

Public Employees' Retirement Board

Agency Overview - Highlights

August 2015

For the State Administration and Veterans' Affairs Interim Committee

Public Employees' Retirement Board:

The [Public Employees' Retirement Board](#) consists of 7 members appointed by the governor to 5-year staggered terms. By law, membership must include:

- 3 active members of a public retirement system -- not more than 1 of the 3 may be from the same department and at least 1 of the 3 must be a member of the defined contribution plan;
- 1 retired member of the public employees' retirement system;
- 2 members at large; and
- 1 member with experience in investment management, financial counseling, or financial planning (or a person with other similar experience).

The board hires its own staff, including an executive director, which are organized into an agency called the Montana Public Employees' Retirement Administration (MPERA).

Executive Director: Dore Schwinden, 444-5459, dschwinden@mt.gov

Website: <http://mpera.mt.gov/index.shtml>

Responsibilities:

- Constitutionally responsible for administering the:
 - Public Employees' Retirement System (PERS);
 - 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).
- Contracts with Great-West Retirement Services for administration of the state's deferred compensation (457) plan.
- Contracts with Cherion for actuarial services.
- Contracts with various investment funds for the PERS-DC plan.
- Provides informational material to employers and members, including retirement planning seminars.
- Additional information available from MPERA

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Programs, FTE, and Budgeted Funding - FY 2016:

Programs	FTE	General Fund	State Special	Federal Revenue	Proprietary	Trust Funds	Total Funding	% General Fund
457 Plan Admin		\$0	\$0	\$0	\$0	\$207,175	\$207,175	0%
DB Plan Admin		\$0	\$0	\$0	\$0	\$4,406,505	\$4,406,505	0%
PERS-DC Admin		\$0	\$0	\$0	\$0	\$766,420	\$766,420	0%
MPERAtiv		\$0	\$0	\$0	\$0	\$4,428,898	\$4,428,898	0%
DB - Education		\$0	\$0	\$0	\$0	\$670,200	\$670,200	0%
DC - Education		\$0	\$0	\$0	\$0	\$122,159	\$122,159	0%
TOTALS	50.5	\$0	\$0	\$0	\$0	\$10,601,357	\$10,601,357	0%

Source: MPERA

Budget Summary

The PER Board adopts a budget on an annual rather than biennial basis. Funding for plan administration comes from the retirement plan trust funds themselves. Section 19-4-208, MCA, specifies that total administrative expenses for the Defined Benefit (DB) plans must be paid from investment earnings and may not exceed 1.5% of the benefits paid. Net DB plan administrative expenses total about \$6 million, which is 1.46% of DB plan benefits paid (about \$411 million).

Section 19-3-2105, MCA, deals with administrative expenses for the PERS-DC plan. Administrative costs are paid from fees assessed on assets in member accounts. These fees must be fully disclosed to plan participants. The cost for administration of the 457 deferred compensation plans are handled in a similar manner pursuant to section 19-50-102, MCA.

Statutory Advisory Councils

- [Employee Investment Advisory Council](#)

Most Recent Legislative Audits:

- [Public Employee Retirement Information System \(PERIS\) Development Life Cycle - Information System Audit - 14DP-03 - September 2014](#)

Summary: "The Montana Public Employee Retirement Administration is investing over \$11 million to develop a new pension management information system. Improved monitoring and documentation of project management decisions will help implement the system on time and within budget....Audit work showed the expectations of the system set out in the contract include important controls such as security, data integrity, and user access controls. Additionally, MPERA has been involving users in system development via newsletters, workshops, webinars, and established an employer advisory group. MPERA has also developed a plan that, if implemented, ensures employers impacted by the system change will be ready for the implementation." All three audit recommendations were concurred in and addressed.

Retirement Bills - 2015 Session

- See attached summary prepared by MPERA. Available online at <http://mpera.mt.gov/Legislation2015.shtml>

Committee Areas of Interest 2013-14 Interim:

- Monitored actuarial funding status of all retirement systems, special attention to GWPORS and SRS.
- Examined the allocation of employer contributions in PERS-DC plan and MUS-DC plan, which resulted in a SAVA committee bill, [SB 42](#), which was passed and approved.
- Monitored lawsuit filed with respect to HB 454 (2013) reducing the Guaranteed Annual Benefit Adjustment (GABA) in PERS. [MPERA summary and related links](#).

Hot Topics of 2015 Session:

- The June 30, 2014, actuarial valuations for GWPORS and SRS showed the systems' unfunded liabilities do not amortize (so the systems are not actuarially sound). The 2015 Legislature did not consider bills to address these funding shortfalls.
- The Montana Supreme Court let stand a District Court decision that the portion of HB 454 reducing the GABA for PERS retirees was an unconstitutional breach of contract rights. However, even with the full GABA for retirees, PERS is actuarially sound. According to actuarial estimates, the system's present and future pension obligations are 75% funded, with the unfunded portion of liabilities amortizing (being paid off) in 29.3 years.

Statutorily Required Reports:

- [Comprehensive Annual Financial Report](#)
- [Annual actuarial reports](#)
- [Experience studies](#)
- Special actuarial report on PERS progress toward 100% funding, required by HB 454 (2013) - included in annual actuarial report

ATTACHMENTS

- [MPERA organizational chart](#)
- [MPERA summary of 2015 retirement legislation](#)

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