

Montana Public Employee Retirement Administration

**Montana Public Employees' Retirement Board
Valuation Results
June 30, 2023**

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Basic Retirement Funding Formula

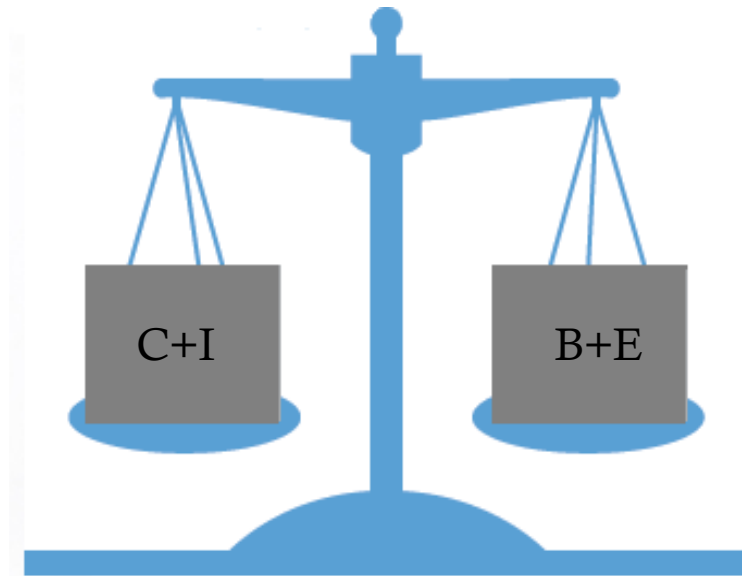
$$\text{C} + \text{I} = \text{B} + \text{E}$$

C = Contributions

I = Investment Income

B = Benefits Paid

E = Expenses



“Money In = Money Out”



Benefit Financing

➤ Basic Retirement Funding Equation

$$C + I = B + E$$

C= Contributions

I= Investments

B= Benefits Paid

E= Expenses (administration)

B depends on

Plan Provisions

Experience

C depends on

Short Term: Actuarial Assumptions
Actuarial Cost Method

Long Term: I, B, E



Participation in MPERA

- State, local governments, and certain employees of the Montana University system, & school districts are covered by MPERA.

- 51,870 Active Employees Including DC and 457 Members
- 30,421 Retirees & Beneficiaries (all DB systems)
- 41,492 Inactive (all DB systems)

- 568 Employers (DB)
- 225 Volunteer Fire Departments



Membership Data FY 2023

➤ Full Time Active Members

| | |
|----------------------------|----------|
| – Average Salary | \$49,062 |
| – Average Age | 46.8 |
| – Average Years of Service | 8.2 |
| – Average Hire Age | 38.6 |

➤ Retired Members

| | |
|---------------------------------|------------|
| – Average Annual Benefit | \$21,262 |
| – Average Monthly Benefit | \$1,771.83 |
| – Average Current Age | 72.5 |
| – Average Age at Retirement | 61.3 |
| – Average Service at Retirement | 21.6 |



Comments on Valuation for PERS

➤ Asset returns

- Market asset returns averaged 8.35% vs. 7.3% expected (1.05% more than expected).
- Actuarial asset returns averaged 7.55% vs. 7.3% expected (0.25% more than expected).

➤ **Market value of assets** are \$78,476,689 less than the actuarial value of assets. The asset valuation method being used is a four-year smoothing.

➤ Funded Ratio

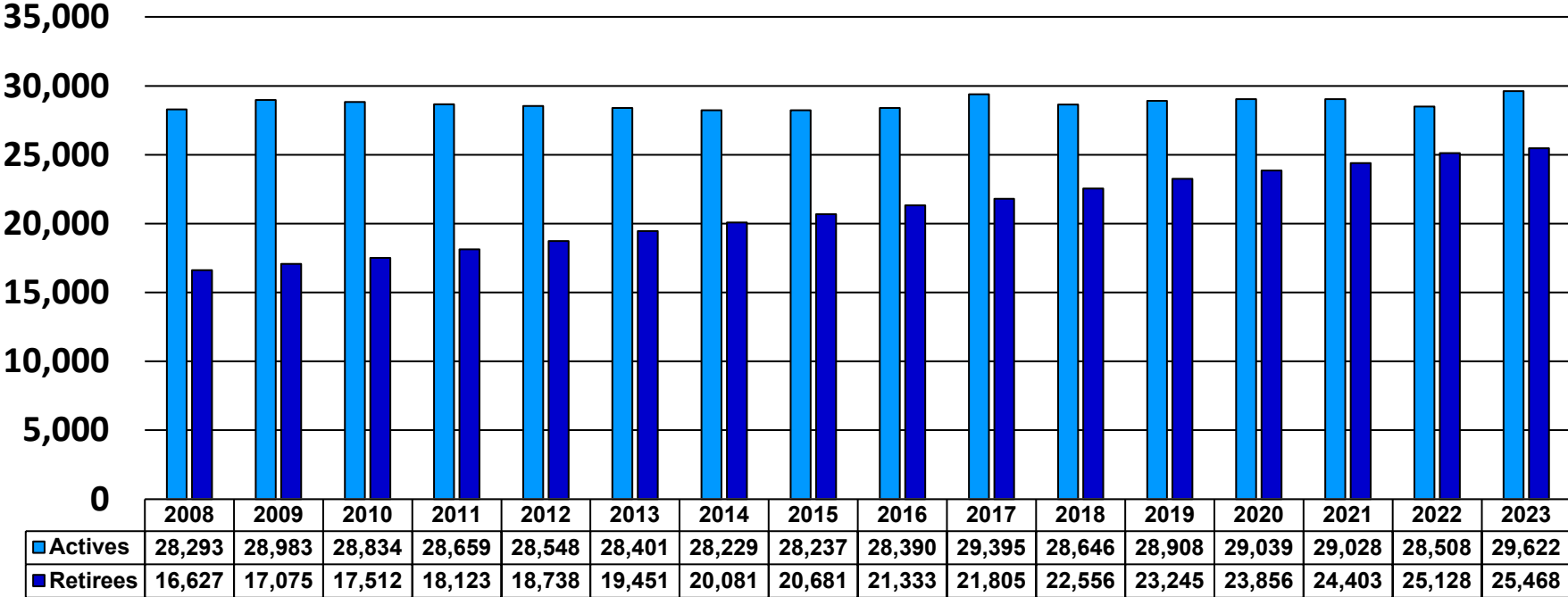
-Funding decreased slightly from 75.01% to 74.77%

➤ Amortization Period

-Amortization period decreased from 32 years to 28 years



PERS Active and Retired Membership



■ Actives ■ Retirees

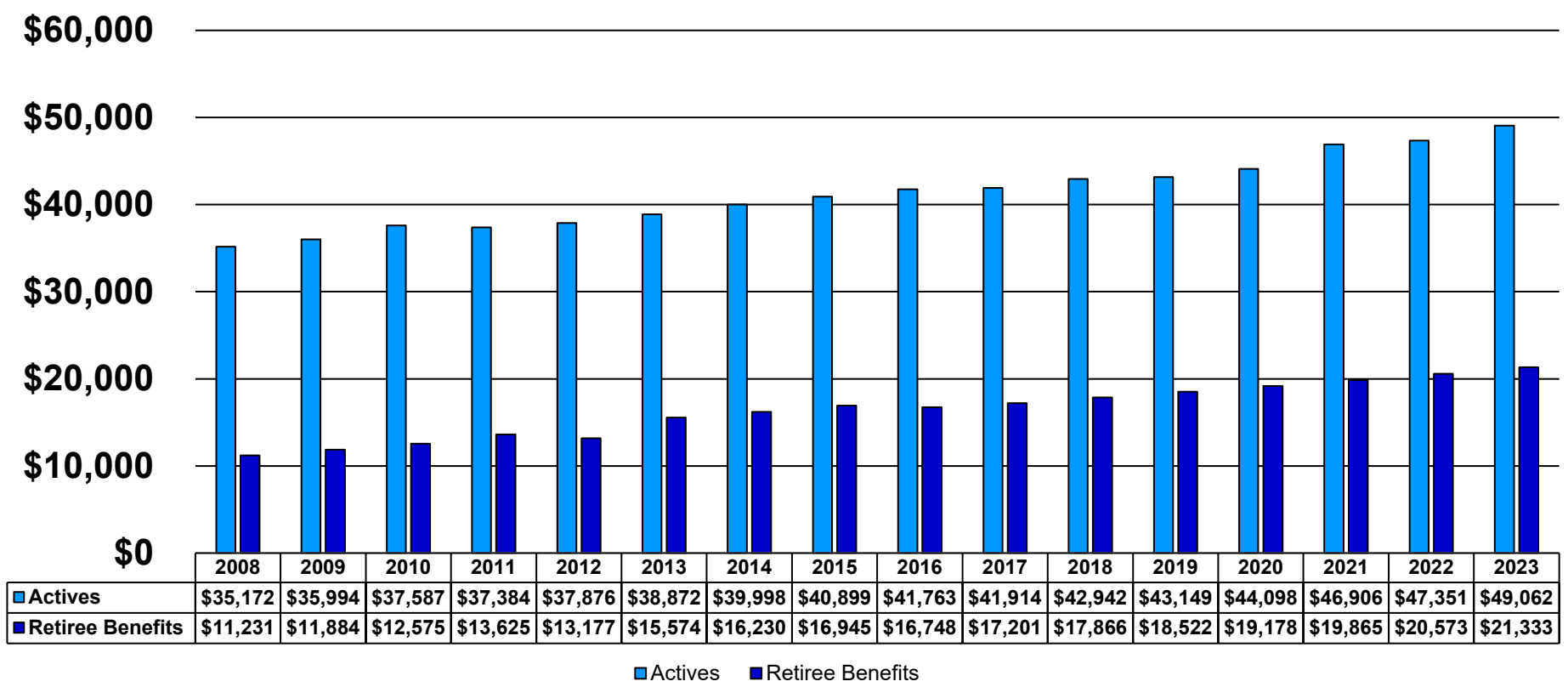
0.3% annual increase for active members since 2008; 3.9% increase for 2023.

2.9% annual increase for retired members since 2008; 1.35% increase for 2023.

0.6 retirees per active 15 years ago; 0.86 retirees per active now.



PERS Average Salary and Benefits



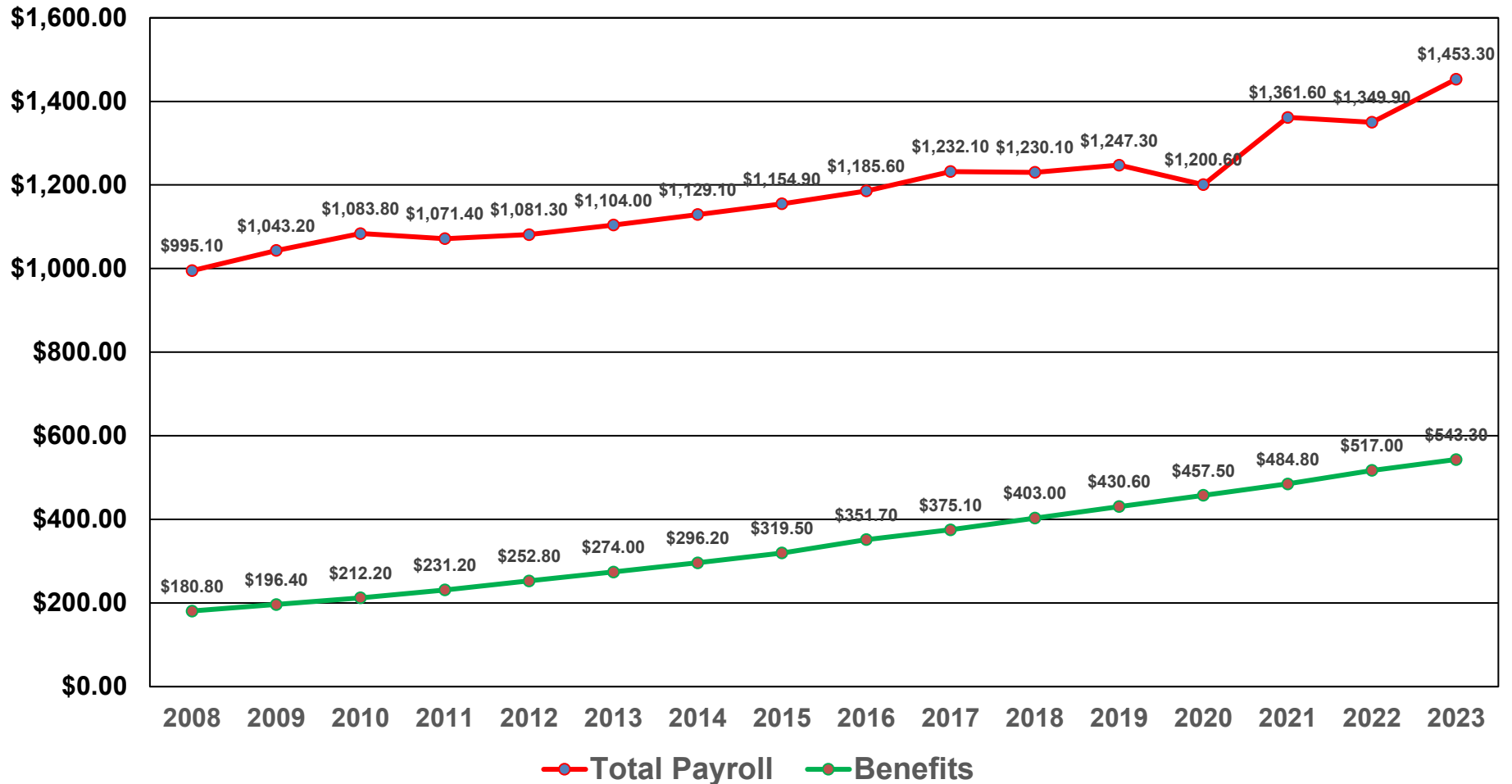
2.2% annual increase for average salary since 2008; 3.6% increase for 2023.

4.3% annual increase for average benefits since 2008; 3.3% increase for 2023.



PERS Payroll & Benefits

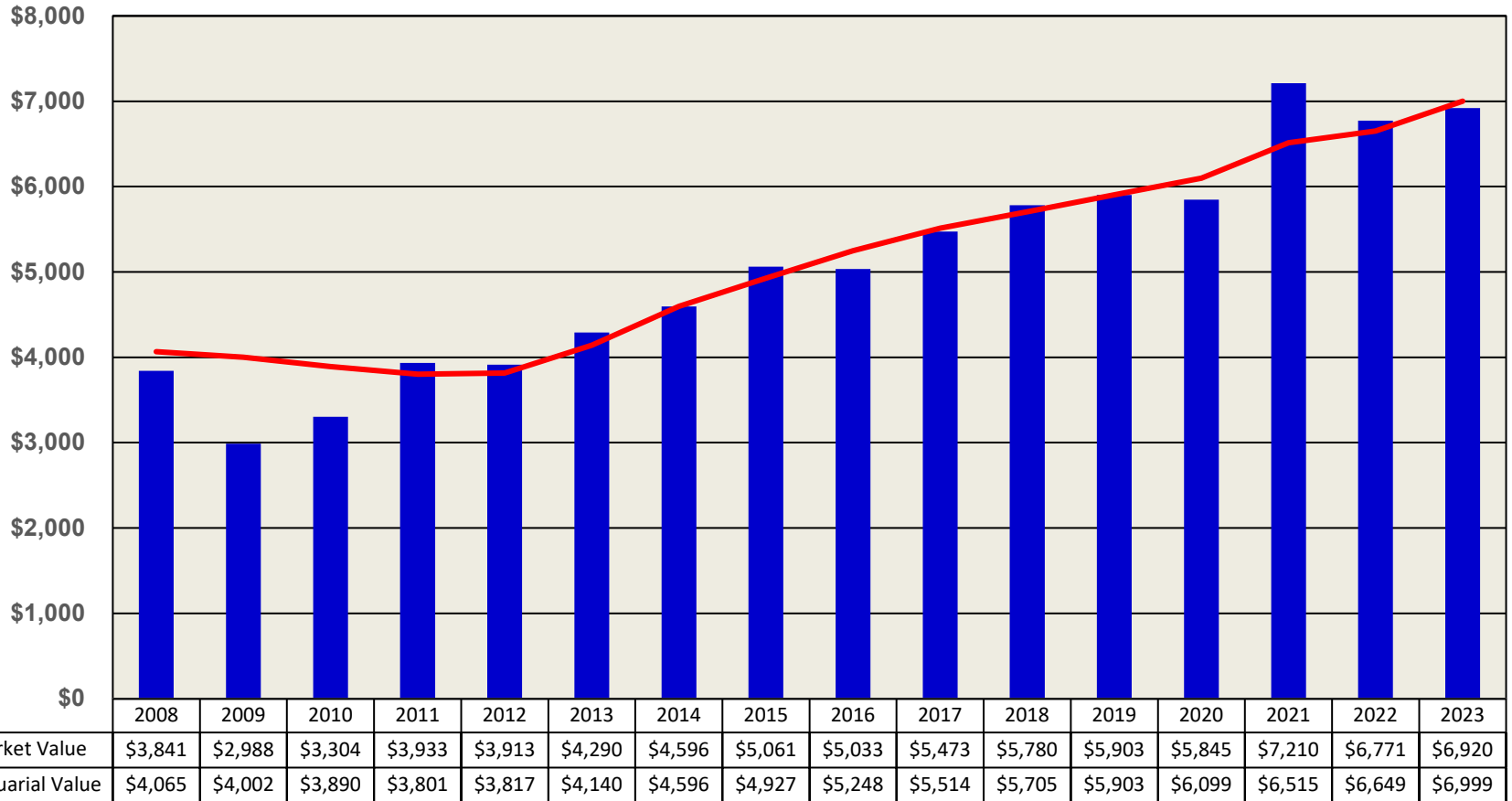
(\$ Millions)





PERS Assets

(\$ Millions)

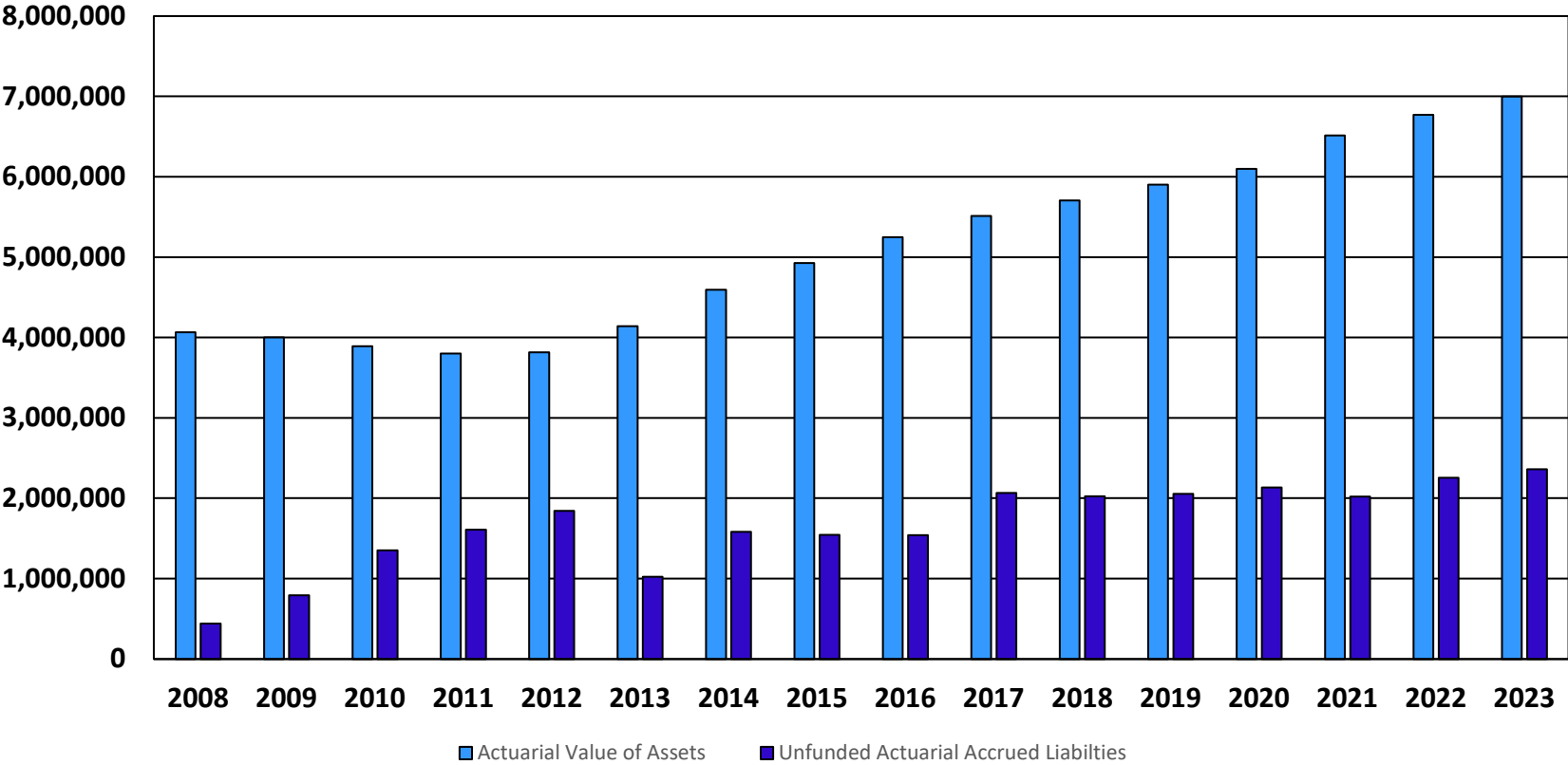


| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------|--------|---------|--------|--------|------|-------|-------|------|------|-------|------|------|------|-------|--------|-------|
| Market Return | (4.9)% | (20.9)% | 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)% | 8.35% |
| Actuarial Return | 7.6% | (0.2)% | (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% | 7.55% |



PERS Actuarial Assets vs UAAL

(\$ Millions)





PERS Funding Results

| | July 1, 2022 Valuation | July 1, 2023 Valuation |
|-------------------------------|------------------------|------------------------|
| Total Normal Cost Rate | 9.72% | 9.45% |
| Rate to Amortize UAL | 7.21% | 7.58% |
| Transfer to DB Education Fund | <u>0.04%</u> | <u>0.04%</u> |
| Statutory Funding Rate* | 16.97% | 17.07% |
| | | |
| Actuarial Accrued Liability | \$9,026.8 million | \$9,361.8 million |
| Actuarial Value of Assets | \$6,770.8 million | \$6,999.3 million |
| Unfunded Accrued Liability | \$2,256.0 million | \$2,361.8 million |
| Funded Ratio | 75.01% | 74.77% |
| Amortization Period* | 32 Years | 28 Years |

* Reflects anticipated increases in employer supplemental contribution rates and projected State revenue. Payable in fiscal year immediately following the valuation date.



Valuation Results - Other Plans

| System | Funded Ratio | | Amortization Period | | Statutory Rate | Total Normal Cost Rate | |
|---------|--------------|------|---------------------|------|---------------------|------------------------|-----------|
| | 2022 | 2023 | 2022 | 2023 | | 2022 | 2023 |
| JRS*** | 174% | 181% | 0 | 0 | 7.00% | 27.24% | 26.76% |
| HPORS** | 66% | 67% | 47 | 25 | 51.38% | 28.78% | 26.89% |
| SRS | 79% | 78% | 33 | 25 | 23.61% | 16.18% | 15.81% |
| GWPORS | 83% | 82% | DNA | 25 | 21.12% | 18.50% | 17.92% |
| MPORS | 71% | 72% | 24 | 21 | 52.78% | 30.19% | 30.01% |
| FURS | 81% | 82% | 12 | 10 | 57.67% | 45.83% | 43.72% |
| VFCA* | 91% | 98% | 3 | 1 | 5% of premium taxes | \$1,060,482 | \$796,125 |

* The actual contributions for the fiscal year ending 2022 and 2023 were \$2,851,975 and \$3,156,488, respectively.

** Calculation of amortization period includes state special revenue transfers.

*** Employer contribution rate beginning July 1, 2023 is 0.00% of payroll pursuant to HB 569 and the institution of layered amortization for this fiscal year.

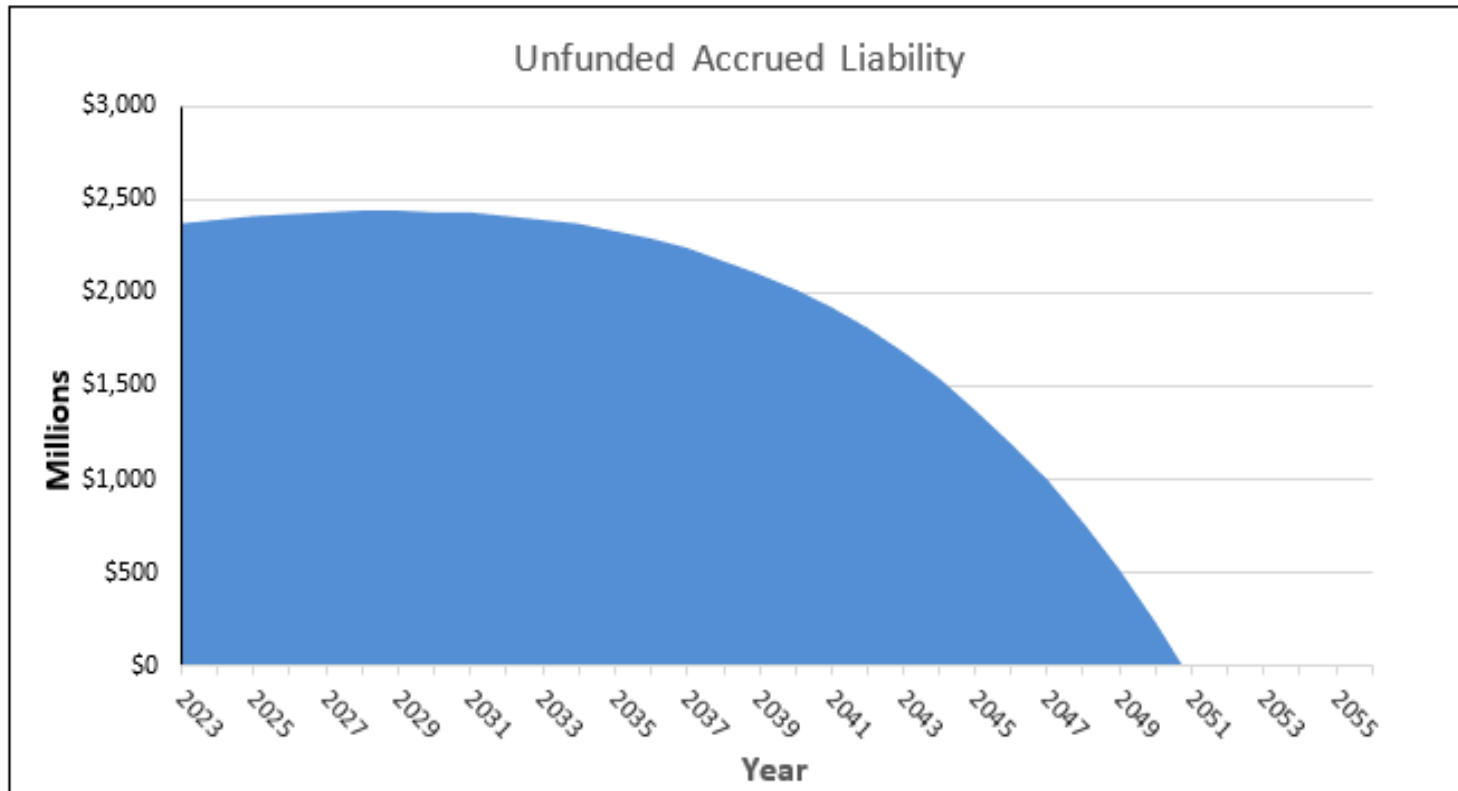


FY 2025 ADEC Rates

| System | 2023 Legacy UAAL | Remaining Payments | Employer Statutory Rate for FY2024 | ADEC Rate for FY2025 | Annual Payment |
|--------|------------------|--------------------|------------------------------------|----------------------|----------------|
| JRS | (\$59,258,266) | 25 | 0.00% | 0.00% | \$0 |
| HPORS | \$67,030,916 | 25 | 38.33% | 34.40% | \$4,241,920 |
| SRS | \$114,928,074 | 25 | 13.115% | 12.074% | \$7,272,998 |
| GWPORS | \$22,211,268 | 25 | 10.56% | 9.62% | \$1,405,597 |



Progress Toward 100% Funding



Projected UAAL- Level % of Pay