UPDATED OCTOBER 2024

DRAFT 2024 HISTORICAL OVERVIEW OF MONTANA'S PUBLIC EMPLOYEE RETIREMENT SYSTEMS

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INTRODUCTION

The first version of the "Historical Overview of Montana's Public Employee Retirement Systems" (Overview) was prepared for the 2013 Legislature about previous legislative actions related to benefit reductions, funding increases, and plan design reform proposals for the DB public pension plans. In 2013, four of Montana's 11 defined benefit (DB) public employee retirement systems were actuarially unsound (i.e., unfunded liabilities could not be paid off, or amortized, in any amount of time), and Montana's legislature was grappling with how to address this. The Overview was updated and expanded during the 2017-2018 interim by the State Administration and Veterans' Affairs (SAVA) Interim Committee.

Historical information about the retirement systems helps legislators put the current funding status of the systems in perspective with where the systems have been and long-term progress toward policy goals. As illustrated in the remainder of this report, significant market losses on pension fund assets in FY 2000 and FY 2008 caused retirement system funded ratios to rapidly decline. Unfunded liabilities increased significantly and, in several systems, these liabilities either did not amortize in any amount of time or amortized in more than 30 years. In response, the legislature examined plan design changes, increased contributions to the systems, provided cash infusions to TRS and PERS, and reduced benefits for new members. Recovery in the financial markets combined with these legislative actions has improved the funding status of these pension plans.

The 2024 edition of the Overview updates the 2018 edition and adds information about general fund contributions and the history of the split of the Montana University System Retirement Program (MUS-RP) from the Teachers' Retirement System (MUS-RP).

OTHER RESOURCES

For a high-level introduction to Montana's public employee retirement systems, including background information and reference materials, , please refer to the 2024 Legislator's Guide to Montana's Public Retirement Systems, which can be found here: https://archive.legmt.gov/committees/interim/sava/sj-4/. The Guide is updated each interim and provide help context for legislators as they make decisions related to the state's retirement systems.

For specifics about benefit, actuarial, and investment data, please refer to the FY 2024 Green Sheets, which can be found here: https://leg.mt.gov/committees/interim/sava/sj-4/. The Green Sheets are updated annually and provide valuable information about the health of the systems.

CHAPTER 1: CHRONOLOGICAL SUMMARY

<u>Note</u>: The pre-1997 to 2017 session entries were written by Sherri Scurr, former Legislative Research Analyst. All entries after were written by Rebecca C. Power, Legislative Research Analyst.

PRE-1997

Prior to 1997, cost-of-living adjustments (COLA) for retirees were provided in PERS and TRS by spending investment returns above the actuarially assumed rate of return. In the public safety retirement systems, minimum benefit provisions for retirees increased retiree benefits when the salaries of active members increased. Additionally, the legislature periodically granted one-time *ad hoc* increases for retirees. These methods of providing postretirement benefit increases were not actuarial funding mechanisms. In other words, they did not allow for actuarially prefunding the benefit increases through contributions and investment earnings made during the working career of the retiree.

1997 SESSION

In 1997, financial markets were soaring, and pension fund investment earnings significantly exceeded the actuarial assumed rate of return of 8.0%. PERS was more than 100% funded. The other retirement systems were also very well-funded. During the 1997 session, the legislature enacted a 1.5% GABA in systems administered by MPERA. In some systems, benefit reductions were made in exchange for the GABA. Employer and employee contributions were also increased. See HB 170 (1997). However, most of the funding for the GABA was provided by creating new unfunded liabilities and extending amortization periods. Also, during the 1997 session, some legislators wanted to convert the DB pension systems to defined contribution (DC) plans. Thus, the legislature passed HB 90, which required a plan design study and development of legislation to add a DC component to PERS. Some believed that employees should direct their own investments and that their accounts would earn more than the actuarially assumed 8.0% return for the DB plans. These supporters of the DC plan were philosophically at odds with DB plans and wanted employees rather than employers/taxpayers to shoulder the responsibility and associated rewards and risks of managing their retirement funds.

1999 SESSION

The pension systems remained very well-funded. The 1999 Legislature enacted a 1.5% GABA for TRS members (HB 72). As a result of the HB 90 (1997) study, a DC plan bill was drafted and enacted. This bill established a PERS-DC plan as optional plan for new hires (HB 79).

2000

Financial markets were peaking. Investment earnings were at historic highs. PERS was 125% funded. Other plans were also more than 100% funded.

2001 SESSION

The 2001 Legislature increased the GABA for MPERA plans from 1.5% to 3%. The legislature also authorized the TRS Board to increase the 1.5% GABA in TRS to 3%, but only if the system's amortization schedule would remain at 25 years or less (HB 294). The cost of these increases was to be "absorbed" by the systems, meaning that new unfunded liabilities were created. However, according to actuarial determinations, these new liabilities would still amortize in under the 30-year threshold for maintaining actuarial soundness, so the systems remained financially sound. These actuarial valuations were based on an 8.0% assumed rate of return on investments.

2001

After the 2001 legislative session, financial markets crashed. Pension fund investment earnings began a sharp decline, which significantly increased unfunded liabilities.

2003 SESSION

The 2003 Legislature did not consider legislation that had any significant impact on the funding status of the retirement systems.

2004

The unfunded liabilities in PERS and SRS did not amortize in any amount of time. The TRS amortization schedule was beyond 70 years. The GWPORS amortization schedule was about 50 years.

2005 SESSION

Bills requested by the PER Board (HB 148) and the TRS Board (HB 181) to increase employer contribution rates to address the growing unfunded liabilities failed to pass the 2005 Legislature. Following the regular session, the State Administration and Veterans' Affairs Interim Committee (SAVA) worked on legislative proposals to increase employer contributions in the unsound systems, close benefit "loopholes" in TRS, and provide cash infusions to TRS and PERS.

2005 SPECIAL SESSION

In December, the legislature was called into a special session and approved general fund cash infusions of $25 million to the PERS-DB plan and $100 million to TRS (HB 1). The TRS Board reduced its actuarially assumed rate of return on investments from 8.0% to 7.75% effective July 1, 2005.

2006

A SAVA interim study examined pension funding and investments (HJ 42 from the 2005 Regular Session). The committee made no recommendations related to the study.

2007 SESSION

Unfunded liabilities in the pension systems continued to grow. The market was improving, but investment earnings remained below the actuarially assumed rate of return. Unfunded liabilities in PERS, TRS, and SRS did not amortize. A bill to require all new hires in PERS and TRS to join a new defined contribution plan was introduced in the last days of the 2007 session (HB 827) but failed for a variety of technical and funding reasons. However, the legislature did enact bills to reduce benefits for new hires and to increase contributions:

- The 3% GABA in PERS, HPORS, SRS, GWPORS, MPORS, FURS, and JRS, was decreased to 1.5% for new hires (HB 131).
- Modest employer contribution increases were phased-in over four years beginning July 1, 2007 (HB 63 for TRS and HB 131 for the MPERA systems). A state supplemental contribution from the general fund was used to offset the contribution increases for local governments and school districts.
- The legislature appropriated $50 million from the state general fund as a second cash infusion to TRS (HB 63).

2008

SAVA studied pension plan funding and plan design alternatives under HJ 59. No recommendations were made as a result of the study.

2009 SESSION

Minor changes were made in TRS to improve funding by closing certain benefit loopholes. Employer contributions were required on salaries paid to retirees who returned to work (HB 34).

2010

SAVA conducted an interim study under HB 659, which required hiring an outside actuarial consulting firm to develop pension plan funding options and plan design alternatives. The study produced two competing recommendations concerning TRS. Neither bill passed. SB 54 would have created a hybrid cash balance plan in TRS for new hires. SB 56 would have lowered benefits for new hires and established a higher benefit for teachers who worked more than 30 years, which was to address teacher shortages. Regarding the other systems, actuaries for MPERA conducted an experience study and recommended that the assumed rate of return on investments be lowered from 8.0% to 7.75%. This rate was adopted by the PER Board effective July 1, 2010.

2011 SESSION

The 2011 Legislature reduced benefits and increased contributions for new hires in PERS-DB (HB 122), SRS (HB 135), and GWPORS (HB 134). Certain benefit provisions in TRS were tightened to improve actuarial soundness (HB 116).

2013 SESSION

Although financial markets were recovering, the pension trust funds were still struggling to recover from the significant asset losses. Four public employee retirement systems remained actuarially unsound: PERS-DB, TRS, SRS, and GWPORS. The 2013 Legislature created a special joint pension committee to consider various bills related to these retirement systems. Ultimately, the legislature passed two bills to increase contributions and reduce future benefits in PERS-DB (HB 454) and TRS (HB 377). HB 454 included about $33 million in state contributions from certain coal tax revenue for the PERS-DB plan. Both bills reduced the GABA for new and current members, including retirees. A court decision later invalidated the GABA reduction for the current members. However, the bills' valid provisions still allowed PERS and TRS to become actuarially sound.

2014

Pension fund investment returns improved. But SRS and GWPORS remained actuarially unsound with unfunded liabilities that did not amortize in any amount of time.

2015 SESSION

No legislation during the 2015 session addressing the funding shortfalls in SRS and GWPORS.

2017 SESSION

A 2017 regular session bill to increase employer contributions in GWPORS failed after it was amended to reduce benefits for new hires and increase employee contributions (HB 136). A bill to provide actuarial funding in SRS passed, increasing employer and employee contributions (HB 383).

2019 SESSION

2021 SESSION

2023 SESSION

CHAPTER 2: INVESTMENT RETURN HISTORY

Investment income is the primary source of funding for any retirement plan. The investment return assumption is the most significant assumption used when estimating costs. An assumption that is too high will cause liabilities and funding needs to be understated, which means the plan's funding will likely be too low to keep the plan solvent. An assumption that is too low will cause liabilities and funding needs to be overstated, which places a burden on current employees and taxpayers to make higher contributions than necessary to keep the plan solvent. The investment rate of return assumption is the sum of two rates—an inflation rate and the real rate of return. The assumed rate of return is evaluated every 4 years through experience studies and changed as needed by the governing boards.

The following graphs and tables show the history of net market returns on investments in PERS and TRS compared to the actuarial returns and assumed rate of return. The actuarial return is the net market return smoothed over 4 years.

PERS

Year	Market Return	Actuarial Return	Assumed Return
FY08	-4.91%	7.62%	8.00%
FY09	-20.85%	-0.16%	8.00%
FY10	12.91%	-1.18%	7.75%
FY11	21.70%	-0.08%	7.75%
FY12	2.27%	3.28%	7.75%
FY13	12.99%	11.91%	7.75%
FY14	17.12%	13.21%	7.75%
FY15	4.60%	9.63%	7.75%
FY16	2.02%	9.27%	7.75%
FY17	11.93%	8.08%	7.75%
FY18	8.90%	6.69%	7.65%
FY19	5.65%	7.06%	7.65%
FY20	2.73%	7.11%	7.65%
FY 21	27.80%	10.76%	7.65%
FY22	-4.18%	8.16%	7.30%
FY23	8.35%	7.55%	7.30%
FY24	8.94%	9.03%	7.30%

TRS

Year	Market Return	Actuarial Return	Assumed Return
FY08	-4.88%	7.18%	7.75%
FY09	-20.80%	-10.26%	7.75%
FY10	12.87%	9.78%	7.75%
FY11	21.67%	-0.13%	7.75%
FY12	2.21%	3.21%	7.75%
FY13	12.94%	11.99%	7.75%
FY14	17.09%	13.21%	7.75%
FY15	4.57%	9.59%	7.75%
FY16	2.08%	8.79%	7.75%
FY17	11.92%	8.24%	7.75%
FY18	8.82%	6.90%	7.50%
FY 19	5.69%	7.00%	7.50%
FY20	2.72%	7.00%	7.50%
FY21	27.73%	10.68%	7.50%
FY22	-4.13%	8.14%	7.30%
FY23	8.30%	7.66%	7.30%
FY24	8.89%	9.09%	7.30%

CHAPTER 3: FUNDING STATUS HISTORY

FUNDED RATIO

The funded ratio is the value of a pension plan's assets divided by its liabilities (%). Current assets include the value of all the trust fund's investments. Current liabilities include the value of all accrued benefit obligations. If a DB plan has an unfunded actuarial liability, a DB plan's funded ratio will be less than 100%.

AMORTIZATION PERIOD

The amortization period is the amount of time needed to pay off a retirement system's unfunded actuarial accrued liabilities. Montana uses an open amortization policy, so the period is recalculated each year. Montana's constitution requires that the systems be actuarially sound. Per statute, this means that Montana's systems should amortize in 30 years or less.

PERS HISTORY

[CHART WITH FUNDED RATIO & AMORTIZATION PERIOD FROM FY 2000-2024]

TRS HISTORY

[CHART WITH FUNDED RATIO & AMORTIZATION PERIOD FROM FY 2000-2024]

CHAPTER 4: BENEFIT COSTS & CONTRIBUTIONS HISTORY

The actuarial cost of benefits as they accrue is called the normal cost. Unfunded Actuarially Accrued Liabilities (UAAL) are liabilities incurred when plan experience causes unanticipated costs, such as benefit increases being applied to past service or investment returns being lower than assumed.

For a plan to be actuarially sound, contributions must be sufficient to cover both the normal cost and to pay off the UAAL within a 30-year amortization period. Benefit reductions for new hires decrease the normal cost of the benefits for new hires. This allows a greater percentage of future contributions to be available (after normal costs are covered) to pay off the UAAL.

As illustrated in the following graphs and tables, enactment of the GABA increased normal costs. However, subsequent reductions in the GABA and other benefit reductions have been slowly decreasing normal costs as new employees have been hired. The decreases in normal costs combined with increases in employee and employer contribution rates has increased the amount available to pay off the UAAL and so improved the funding status of the plans. It also means employees are paying a larger portion of the normal cost.

PERS

PERS Benefit Costs & Contributions				
Year	**Normal Cost**	**Employee Contributions***	**Employer& State Contributions****	**Total Contributions**
FY00	10.69%	6.90%	6.90%	13.80%
FY02	12.21%	6.90%	6.90%	13.80%
FY04	12.08%	6.90%	6.90%	13.80%
FY06	12.17%	6.90%	6.90%	13.80%
FY08	12.13%	6.90%	7.04%	13.94%
FY10	12.61%	6.90%	7.17%	14.07%
FY12	11.80%	7.90%	7.17%	15.07%
FY14	11.63%	7.90%	8.17%	16.07%
FY15	11.18%	7.90%	8.27%	16.17%
FY16	11.34%	7.90%	8.37%	16.27%
FY17	9.86%	7.90%	8.47%	16.37%
FY18	10.27%	7.90%	8.57%	16.47%
FY19	10.09%	7.90%	8.67%	16.57%
FY20	9.81%	7.90%	8.77%	16.67%
FY21	9.71%	7.90%	8.87%	16.77%
FY22	9.72%	7.90%	8.97%	16.87%
FY23	9.45%	7.90%	9.07%	16.97%
FY24	9.83%	7.90%	9.17%	17.07%

Notes:
The employee contribution rate will be reduced by 1% (to 6.9%) when the amortization schedule would not exceed 25 years.

TRS

TRS Benefit Costs & Contributions				
Year	**Normal Cost**	**Employee Contributions***	**Employer/State Contributions***	**Total Contributions**
FY00	9.71%	7.15%	7.58%	14.73%
FY02	10.33%	7.15%	7.58%	14.73%
FY04	10.34%	7.15%	7.58%	14.73%
FY06	10.37%	7.15%	7.58%	14.73%
FY08	10.87%	7.15%	9.58%	16.73%
FY10	9.74%	7.15%	9.96%	17.11%
FY12	9.64%	7.15%	9.96%	17.11%
FY14	9.13%	8.15%	10.96%	19.11%
FY15	9.21%	8.15%	11.06%	19.21%
FY16	9.87%	8.15%	11.16%	19.31%
FY17	9.82%	8.15%	11.26%	19.41%
FY18	9.96%	8.15%	11.36%	19.51%
FY19	9.78%	8.15%	11.46%	19.61%
FY20	9.75%	8.15%	11.56%	19.71%
FY21	9.67%	8.15%	11.66%	19.81%
FY22	10.87%	8.15%	11.76%	19.91%
FY23	10.75%	8.15%	11.86%	20.01%
FY24	10.76%	8.15%	11.96%	20.11%

CHAPTER 5: GENERAL FUND CONTRIBUTION HISTORY

As of FY 2024, five of the nine DB systems receive supplemental appropriations from the state general fund through statutory appropriations. The plans are TRS, PERS-DB, MPORS, FURS, and VFCA. The appropriation amounts are set in statute by the Legislature. In addition, the Legislature will sometimes give the systems one-time-only (OTO) appropriations through legislation. Totals for FY 2017-FY 2024 can be found in Table 14 of the FY 2024 Green Sheets: https://leg.mt.gov/committees/interim/sava/sj-4/.

	TRS	PERS-DB	MPORS	FURS	HPORS	VFCA
2002			$ 6,529,108	$ 5,764,368		$ 1,133,741
2003			$ 6,798,457	$ 6,006,253		$ 1,310,088
2004			$ 7,208,135	$ 6,532,708		$ 1,434,068
2005			$ 7,704,884	$ 6,718,625		$ 1,527,264
2006			$ 8,181,861	$ 7,532,591	$ 813,429	$ 1,610,462
2007			$ 8,677,428	$ 7,957,373	$ 1,003,569	$ 1,660,695
2008	$ 13,492,375	$ 652,741	$ 9,451,808	$ 9,568,388	$ 1,106,188	$ 1,562,019
2009	$ 14,147,324	$ 685,704	$ 10,185,974	$ 9,831,417	$ 1,163,055	$ 1,579,887
2010	$ 17,241,610	$ 899,513	$ 10,931,612	$ 10,871,717	$ 1,327,062	$ 1,574,589
2011	$ 17,437,366	$ 920,805	$ 11,593,690	$ 11,365,441	$ 1,269,772	$ 1,596,436
2012	$ 16,843,766	$ 932,690	$ 12,273,769	$ 11,797,130	$ 1,469,539	$ 1,635,400
2013	$ 17,521,347	$ 940,919	$ 12,572,545	$ 12,357,856	$ 1,559,569	$ 1,711,321
2014	$ 42,855,576	$ 36,696,610	$ 13,048,938	$ 13,007,210	$ 1,618,559	$ 1,818,237
2015	$ 43,389,534	$ 32,458,886	$ 13,432,838	$ 13,572,990	$ 1,648,026	$ 1,913,482
2016	$ 43,902,606	$ 30,848,405	$ 13,751,561	$ 13,969,719	$ 1,715,507	$ 2,036,297
2017	$ 44,414,109	$ 28,807,314	$ 13,960,572	$ 14,438,412	$ 1,686,173	$ 2,064,561
2018	$ 45,005,672	$ 32,354,637	$ 15,857,660	$ 16,156,512	$ 1,709,764	$ 2,212,113
2019	$ 45,495,334	$ 33,073,273	$ 15,981,505	$ 16,605,850	$ 1,694,015	$ 2,370,449
2020	$ 45,948,388	$ 35,102,627	$ 16,636,173	$ 17,721,053	$ 1,709,685	$ 2,486,769
2021	$ 47,020,467	$ 35,494,697	$ 17,387,351	$ 18,437,718	$ 1,836,687	$ 2,591,791
2022 **2023** **2024**	$ 47,999,500	$ 35,873,500	$ 18,122,207	$ 19,436,203	$ 1,864,976	$ 2,851,974

**NOTE: Some systems have multiple statutory appropriations; figures listed represent totals from all appropriations for each year. SRS, GWPORS, and JRS do not receive statutory appropriations. Additional information can be found in the appendices.*

APPENDIX A: PENSION ACRONYMS

- **457:** Deferred Compensation (457) Plan
- **AAL:** Actuarially Accrued Liability
- **ADEC:** Actuarially Determined Employer Contribution
- **ARC:** Annual Required Contribution
- **ASOP:** Actuarial Standard of Practice
- **COLA:** Cost of Living Adjustment
- **ERISA:** Employee Retirement Income Security Act of 1974
- **FAC:** Final Average Compensation
- **FURS:** Firefighters' Unified Retirement System
- **GABA:** Guaranteed Annual Benefit Adjustment
- **GASB:** Governmental Accounting Standards Board
- **GWPORS:** Game Wardens' and Peace Officers' Retirement System
- **HAC:** Highest Average Compensation
- **HPORS:** Highway Patrol Officers' Retirement System
- **IRA:** Individual Retirement Account
- **IRC:** Internal Revenue Code
- **JRS:** Judges' Retirement System
- **MBOI/BOI:** Montana Board of Investments or Board of Investments
- **MPERA:** Montana Public Employee Retirement Administration
- **MPORS:** Municipal Police Officers' Retirement System
- **MUS-RP:** Montana University System Retirement Program
- **PERS:** Public Employees' Retirement System
- **PERS-DB:** PERS Defined Benefit Retirement Plan
- **PERS-DC:** PERS Defined Contribution Retirement Plan
- **PER Board/PERB:** Public Employees' Retirement Board
- **SAVA:** State Administration and Veterans' Affairs Interim Committee
- **SRS:** Sheriffs' Retirement System
- **TRS:** Teachers' Retirement System
- **UAAL:** Unfunded Actuarially Accrued Liability
- **VFCA:** Volunteer Firefighters' Compensation Act

APPENDIX B: PENSION TERMS

- **401(k) Plan:** A defined contribution plan governed by section 401(k) of the Internal Revenue Code (IRC) that is offered to employees in the private sector. Employees voluntarily participate on an individual basis. A 401(k) allows an employee to set aside tax-deferred income for retirement purposes. In some 401(k) plans, the employer will match an employee's contributions dollar-for-dollar.

- **403(b) Plan:** A retirement plan governed by section 403(b) of the IRC that is similar but not identical to a 401(k) plan and is offered by nonprofit organizations, such as schools, universities, and some charitable organizations.

- **457 Plan:** A tax-exempt deferred compensation program governed by section 457 of the IRC that is made available to employees of state and federal governments and agencies. A 457 plan is similar to a 401(k) plan, except there are never employer matching contributions and the IRS does not consider it a qualified retirement plan.

- **Accrued Benefit:** A retirement, pension, or disability benefit that an employee has earned based on years of service. Accrued benefits are often calculated in relation to the employee's salary and years of service.

- **Accumulated Contributions:** The sum of all the regular contributions and any additional contributions made by a member in a defined benefit plan, together with the regular interest on the contributions.

- **Active Member:** A member who is a paid employee making the required contributions and is properly reported for the most current reporting period.

- **Actuarial Assumption:** An assumption applied by an actuary for the purposes of estimating benefit costs. Assumptions are demographic and economic and include variables such as life expectancy, return on investments, interest rates, and compensation.

- **Actuarial Cost:** The cost determined by an actuarial analysis to represent the present value of benefits.

- **Actuarially Accrued Liabilities (AAL):** The portion of liabilities that exceed the present value of all benefits payable under a defined benefit retirement plan compared to the present value of future normal costs.

- **Actuarially Determined Employer Contribution (ADEC):** The amount actuarially calculated each year that is required to be contributed by an employer to a pension plan's pool of assets to ensure there will be enough funds to pay promised pension benefits. The contribution rate can be reported either in dollars or a percent of salary. Actuaries determine annually how much should be paid by employers in a given year in order to properly fund a pension plan. This amount is a combination of the employer's share of normal cost plus the unfunded liability amortization payment.

- **Actuarial Valuation:** An analysis conducted by an actuary that helps estimate future costs or liabilities using economic and demographic assumptions. The assumptions are based on professional actuarial standards and involve a mix of statistical studies and experienced judgment.

- **Actuary:** An accredited professional with expertise in applying statistics, mathematics, and financial theory to quantify risk and uncertainty to determine liabilities and costs.

- **Additional Contributions:** A member's payments to purchase various types of optional service credit.

- **Annual Required Contribution (ARC):** The Annual Required Contribution rate necessary to amortize unfunded liabilities in a DB plan over the number of years set by the retirement board's amortization policy (e.g., 30 years) as determined by the system's actuary.

- **Annuity:** In the case of a defined benefit plan, equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement plan and as such are not benefits paid by a retirement plan and are not subject to periodic or one-time increases. In the case of the defined contribution plan, an annuity is a payment of a fixed sum of money at regular intervals, which may or may not be for life.

- **Amortization Period:** The amount of time required to pay off a retirement system's unfunded actuarial accrued liabilities, or UAAL, calculated by the retirement system's actuary based on projected contributions and investment earnings.

- **Benefit Recipient**: A retired member, a joint annuitant, or a beneficiary who is receiving a retirement allowance.

- **Closed Amortization:** Under this approach, the unfunded liability is amortized over a set number of years (e.g., 30 years). Each year the unfunded liability is redetermined, reflecting any gains and losses that have occurred, and amortized in 1 fewer year (e.g., 29 years, 28 years, etc.). Each year the amortization period gets shorter, until it reaches 1 year, at which point the unfunded liability has been paid off and the plan is fully funded.

- **Cost of Living Adjustment (COLA):** Increases in a retirement benefit amount, usually a percentage and based on national economic data (e.g., consumer price index).

- **Deferred Compensation:** An arrangement, subject to IRC conditions and requirements, in which a portion of an employee's income is paid out at a date after that income is actually earned. The primary benefit of most deferred compensation is that any taxes due on the income are deferred until funds are withdrawn under the arrangement. A 457 plan is a deferred compensation plan.

- **Defined Benefit Plan (DB):** A pension plan in which a retired employee is entitled to receive upon retirement a regular, periodic, specific amount based on the retiree's salary history and years of service.

- **Defined Contribution Plan (DC):** A retirement plan in which the employee is required to or elects to contribute some amount of salary into an individual account over which the employee has some control for investing the assets and options when making withdrawals at retirement.

- **Designated Beneficiary**: The person a member names to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.

- **Direct Rollover:** A distribution from a qualified pension plan, 401(k) plan, 403(b) plan, and so forth, that is remitted directly to the trustee, custodian, or issuer of the receiving retirement plan or IRA and is reported to the IRS as a rollover.

- **Disability:** Total physical or mental incapacity of a member to do the essential functions of the member's job even with reasonable accommodations required by the American with Disabilities Act of 1990 (ADA), for a permanent or extended and uncertain duration.

- **<u>Early Retirement</u>:** A retirement plan provision that allows an employee to retire before the normal retirement age or required years of service for a full retirement.

- **<u>Employee</u>:** A person employed in any capacity by a PERS employer who pays the person's salary.

- **<u>Employee Retirement Income Security Act (ERISA)</u>:** The federal law enacted in 1974 that established legal guidelines for private pension plan administration and investment practices. Public employee retirement plans are generally not subject to ERISA.

- **<u>Employer</u>:** The state, its university system, or political subdivisions that contract with the appropriate board to cover their employees under a public employee retirement system.

- **<u>Experience Study</u>:** A regular study of the economic and demographic experience of a retirement system, typically administered every 5 years. The purpose is to assess the reasonability of the actuarial assumptions of a retirement system in order to make judgments about future experience and assumptions.

- **<u>Fiduciary</u>:** A person or institution legally responsible for the management, investment, and distribution of a fund. The trustees and administrators who are responsible for the oversight of employee benefit trust funds are considered fiduciaries. Fiduciaries are any person who: (1) exercises any discretionary authority or control over the management of a plan or the management or disposition of its assets; (2) renders investment advice for a fee or other compensation with respect to the funds or property of a plan or has the authority to do so; or (3) has any discretionary authority or responsibility in the administration of a plan.

- **<u>Funded Ratio</u>:** The value of a pension plan's assets in proportion to the pension liability. When a plan is 100% funded, it means current assets are sufficient to pay 100% of benefits due now, as well as the benefits that active and inactive members have accrued to date.

- **<u>Government Accounting Standards Board (GASB)</u>:** An independent, private-sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow generally accepted accounting principles.

- **<u>Guaranteed Annual Benefit Adjustment (GABA)</u>:** An annual increase in the prior year's benefit amount, usually as a percentage of the benefit, similar to a cost-of-living adjustment.

- **<u>Highest Average Compensation (HAC)</u>:** A member's highest average monthly compensation during a set period of consecutive months of membership service.

- **<u>Inactive Member</u>:** A member who terminates service and does not retire or take a refund of the member's accumulated contributions.

- **<u>Individual Retirement Account (IRA)</u>:** A tax-deferred retirement account for an individual that permits the individual to set aside money each year, with earnings tax-deferred until withdrawals begin.

- **<u>Internal Revenue Code (IRC)</u>:** Title 26 of the United States Code. It is also known as the federal tax code.

- **<u>Layered Amortization</u>:** This approach is considered a hybrid of open and closed amortization approaches. Similar to closed amortization, the initial unfunded liability is amortized over a set amount of time (e.g., 30 years). Any gains or losses that arise in future years will be amortized over new amortization periods, which is similar to the open amortization approach. With each valuation, a new closed layer gets added to the amortization schedule. The amortization of the original unfunded liability and gains and losses from prior years remain unchanged, providing the expectation that the plan will become fully funded over the original amortization period if there are no significant gains or losses.

- **Member:** Any person with contributions and service on account with the PERS. Persons receiving retirement benefits based on previous service credit are also members.

- **Money Purchase Plan:** A type of defined contribution retirement plan in which the annual contribution amount is in proportion to the employee's wages and is mandatory every year.

- **Normal Cost:** An amount calculated under an actuarial cost method that is the estimated cost of the accruing benefits for members of a defined benefit retirement plan. It is determined for each valuation period. Normal cost does not include any portion of the supplemental costs of a retirement plan. The normal cost rate is the contribution amount necessary, when added to investment income, to pay for benefits earned each year.

- **Normal Retirement Age:** The age at which a member is eligible to immediately receive a retirement benefit based on the member's age, length of service, or both, as specified under the member's retirement system, without disability and without an actuarial or similar reduction in the benefit.

- **Open Amortization:** Under this approach, the unfunded liability is amortized over a set amount of years (e.g., 30 years). Each year the unfunded liability is recalculated and amortized over a new set amount of years (e.g., 30 years). This is the approach used in Montana with a 30-year amortization period.

- **Pension:** Steady income given to a person as the result of service (e.g., employee, military) that begins when a specific event (e.g., disability, retirement) occurs. Pensions are typically paid monthly and based on factors such as years of service and prior compensation. The payment may be made by a government, employer, pension fund, or life insurance company.

- **Portability:** The ability of an employee to retain benefits, such as in a pension plan or insurance coverage, when switching employers.

- **Qualified Plan:** A plan that meets the applicable requirements of the Internal Revenue Code and, if applicable, the Employee Retirement Income Security Act. A qualified plan is eligible for favorable tax treatment.

- **Roth IRA:** A type of IRA established under the Taxpayer Relief Act of 1997 that allows taxpayers, subject to certain income limits, to save for retirement while allowing the savings to grow tax-free. Taxes are paid on contributions, but withdrawals, subject to certain rules, are not taxed.

- **Smoothing:** The process of amortizing investment gains and losses over a period of time to help reduce volatility in contribution rates.

- **Stress Testing:** The process of evaluating how pension systems would respond to a variety of potential scenarios, allowing states to gauge the effects of hypothetical adverse market conditions on their retirement systems.

- **Tax Deferred:** The payment of taxes in the future on income earned in the current period.

- **<u>Termination or Termination of Service</u>:** This means the member has left the employment relationship for at least 30 days, has no written or verbal agreement to return, and has been paid all compensation due, including but not limited to payment of accrued annual and sick leave. Upon termination, the member will cease to accrue benefits attributable to that employment.

- **<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>:** The excess of a defined benefit retirement plan's actuarial liabilities at any given point in time over the value of its cash and investments on that same date.

- **<u>Vested</u>:** The status of a plan member who meets the minimum membership service requirement of the system or plan to which the member belongs and who is thus eligible to receive a benefit.

APPENDIX C: BRIEF TIMELINE OF THE MUS-RP AND MUS SUPPLEMENTAL CONTRIBUTIONS TO TRS

- **1987:** The Optional Retirement Program (ORP) – a defined contribution (DC) plan – is created by the Legislature at the request of the Montana Board of Regents (HB 300). Montana University System (MUS) faculty and certain professional staff have the option of staying in the Teachers' Retirement System (TRS) or joining the newly created ORP.

- **1991:** Legislation (SB 264) passed providing for an independent actuarial study to be carried out under the auspices of the Legislative Auditor to determine the portion of the unfunded liability in TRS attributable to the MUS. The MUS contribution amount would remain the same until the new study was completed and the results presented to the 1993 Legislature.

- **1993:** The ORP becomes mandatory for all new faculty and certain professional staff hires in the MUS (SB 407). A MUS rate of contribution to TRS is established at 2.503% and regular adjustments based on actual experience are required to begin in 1997. The amortization period for the MUS liability is extended by 7 years, going from 33 years to 40 years (now set to end in 2033). It was decided that the rate would be reevaluated periodically and updated based on the actual MUS experience. The first valuation was scheduled for 1997.

- **1997:** A phased-in contribution increase is established for the MUS starting with 2.81% on July 1, 1997, and going up to 4.04% on July 1, 2001 (HB 121).

- **1999:** New MUS classified staff now have the option of joining the ORP, in addition to the PERS defined benefit plan and the PERS defined contribution plan (HB 79).

- **2001:** Legislation (HB 565) is introduced to have the state assume the responsibility for the MUS contribution to TRS and add a statutory appropriation to fund the payments to keep the MUS contribution rate at 4.04% and is tabled in committee.

- **2003:** Legislation (HB 611) is introduced to have the state assume the responsibility for the MUS contribution to TRS and add a statutory appropriation to fund the payments to keep the MUS contribution rate at 4.04% and is tabled in committee.

- **2005:** Legislation (HB 181) is introduced to increase the MUS contribution to 4.60% on July 1, 2005, and to 5.16% on July 1, 2007, and is tabled in committee. Legislation (HB 430) is introduced to have the state assume the responsibility for the MUS contribution to TRS and add a statutory appropriation to fund the payments and is tabled in committee.

- **2007:** MUS contribution to TRS is increased to 4.72% beginning July 1, 2007 (HB 63).

- **2011:** Legislation (HB 113) is introduced to increase the MUS contribution rate by 0.5% on July 1 of each year until July 1, 2019, and is tabled in committee.

- **2013:** Legislation (HB 90) is introduced to increase the MUS contribution to 9.04% on July 1, 2013, and is tabled in committee. The ORP is re-named the Montana University System Retirement Program (MUS-RP) (HB 320).

- **2015:** Legislation (HB 59) is introduced to increase the MUS contribution to 9.75% on July 1, 2015, and is tabled in committee.
- **2017:** Legislation (HB 72) is introduced to increase the MUS contribution to 10.22% on July 1, 2017, and is tabled in committee.
- **2019:** Legislation (HB 337) is introduced to increase the MUS contribution to 11.89% on July 1, 2029, and is tabled in committee.
- **2021:** Legislation (SB 46) is introduced to increase the MUS contribution to 13.9% on July 1, 2021, and is tabled in committee.
- **2023:** Legislation (SB 25) is introduced to increase the MUS contribution to 13.53% on July 1, 2023, and is tabled in committee.

APPENDIX D: DETAILED LEGISLATIVE HISTORY BY SYSTEM

Tables on the following pages show legislative changes made to the main provisions of each of the DB and DC retirement plans since 1995. Legislative changes to other various provisions, such as early retirement calculations, available benefit options, return to work provisions, etc., are not reflected in these tables. The tables are arranged in the following order:

- Teachers' Retirement System (TRS)
- Public Employees' Retirement System – Defined Benefit Plan (PERS-DB)
- 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)
- Volunteer Firefighters' Compensation Act (VFCA)
- Public Employees' Retirement System – Defined Contribution Plan (PERS-DC)

TEACHERS' RETIREMENT SYSTEM (TRS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 20, MCA

Session Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	1.66% x years of service x average final compensation AFC = highest avg pay for any consecutive 3 years	5 years	Age 60 and 25 years of service	If retired before 7/1/1983: 50 cents for each year of service if monthly benefit is more than $500 but less than $1,000; or $1 for each year of service if monthly benefit is $500 or less. If retired before 7/1/1971: a minimum of $400 a month If receiving a benefit prior to 7/1/1971: $1 a month increase for each year of service plus $2 per month for each year retired prior to 7/1/1971. For retirees 55 years of age or older: an amount calculated based on 90% of investment income earned above the actuarial amount required to fund the system within a 30-year amortization period	7.47%	7.044%
1997	No changes in these provisions					

1999				GABA enacted providing a 1.5% increase after a 3-year waiting period Minimum benefit for recipients on 7/1/1999 must be at least $500 if member had at least 25 years of service Other postretirement provisions repealed *(HB 72)*	State GF supplemental contribution added of 0.11% - terminates if amortization period is 10 years or less	Increased by 0.106%
2001				Minimum benefit increased to $600 a month who retired with 25 years or more of service TRS Board allowed to increase 1.5% to 3.0% if amortization after adjustment would be 25 years or less *(HB 294)*		
2003	No changes in these provisions					
2005					$100 million cash infusion from state GF during Dec. Special Session	

2007				Discretion to increase 1.5% GABA to 3% stricken	For state and university: 2% employer contribution increase on 7/1/2007 and another 0.38% increase on 7/1/2009 State supplemental contribution increase of 2% for school district and community college employers on 7/1/2007increasing by 0.38% on 7/1/2009 $50 million cash infusion from state GF *(HB 63)*	
2009-11	No changes in these provisions					

2013 New hires on or after 7/1/2013 = Tier 2 members	For new hires 7/1/2013: Benefits enhanced if retiree has 30 years or more of service, benefit formula multiplier is 1.85% for all years Average final compensation calculation increased from 3-year average to 5-year average *(HB 377)*		For new hires on and after 7/1/2013: Age 60 with 5 years of service *or* at least 30 years of service *(HB 377)*	For new hires 7/1/2013 (court invalidated reduction for active and retired members): GABA reduced to 0.5%, but may be increased to 1.5% if system is 90% funded and increase won't cause system to be less than 85% funded *(HB 377)*	Supplemental contribution: 1%, increasing by 0.1% each FY to total increase of 2%. *supplemental rate is adjustable based on funded ratio and amortization period Supplemental cash infusions: $25 million each FY from GF *(HB 377)*	New hires 7/1/2013: Contribution rate increased by 1% Supplemental contribution: For pre-7/1/2013 hires = 1% For post-7/1/2013 hires = 0.5% *supplemental rate is adjustable based on funded ratio and amortization period *(HB 377)*
2015-23	No changes in these provisions					

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 3, MCA

Session Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	1.785% x years of service x final average salary (FAS) FAS = highest avg pay for any consecutive 36 months	5 years	Age 60 *or* 30 years of service regardless of age *or* Age 65 regardless of years of service	An amount calculated based on investment income earned above the actuarial amount required to fund the system within a 30-year amortization period	6.7%	6.7%
1997				1.5% GABA after 3-yr waiting period *(HB 170)*	6.8% 6.9% effective 7/1/1999 *0.1% state GF offset for local gov'ts and school districts *(HB 170)*	6.8% 6.9% effective 7/1/1999 *(HB 170)*
1999	*PERS-DC plan enacted *(HB 79)*					
2001	After 25 years of service, multiplier for all years of service is increased from 1.785% to 2.0% *(SB 306)*			1.5% GABA increased to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-05	No changes in these provisions					

2007				For new hires 7/1/2007: 3% GABA reduced to 1.5% *(HB 131)*	0.135% increase on 7/1/2007 0.27% increase on 7/1/2009 *Increases terminate if amortization is 25 years or less with termination	
					(HB 131)	
2009	No changes in these provisions					
2011	New hires 7/1/2011- benefits reduced: 1.5% for less than 10 years of service 1.78% for 10 to 29 years 2% for 30 or more years Highest Avg Compensation used = consecutive 60 months instead of 36 months *(HB 122)*		New hires 7/1/2011 - eligibility thresholds increased: Age 65 and 5 years of service *or* Age 70 regardless of service *(HB 122)*			New hires 7/1/2011: 1% increase *(HB 122)*
2013				For new hires 7/1/2013 (court invalidated applying cut to active and retired members): 1.5% GABA is reduced by 0.1% for each 2% that system is below a 90% funded level and is 0% if amortization is 40 years or more *(HB 454)*	1% increase for FY 2014, increasing 0.1% each FY for a total increase of 2% (to FY 24) Reduced to 6.9% if amortization period would remain 25 years or less Coal tax revenue statutorily appropriated – about $33 million *(HB 454)*	Pre-2011 hires - contributions increased: 1 % increase Reduced for all to 6.9% if amortization period would remain 25 years or less *(HB 454)*

2015-17	No changes in these provisions					

JUDGES RETIREMENT SYSTEM (JRS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 5, MCA

Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	3.33% x years of service (up to 15 yrs) x current salary of sitting judge 1.785% x years of service (after 15 years) x current salary of sitting judge	5 years	Age 65 with at least 5 years of service	Benefit increases each time the current salary of a sitting judge is increased	6.0% Plus 34.71% from district court fees Plus 25% from supreme court fees Note: consistent shortfall in court fees, the JRS was not considered sound	7.0%
1997	Current salary of sitting judge replaced by "final average salary" = highest 36 months *change for pre-1997 hires depended on if judge elected GABA *(HB 170)*			1.5% GABA – 3-year waiting period Pre-7/1/1997 hires: may elect 1.5% GABA or stay with previous benefit based on current salary of sitting judge New hires on an after 7/1/1997: must be covered by 1.5% GABA *(HB 170)*	Court fees de-earmarked, deposited to GF Employer/state contribution to be 25.81% *(HB 170)*	
1999	No changes in these provisions					
2001			Retirement age reduced from age 65 to age 60 *(SB 370)*	GABA increased from 1.5% to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003 - 2015	No changes in these provisions					

2017 Nov. Special					Employer contribution suspended until 7/1/19 *(SB 1)*	
2019	No changes to these provisions					
2021						
2023						

HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM (HPORS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 6, MCA

Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	2.5% x final average compensation x years of service FAS = highest consecutive 36 months (3 years)	5 years	Pre 7/1/1985: 20 years of service regardless of age Post 7/1/1985: 20 years of service and age 50	Minimum benefit provision. 2.0% x years of service x current base salary of a probationary patrol officer Also, 25 cents of each motor vehicle registration fee used to fund a lump-sum payment to eligible recipients with 20 years or more of service	26.10% from source used to pay salaries 10.18% from driver's license fees Total rate = 36.28%	9.0 %
1997				Pre-7/1/1997 hires: may elect 1.5% GABA or stay with previous postretirement adjustment provisions New hires on an after 7/1/1997: must be covered by 1.5% GABA *(HB 170)*	.05% increase in contribution from source paying salaries .05% increase from drivers' license fees Total rate = 36.33% *(HB 170)*	.05% increase for members electing GABA and for new hires on and after 7/1/1997 9.05% *(HB 170)*
1999	No changes in these provisions					
2001				GABA increased from 1.5% to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-11	No changes in these provisions					

2013	Benefit increase all members – multiplier increased by .1% to 2.6% *(HB 336)*	<u>New hires 7/1/2013:</u> Increased to 10 years *(HB 336)*		<u>New hires 7/1/2013:</u> GABA reduced to 1.5%, waiting period increased to 3 years *(HB 336)*	2% increase effective 7/1/2013 Total = 38.33% *(HB 336)*	Contribution increases <u>Non-GABA:</u> 4% increase, phased in as 1% increase each FY to total of 13% beginning 7/1/2016 <u>GABA-covered:</u> 4% increase, phased in as 1% increase each FY to total of 13.05% beginning 7/1/2016 *(HB 336)*
2015	Deferred Retirement Option Plan (DROP) enacted. *Allows a member eligible for retirement to continue employment and have retirement benefit paid into DROP account for lump-sum distribution upon actual retirement, DROP participant does not continue to earn benefits in HPORS. *(SB 238)*					
2017-21	No changes to these provisions					
2023						

SHERIFFS' RETIREMENT SYSTEM (SRS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 7, MCA

Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	2.0834% x years of service x final average salary FAS = highest avg pay for any consecutive 36 months	15 years *or* 5 years if involuntarily terminated	20 years regardless of age	Investment income earned above the actuarial amount required to fund the system within a 30-year amortization period Eligible if age 55 and receiving a service retirement, or if receiving a disability or survivorship benefit	8.535%	7.865%
1997	Benefit multiplier increased to 2.5% *(HB 216)*	Reduced to 5 years, all members *(HB 216)*		1.5% GABA replaced previous provisions *(HB 170)*	Increased by 1.0% to 9.535% *(HB 216)*	Increased by 1.38% to 9.245% *(HB 216)*
1999	No changes in these provisions					
2001	Terminology updated. FAC changed to HAC HAC = Highest Average Compensation, not substantive *(HB 152)*			GABA increased to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-05	No changes in these provisions					
2007				<u>For new hires on or after 7/1/2007:</u> GABA reduced to 1.5% *(HB 131)*	Increased by: 0.29% on 7/1/2007 0.58% on 7/1/2009 Total = 10.115% *(HB 131)*	

2009	No changes to these provisions					
2011	<u>New hires 7/1/2011 - Benefit reduction:</u> HAC changed from highest 3- year average to highest 5-year average *(HB 135)*					
2013-15	No changes to these provisions					
2017					3% increase *Amt of increase is exempt from mill levy cap and increase terminates if amortization would remain at 25 years or less *(HB 383)*	1.25% increase to total of 10.495% *Increase terminates if amortization would remain at 25 years or less *(HB 383)*

GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM (GWPORS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 8, MCA

Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	2.0% x years of service x final average salary FAS = highest 36 consecutive months	10 years	Age 50 *and* at least 20 years of service	Investment income earned above the actuarial amount required to fund the system within a 30-year amortization period Minimum benefit if retired before 7/1/1989: 2.0% of a probationary state game warden's base monthly compensation Eligible for either or both above adjustments if age 55 and receiving a service retirement, or if receiving a disability or survivorship benefit	8.15%	7.9%
1997		Reduced to 5 years *(HB 174)*		1.5% GABA all members replaced adjustment based on investment earnings above assumed rate, but not the minimum benefit provision *(HB 170)*	Employer: 0.85% increase to 9.0% *(HB 170)*	0.6% increase to 8.5% *(HB 170)*
1999	No changes in these provisions					

2001	Benefit formula multiplier increased to 2.5% *(HB 74)* Terminology updated. FAC changed to HAC HAC = Highest Average Compensation, not substantive *(HB 152)*			GABA increased from 1.5% to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		2.5% increase to 10.56% *(HB 74, HB 294,* *SB 89)*
2003-05	No changes in these provisions					
2007				<u>For new hires 7/1/2007 – benefit reduction:</u> GABA reduced to 1.5% *(HB 131)*		
2011	<u>New hires 7/1/2011 – benefit reduction:</u> HAC changed from highest 3-year average to highest 5-year average *(HB 134)*					
2013-17	No changes in these provisions					

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 9, MCA

Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	<u>Pre- 1977 members:</u> 2.5% x base salary x years of service Base salary = avg salary in last year <u>Post-1977 members:</u> 2.5% x final avg compensation x years of service FAS = last 3 years	10 years	20 years of service regardless of age	Minimum benefit provision so the benefit paid must be at least ½ the salary of a newly confirmed policy officer in the city that last employed the member. Funded by earmarked insurance premium taxes.	14.36% State supplemental from insurance premium tax on motor vehicle and casualty insurance policies: 15.99%	<u>Pre-7/1/1975 members:</u> 7.8% <u>Pre-7/1/1979 members:</u> 9.0% <u>Post-7/1/1979:</u> 10.5%
1997		Reduced to 5 years *(HB 505)*		<u>Pre-7/1/1997 hires:</u> may elect 1.5% GABA or stay with previous benefit based on salary of probationary patrol officer <u>New hires 7/1/1997:</u> must be covered by 1.5% GABA *(HB 170)*	Employer increase of 0.04% to: 14.41% State supplemental: to of 13.38% increase to: 29.37% Insurance premium taxes de-earmarked, transferred to state GF *(HB 170, HB 173, HB 505)*	<u>New hires 7/1/1997:</u> 11% *(HB 170)*
1999						Contributions for all active

						members reduced by 2% *(SB 434)*
2001	Deferred Retirement Option Plan (DROP) enacted. *Allows a member eligible for retirement to continue employment and have retirement benefit paid into DROP account for lump-sum distribution upon actual retirement, DROP participant does not continue to earn benefits in MPORS. *(HB 452)*			GABA increased to 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-23	No changes in these provisions					

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 13, MCA

Year	Benefit Formula	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	Hired before 7/1/1981: With 20 or more years of service, 50% x last monthly compensation for first 20 years, 2.0% of LMC for each year after 20 years Hired on or after 7/1/1981: 2.0% x final average compensation x years of service FAC = highest 36 months (3 years)	10 years	20 years regardless of age	Benefit increased if amount is not at least the minimum set as summarized below: ½ regular monthly compensation paid to a confirmed active firefighter in the city that last employed the member	14.36% State GF supplemental: 24.21% 1.5% insurance premium tax paid on the firs portion of the direct premiums for the various minimum benefit provisions for postretirement increases.	7.8%
1997	Benefit multiplier increased to 2.5% per year, applied to all retirees (i.e., all service) LMC eliminated for pre7/1/1981 hires, all benefits calculated with FAC New formula for all retirees is 2.5% x FAC x years of service *(HB 430)*	Reduced to 5 years, all members *(HB 430)*		Pre-7/1/1997 hires: may elect 1.5% GABA or stay with previous minimum benefit provision New hires on an after 7/1/1997: must be covered by 1.5% GABA *(HB 170)*	State GF supplemental increased by 8.4% to total rate of 32.61% Insurance premium taxes de-earmarked, transferred to state GF *(HB 169, HB 170, HB 171,* *HB 173, HB 430)*	If not covered by GABA: 1.7% increase to total of 9.5% If covered by GABA: 2.9% increase to total of 10.7% *(HB 170 and HB 430)*
1999	No changes in these provisions					

2001				GABA increased 3% *(HB 294)* Waiting period reduced to 1 year *(SB 89)*		
2003-23	No changes in these provisions					

VOLUNTEER FIREFIGHTERS' COMPENSATION ACT (VFCA) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 17, MCA

Year	Benefit	Vesting	Eligibility for Normal Retirement	Postretirement Increases	Employer / Other Contributions	Employee Contribution
Provisions in 1995 MCA	Basic benefit = $100 a month	Not applicable	20 years of service and age 55	None	5% of insurance premium taxes on risks enumerated in 19-18-512 Calculated before other amounts deducted.	Not applicable, firefighters not compensated
1997-99	No changes to these provisions					
2001	Basic benefit increased by $50 to $150 a month *(HB 523)*					
2003	If member continues service after completing 20 years and is at least age 55, entitled to $7.50 a month for each year of additional service up to 30 years *(HB 731)*					
2005	Age 55 requirement removed for eligibility to earn the additional $7.50 for additional service up to 30 years *(SB 197)*					
2007-09	No changes to these provisions					
2011	<u>For members retired on or after 7/1/2011:</u> *(SB 223)* For each year served after 30 years, member may receive the additional $7.50 a month per year of service greater than 30, but only if amortization period would remain 20 years or less. No					

	contract right. The additional $7.50 is not paid if amortization period is greater than 20 years.					
2013	No changes to these provisions					
2015	Basic monthly benefit increased from $150 a month to $175 a month. *(HB 483)*					
2017-23	No changes to these provisions					

PUBLIC EMPLOYEES' RETIREMENT SYSTEM – DEFINED CONTRIBUTION PLAN (PERS-DC) CHANGES TO BASIC PROVISIONS BY SESSION YEAR

Title 19, Chapter 3, part 21, MCA

Session Year	Benefit	Vesting	Eligibility for Normal Retirement	Disability Provisions	Employer / Other Contributions	Employee Contribution
Enacted in 1999	Vested account balance through: direct or regular rollover as specified lump-sum distribution *(HB 79)*	Immediate for employee contributions and investment earnings 5 years for employer contributions and investment earnings *(HB 79)*	Upon termination of employment and membership *(HB 79)*	None	To member account: 4.49% Plan Choice Rate = amount of employer contribution allocated to PERS-DB plan and not to member's account: PCR = 2.37% Allocation to be adjusted by Board based on valuation of actual plan choice costs *(HB 79)*	Same as in PERS-DB plan, refer to PERS-DB plan table
2001				1.785% x FAS x years of service Member must be vested (5 years of service) Paid only until age 60 *(HB 63)*	Contribution to member account reduced to 4.19% 0.3% difference allocated to disability fund Allocation subject to adjustment by Board based on actuarial valuation	

				*Eligibility and benefit formula changes as PERS- DB plan disability changes – not further detailed in this table	*(HB 63)*	
2003-05	No changes in these provisions					
2007					GF appropriation of $1.4 million to pay off loan for start- up costs No change in allocation of contributions to member accounts *(HB 125)*	
2009-11	No changes in these provisions					
2013					1% employer contribution increase and 0.1% increase each year to a total of 2% increase to provide actuarial funding in PERS- DB plan is allocated to pay off PCR liabilities, then to disability fund, not allocated to member accounts *(HB 454)*	

2015					PCR liability fully paid off Legislation not necessary – allocation of employer contribution to member accounts was increased by 3.84% on the first pay date of the first month in 2016. Total employer contribution to member account = 8.13% Amount increases by 0.1% each FY through FY 24	
2017-23	No changes in these provisions					

APPENDIX E: APPROPRIATIONS

GENERAL FUND APPROPRIATIONS

As of FY 2024, six of the nine DB systems receive supplemental appropriations from the state general fund through statutory appropriations. The plans are TRS, PERS-DB, MPORS, FURS, and VFCA. The appropriation amounts are set in statute by the Legislature. In addition, the Legislature will sometimes give the systems one-time-only (OTO) appropriations through legislation. Totals for FY 2017-FY 2024 can be found in Table 14 of the FY 2024 Green Sheets: https://archive.legmt.gov/committees/interim/sava/sj-4/.

TREASURE STATE ENDOWMENT PROGRAM (TSEP)

Mentioned above, HB 454 (2013) added an appropriation from the coal severance taxes and interest income from the coal permanent fund to PERS. To facilitate this, two Treasure State Endowment sub trusts – the Treasure State Endowment (TSE) Fund and the Treasure State Endowment (TSE) Regional Water System Fund – were sunsetted four fiscal years earlier than originally planned, ending in FY16 rather than FY 20. As a result, the trust balances have not grown since FY 2016 and the interest income has remained relatively flat. In 2017, the Legislature passed HB 648 ending the appropriation from the coal severance taxes and interest income from the coal permanent fund and replacing it with a statutory appropriation directly from the general fund (no longer tied to coal revenues).