969	37,983,963
Changes of benefit terms			
Differences between expected and actual experience	3,445,064	(931,198)	14,798,655
Changes of assumptions ⁸	25,851,699		
Benefit payments ²	(26,838,506)	(25,626,191)	(23,863,193)
Refunds of Contributions ³	(61,799)	(89,824)	(173,278)
Net change in total pension liability	\$ 58,511,057	\$ 26,797,066	\$ 40,565,340
Total pension liability / (asset) - beginning	575,903,035	549,105,969	508,540,629
Total pension liability / (asset) - ending (a)	\$ 634,414,092	\$ 575,903,035	\$ 549,105,969
Plan fiduciary net position			
Contributions - employer ⁴	\$ 7,887,237	\$ 7,323,532	\$ 7,053,165
Contributions - non-employer	17,807,526	16,566,861	16,127,433
Contributions - member ⁵	5,938,345	5,527,363	5,314,833
Net investment income ⁶	12,246,535	23,722,343	34,284,721
Benefit payments ²	(26,838,506)	(25,626,191)	(23,863,193)
Administrative expense	(224,096)	(170,851)	(329,234)
Refunds of Contributions ³	(61,799)	(89,824)	(173,278)
Other ⁷	(7,444)	1,405	13,978
Net change in plan fiduciary net position	\$ 16,747,798	\$ 27,254,638	\$ 38,428,425
Plan fiduciary net position - beginning	461,189,143	433,934,505	395,506,080
Plan fiduciary net position - ending (b) ⁸	\$ 477,936,941	\$ 461,189,143	\$ 433,934,505
Net pension liability / (asset) - ending (a-b)	\$ 156,477,151	\$ 114,713,892	\$ 115,171,464
VFCA			
Total pension liability			
Service cost (Beginning of year)	\$ 125,315	\$ 112,527	\$ 92,294
Interest (includes interest on service cost)	3,460,874	3,434,677	3,461,285
Changes of benefit terms			
Differences between expected and actual experience	375,549	(173,854)	(930,963)
Changes of assumptions ⁸	1,344,856		
Benefit payments ²	(3,065,017)	(2,996,808)	(2,944,046)
Refunds of Contributions ³			
Net change in total pension liability	\$ 2,241,577	\$ 376,542	\$ (321,430)
Total pension liability / (asset) - beginning	46,772,688	46,396,146	46,717,576
Total pension liability / (asset) - ending (a)	\$ 49,014,265	\$ 46,772,688	\$ 46,396,146
Plan fiduciary net position			
Contributions - employer ⁴			
Contributions - non-employer	\$ 2,486,772	\$ 2,370,454	\$ 2,212,113
Contributions - member ⁵			
Net investment income ⁶	1,045,894	2,070,508	3,126,746
Benefit payments ²	(3,065,017)	(2,996,808)	(2,944,046)
Administrative expense	(414,114)	(296,866)	(293,142)
Refunds of Contributions ³			
Other ⁷	(11,337)	(10,875)	(2,478)
Net change in plan fiduciary net position	\$ 42,198	\$ 1,136,413	\$ 2,099,193
Plan fiduciary net position - beginning	39,866,038	38,729,625	36,630,432
Plan fiduciary net position - ending (b) ⁸	\$ 39,908,236	\$ 39,866,038	\$ 38,729,625
Net pension liability / (asset) - ending (a-b)	\$ 9,106,029	\$ 6,906,650	\$ 7,666,521

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).⁸ The Changes of assumptions for FURS and VFCA at June 30, 2020 is the change in the discount rate from 7.65% to 7.34%.

2017	2016	2015	2014
\$ 12,162,734	\$ 11,519,465	\$ 11,066,391	\$ 10,608,895
35,230,726	33,514,243	32,580,262	30,847,306
893,628	(1,162,342)	(159,885)	
16,915,553			
(22,335,636)	(20,896,200)	(19,747,008)	(19,052,130)
(168,422)	(46,128)		
\$ 42,698,583	\$ 22,929,038	\$ 23,739,760	\$ 22,404,071
465,842,046	442,913,008	419,173,248	396,769,177
\$ 508,540,629	\$ 465,842,046	\$ 442,913,008	\$ 419,173,248
\$ 6,499,776	\$ 6,163,464	\$ 6,100,252	\$ 6,006,863
14,438,412	13,969,719	13,572,990	12,767,624
4,925,425	4,751,806	4,710,082	4,697,333
40,838,569	7,311,946	14,640,156	45,464,858
(22,335,636)	(20,896,200)	(19,747,008)	(19,052,130)
(320,213)	(259,560)	(197,110)	(153,622)
(168,422)	(46,128)		
(485)	(2,424)		
\$ 43,877,426	\$ 10,992,623	\$ 19,079,362	\$ 49,730,926
351,628,654	340,636,031	321,556,669	271,825,743
\$ 395,506,080	\$ 351,628,654	\$ 340,636,031	\$ 321,556,669
\$ 113,034,549	\$ 114,213,392	\$ 102,276,977	\$ 97,616,579
\$ 267,843	\$ 282,498	\$ 221,969	\$ 237,639
3,336,579	3,355,483	2,851,618	2,843,095
		6,173,245	
(791,792)	(1,141,179)	(618,854)	
2,281,533			
(2,858,443)	(2,623,011)	(2,379,353)	(2,294,676)
\$ 2,235,720	\$ (126,209)	\$ 6,248,625	\$ 786,058
44,481,856	44,608,065	38,359,440	37,573,382
\$ 46,717,576	\$ 44,481,856	\$ 44,608,065	\$ 38,359,440
\$ 2,064,561	\$ 2,036,297	\$ 1,913,482	\$ 1,818,237
3,836,835	622,331	1,479,954	4,815,491
(2,858,443)	(2,623,011)	(2,379,353)	(2,294,676)
(288,897)	(241,726)	(180,466)	(136,079)
(6,897)	(14,436)		
\$ 2,747,159	\$ (220,545)	\$ 833,617	\$ 4,202,973
33,883,273	34,103,818	33,270,201	29,067,228
\$ 36,630,432	\$ 33,883,273	\$ 34,103,818	\$ 33,270,201
\$ 10,087,144	\$ 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, 2020**Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
JRS			
Total pension liability			
Service Cost - Beginning of year	\$ 1,748,288	\$ 1,771,629	\$ 1,664,039
Interest (includes interest on service cost)	4,842,414	4,457,587	4,502,928
Changes of benefit terms			
Differences between expected and actual experience	(261,841)	2,743,465	(2,900,423)
Changes of assumptions ¹⁰	1,911,905		
Benefit payments ²	(4,038,362)	(3,846,157)	(3,872,322)
Net change in total pension liability	\$ 4,202,404	\$ 5,126,524	\$ (605,778)
Total pension liability / (asset) - beginning	65,318,710	60,192,186	60,797,964
Total pension liability / (asset) - ending (a)	\$ 69,521,114	\$ 65,318,710	\$ 60,192,186
Plan fiduciary net position			
Contributions - employer ⁹	\$ 1,988,166	\$ (281)	\$ 1,084,880
Contributions - non-employer			
Contributions - member ⁵	560,108	516,777	575,050
Net investment income ⁸	2,827,148	5,687,228	8,467,204
Benefit payments ²	(4,038,362)	(3,846,157)	(3,872,322)
Administrative expense	(157,040)	(122,618)	(264,496)
Other ³	15		6,737
Net change in plan fiduciary net position	\$ 1,180,035	\$ 2,234,949	\$ 5,997,053
Plan fiduciary net position - beginning	104,885,637	102,650,688	96,653,635
Plan fiduciary net position - ending (b) ⁶	\$ 106,065,672	\$ 104,885,637	\$ 102,650,688
Net pension liability / (asset) - ending (a-b)	\$ (36,544,558)	\$ (39,566,927)	\$ (42,458,502)
HPORS			
Total pension liability			
Service Cost - Beginning of year	\$ 3,336,846	\$ 3,453,066	\$ 3,643,015
Interest (includes interest on service cost)	17,688,311	16,926,240	16,293,615
Changes of benefit terms ⁴			
Differences between expected and actual experience	(993,030)	2,412,675	589,270
Changes of assumptions ¹⁰	141,054,951		
Benefit payments ²	(12,684,315)	(12,062,607)	(11,545,732)
Refund of Contributions ⁵	(331,169)	(582,438)	(321,840)
Net change in total pension liability	\$ 148,071,594	\$ 10,146,936	\$ 8,658,328
Total pension liability / (asset) - beginning	237,727,489	227,580,553	218,922,225
Total pension liability / (asset) - ending (a)	\$ 385,799,083	\$ 237,727,489	\$ 227,580,553
Plan fiduciary net position			
Contributions - employer ⁶	\$ 6,002,897	\$ 5,844,909	\$ 5,858,493
Contributions - non-employer ⁶	226,239	233,139	250,150
Contributions - member ⁷	2,169,955	2,002,319	2,386,526
Net investment income ⁸	4,100,741	8,268,830	12,282,824
Benefit payments ²	(12,684,315)	(12,062,607)	(11,545,732)
Administrative expense	(163,315)	(127,400)	(256,309)
Refund of Contributions ⁵	(331,169)	(582,438)	(321,840)
Other ³	(130,951)	2,007	8,067
Net change in plan fiduciary net position	\$ (809,918)	\$ 3,578,759	\$ 8,662,179
Plan fiduciary net position - beginning	152,777,627	149,198,868	140,536,689
Plan fiduciary net position - ending (b) ⁵	\$ 151,967,709	\$ 152,777,627	\$ 149,198,868
Net pension liability / (asset) - ending (a-b)	\$ 233,831,374	\$ 84,949,862	\$ 78,381,685

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.⁸ 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 Investments⁹ For fiscal year 2018 the JRS employer contributions decreased due to Senate Bill 1 temporarily suspending employer contributions.¹⁰ For fiscal year 2020, the Changes of assumptions for JRS is the change in the discount rate from 7.65% to 7.34% and for HPORS is 7.65% to 4.43%.

2017	2016	2015	2014
\$ 1,628,290	\$ 1,578,705	\$ 1,652,926	\$ 1,593,854
4,043,662	3,986,420	3,933,947	3,824,389
862,189	(1,341,333)	(1,032,091)	
3,864,700			
(3,554,335)	(3,416,023)	(3,040,988)	(3,022,512)
\$ 6,844,506	\$ 807,769	\$ 1,513,794	\$ 2,395,731
53,953,458	53,145,689	51,631,895	49,236,164
\$ 60,797,964	\$ 53,953,458	\$ 53,145,689	\$ 51,631,895
\$ 1,800,105	\$ 1,807,493	\$ 1,683,990	\$ 1,651,483
488,208	729,180	534,091	481,461
10,368,402	1,778,748	3,842,387	12,420,597
(3,554,335)	(3,416,023)	(3,040,988)	(3,022,512)
(253,789)	(197,445)	(135,815)	(100,567)
(674)	(2,742)		
\$ 8,847,917	\$ 699,211	\$ 2,883,665	\$ 11,430,462
87,805,718	87,106,507	84,222,842	72,792,380
\$ 96,653,635	\$ 87,805,718	\$ 87,106,507	\$ 84,222,842
\$ (35,855,671)	\$ (33,852,260)	\$ (33,960,818)	\$ (32,590,947)
\$ 3,664,857	\$ 3,798,553	\$ 3,598,464	\$ 3,464,399
15,121,088	14,545,022	14,112,116	13,517,924
2,773,680	18,339	1,855,618	
7,892,479		267,336	
(11,036,794)	(10,482,414)	(10,000,856)	(9,443,007)
(244,597)	(93,811)		
\$ 18,170,713	\$ 7,785,689	\$ 9,832,678	\$ 7,539,316
200,751,512	192,965,823	183,133,145	175,593,829
\$ 218,922,225	\$ 200,751,512	\$ 192,965,823	\$ 183,133,145
\$ 5,782,258	\$ 5,915,644	\$ 5,839,336	\$ 5,735,507
262,884	242,749		
1,949,795	1,917,487	1,624,327	1,458,042
15,098,813	2,605,256	5,738,373	18,678,284
(11,036,794)	(10,482,414)	(10,000,856)	(9,443,007)
(248,124)	(197,034)	(144,253)	(109,140)
(244,597)	(93,811)		
(466)	(2,276)		
\$ 11,563,769	\$ (94,399)	\$ 3,056,927	\$ 16,319,686
128,972,920	129,067,319	126,010,392	109,690,706
\$ 140,536,689	\$ 128,972,920	\$ 129,067,319	\$ 126,010,392
\$ 78,385,536	\$ 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, 2020
 Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
PERS-DBRP			
Total Pension Liability	\$8,483,685,413	\$7,993,617,002	\$ 7,867,135,877
Plan Fiduciary Net Position ^{2,4}	5,845,474,024	5,903,306,304	5,779,994,008
Multiple-Employers' Net Pension Liability / (Asset)	<u>\$2,638,211,389</u>	<u>\$2,090,310,698</u>	<u>\$ 2,087,141,869</u>
Plan fiduciary net position as a percentage of the total pension liability	68.90 %	73.85 %	73.47%
Covered Payroll ³	\$1,280,557,497	\$1,247,343,733	\$ 1,230,105,350
Net pension liability / (asset) as a percentage of covered payroll ²	206.02 %	167.58 %	169.67%
SRS			
Total Pension Liability	\$ 506,180,744	\$ 460,620,635	\$ 434,052,092
Plan Fiduciary Net Position ²	384,294,754	377,222,848	358,880,360
Multiple-Employers' Net Pension Liability / (Asset)	<u>\$ 121,885,990</u>	<u>\$ 83,397,787</u>	<u>\$ 75,171,732</u>
Plan fiduciary net position as a percentage of the total pension liability	75.92 %	81.89 %	82.68%
Covered Payroll	\$ 84,942,848	\$ 80,461,048	\$ 77,587,294
Net pension liability / (asset) as a percentage of covered payroll	143.49 %	103.65 %	96.89%
GWPORS			
Total Pension Liability	\$ 348,070,173	\$ 247,012,363	\$ 234,469,658
Plan Fiduciary Net Position ²	212,910,191	206,346,965	193,522,528
Multiple-Employers' Net Pension Liability / (Asset)	<u>\$ 135,159,982</u>	<u>\$ 40,665,398</u>	<u>\$ 40,947,130</u>
Plan fiduciary net position as a percentage of the total pension liability	61.17 %	83.54 %	82.54%
Covered Payroll	\$ 53,825,163	\$ 51,676,963	\$ 50,823,150
Net pension liability / (asset) as a percentage of covered payroll	251.11 %	78.69 %	80.57%

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.

2017	2016	2015	2014
\$ 7,420,145,583	\$ 6,736,152,999	\$ 6,458,930,267	\$ 6,188,780,815
<u>5,472,519,182</u>	<u>5,032,807,110</u>	<u>5,061,058,221</u>	<u>4,942,769,917</u>
<u>\$ 1,947,626,401</u>	<u>\$ 1,703,345,889</u>	<u>\$ 1,397,872,046</u>	<u>\$ 1,246,010,898</u>
73.75%	74.71%	78.36%	79.87%
\$ 1,232,066,537	\$ 1,185,646,179	\$ 1,154,866,605	\$ 1,120,266,025
158.08%	143.66%	121.04%	111.22%
\$ 407,007,349	\$ 474,829,830	\$ 392,094,093	\$ 326,272,299
<u>330,910,169</u>	<u>299,152,006</u>	<u>295,695,213</u>	<u>284,655,279</u>
<u>\$ 76,097,180</u>	<u>\$ 175,677,824</u>	<u>\$ 96,398,880</u>	<u>\$ 41,617,020</u>
81.30%	63.00%	75.41%	87.24%
\$ 74,581,258	\$ 70,593,304	\$ 68,045,517	\$ 64,672,635
102.03%	248.86%	141.67%	64.35%
\$ 213,201,194	\$ 187,533,830	\$ 169,649,246	\$ 153,863,911
<u>175,840,876</u>	<u>154,684,509</u>	<u>148,637,767</u>	<u>138,743,106</u>
<u>\$ 37,360,318</u>	<u>\$ 32,849,321</u>	<u>\$ 21,011,479</u>	<u>\$ 15,120,805</u>
82.48%	82.48%	87.61%	90.17%
\$ 49,381,004	\$ 47,108,310	\$ 44,884,739	\$ 41,636,566
75.66%	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, 2020
 Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
MPORS			
Total Pension Liability	\$ 695,736,884	\$ 638,822,111	\$ 589,571,910
Plan Fiduciary Net Position ²	451,150,482	439,777,930	418,314,296
Multiple-Employers' Net Pension Liability / (Asset)	<u>\$ 244,586,402</u>	<u>\$ 199,044,181</u>	<u>\$ 171,257,614</u>
Plan fiduciary net position as a percentage of the total pension liability	64.84 %	68.84 %	70.95%
Covered Payroll	\$ 56,783,680	\$ 54,282,431	\$ 52,035,958
Net pension liability / (asset) as a percentage of covered payroll	430.73 %	366.68 %	329.11%
FURS			
Total Pension Liability	\$ 634,414,092	\$ 575,903,035	\$ 549,105,969
Plan Fiduciary Net Position ²	477,936,941	461,189,143	433,934,505
Multiple-Employers' Net Pension Liability / (Asset)	<u>\$ 156,477,151</u>	<u>\$ 114,713,892</u>	<u>\$ 115,171,464</u>
Plan fiduciary net position as a percentage of the total pension liability	75.34 %	80.08 %	79.03%
Covered Payroll	\$ 53,858,929	\$ 50,756,445	\$ 47,934,517
Net pension liability / (asset) as a percentage of covered payroll	290.53 %	226.01 %	240.27%
VFCA			
Total Pension Liability	\$ 49,014,265	\$ 46,772,688	\$ 46,396,146
Plan Fiduciary Net Position ²	39,908,236	39,866,038	38,729,625
Multiple-Employers' Net Pension Liability / (Asset)	<u>\$ 9,106,029</u>	<u>\$ 6,906,650</u>	<u>\$ 7,666,521</u>
Plan fiduciary net position as a percentage of the total pension liability	81.42 %	85.23 %	83.48%
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.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 561,975,691	\$ 523,640,520	\$ 500,477,550	\$ 476,322,263
<u>384,062,216</u>	<u>343,626,914</u>	<u>335,056,825</u>	<u>319,186,360</u>
<u>\$ 177,913,475</u>	<u>\$ 180,013,606</u>	<u>\$ 165,420,725</u>	<u>\$ 157,135,903</u>
68.34%	65.62%	66.95%	67.01%
\$ 48,603,580	\$ 47,233,801	\$ 45,736,127	\$ 44,426,617
366.05%	381.11%	361.69%	353.70%
<hr/>			
\$ 508,540,629	\$ 465,842,046	\$ 442,913,008	\$ 419,173,248
<u>395,506,080</u>	<u>351,628,654</u>	<u>340,636,031</u>	<u>321,556,669</u>
<u>\$ 113,034,549</u>	<u>\$ 114,213,392</u>	<u>\$ 102,276,977</u>	<u>\$ 97,616,579</u>
77.77%	75.48%	76.91%	76.71%
\$ 45,208,091	\$ 43,118,925	\$ 41,627,233	\$ 39,891,869
250.03%	264.88%	245.70%	244.70%
<hr/>			
\$ 46,717,576	\$ 44,481,856	\$ 44,608,065	\$ 38,359,440
<u>36,630,432</u>	<u>33,883,273</u>	<u>34,103,818</u>	<u>33,270,201</u>
<u>\$ 10,087,144</u>	<u>\$ 10,598,583</u>	<u>\$ 10,504,247</u>	<u>\$ 5,089,239</u>
78.41%	76.17%	76.45%	86.73%
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
<hr/>			

Public Employees' Retirement Board
A Component Unit of the State of Montana
Required Supplementary Information
Schedule of Net Pension Liability / (Asset) for Single-Employer Plans
as of June 30, 2020
 Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
JRS			
Total Pension Liability	\$ 69,521,114	\$ 65,318,710	\$ 60,192,186
Plan Fiduciary Net Position ²	106,065,672	104,885,637	102,650,688
Single-Employers' Net Pension Liability / (Asset)	<u>\$ (36,544,558)</u>	<u>\$(39,566,927)</u>	<u>\$ (42,458,502)</u>
Plan fiduciary net position as a percentage of the total pension liability	152.57 %	160.58 %	170.54%
Covered Payroll	\$ 8,001,462	\$ 7,382,476	\$ 7,290,904
Net pension liability / (asset) as a percentage of covered payroll	(456.72)%	(535.96)%	(582.35)%
HPORS			
Total Pension Liability	\$ 385,799,083	\$237,727,489	\$ 227,580,553
Plan Fiduciary Net Position ²	151,967,709	152,777,627	149,198,868
Single-Employers' Net Pension Liability / (Asset)	<u>\$ 233,831,374</u>	<u>\$ 84,949,862</u>	<u>\$ 78,381,685</u>
Plan fiduciary net position as a percentage of the total pension liability	39.39 %	64.27 %	65.56%
Covered Payroll	\$ 15,607,832	\$ 15,177,612	\$ 15,251,339
Net pension liability / (asset) as a percentage of covered payroll	1,498.17 %	559.71 %	513.93%

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.

2017	2016	2015	2014
\$ 60,797,964	\$ 53,953,458	\$ 53,145,689	\$ 51,631,895
<u>96,653,635</u>	<u>87,805,718</u>	<u>87,106,507</u>	<u>84,222,842</u>
<u><u>\$ (35,855,671)</u></u>	<u><u>\$ (33,852,260)</u></u>	<u><u>\$ (33,960,818)</u></u>	<u><u>\$ (32,590,947)</u></u>
158.98%	162.74%	163.90%	163.12%
\$ 6,974,470	\$ 6,920,367	\$ 6,524,569	\$ 6,354,763
(514.10)%	(489.17)%	(520.51)%	(512.86)%
<hr/>			
\$ 218,922,225	\$ 200,751,512	\$ 192,965,823	\$ 183,133,145
<u>140,536,689</u>	<u>128,972,920</u>	<u>129,067,319</u>	<u>126,010,392</u>
<u><u>\$ 78,385,536</u></u>	<u><u>\$ 71,778,592</u></u>	<u><u>\$ 63,898,504</u></u>	<u><u>\$ 57,122,753</u></u>
64.19%	64.25%	66.89%	68.81%
\$ 14,778,975	\$ 15,275,964	\$ 14,549,378	\$ 14,149,269
530.39%	469.88%	439.18%	403.72%

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, 2020

(in thousands)

Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
PERS-DBRP			
Actuarially Determined Contribution	\$ 156,152	\$ 152,663	\$ 141,310
Actual Contributions in Relation to the Actuarially Determined Contribution			
Employer Contributions ^{2, 4}	111,991	107,258	106,651
Non-Employer Contributions (State)	35,009	34,642	34,659
Total Contributions	\$ 147,000	\$ 141,900	\$ 141,310
Contribution Deficiency / (Excess)	\$ 9,152	\$ 10,763	\$ 0
Covered Payroll ³	\$ 1,280,557	\$ 1,247,344	\$ 1,230,105
Contributions as a Percentage of Covered Payroll ³	11.48 %	11.38 %	11.49%
SRS			
Actuarially Determined Contribution	\$ 11,175	\$ 10,573	\$ 10,366
Actual Contributions in Relation to the Actuarially Determined Contribution			
Employer Contributions ²	11,175	10,573	10,366
Non-Employer Contributions (State)			
Total Contributions	\$ 11,175	\$ 10,573	\$ 10,366
Contribution Deficiency / (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 84,943	\$ 80,461	\$ 77,587
Contributions as a Percentage of Covered Payroll	13.16 %	13.14 %	13.36%

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.

2017	2016	2015	2014
\$ 132,295	\$ 133,128	\$ 131,424	\$ 137,681
103,537	102,328	100,176	95,820
28,758	30,800	34,467	34,562
<u>\$ 132,295</u>	<u>\$ 133,128</u>	<u>\$ 134,643</u>	<u>\$ 130,382</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,219)</u>	<u>\$ 7,299</u>
\$ 1,232,067	\$ 1,185,646	\$ 1,154,867	\$ 1,120,266
10.74%	11.23%	11.66%	11.64%
\$ 10,095	\$ 8,640	\$ 9,737	\$ 9,779
7,562	7,317	6,902	6,689
<u>\$ 7,562</u>	<u>\$ 7,317</u>	<u>\$ 6,902</u>	<u>\$ 6,689</u>
<u>\$ 2,533</u>	<u>\$ 1,323</u>	<u>\$ 2,835</u>	<u>\$ 3,090</u>
\$ 74,581	\$ 70,593	\$ 68,046	\$ 64,673
10.14%	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, 2020

(in thousands)

Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
GWPORS			
Actuarially Determined Contribution	\$ 5,350	\$ 5,285	\$ 5,213
Actual Contributions in Relation to the Actuarially Determined Contribution			
Employer Contributions ²	4,869	4,686	4,613
Non-Employer Contributions (State)			
Total Contributions	\$ 4,869	\$ 4,686	\$ 4,613
Contribution Deficiency / (Excess)	\$ 481	\$ 599	\$ 600
Covered Payroll	\$ 53,825	\$ 51,677	\$ 50,823
Contributions as a Percentage of Covered Payroll	9.05 %	9.07 %	9.08%
MPORS			
Actuarially Determined Contribution	\$ 24,958	\$ 23,844	\$ 23,598
Actual Contributions in Relation to the Actuarially Determined Contribution			
Employer Contributions ²	8,273	7,853	7,758
Non-Employer Contributions (State)	16,685	15,991	15,840
Total Contributions	\$ 24,958	\$ 23,844	\$ 23,598
Contribution Deficiency / (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 56,784	\$ 54,282	\$ 52,036
Contributions as a Percentage of Covered Payroll	43.95 %	43.93 %	45.35%

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.

2017	2016	2015	2014
\$ 5,495	\$ 4,707	\$ 5,256	\$ 4,976
4,464	4,278	4,088	3,762
<u>\$ 4,464</u>	<u>\$ 4,278</u>	<u>\$ 4,088</u>	<u>\$ 3,762</u>
<u>\$ 1,031</u>	<u>\$ 429</u>	<u>\$ 1,168</u>	<u>\$ 1,214</u>
\$ 49,381	\$ 47,108	\$ 44,885	\$ 41,637
9.04%	9.08%	9.11%	9.04%
\$ 21,052	\$ 20,679	\$ 17,229	\$ 17,922
7,091	6,928	6,630	6,459
<u>13,961</u>	<u>13,751</u>	<u>13,433</u>	<u>13,049</u>
<u>\$ 21,052</u>	<u>\$ 20,679</u>	<u>\$ 20,063</u>	<u>\$ 19,508</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,834)</u>	<u>\$ (1,586)</u>
\$ 48,604	\$ 47,234	\$ 45,736	\$ 44,427
43.31%	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, 2020

(in thousands)

Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
FURS			
Actuarially Determined Contribution	\$ 25,695	\$ 23,890	\$ 23,181
Actual Contributions in Relation to the Actuarially Determined Contribution			
Employer Contributions ²	7,887	7,323	7,053
Non-Employer Contributions (State)	17,808	16,567	16,128
Total Contributions	\$ 25,695	\$ 23,890	\$ 23,181
Contribution Deficiency / (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 53,859	\$ 50,756	\$ 47,935
Contributions as a Percentage of Covered Payroll	47.71 %	47.07 %	48.36%
VFCA			
Actuarially Determined Contribution	\$ 2,487	\$ 2,370	\$ 2,212
Actual Contributions in Relation to the Actuarially Determined Contribution			
Employer Contributions			
Non-Employer Contributions (State)	2,487	2,370	2,212
Total Contributions	\$ 2,487	\$ 2,370	\$ 2,212
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.

2017	2016	2015	2014
\$ 20,938	\$ 20,133	\$ 13,279	\$ 13,699
6,500	6,163	6,100	6,007
14,438	13,970	13,573	12,767
<u>\$ 20,938</u>	<u>\$ 20,133</u>	<u>\$ 19,673</u>	<u>\$ 18,774</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (6,394)</u>	<u>\$ (5,075)</u>
\$ 45,208	\$ 43,119	\$ 41,627	\$ 39,892
46.32%	46.69%	47.26%	47.06%
\$ 2,065	\$ 2,037	\$ 890	\$ 1,116
	2,036	1,913	1,818
2,065			
<u>\$ 2,065</u>	<u>\$ 2,036</u>	<u>\$ 1,913</u>	<u>\$ 1,818</u>
<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ (1,023)</u>	<u>\$ (702)</u>
N/A	N/A	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, 2019

Key Methods and Assumptions Used to Determine the Actuarially Determined Contribution (ADC) for fiscal year end 2020:

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	2.40%
Salary increases	3.50%, including inflation
Investment rate of return	7.34%, 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, 2020

(in thousands)

Last 10 Fiscal Years¹

Fiscal Year	2020	2019	2018
JRS²			
Actuarially Determined Contribution			
Actual Contributions in Relation to the Actuarially Determined Contribution: Employer Contributions ^{3, 5}	1,988		\$ 1,085
Total Contributions	\$ 1,988		\$ 1,085
Contribution Deficiency / (Excess)	\$ (1,988)		\$ (1,085)
Covered Payroll	\$ 8,001	\$ 7,382	\$ 7,291
Contributions as a Percentage of Covered Payroll	24.85 %	0.00 %	14.88 %
HPORS²			
Actuarially Determined Contribution	\$ 6,934	\$ 6,668	\$ 6,530
Actual Contributions in Relation to the Actuarially Determined Contribution: Employer Contributions ^{3, 4}	6,229	\$ 6,078	\$ 6,109
Total Contributions	\$ 6,229	\$ 6,078	\$ 6,109
Contribution Deficiency / (Excess)	\$ 705	\$ 590	\$ 421
Covered Payroll	\$ 15,608	\$ 15,178	\$ 15,251
Contributions as a Percentage of Covered Payroll	39.91 %	40.05 %	40.05 %

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, 2019

Key Methods and Assumptions Used to Determine the Actuarially Determined Contribution (ADC) for fiscal year end 2020:

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	2.40%
Salary increases	3.50%, including inflation
Investment rate of return	7.34%, 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.

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

2017	2016	2015	2014
<hr/>			
\$ 1,800	\$ 1,807	\$ 1,684	\$ 1,651
\$ 1,800	\$ 1,807	\$ 1,684	\$ 1,651
\$ (1,800)	\$ (1,807)	\$ (1,684)	\$ (1,651)
\$ 6,974	\$ 6,920	\$ 6,525	\$ 6,355
25.81 %	26.11 %	25.81 %	25.98 %
<hr/>			
\$ 6,045	\$ 6,158	\$ 5,706	\$ 6,121
\$ 6,045	\$ 6,158	\$ 5,839	\$ 5,736
\$ 6,045	\$ 6,158	\$ 5,839	\$ 5,736
\$ 0	\$ 0	\$ (133)	\$ 385
\$ 14,779	\$ 15,276	\$ 14,549	\$ 14,149
40.90 %	40.31 %	40.13 %	40.54 %
<hr/>			

Public Employees' Retirement Board*A Component Unit of the State of Montana***Required Supplementary Information****Schedule of Investment Returns for Multiple-Employer Plans***as of June 30, 2020*Last 10 Fiscal Years¹

	Year Ended June 30	PERS-DBRP	SRS	GWPORS
Annual money-weighted rate of return, net investment expense				
	2020	2.71 %	2.70 %	2.69 %
	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				
	2020	2.72 %	2.71 %	2.73 %
	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
A Component Unit of the State of Montana
Required Supplementary Information
Schedule of Investment Returns for Single-Employer Plans
as of June 30, 2020
 Last 10 Fiscal Years¹

	Year Ended June 30	JRS	HPORS
Annual money-weighted rate of return, net investment expense			
	2020	2.72 %	2.73 %
	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*A Component Unit of the State of Montana***Required Supplementary Information****Schedule of Total OPEB (Healthcare) Liability and Related Ratios, Last Ten Fiscal Years¹**

Fiscal Year	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 4,763	\$ 6,271	\$ 27,891
Interest	2,892	6,096	29,728
Changes of benefit terms			
Difference between expected and actual experience	22,201		(69,725)
Changes of assumptions or other inputs	(5,706)	8,460	(4,363)
Benefit payments	(1,826)	(5,220)	25,170
Net change in total OPEB liability	22,324	\$ 15,607	\$ 8,701
Total OPEB liability - Beginning	100,402	84,795	76,094
Total OPEB liability - Ending	\$ 122,726	\$ 100,402	\$ 84,795
Proportionate Share of Total OPEB Liability	0.25924 %	0.18026%	0.16805 %
Covered employee payroll	\$ 4,151,855	\$ 3,909,710	\$ 3,703,606
Total OPEB liability as a percentage of covered employee payroll	2.96 %	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, 2020, the most recent actuarial valuation available was performed by the State of Montana as of January 1, 2019 for the calendar year ending December 31, 2019. This actuarial valuation is performed every two years with the next valuation to be performed as of January 1, 2021 for the calendar year ending December 31, 2021. 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

A Component Unit of the State of Montana

Notes to Required Supplementary Information for OPEB (Healthcare)

Actuarial valuation date	December 31, 2019
Actuarial measurement date ¹	March 31, 2020
Experience study period	January 1, 2015 through December 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
<i>Actuarial assumptions:</i>	
Discount rate	2.75%
Projected payroll increases	2.50%
Participation:	
Future retirees	40.00%
Future eligible spouses	70.00%
Marital status at retirement	70.00%

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

Public Employees' Retirement Board

A Component Unit of the State of Montana

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, 2020	June 30, 2020	June 30, 2020
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	35		39
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	0.28%	0.11%	0.23%
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, 2020	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
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	40	16	8	4
				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
0.17%	0.17%	0.18%	0.17%	\$293,470
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, 2020**

	Defined Benefit Plans	PERS-DBRP Education Fund	Defined Contribution PERS-DCRP	Deferred Compensation (457) Plan
Personal Services				
Salaries	\$ 2,074,765	\$ 542,357	\$ 278,024	\$ 134,478
Board Members' Per Diem	2,064		192	144
Employee Benefits	754,331	227,021	97,155	43,724
Total Personal Services	2,831,160	769,378	375,371	178,346
Other Services				
Consulting and Professional Services	1,282,243	3,168	133,413	145,221
Legal Fees and Court Costs	2,597		78	17
Audit Fees	113,761		8,713	6,535
Medical Services	2,635		110	
Records Storage	4,224		393	295
Computer Processing	144,054	38,132	19,066	10,592
Printing and Photocopy Charges	20,186	3,688	1,560	1,395
Warrant Writing Services	53,008		4,931	3,698
Other	229,357	6,538	22,355	16,113
Total Other Services	1,852,065	51,526	190,619	183,866
Communications				
Postage and Mailing	68,843	680	5,129	6,199
Telephone	43,090	11,406	5,703	3,168
Total Communications	111,933	12,086	10,832	9,367
Other Expenses				
Supplies and Materials	66,104	18,622	8,836	5,681
Travel	18,235	9,548	4,012	2,995
Rent	217,968	57,676	28,841	16,021
Repairs and Maintenance	344		32	24
Compensated Absences	41,730	16,607	(2,246)	(1,556)
OPEB Expenses	7,818	2,598	993	418
Miscellaneous	654,862	26,278	61,352	62,129
Total Other Expenses	1,007,061	131,329	101,820	85,712
Total Administrative Expenses	\$ 5,802,219	\$ 964,319	\$ 678,642	\$ 457,291

Public Employees' Retirement Board*A Component Unit of the State of Montana***Schedule of Investment Expenses*****Year Ended June 30, 2020***

Plan	Investment Manager	Fees
PERS-DBRP	Board of Investments	\$ 31,339,257
PERS-DCRP	Board of Investments	13,333
DISABILITY OPEB		
JRS	Board of Investments	561,187
HPORS	Board of Investments	809,306
SRS	Board of Investments	2,030,317
GWPOBS	Board of Investments	1,117,480
MPORS	Board of Investments	2,315,913
FURS	Board of Investments	2,443,114
VFCA	Board of Investments	206,444
DC	PIMCO	37,594
	State Street Bank	8,571
	Transamerica	10,323
	Prudential	10,622
	Voya	5,162
457	PIMCO	457,776
	State Street Bank	103,724
	Transamerica	125,859
	Prudential	129,559
	Voya	63,866
Total Investment Expense		\$ 41,789,407

Public Employees' Retirement Board*A Component Unit of the State of Montana***Schedule of Professional/Consultant Fees*****Year Ended June 30, 2020***

Individual or Firm	Nature of Service	Amount Paid
Consultant Fees		
Bchr Us Acquisitions, Inc	Investment Consultants	\$ 40,834
Cavanaugh Macdonald Consulting LLC	Actuarial Audit	257,803
Government Finance Officers Association	CAFR Review	1,365
Ice Miller LLP	Tax Consultants	20,605
Lexisnexis Risk Data Management Inc.	Risk Data Management Services	2,736
Pension Benefit Information, LLC	Death Validation Services	6,750
R V Kuhns & Associates Inc.	Investment Consultants	58,334
Sagitec Solutions Inc.	Pension Systems Design	1,095,556
Workiva Financial Reporting	Software Contracted Services	15,381
Faure Holden Attorneys At Law PC	Legal Services	64,581
Keith Jackson	Professional Photographer	100
Consultant Fees Subtotal		1,564,045
Other Professional Fees		
Department of Justice	Legal Services	72
Timothy D. Schofield, MD PLLC	Medical Consultant	2,745
Legislative Audit Division	Independent Auditors	129,009
Other Professional Fees Subtotal		131,826
Total Professional/Consultant Fees		\$ 1,695,871

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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, 2020

	PERS-DBRP	PERS-DBEd	TOTAL
Assets			
Cash and Short-term Investments	\$ 66,168,820	\$ 1,993,763	\$ 68,162,583
Securities Lending Collateral	30,812,956		30,812,956
Receivables			
Interest	29,612	880	30,492
Accounts Receivables	3,279,262	4,416	3,283,678
Due from Other Funds	779,959		779,959
Due from Primary Government			
Notes Receivable	9,210		9,210
<i>Total Receivables</i>	4,098,043	5,296	4,103,339
Investments, at fair value			
CAPP Participant Pool	5,775,148,023		5,775,148,023
<i>Total Investments</i>	5,775,148,023		5,775,148,023
Capital Assets			
Property and Equipment, at cost, net of Accumulated Depreciation	10,627	783	11,410
Intangible Assets at cost, net of amortization expense	1,030,401		1,030,401
<i>Total Capital Assets</i>	1,041,028	783	1,041,811
Total Assets	5,877,268,870	1,999,842	5,879,268,712
Deferred Outflow of Resources - OPEB	47,482	15,849	63,331
Liabilities			
Securities Lending Liability	30,812,956		30,812,956
Accounts Payable	352,383	50,354	402,737
Unearned Revenue	223,751	167	223,918
Due to Other Funds	16,942	38	16,980
Compensated Absences	315,547	55,188	370,735
OPEB Implicit Rate Subsidy LT	81,138	27,083	108,221
Total Liabilities	31,802,717	132,830	31,935,547
Deferred Inflow of Resources - OPEB	39,611	13,222	52,833
Net Position Restricted for Pension Benefits	\$ 5,845,474,024	\$ 1,869,639	\$ 5,847,343,663

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, 2020

	PERS-DBRP	PERS-DBEd	TOTAL
Additions			
Contributions			
Employer	\$ 111,939,965	\$ 508,977	\$ 112,448,942
Plan Member	104,673,083		104,673,083
Interest Reserve Buyback	335,934		335,934
Retirement Incentive Program	973		973
Miscellaneous Revenue	50,442		50,442
State Contributions	1,057,709		1,057,709
State Appropriations	33,951,150		33,951,150
<i>Total Contributions</i>	252,009,256	508,977	252,518,233
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	187,096,774	486	187,097,260
Interest	1,906,711	35,474	1,942,185
Dividends			
Investment Expense	(31,339,257)		(31,339,257)
<i>Net Investment Income</i>	157,664,228	35,960	157,700,188
Securities Lending Income			
Securities Lending Income	669,753		669,753
Securities Lending Rebate and Fees	(356,954)		(356,954)
<i>Net Securities Lending Income</i>	312,799		312,799
Total Net Investment Income	157,977,027	35,960	158,012,987
Total Additions	409,986,283	544,937	410,531,220
Deductions			
Benefits	449,601,997		449,601,997
Refunds/Distributions	11,922,673		11,922,673
Refunds to Other Plans	173,928		173,928
Transfers to MUS-RP	268,057		268,057
Transfers to DCRP	1,983,881		1,983,881
OPEB Expenses	7,818	2,598	10,416
Administrative Expenses	4,059,627	961,721	5,021,348
Total Deductions	468,017,981	964,319	468,982,300
Net Increase (Decrease)	(58,031,698)	(419,382)	(58,451,080)
Net Position Restricted for Pension Benefits			
Beginning of Year	5,903,306,248	2,277,928	5,905,584,176
Prior Year Adjustments	199,474	11,093	210,567
End of Year	\$ 5,845,474,024	\$ 1,869,639	\$ 5,847,343,663

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, 2020

	PERS-DCRP	PERS-DCEd	TOTAL
Assets			
Cash and Short-term Investments	\$ 2,261,678	\$ 148,012	\$ 2,409,690
Securities Lending Collateral			
Receivables			
Interest	793	64	857
Accounts Receivables	247,196	508	247,704
Due from Other Funds	16,655	39	16,694
<i>Total Receivables</i>	264,644	611	265,255
Investments, at fair value			
Defined Contributions Fixed Investments	20,409,924		20,409,924
Defined Contributions Variable Investments	274,238,478		274,238,478
<i>Total Investments</i>	294,648,402		294,648,402
Property and Equipment, at cost, net of Accumulated Depreciation (Note A2)	1,356	112	1,468
Intangible Assets at cost, net of amortization expense	246,171		246,171
<i>Total Capital Assets</i>	247,527	112	247,639
Total Assets	297,422,251	148,735	297,570,986
Deferred Outflow of Resources - OPEB	4,370	1,594	5,964
Liabilities			
Securities Lending Liability			
Accounts Payable	219,973	5,046	225,019
Unearned Revenue	23		23
Compensated Absences	39,621	5,072	44,693
OPEB Implicit Rate Subsidy LT	7,467	2,724	10,191
<i>Total Liabilities</i>	267,084	12,842	279,926
Deferred Inflow of Resources - OPEB	3,646	1,329	4,975
Net Position Restricted for Pension Benefits	\$ 297,155,891	\$ 136,158	\$ 297,292,049

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, 2020

	PERS-DCRP	PERS-DCEd	TOTAL
Additions			
Contributions			
Employer ¹	\$ 14,434,251	\$ 76,399	\$ 14,510,650
Plan Member	14,207,961		14,207,961
Miscellaneous Revenue	77,497		77,497
Nonvested Member Forfeitures	775,195		775,195
<i>Total Contributions</i>	29,494,904	76,399	29,571,303
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	8,434,392		8,434,392
Interest	7,008,950	2,529	7,011,479
Investment Expense	(72,272)		(72,272)
<i>Net Investment Income</i>	15,371,070	2,529	15,373,599
Securities Lending Income			
Securities Lending Income			
Securities Lending Rebate and Fees			
<i>Net Securities Lending Income</i>			
Total Net Investment Income	15,371,070	2,529	15,373,599
Total Additions	44,865,974	78,928	44,944,902
Deductions			
Distributions	9,859,130		9,859,130
OPEB Expenses	728	265	993
Administrative Expenses	578,828	98,821	677,649
Miscellaneous Expenses	330,467		330,467
Total Deductions	10,769,153	99,086	10,868,239
Net Increase (Decrease)	34,096,821	(20,158)	34,076,663
Net Position Restricted for Pension Benefits			
Beginning of Year	263,053,142	154,951	263,208,093
Prior Year Adjustments	5,928	1,365	7,293
End of Year	\$ 297,155,891	\$ 136,158	\$ 297,292,049

¹Employer contributions include State contributions that are listed separately on the main financial statements of this section.

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
William Soller

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, 2020, 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 23, 2020.

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.

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 these retirement systems to be actuarially sound, meaning the retirement system must amortize in 30 years or less. The actuarial valuations as of June 30, 2020, indicate the Games Wardens' and Peace Officers', Highway Patrol Officers', and Public Employees retirement systems are not actuarially sound as they amortize in 40, 39, and 35 years, respectively.

Public Employee's Retirement Board Response to Findings

The board's response to the noncompliance identified in our audit is 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/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

December 23, 2020

PUBLIC EMPLOYEES'
RETIREMENT BOARD

BOARD RESPONSE

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION



GREG GIANFORTE
GOVERNOR

DORE SCHWINDEN
EXECUTIVE DIRECTOR

STATE OF MONTANA



HELENA (406) 444-3154
TOLL FREE (877) 275-7372
FAX (406) 444-5428

100 N PARK, STE 200
PO BOX 200131
HELENA MT 59620-0131
mpera.mt.gov

January 20, 2021

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

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LEGISLATIVE AUDIT DIV.

Dear Mr. Maciver:

The Montana Public Employee Retirement Administration (MPERA) has reviewed the financial audit report for fiscal year 2020. We understand the report has one recommendation which addresses the actuarial soundness of the Public Employees' Retirement System (PERS), Game Wardens' Peace Officers' Retirement System (GWPORS) and Highway Patrol Officers' Retirement System (HPORS).

As constitutionally required by Article VIII § 15 of the Montana Constitution, the Public Employees' Retirement Board (PERB) confronts all defined benefit plan funding shortfalls and recommends funding increases when plans do not amortize within 30 years. In line with previous audit recommendations regarding the funding status of specific defined benefit plans administered by MPERA, the PERB and MPERA have taken the following actions to address the funding shortfalls of each defined benefit plans listed below.

PERS, GWPORS and HPORS Funding

The PERB concurs with the recommendation and have been working closely with plan stakeholders, proposing separate funding bills for PERS, GWPORS and HPORS during the 67th Legislative 2021 Session. The purpose of these bills is to increase the funding status of each plan in order to achieve actuarial soundness and decrease each system's amortization period.

Regards,

Dore Schwinden
Executive Director