

Montana's Public Employee Pension Systems

Presented to the SAVA Interim Committee

By Rebecca C. Power, Legislative Research Analyst

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HJ 8: Interim Study of MT Public Pensions

- Study the financial stability of Montana's defined benefit public employee retirement systems.
- Investigate the actuarial impact on funded ratios and amortization schedules of alternative funding sources for and the relative health or weakness of these unique systems.
- Review and study the governance structure of the public employee retirement systems.
- Examine legislative education, oversight, and goals concerning the public employee retirement systems, including decision benchmarks or indicators for future action.
- Develop recommendations for a long-term strategic approach to setting contribution rates that will ensure the financial strength and resilience of the retirement systems while recognizing the responsibility placed on the taxpayers and citizens of this state.

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- The SAVA Interim Committee should invite two members of the Legislative Finance Committee to participate as non-voting members on matters related to this study
- LSD should provide research, legal, and administrative staff support for the SAVA Interim Committee
- The SAVA Chair may request that the Legislative Fiscal Division provide fiscal analysis as needed
- The study should be conducted in consultation with all interested stakeholders
- All aspects of the study be concluded prior to September 15, 2022
- The final results of the study, including any findings, conclusions, comments, or recommendations, should be reported to the 68th Legislature

Why Do We Have Public Pensions?

Method for employers to recruit, compensate, and retain employees

Provides financial security for employees when they retire

More than 1,050 public employers in Montana

Impacts 1 in 10 Montanans:
52,000 active employees
and 43,000 retirees

Includes employees in local government, school districts, and state-level government and agencies

History of Public Pensions in Montana

- 1937 – TRS
- 1945 – PERS-DB & HPORS
- 1963 – GWPORS
- 1965 – VFCA
- 1967 – JRS
- 1974 – MPORS & SRS
- 1981 – FURS
- 1987 – MUS-RP
- 1999 – PERS-DC

Protected in Montana's Constitution

Article VIII, Section 13

“(1) The legislature shall provide for a unified investment program for public funds and public retirement system and state compensation insurance fund assets and provide rules therefor, including supervision of investment of surplus funds of all counties, cities, towns, and other local governmental entities. Each fund forming a part of the unified investment program shall be separately identified. Except as provided in subsections (3) and (4), no public funds shall be invested in private corporate capital stock. The investment program shall be audited at least annually and a report thereof submitted to the governor and legislature.”

Article VIII, Section 15

“(1) Public retirement systems shall be funded on an actuarially sound basis. Public retirement system assets, including income and actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses.”

Types of Retirement Plans

Defined Benefit
(DB)

Defined Contribution
(DC)

Pension Oversight

Legislature

- Set contribution rates
- Set benefits
- SAVA, LFC, LAD oversight

MPERA & TRS

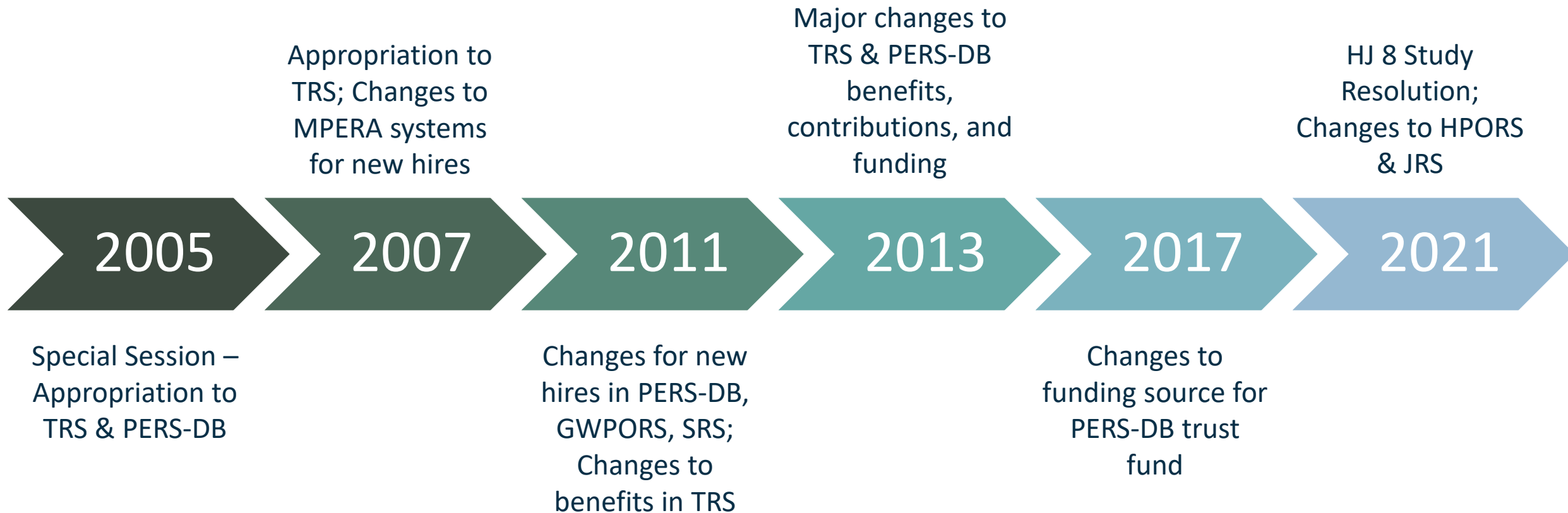
- Collect contributions
- Calculate & pay benefits
- Conduct valuations, experience studies, audits, and stress testing
- Set assumptions
- Propose Legislation

Board of Investments

- Asset allocation
- Maximize return – prudent expert rule
- Manage fees

Role of SAVVA and the Legislature

Brief Legislative History



Considerations for Pension Changes



Questions?