

Montana Public Employee Retirement Administration

Montana Public Employees' Retirement Board Valuation Results June 30, 2021

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Benefit Financing

➤ Basic Retirement Funding Equation

$$C + I = B + E$$

C= Contributions

I= Investments

B= Benefits Paid

E= Expenses (administration)

B depends on

Plan Provisions

Experience

C depends on

Short Term: Actuarial Assumptions
Actuarial Cost Method

Long Term: I, B, E



Participation in MPERA

- State, local governments, and certain employees of the Montana University system, & school districts are covered by MPERA.

- 44,253 Active Employees Including DC and 457 Members
- 29,353 Retirees & Beneficiaries (all systems)
- 29,177 Inactive (DB)

- 562 Employers (DB)
- 220 Volunteer Fire Departments



Comments on Valuation for PERS

➤ **Asset returns**

- Market asset returns averaged 27.48% vs. 7.65% expected (19.83% more than expected).
- Actuarial asset returns averaged 10.67% vs. 7.65% expected (3.02% more than expected).

➤ **Market value of assets** are \$695,050,552 more than the actuarial value of assets. The asset valuation method being used is a four-year smoothing.

➤ **Funded Ratio**

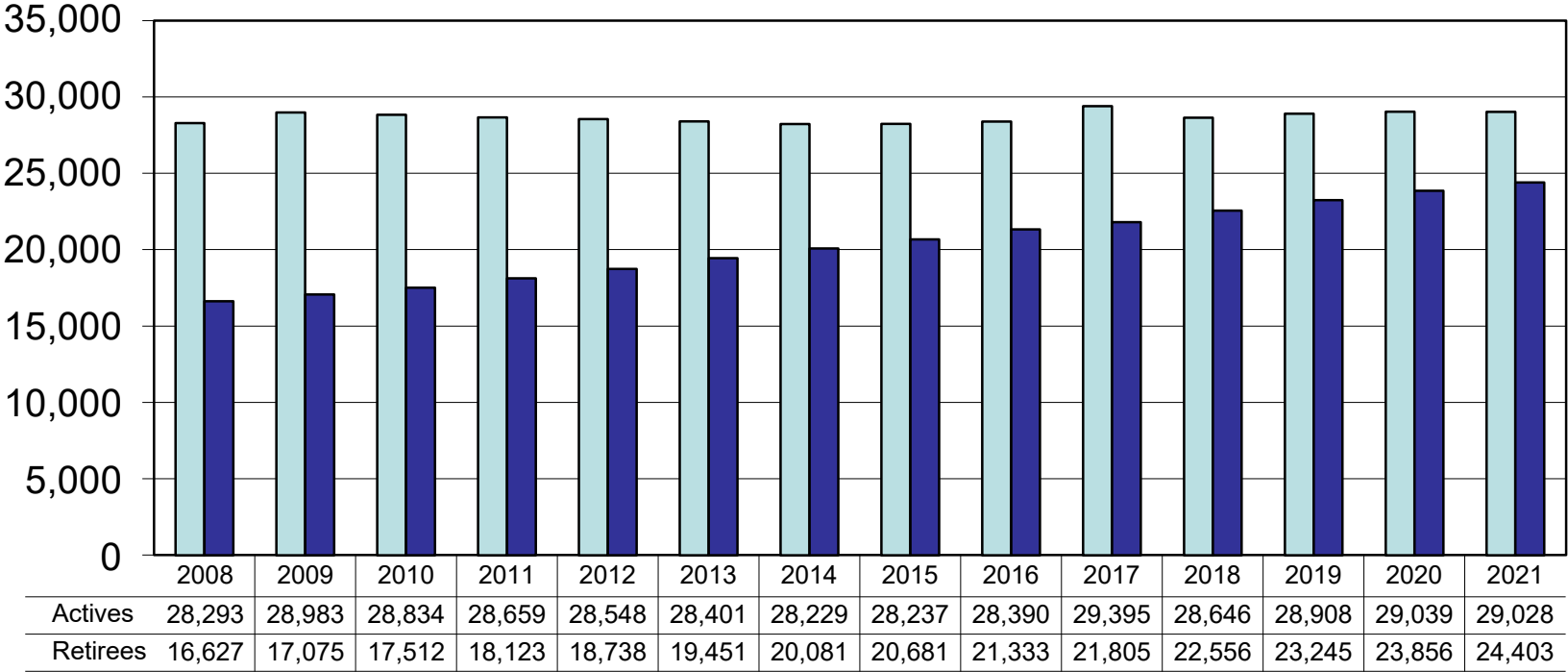
-Funding increased from 74.08% to 76.34%

➤ **Amortization Period**

-Amortization period decreased from 35 years to 28 years



PERS Active and Retired Membership



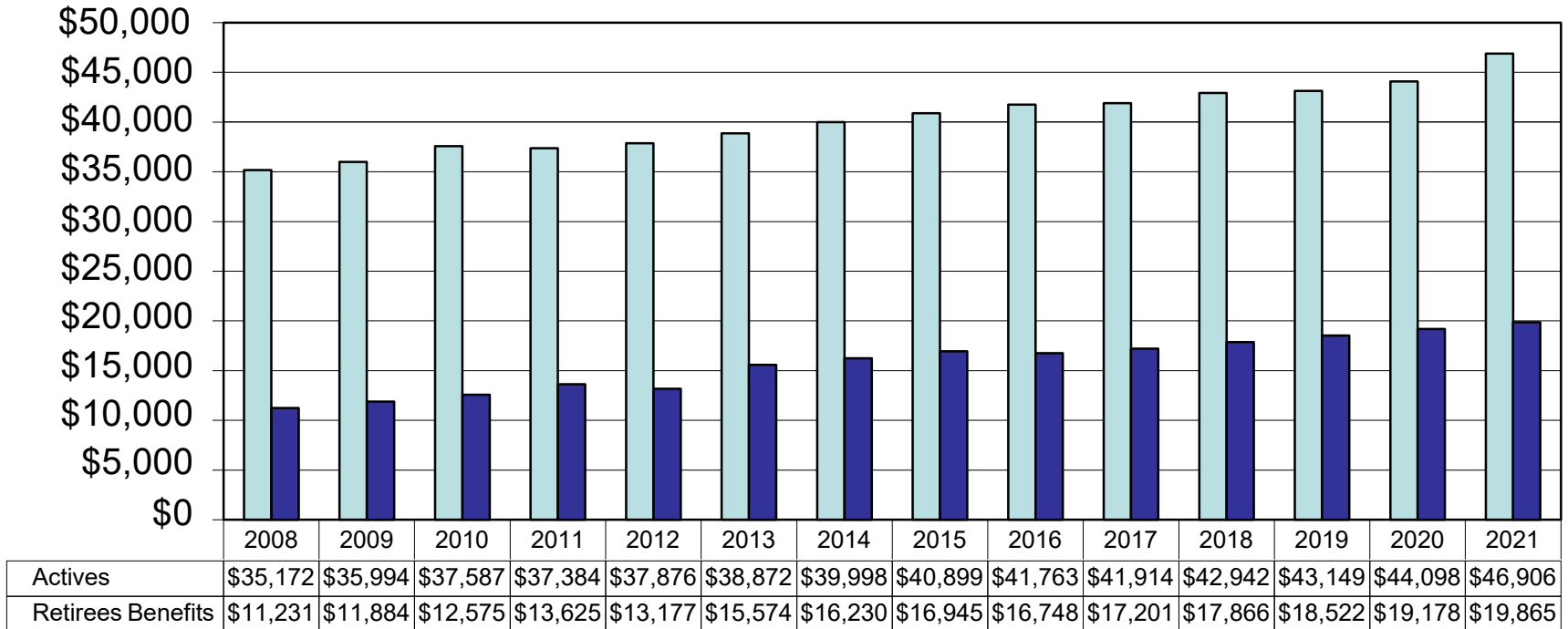
0.2% annual increase for active members since 2008; 0.04% decrease for 2021.

3.0% annual increase for retired members since 2008; 2.3% increase for 2021.

0.6 retirees per active 13 years ago; 0.84 retirees per active now.



PERS Average Salary and Benefits



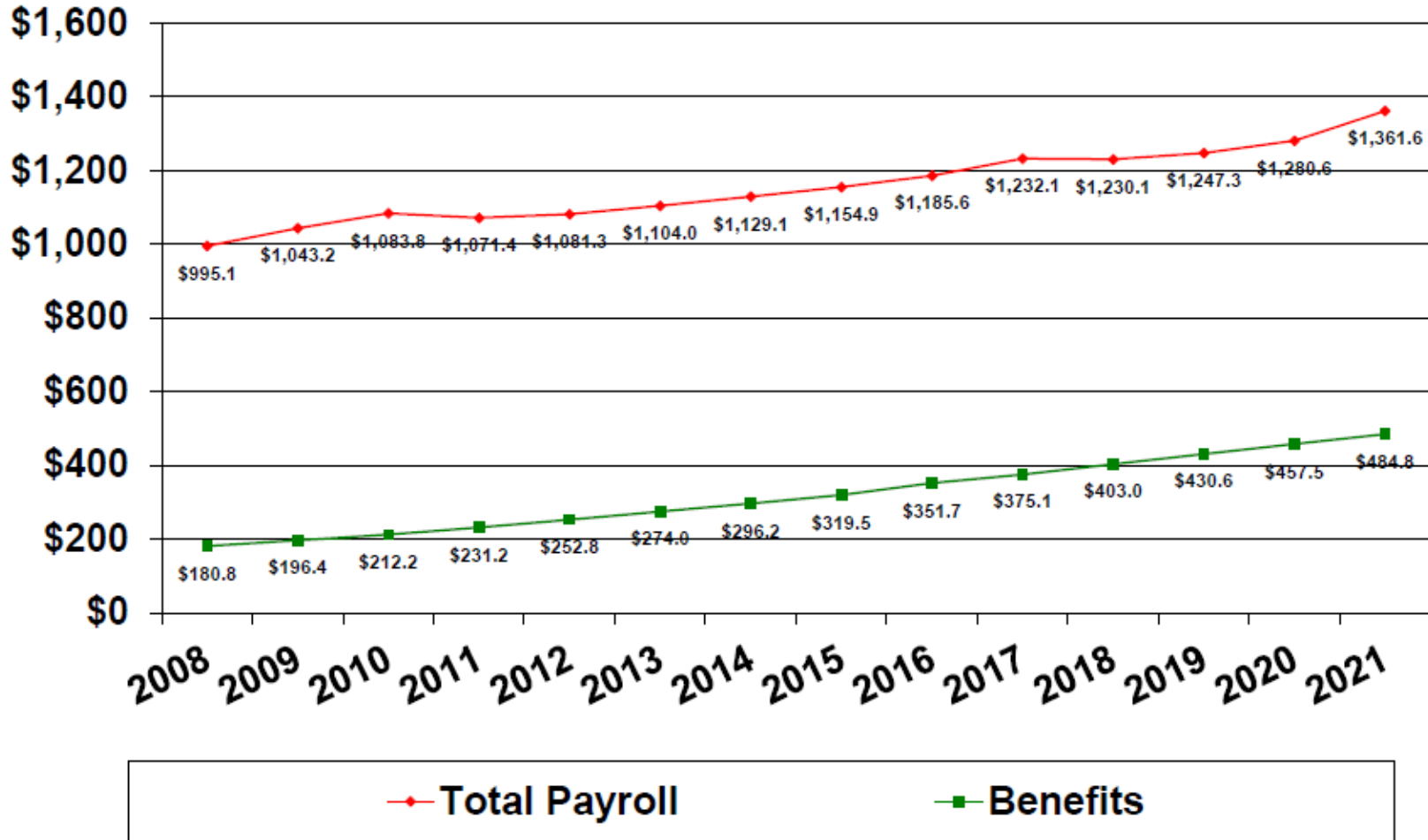
2.2% annual increase for average salary since 2008; 6.4% increase for 2021

4.9% annual increase for average benefits since 2008; 3.6% increase for 2021



PERS Payroll & Benefits

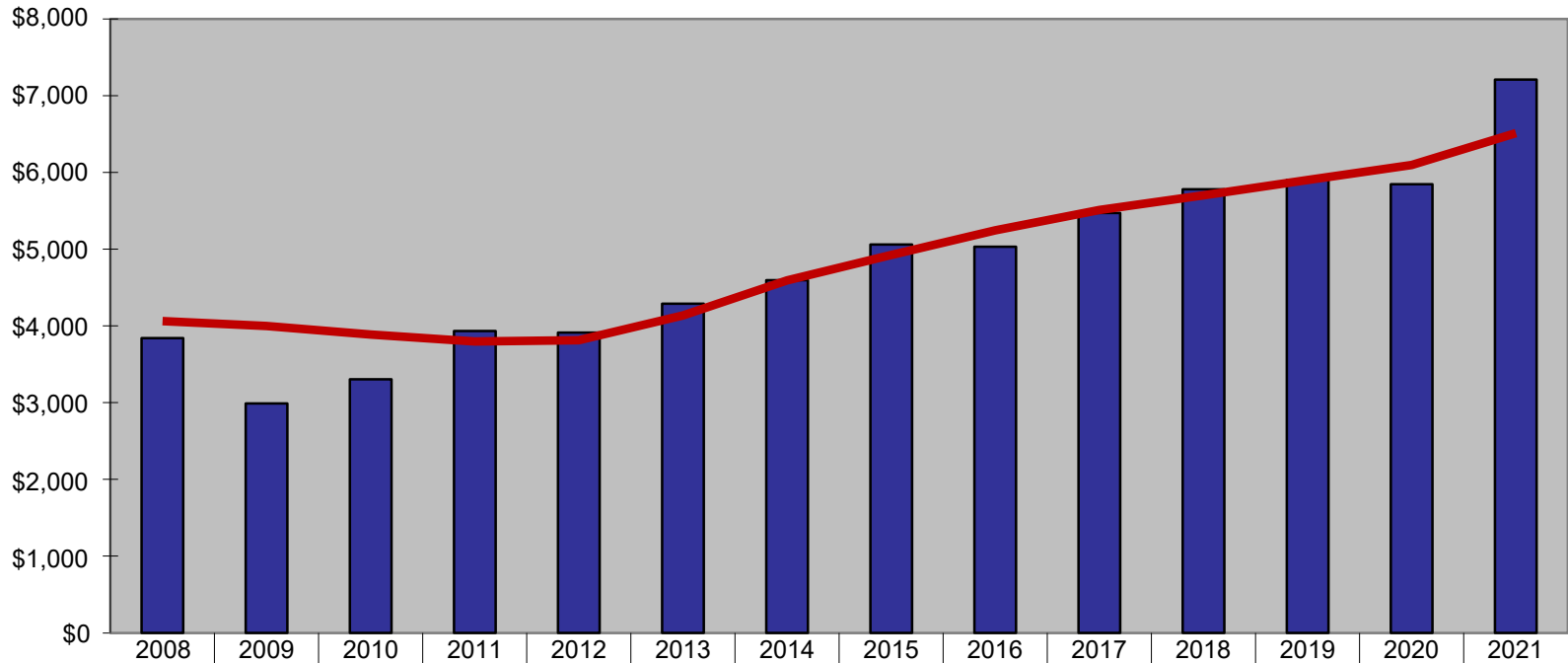
(\$ Millions)





PERS Assets

(\$ Millions)

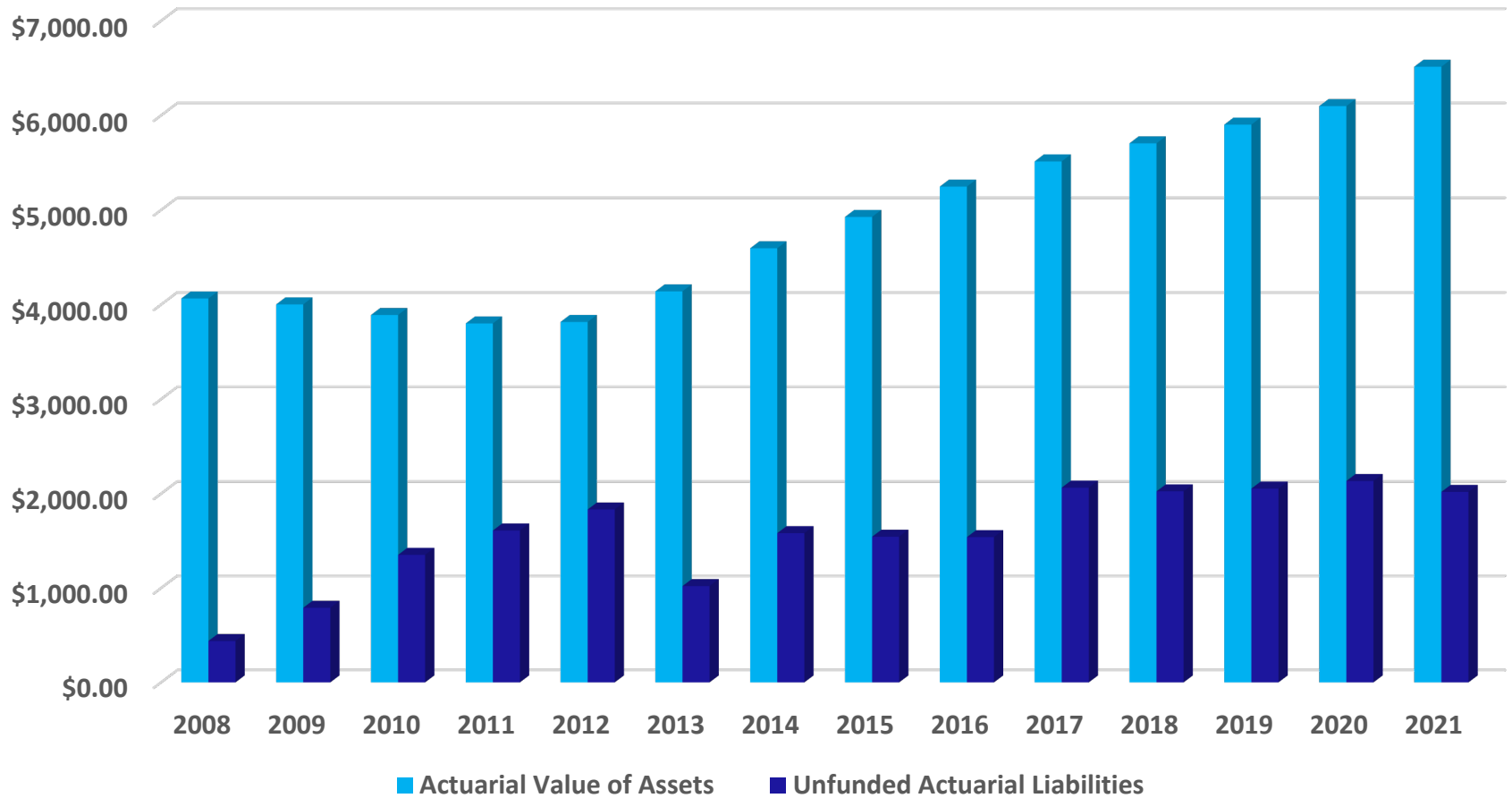


| | | | | | | | | | | | | | | |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Market Value | \$3,841 | \$2,988 | \$3,304 | \$3,933 | \$3,913 | \$4,290 | \$4,596 | \$5,061 | \$5,033 | \$5,473 | \$5,780 | \$5,903 | \$5,845 | \$7,210 |
| Actuarial Value | \$4,065 | \$4,002 | \$3,890 | \$3,801 | \$3,817 | \$4,140 | \$4,596 | \$4,927 | \$5,248 | \$5,514 | \$5,705 | \$5,903 | \$6,099 | \$6,515 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------|--------|---------|--------|--------|------|-------|-------|------|------|-------|------|------|------|-------|
| Market Return | (4.9)% | (20.9)% | 12.9% | 21.7% | 2.3% | 13.0% | 17.1% | 4.6% | 2.0% | 11.9% | 8.9% | 5.7% | 2.7% | 27.8% |
| Actuarial Return | 7.6% | (0.2)% | (1.2)% | (0.1)% | 3.3% | 11.9% | 13.2% | 9.6% | 9.3% | 8.1% | 6.7% | 7.1% | 7.1% | 10.8% |

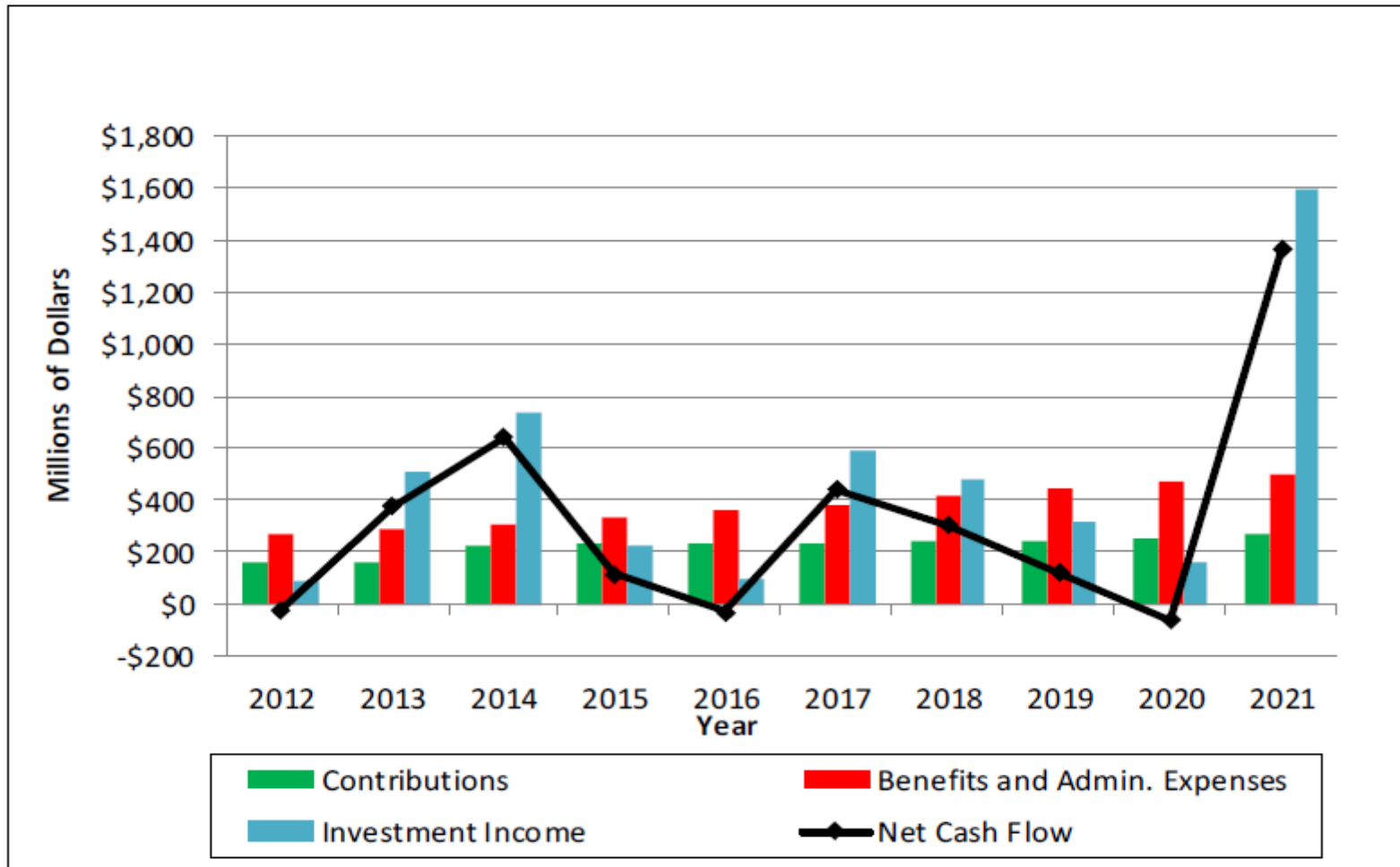


Actuarial Assets vs UAAL





Historical Cash Flow (\$ Millions)





PERS Funding Results

| | July 1, 2020 Valuation | July 1, 2021 Valuation |
|-------------------------------|------------------------|------------------------|
| Total Normal Cost Rate | 9.81% | 9.71% |
| Administrative Expense Load | 0.28% | 0.29% |
| Rate to Amortize UAL | 6.64% | 6.83% |
| Transfer to DB Education Fund | <u>0.04%</u> | <u>0.04%</u> |
| Statutory Funding Rate* | 16.77% | 16.87% |
| | | |
| Actuarial Accrued Liability | \$8.234.0 million | \$8.534.6 million |
| Actuarial Value of Assets | \$6,099.4 million | \$6,515.0 million |
| Unfunded Accrued Liability | \$2,134.6 million | \$2,019.6 million |
| Funded Ratio | 74.08% | 76.34% |
| Amortization Period* | 35 Years | 28 Years |

*Reflects anticipated increases in employer supplemental contribution rates and projected State revenue. Payable in fiscal year immediately following the valuation date.



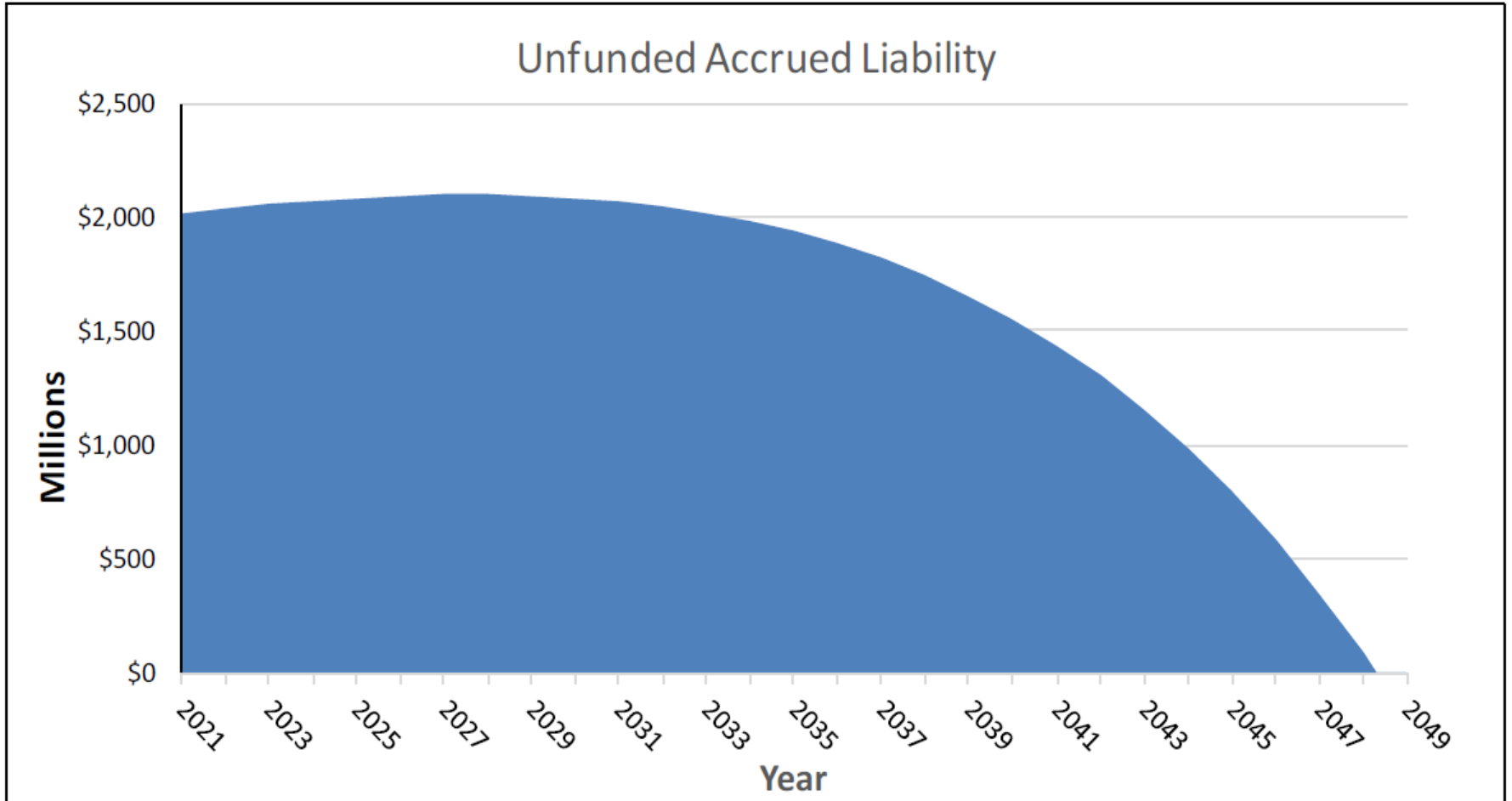
Valuation Results-Other Plans

| System | Funded Ratio | | Amortization Period | | Statutory Rate | 30-Year Funding Rate | |
|---------|--------------|------|---------------------|------|---------------------|----------------------|-----------|
| | 2020 | 2021 | 2020 | 2021 | | 2020 | 2021 |
| JRS*** | 163% | 177% | 0 | 0 | 7.00% | (5.93%) | (11.97%) |
| HPORS** | 65% | 67% | 39 | 26 | 51.38% | 54.99% | 48.81% |
| SRS | 81% | 83% | 21 | 18 | 23.61% | 22.14% | 21.36% |
| GWPORS | 84% | 85% | 40 | 35 | 19.56% | 20.13% | 19.85% |
| MPORS | 71% | 74% | 16 | 15 | 52.78% | 44.29% | 43.13% |
| FURS | 82% | 86% | 8 | 6 | 57.67% | 36.88% | 34.03% |
| VFCA* | 87% | 99% | 4 | 1 | 5% of premium taxes | \$913,824 | \$351,815 |

- * The actual contributions for the fiscal year ending 2020 and 2021 were \$2,486,772 and \$2,591,791, respectively.
- ** Calculation of amortization period includes state special revenue transfers
- *** Employer contribution holiday beginning July 1, 2021 through June 30, 2023. Beginning July 1, 2023, employer contributions will resume at a reduced rate of 14.00% until the funded ratio drops below 120%.



Level Dollar vs. Level Percent of Pay



Projected UAAL- Level % of Pay