



Montana Public Employees' Retirement Board Valuation Results June 30, 2025

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The Purpose of an Actuarial Valuation

Develop

- Develop a strategy to systematically fund the promised benefits of the system

Measure

- Measure assets and liabilities (future benefit payments)

Determine

- Determine actuarial contribution rates

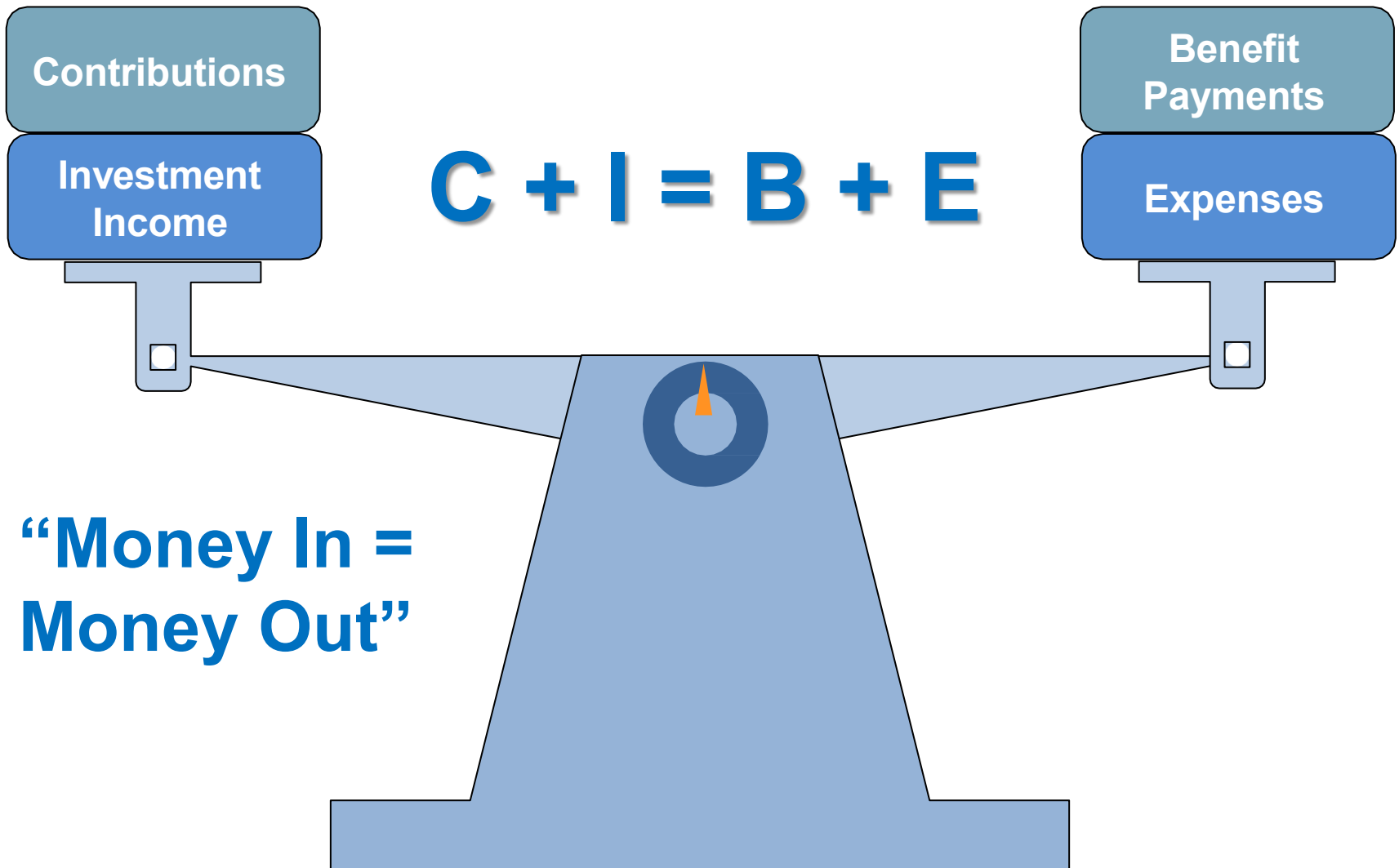
Analyze

- Analyze experience (actual vs. expected)

Report

- Report on trends, risks, accounting, etc.

Basic Retirement Funding Formula





PERS Valuation Highlights

Plan Experience

Returns



- Market value of asset returns were **9.39%** while returns on actuarial smoothed assets was **5.44%**.
- Market value of assets are **\$184.1 million** more than the actuarial value of assets.

Assets



\$212.7 million

Experience loss

- Investment: \$133.9M
- Salaries: \$73.8M
- Mortality: \$5M

\$184.2 million

deferred asset gain

- 2026 Gain: \$82.1M
- 2027 Gain: \$65.0M
- 2028 Gain: \$37.1M

Key Results

Funded Ratio



Funded ratio using actuarial value of assets decreased from 75.72% to **74.48%**.

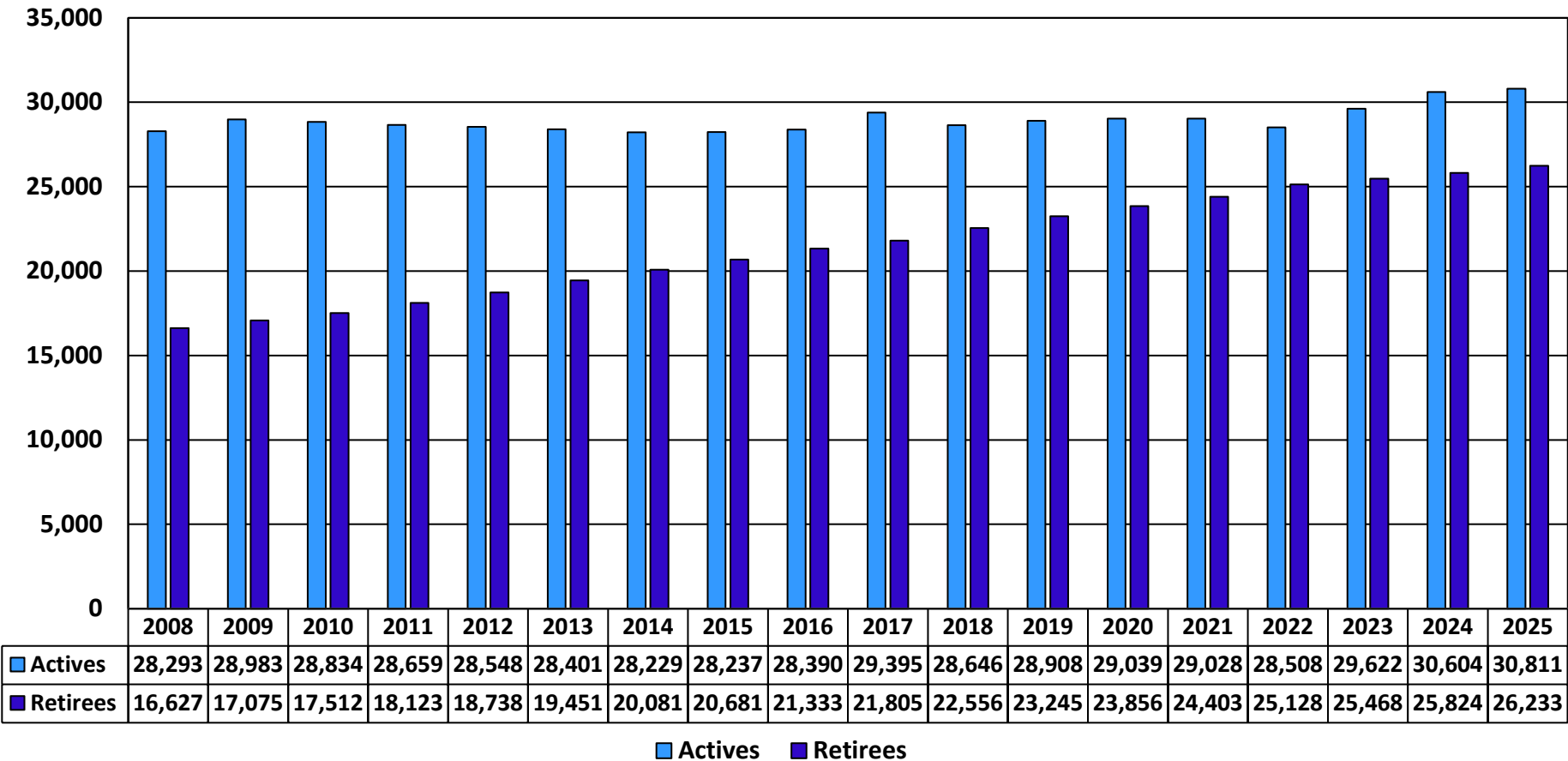
Amortization Period



Amortization period declined from 27 years to **23 years**.



PERS Active and Retired Membership



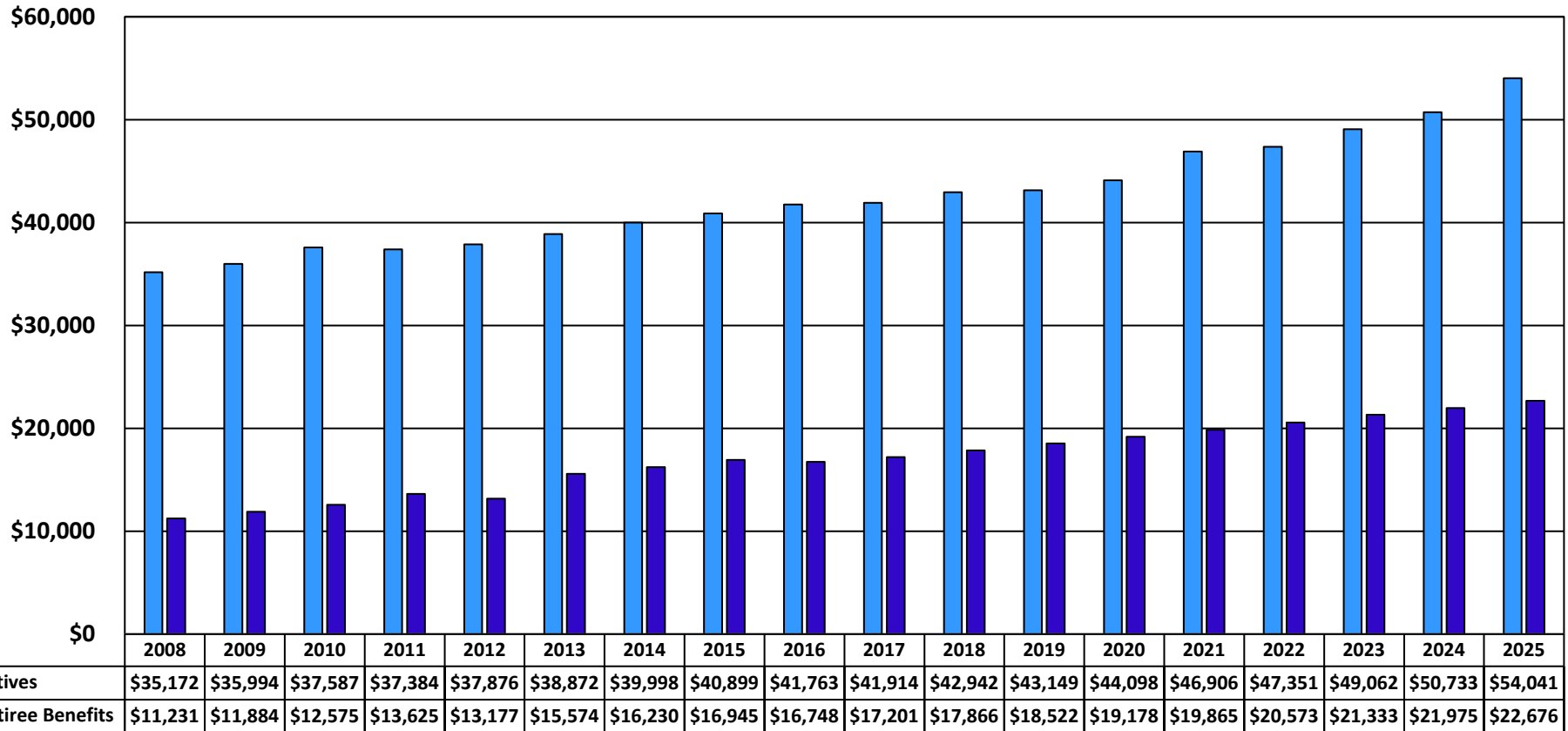
0.51% annual increase for active members since 2008; 0.68% increase for 2025.

2.79% annual increase for retired members since 2008; 1.58% increase for 2025.

0.6 retirees per active 18 years ago; 0.9 retirees per active now.



PERS Average Salary and Benefits



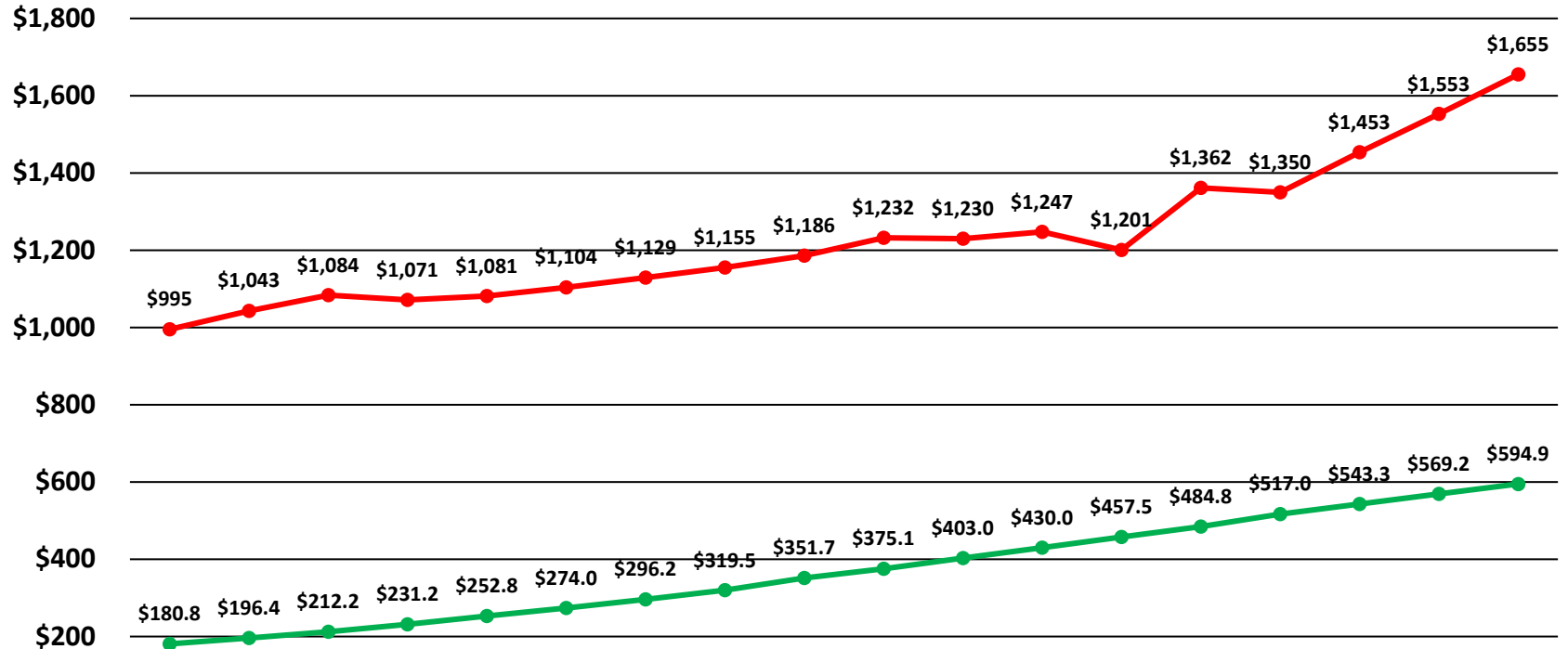
■ Actives ■ Retiree Benefits

2.58% annual increase for average salary since 2008; 6.5% increase for 2025.

4.3% annual increase for average benefits since 2008; 3.2% increase for 2025.



PERS Payroll & Benefits (\$ Millions)



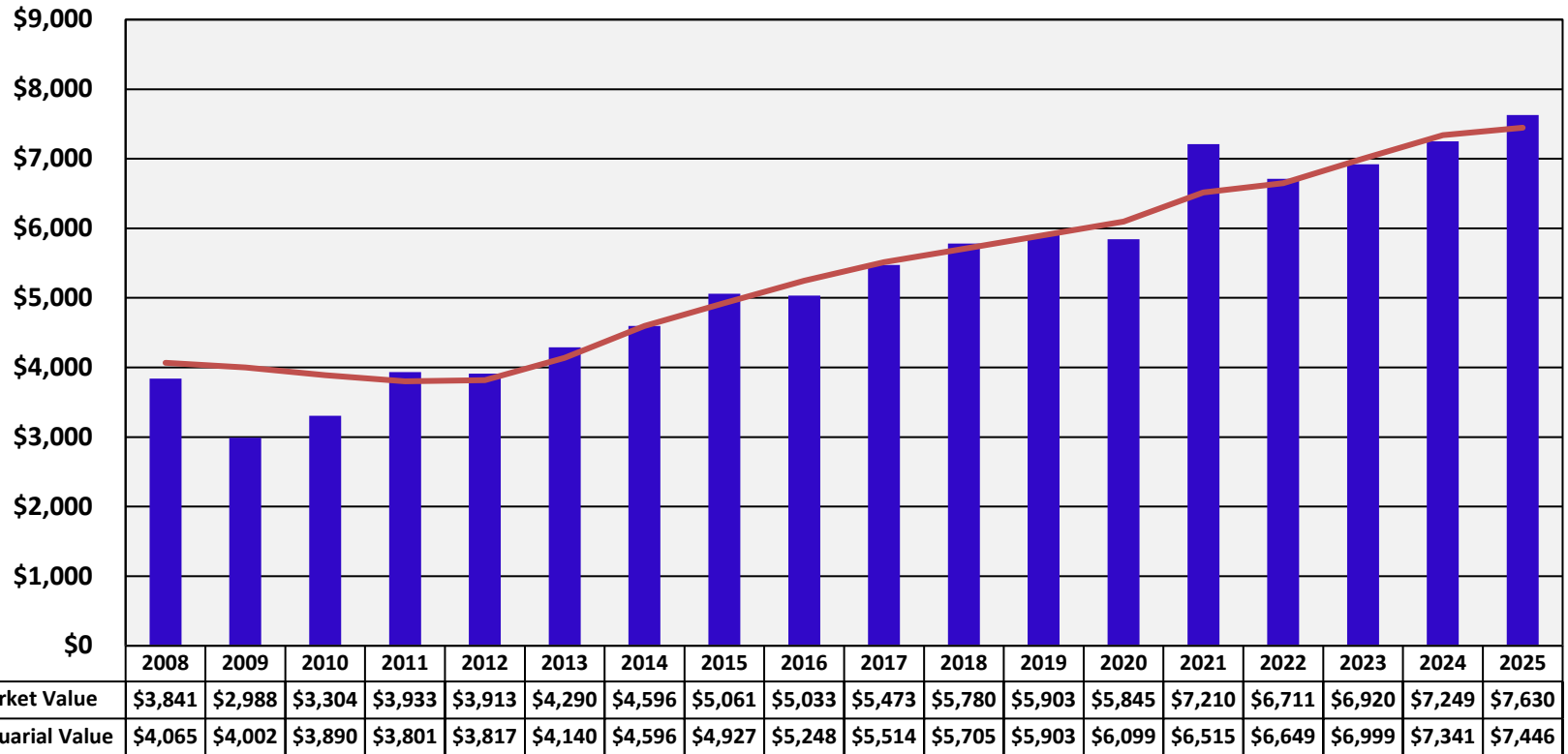
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total Payroll | \$995 | \$1,043 | \$1,084 | \$1,071 | \$1,081 | \$1,104 | \$1,129 | \$1,155 | \$1,186 | \$1,232 | \$1,230 | \$1,247 | \$1,201 | \$1,362 | \$1,350 | \$1,453 | \$1,553 | \$1,655 |
| Total Benefits | \$180.8 | \$196.4 | \$212.2 | \$231.2 | \$252.8 | \$274.0 | \$296.2 | \$319.5 | \$351.7 | \$375.1 | \$403.0 | \$430.0 | \$457.5 | \$484.8 | \$517.0 | \$543.3 | \$569.2 | \$594.9 |

—●— Total Payroll —●— Total Benefits



PERS Assets

(\$ Millions)



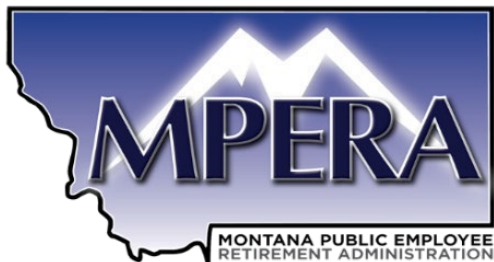
Market Value Actuarial Value

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------------|--------|--------|------|-------|-------|------|------|-------|------|------|------|-------|--------|------|------|------|
| Market Return | 12.9% | 21.7% | 2.3% | 13.0% | 17.1% | 4.6% | 2.0% | 11.9% | 8.9% | 5.7% | 2.7% | 27.8% | (4.2)% | 8.4% | 8.9% | 9.4% |
| Actuarial Return | (1.2%) | (0.1)% | 3.3% | 11.9% | 13.2% | 9.6% | 9.3% | 8.1% | 6.7% | 7.1% | 7.1% | 10.8% | 8.2% | 7.6% | 9.0% | 5.4% |

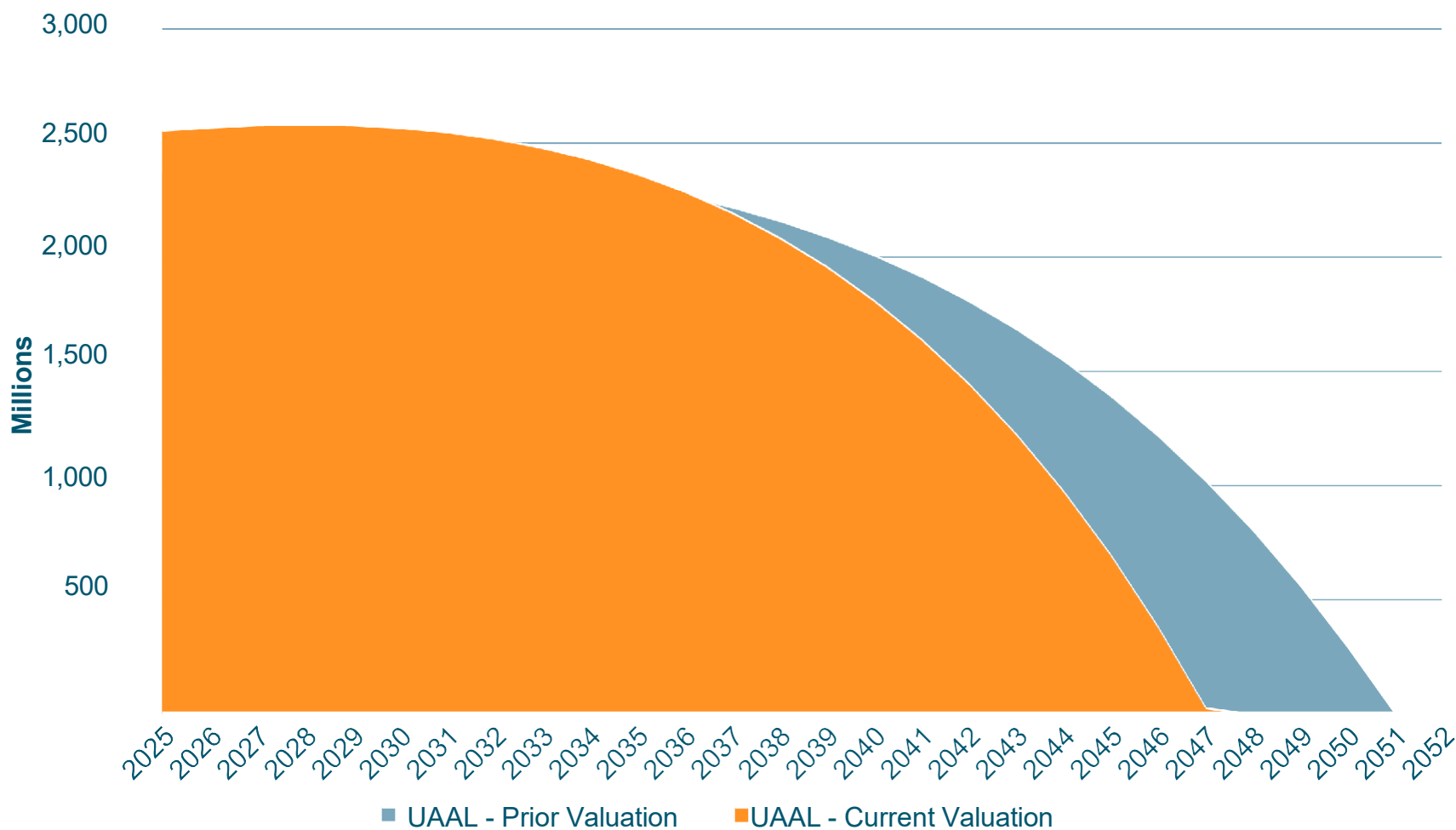


PERS Funding Results

| | June 30, 2024 Valuation | June 30, 2025 Valuation |
|-------------------------------|-------------------------|-------------------------|
| Total Normal Cost Rate | 9.83% | 9.29% |
| Rate to Amortize UAL | 7.20% | 7.74% |
| Transfer to DB Education Fund | <u>0.04%</u> | <u>0.04%</u> |
| Statutory Funding Rate* | 17.07% | 17.07% |
| | | |
| Actuarial Accrued Liability | \$9,695.5 billion | \$9,998.1 billion |
| Actuarial Value of Assets | \$7,341.3 billion | \$7,446.4 billion |
| Unfunded Accrued Liability | \$2,354.2 billion | \$2,551.6 billion |
| Funded Ratio | 75.72% | 74.48% |
| Amortization Period* | 27 Years | 23 Years |



Progress Toward 100% Funding



Valuation Highlights Across Other Plans

Actuarial Experience Across All Other Plans

Experience



Overall experience loss of \$91.6 million

Assets



Actuarial value of assets investment loss of **\$41.3 million** due to prior unrecognized investment experience.

\$65 million

deferred asset gain

- 2026 Gain: \$28.9M
- 2027 Gain: \$23.1M
- 2028 Gain: \$13M

Demographics



Demographic and mortality experience loss of **\$10 million.**

Salaries



Experience loss of **\$40.3 million** due to salary increases that were greater than anticipated.



Valuation Results - Other Plans

| System | Funded Ratio | | Amortization Period | | Rate | | |
|--------|--------------|------|---------------------|------|---------------------|----------|---------|
| | 2025 | 2024 | 2025 | 2024 | Member | Employer | Total |
| JRS | 184% | 184% | 0 | 0 | 7.00% | 0.00% | 7.00% |
| HPORS | 76% | 78% | 22 | 24 | 13.05% | 38.43% | 51.48% |
| SRS | 82% | 83% | 17 | 24 | 10.495% | 13.215% | 23.710% |
| GWPORS | 92% | 94% | 16 | 24 | 10.56% | 10.66% | 21.22% |
| MPORS | 75% | 75% | 18 | 18 | 9.00% | 43.78% | 52.78% |
| FURS | 84% | 85% | 8 | 8 | 10.70% | 46.97% | 57.67% |
| VFCA* | 101% | 107% | 0 | 0 | 5% of premium taxes | | |

* The actual contributions for the fiscal year ending 2024 and 2025 were \$3,519,342 and \$3,910,471 respectively.



Work Ahead

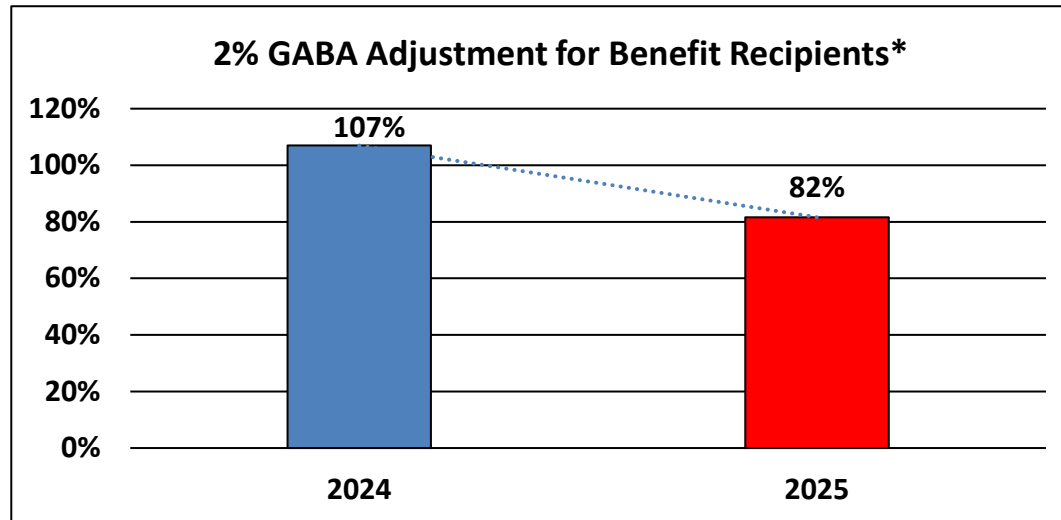
- During this interim, the Public Employees' Retirement Board will have an actuarial experience study conducted by its actuary and presented to the Board in the Spring of 2026.
 - This study will review the economic and demographic actuarial assumptions adopted by the Public Employees' Retirement Board that are used to project the costs and liabilities of the defined benefit pension plans it administers.
 - Compare the actual experience of each plan with what was expected to happen under its current assumptions during the four-year experience period of July 1, 2022 through June 30, 2025.
 - The economic assumptions that will be reviewed consist of the Board's price inflation, investment return, wage inflation, and payroll growth assumptions as well as its adopted demographic assumptions, to include mortality and retirement rates.



Volunteer Firefighters' Compensation Act Plan

- **Summary:** The VFCA is a multiple-employer, IRS Code § 457(e)(11) tax-qualified length of service award plan which provides nominal pension, disability, and survivorship benefits for eligible volunteer firefighters of eligible volunteer fire companies serving unincorporated areas, towns, or villages in Montana.
- Established in 1965, and governed by Title 19, chapter 17, MCA.
- **Funding:** Funded exclusively through a state statutory appropriation equaling 5% of the fire insurance premium taxes collected by the state during the year pursuant to § 19-17-301, MCA.
- **Benefits:** A member may retire with a full pension benefit of \$200 a month after completing at least 20 years of VFCA service and reaching age 55. § 19-17-401(2)(a), MCA. In addition, a member is eligible for a partial pension benefit if they have accrued at least 10 years of credited service and are at least age 60.
- 2,936 Active Members
- 1,541 Retirees & Beneficiaries
- 228 Employers

Volunteer Firefighters' Compensation Act Plan



- **Actuarial Impact of a 2% GABA:** During the 69th Session, the Board's actuary analyzed a scenario in which a 2% GABA was implemented in the VFCA plan for active members and retirees. Such a benefit increase would have:
 - Decreased the funded ratio of the plan from **107% to 82%** funded;
 - Increased the unfunded actuarial accrued liability of the plan by \$16.3 million, from a surplus of \$3.6 million to \$12.7 million; and
 - Increased the years necessary to amortize the unfunded liability of the plan from 0 to 4 years.
- **§ 19-17-717, MCA:** Prevents a benefit enhancement from being instituted into the VFCA unless the system amortizes in 30 years or less and the additional benefit is projected to be fully funded in perpetuity.