

Pensions 101

An Overview of Montana's Public Employee Retirement Systems

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Montana's Public Employee Retirement Systems

- Teachers' Retirement System (TRS)
- Public Employees' Retirement System (PERS)
 - Defined Benefit Plan (PERS-DB)
 - Defined Contribution Plan (PERS-DC)
- Sheriffs' Retirement System (SRS)
- Municipal Police Officers' Retirement System (MPORS)
- Game Wardens' and Peace Officers' Retirement System (GWPORS)
- Firefighters' Unified Retirement System (FURS)
- Highway Patrol Officers' Retirement System (HPORS)
- Judges' Retirement System (JRS)
- Volunteer Firefighters' Compensation Act (VFCA)
- Montana University System Retirement Program (MUS-RP)

Types of Retirement Plans

Defined Benefit (DB)

- Provides specific monthly benefit at retirement based on employee's salary and length of service
- Combination of employer contributions, employee contributions, and pooled investment earnings
- Prevalent plan design in public sector
- 9 DB plans in Montana

Defined Contribution (DC)

- Accumulates savings based on contributions and individual investments; does not promise a set benefit at retirement
- Combination of employer contributions, employee contributions, and individual investment earnings
- Employees have a range of investment options to manage individually
- Prevalent plan design in private sector; Offered as supplemental plan to alternative to DB plan in public sector
- 2 DC plans in Montana

Impact to Montana

- 11 statewide retirement systems/pension plans
 - 9 Defined Benefit
 - 2 Defined Contribution
- Over 1,200 participating public employers
 - Local governments, state agencies, school districts, community colleges, and public colleges and universities
- 56,653 active members and 48,128 retirees/beneficiaries
 - 1 in 11 Montanans
- \$14 billion in assets and \$19 billion in liabilities
 - \$4 billion in unfunded liabilities

Pension Oversight & Management

Legislature

- Sets benefit formulas
- Sets employer and employee contribution rates
- Oversight - SAVVA, LFC, LAD, reporting requirements

Retirement Boards

- Collects contributions
- Calculates & pays benefits
- Conducts valuations, experience studies, audits, and stress testing

Board of Investments

- Asset allocation
- Maximizes return - prudent expert rule
- Manages fees

Montana Constitution

Article VIII, Section 13 – Investment of Public Funds and Public Retirement System and State Compensation Insurance Fund Assets

(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.

(3) Investment of public retirement system assets shall be managed in a fiduciary capacity in the same manner that a prudent expert acting in a fiduciary capacity and familiar with the circumstances would use in the conduct of an enterprise of a similar character with similar aims. Public retirement system assets may be invested in private corporate capital stock.

Article VIII, Section 15 – Public Retirement System Assets

(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.

(2) The governing boards of public retirement systems shall administer the system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries.

Montana Code Annotated

- All Statewide Retirement Systems – Title 19
- Public Employees' Retirement Board – 2-15-1009
- Teachers' Retirement Board – 2-15-1010
- Board of Investments – 2-15-1808 and Title 17, Chapter 6, Part 2

Resources

- SJ 4 Study Page & Materials
 - FY 23 Green Sheets
 - Dashboard of Pension Systems Data (FY17-23)
 - 2022 Legislators' Guide to Montana's Public Employee Retirement Systems
- Annual Actuarial Valuation Reports
- Experience Studies