

Montana Pension Systems

Understanding the Role of the Legislature

By the Legislative Fiscal Division

Legislature does not control previous benefits, but must find funding if short

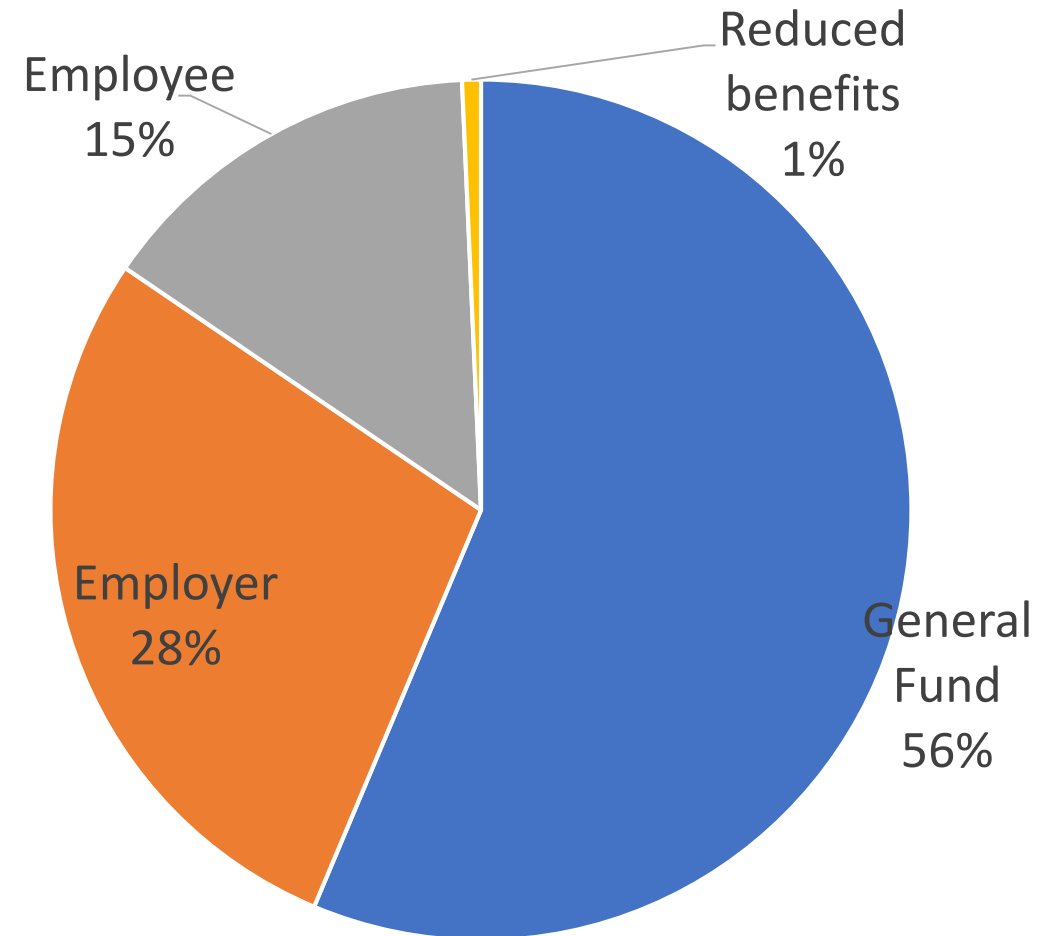
Pension Boards have
Constitutional
responsibility for
setting actuarial
assumptions

Courts have limited
Legislative choices in
resolving a short fall
in assets current
employees and
retirees benefits

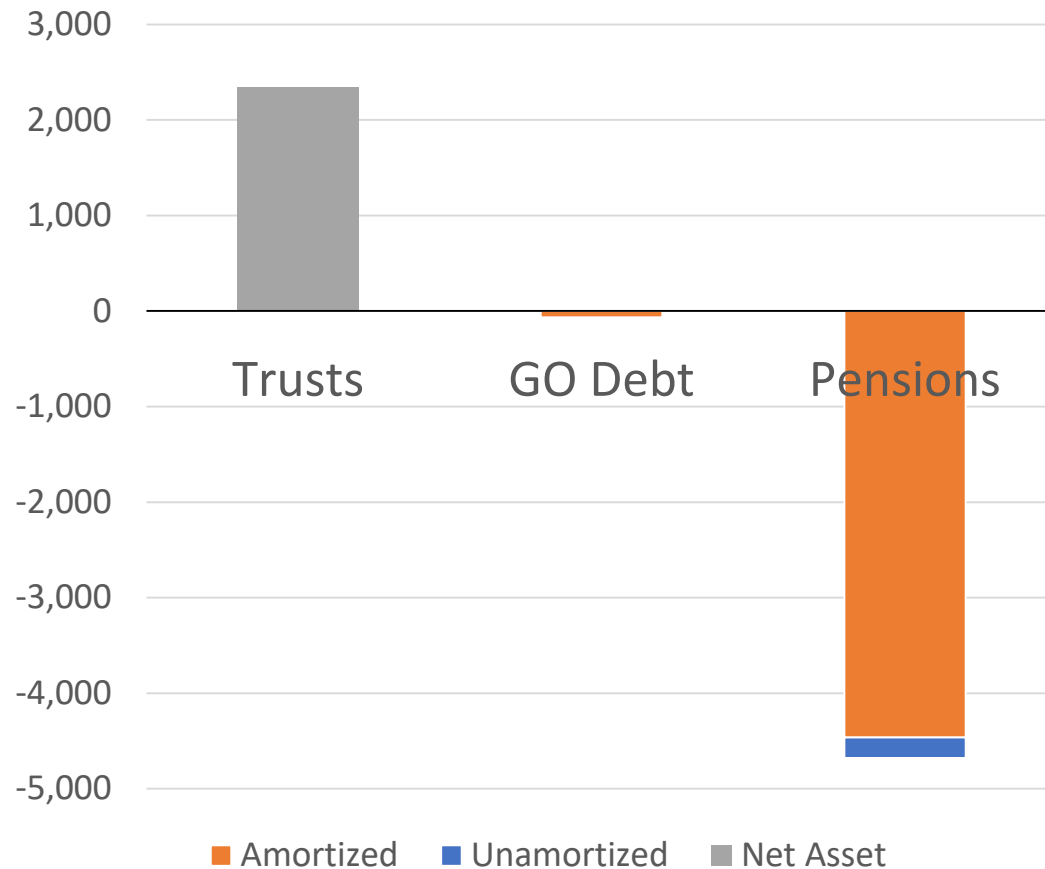
The
Legislature
must
understand
risk

Previous PERS/TRS Pension Solutions: \$140 million per year

- Direct additional general fund pension contributions \$80 million per year or over 3% of annual spending
- Employer contributions 1-2% increases will cap out at \$40 million per year (~\$4 million from GF)
- Employee 1% contributions cap out at \$21 million per year
- Reduced benefits for future employees impact small so far

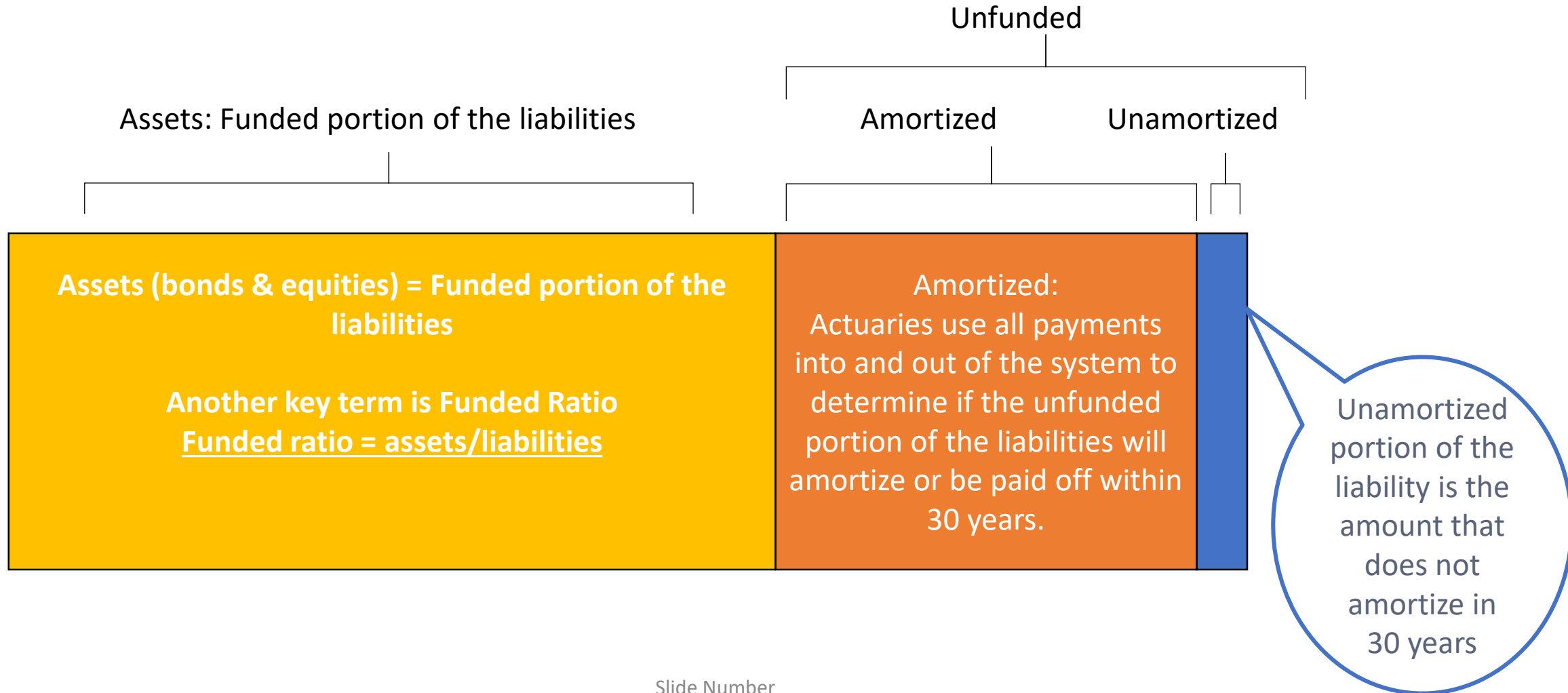


Balance comparisons

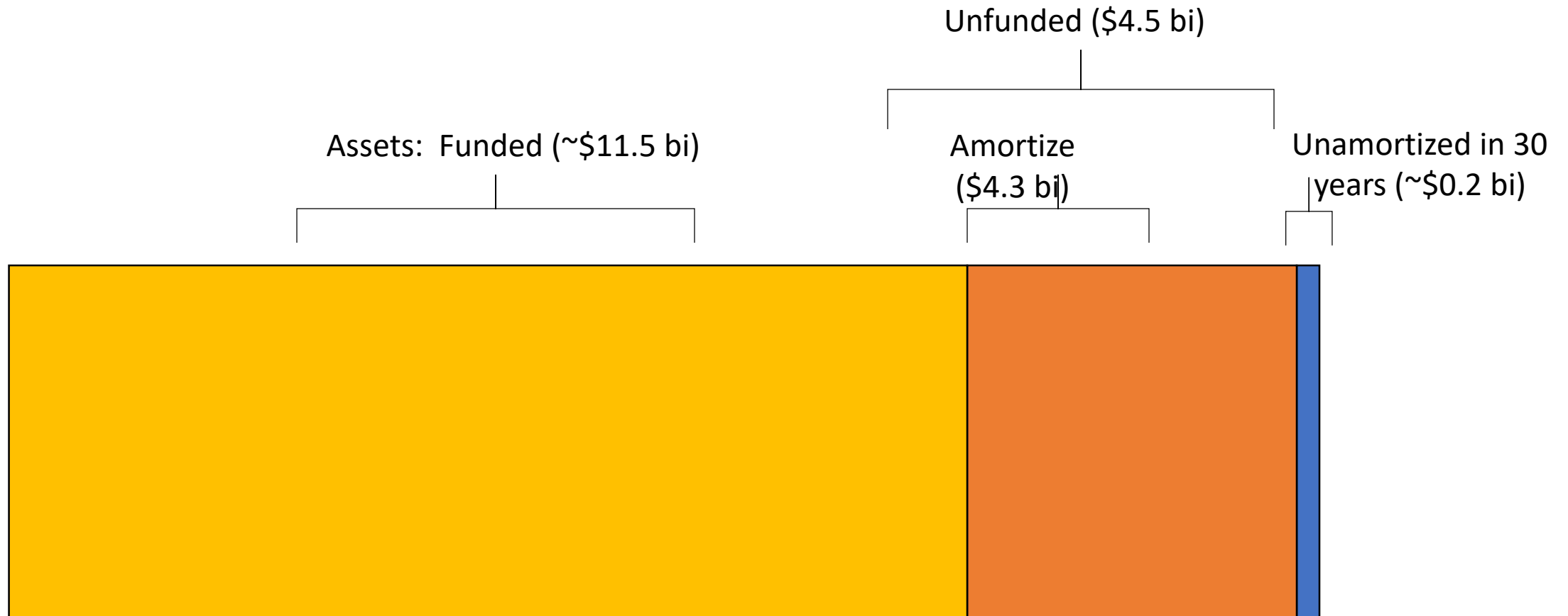


- GO Debt is relatively small
- Pension liabilities are larger
- In recent years, State efforts to amortize (pay off) most of the liability within 30 years
- Pension liabilities are double the size of current state trust funds including:
 - School trusts,
 - Coal trusts,
 - Tobacco trust,
 - Resource indemnity, and others

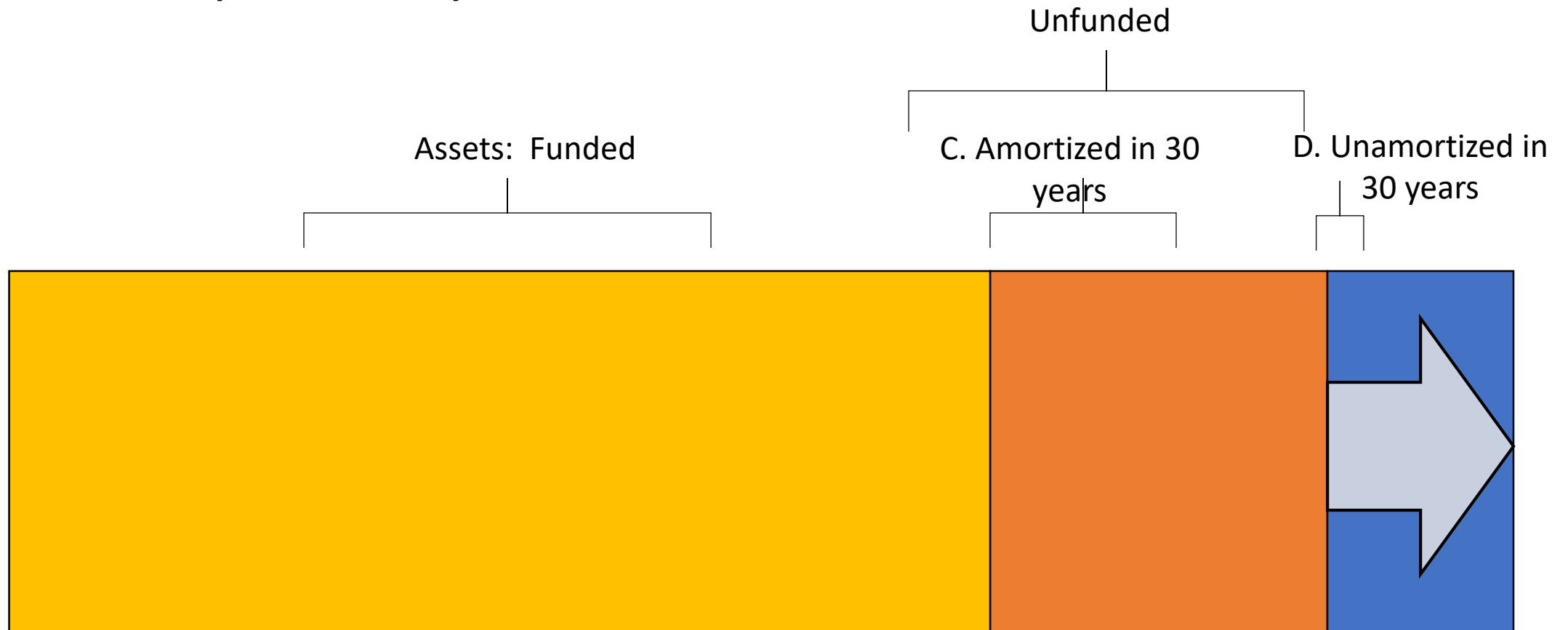
Whole area of 3 color box are the liabilities: Discounted Cost of future pension benefits



\$16 billion in discounted benefits owed with about 70% funded with assets



Risk Assessment: what do different assumptions yield



Discounted benefits owed = \$16 Billion



Risk Assessment: New Actuary Standard

- Actuarial Standards Boards issued Actuarial Standard of Practice 51(ASOP 51) entitled “Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions”
- Requires actuaries to better educate interested parties about risks facing their plans
- Educate interested parties on the potential for future plans’ health to differ from expected results. Identify realistic risks to the system such as investment risks, contribution risks, longevity, etc
- If returns on investment are lower than the assumed rate, what increase in contributions would be required to still fully amortize?
- Also provides a way to incorporate states overall economic conditions, tax collections, and history of making required contributions to inform policy

Legislative Information Option

