

# LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor  
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Deputy Legislative Auditors:  
Cindy Jorgenson  
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## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

### ***Introduction***

We have audited the Employer Contribution column for the fiscal year ended June 30, 2017, and the Employer Proportion based on Employer Contributions column as of June 30, 2017, on the accompanying schedule of Employer Proportionate Share Allocations for the Game Wardens' and Peace Officers' Retirement System. We have also audited the Net Pension Liability - Employer total as of June 30, 2017, Total Collective Deferred Outflows total, Total Collective Deferred Inflows total, and Proportionate Share of Plan Pension Expense total included in the accompanying schedule of Employer Proportionate Share Allocations of the Game Wardens' and Peace Officers' Retirement System as of and for the fiscal year ended June 30, 2017, for the purpose of employer financial reporting for fiscal year 2018. In addition, we have audited the related notes to the schedule.

### ***Management's Responsibility for the Schedule***

Management, the Public Employees' Retirement Board, and its staff, the Montana Public Employee Retirement Administration (MPERA), is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on the Employer Contribution column for the fiscal year ended June 30, 2017, and the Employer Proportion based on Employer Contributions column as of June 30, 2017, and the specified total amounts included on the schedule of Employer Proportionate Share Allocations as of and for the fiscal year ended June 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Employer Contribution and Employer Proportion based on Employer Contributions columns, and the specified total amounts on the schedule of Employer Proportionate Share Allocations are free from material misstatement. This report does not include the results of our testing of internal control over financial reporting or compliance and other matters; results are addressed through our separately issued financial audits of the Public Employees' Retirement Board.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures on the Employer Contribution and Employer Proportion based on Employer Contributions columns, and the specified total amounts on the schedule of Employer Proportionate Share Allocations. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MPERA's preparation and fair presentation of the Employer Contribution and Employer Proportion based on Employer Contributions columns, and specified total amounts on the schedule of Employer Proportionate Share Allocations in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MPERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by MPERA, as well as evaluating the overall presentation of the Employer Contribution and Employer Proportion based on Employer Contributions columns, and the specified total amounts on the schedule of Employer Proportionate Share Allocations.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the Employer Contribution column (page 1), the Employer Proportion based on Employer Contributions column as of June 30, 2017 (page 2), and the specified total amounts summarized in the table below are presented fairly, in all material respects, in the schedule of Employer Proportionate Share Allocations for the Game Wardens' and Peace Officers' Retirement System as of and for the fiscal year ended June 30, 2017, for the purpose of employer financial reporting for fiscal year 2018, in accordance with accounting principles generally accepted in the United States of America.

| <b>Specified Amounts from the Schedule of Employer Proportionate Share Allocations for the Game Wardens' and Peace Officers' Retirement System as of the June 30, 2017 Measurement Date</b> | <b>Total Amount</b> | <b>Page Number</b> |
|---|---------------------|--------------------|
| Total Net Pension Liability-Employer  | \$37,360,318        | 2                  |
| Total Collective Deferred Outflows  | \$9,917,339         | 3                  |
| Total Collective Deferred Inflows   | \$541,472           | 4                  |
| Proportionate Share of Plan Pension Expense   | \$7,386,283         | 5                  |

**Other Matters**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Public Employees' Retirement Board as of and for the fiscal year ended June 30, 2017, and our report thereon, dated December 20, 2017, expressed an unmodified opinion on those financial statements. The Game Wardens' and Peace Officers' Retirement System is one of several retirement systems that are included in the board's financial statements referred to above.

The opinion on the financial statements discussed in the paragraph above contained an emphasis of matter paragraph stating that two retirement systems, including the Game Wardens' and Peace Officers' Retirement System, were not actuarially sound at June 30, 2017, as required by the Montana Constitution. The Game Wardens' and Peace Officers' Retirement System amortizes in 70 years. The maximum allowable amortization period is 30 years, as defined by state law. Our opinion was not modified with respect to this matter.

The Schedule of Employer Proportionate Share Allocation for the Game Wardens' and Peace Officers' Retirement System as of and for the fiscal year ended June 30, 2017, for the purpose of employer financial reporting for fiscal year 2018, includes partial prior-year comparative information. Such information does not include all information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the schedule of Employer Proportionate Share Allocations for the Game Wardens' and Peace Officers' Retirement System for the fiscal year ended June 30, 2016, for the purpose of employer financial reporting for fiscal year 2017, from which such partial information was derived.

**Restriction on Use**

Our report is intended solely for the information and use of the Public Employees' Retirement Board and its auditor, Montana Public Employees' Retirement Administration management, Game Wardens' and Peace Officers' Retirement System employers and their auditors, and the Montana Legislature. It is not intended to be, and should not be used by anyone other than those specified parties.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

June 18, 2018

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

**Contributions for Fiscal Year Ending June 30, 2017**

|  | <u>Member Rate</u> | <u>Employer Rate</u> | <u>Employer Contribution</u> |
|--|--------------------|----------------------|------------------------------|
| <b>Total</b>                                     |                    |                      | \$ 4,429,016                 |
| <u>Employer</u> <u>Employer</u>                  |                    |                      |                              |
| 6802 GW6401 DEPARTMENT OF CORRECTIONS            | 10.56%             | 9.00%                | 3,115,753                    |
| 6667 GW5201 DEPARTMENT OF FISH, WILDLIFE & PARKS | 10.56%             | 9.00%                | 588,050                      |
| 6712 GW5603 DEPARTMENT OF LIVESTOCK              | 10.56%             | 9.00%                | 124,048                      |
| 6689 GW5401 DEPARTMENT OF TRANSPORTATION         | 10.56%             | 9.00%                | 371,521                      |
| 6647 GW5106 MONTANA STATE UNIVERSITY - BILLINGS  | 10.56%             | 9.00%                | 36,568                       |
| 6645 GW5104 MONTANA STATE UNIVERSITY - BOZEMAN   | 10.56%             | 9.00%                | 105,844                      |
| 6644 GW5103 GW9103 UNIVERSITY OF MONTANA         | 10.56%             | 9.00%                | 87,231                       |

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

|                 |                 |                                      | <b>Net Pension Liability as of June 30, 2017</b> |  | <b>Net Pension Liability as of June 30, 2016</b> |  |
|-----------------|-----------------|--------------------------------------|--|--|--|--|
|                 |                 |                                      | <u>Net Pension Liability - Employer</u>          | <u>Employer Proportion based on Employer Contributions</u> | <u>Net Pension Liability - Employer</u>          | <u>Employer Proportion based on Employer Contributions</u> |
| <b>Total</b>    |                 |                                      | \$ 37,360,318                                    | 100.000000%  | \$ 32,849,321                                    | 100.000000%  |
| <u>Employer</u> | <u>Employer</u> |                                      |  |  |  |  |
| 6802            | GW6401          | DEPARTMENT OF CORRECTIONS            | 26,282,476                                       | 70.348642%   | 23,056,416                                       | 70.188410%   |
| 6667            | GW5201          | DEPARTMENT OF FISH, WILDLIFE & PARKS | 4,960,407  | 13.277209%   | 4,413,726  | 13.436277%   |
| 6712            | GW5603          | DEPARTMENT OF LIVESTOCK              | 1,046,391  | 2.800809%  | 780,181  | 2.375030%  |
| 6689            | GW5401          | DEPARTMENT OF TRANSPORTATION         | 3,133,915  | 8.388352%  | 2,804,336  | 8.536968%  |
| 6647            | GW5106          | MONTANA STATE UNIVERSITY - BILLINGS  | 308,467  | 0.825654%  | 274,387  | 0.835289%  |
| 6645            | GW5104          | MONTANA STATE UNIVERSITY - BOZEMAN   | 892,835  | 2.389796%  | 814,923  | 2.480792%  |
| 6644            | GW5103          | GW9103 UNIVERSITY OF MONTANA         | 735,826  | 1.969538%  | 705,352  | 2.147234%  |

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

|                 |                 |                                      |  |   |                                 |  | <b>Deferred Outflows of Resources as of June 30, 2017</b>   |   |  |  |
|-----------------|-----------------|--------------------------------------|--|---|---------------------------------|--|---|---|--|--|
|                 |                 |                                      | Difference<br>Between<br>Expected<br>and Actual<br><u>Experience</u> | Net Difference<br>Between Projected<br>Actual Investment<br>and Actual Investment<br>Earnings of Pension<br><u>Plan Investments</u> | Change of<br><u>Assumptions</u> | Total<br>Collective<br>Deferred<br><u>Outflows</u> | Changes in Proportion<br>and Differences<br>Between Employer<br>Contributions<br>and Proportionate<br><u>Share of Contributions</u> | To be filled in by Employer<br>Employer<br>Contributions<br>Subsequent<br>to the<br><u>Measurement Date</u> |  |  |
| <b>Total</b>    |                 |                                      | \$ 5,215,264   | \$ -  | \$ 4,702,075                    | \$ 9,917,339                                       | \$ 161,825  |   |  |  |
| <u>Employer</u> | <u>Employer</u> |                                      |  |   |                                 |  |   |   |  |  |
| 6802            | GW6401          | DEPARTMENT OF CORRECTIONS            | 3,668,867  | -   | 3,307,846                       | 6,976,713  | 98,076  | #   |  |  |
| 6667            | GW5201          | DEPARTMENT OF FISH, WILDLIFE & PARKS | 692,441  | -   | 624,304                         | 1,316,746  | 29,053  | #   |  |  |
| 6712            | GW5603          | DEPARTMENT OF LIVESTOCK              | 146,070  | -   | 131,696                         | 277,766  | 34,695  | #   |  |  |
| 6689            | GW5401          | DEPARTMENT OF TRANSPORTATION         | 437,475  | -   | 394,427                         | 831,901  | -   | #   |  |  |
| 6647            | GW5106          | MONTANA STATE UNIVERSITY - BILLINGS  | 43,060   | -   | 38,823                          | 81,883   | -   | #   |  |  |
| 6645            | GW5104          | MONTANA STATE UNIVERSITY - BOZEMAN   | 124,634  | -   | 112,370                         | 237,004  | -   | #   |  |  |
| 6644            | GW5103          | GW9103 UNIVERSITY OF MONTANA         | 102,717  | -   | 92,609                          | 195,326  | -   | #   |  |  |

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

|                 |                 |                                      | <b>Deferred Inflows of Resources as of June 30, 2017</b>             |   |                                 |   |   |
|-----------------|-----------------|--------------------------------------|--|---|---------------------------------|---|---|
|                 |                 |                                      | Difference<br>Between<br>Expected<br>and Actual<br><u>Experience</u> | Net Difference<br>Between Projected<br>Actual Investment<br>and Actual Investment<br>Earnings of Pension<br><u>Plan Investments</u> | Change of<br><u>Assumptions</u> | Total<br>Collective<br>Deferred<br><u>Inflows</u> | Changes in Proportion<br>and Differences<br>Between Employer<br>Contributions<br>and Proportionate<br><u>Share of Contributions</u> |
| <b>Total</b>    |                 |                                      | \$ -   | \$ 541,472  | \$ -                            | \$ 541,472  | \$ 161,824  |
| <u>Employer</u> | <u>Employer</u> |                                      |  |   |                                 |   |   |
| 6802            | GW6401          | DEPARTMENT OF CORRECTIONS            | -  | 380,918   | -                               | 380,918   | -   |
| 6667            | GW5201          | DEPARTMENT OF FISH, WILDLIFE & PARKS | -  | 71,892  | -                               | 71,892  | -   |
| 6712            | GW5603          | DEPARTMENT OF LIVESTOCK              | -  | 15,166  | -                               | 15,166  | -   |
| 6689            | GW5401          | DEPARTMENT OF TRANSPORTATION         | -  | 45,421  | -                               | 45,421  | 75,424  |
| 6647            | GW5106          | MONTANA STATE UNIVERSITY - BILLINGS  | -  | 4,471   | -                               | 4,471   | 11,065  |
| 6645            | GW5104          | MONTANA STATE UNIVERSITY - BOZEMAN   | -  | 12,940  | -                               | 12,940  | 54,489  |
| 6644            | GW5103          | GW9103 UNIVERSITY OF MONTANA         | -  | 10,664  | -                               | 10,664  | 20,847  |

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

|                 |                 |                                      | <b>Pension Expense as of June 30, 2017</b>                     |   |  |
|-----------------|-----------------|--------------------------------------|--|---|--|
|                 |                 |                                      | Proportionate<br>Share of<br>Plan<br>Pension<br><u>Expense</u> | Deferred Amounts from<br>Changes in Proportion and<br>Differences Between<br>Employer Contributions<br>and Proportionate<br><u>Share of Contributions</u> | Total<br>Employer<br>Pension<br><u>Expense</u> |
| <b>Total</b>    |                 |                                      | \$ 7,386,283   | \$ 0  | \$ 7,386,283                                   |
| <u>Employer</u> | <u>Employer</u> |                                      |  |   |  |
| 6802            | GW6401          | DEPARTMENT OF CORRECTIONS            | 5,196,150  | 24,519  | 5,220,669                                      |
| 6667            | GW5201          | DEPARTMENT OF FISH, WILDLIFE & PARKS | 980,692  | 7,263   | 987,955  |
| 6712            | GW5603          | DEPARTMENT OF LIVESTOCK              | 206,876  | 8,674   | 215,550  |
| 6689            | GW5401          | DEPARTMENT OF TRANSPORTATION         | 619,587  | (18,856)  | 600,731  |
| 6647            | GW5106          | MONTANA STATE UNIVERSITY - BILLINGS  | 60,985   | (2,766)   | 58,219   |
| 6645            | GW5104          | MONTANA STATE UNIVERSITY - BOZEMAN   | 176,517  | (13,622)  | 162,895  |
| 6644            | GW5103          | GW9103 UNIVERSITY OF MONTANA         | 145,476  | (5,212)   | 140,264  |

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

**Recognition of  
Deferred Outflows and Deferred Inflows as of June 30, 2017**

|  | <u>2018</u>  | <u>2019</u>  | <u>2020</u>  | <u>2021</u>  | Future Year<br><u>Deferrals</u> |
|--|--------------|--------------|--------------|--------------|---------------------------------|
| <b>Total</b>                                     | \$ 1,564,406 | \$ 3,761,209 | \$ 2,871,354 | \$ 1,178,898 | \$ -                            |
| <u>Employer</u> <u>Employer</u>                  |              |              |              |              |                                 |
| 6802 GW6401 DEPARTMENT OF CORRECTIONS            | 1,100,538    | 2,645,959    | 2,019,959    | 829,339      | -                               |
| 6667 GW5201 DEPARTMENT OF FISH, WILDLIFE & PARKS | 207,709      | 499,384      | 381,236      | 156,525      | -                               |
| 6712 GW5603 DEPARTMENT OF LIVESTOCK              | 43,816       | 105,344      | 80,421       | 33,019       | -                               |
| 6689 GW5401 DEPARTMENT OF TRANSPORTATION         | 131,228      | 315,503      | 240,859      | 98,890       | -                               |
| 6647 GW5106 MONTANA STATE UNIVERSITY - BILLINGS  | 12,917       | 31,055       | 23,707       | 9,734        | -                               |
| 6645 GW5104 MONTANA STATE UNIVERSITY - BOZEMAN   | 37,386       | 89,885       | 68,620       | 28,173       | -                               |
| 6644 GW5103 GW9103 UNIVERSITY OF MONTANA         | 30,812       | 74,078       | 56,552       | 23,219       | -                               |



**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

**Sensitivity of Employer's Proportionate Share  
of the Net Pension Liability as of June 30, 2017**

|   | 1% Decrease<br><u>6.65%</u> | Discount Rate<br><u>7.65%</u> | 1% Increase<br><u>8.65%</u> |
|---|-----------------------------|-------------------------------|-----------------------------|
| <b>Total</b>  | \$ 70,054,894               | \$ 37,360,318                 | \$ 10,735,666               |
| <u>Employer</u> <u>Employer</u>                       |                             |                               |                             |
| 6802 GW6401      DEPARTMENT OF CORRECTIONS            | 49,282,667                  | 26,282,476                    | 7,552,395                   |
| 6667 GW5201      DEPARTMENT OF FISH, WILDLIFE & PARKS | 9,301,335                   | 4,960,407                     | 1,425,397                   |
| 6712 GW5603      DEPARTMENT OF LIVESTOCK              | 1,962,104                   | 1,046,391                     | 300,686                     |
| 6689 GW5401      DEPARTMENT OF TRANSPORTATION         | 5,876,451                   | 3,133,915                     | 900,545                     |
| 6647 GW5106      MONTANA STATE UNIVERSITY - BILLINGS  | 578,411                     | 308,467                       | 88,639                      |
| 6645 GW5104      MONTANA STATE UNIVERSITY - BOZEMAN   | 1,674,169                   | 892,835                       | 256,561                     |
| 6644 GW5103    GW9103    UNIVERSITY OF MONTANA        | 1,379,758                   | 735,826                       | 211,443                     |

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

**Schedule of Employer's Proportionate Share  
of the Net Pension Liability as of June 30, 2017**

|  | Net Pension<br>Liability<br><u>Employer</u> | Employer's<br>Covered<br><u>Payroll</u> | Employer's<br>Proportionate<br>Share as a %<br>of Covered<br><u>Payroll</u> | Plan Fiduciary<br>Net Position as a<br>% of Total<br><u>Pension Liability</u> |
|--|---|---|---|---|
| <b>Total</b>                                     | \$ 37,360,318                               | \$ 49,211,319                           |   |   |
| <u>Employer</u> <u>Employer</u>                  |   |   |   |   |
| 6802 GW6401 DEPARTMENT OF CORRECTIONS            | 26,282,476                                  | 34,619,520                              | 75.92%  | 82.48%  |
| 6667 GW5201 DEPARTMENT OF FISH, WILDLIFE & PARKS | 4,960,407                                   | 6,533,881                               | 75.92%  | 82.48%  |
| 6712 GW5603 DEPARTMENT OF LIVESTOCK              | 1,046,391                                   | 1,378,311                               | 75.92%  | 82.48%  |
| 6689 GW5401 DEPARTMENT OF TRANSPORTATION         | 3,133,915                                   | 4,128,008                               | 75.92%  | 82.48%  |
| 6647 GW5106 MONTANA STATE UNIVERSITY - BILLINGS  | 308,467                                     | 406,315                                 | 75.92%  | 82.48%  |
| 6645 GW5104 MONTANA STATE UNIVERSITY - BOZEMAN   | 892,835                                     | 1,176,049                               | 75.92%  | 82.48%  |
| 6644 GW5103 GW9103 UNIVERSITY OF MONTANA         | 735,826                                     | 969,235                                 | 75.92%  | 82.48%  |

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

**Schedule of Employer Contributions as of June 30, 2017**

|  | Contractually<br>Required<br><u>Contribution</u> | Contributions in<br>Relation to the<br>Contractually Required<br><u>Contributions</u> | Contribution<br>Deficiency<br><u>(Excess)</u> | Employer's<br>Covered<br><u>Payroll</u> | Contributions<br>as %<br>Covered<br><u>Payroll</u> |
|--|--|---|---|---|--|
| <b>Total</b>                                     | \$ 4,429,016                                     | \$ 4,429,016  | \$ -  | \$ 49,211,319                           |  |
| <u>Employer</u> <u>Employer</u>                  |  |   |   |   |  |
| 6802 GW6401 DEPARTMENT OF CORRECTIONS            | 3,115,753  | 3,115,753   | -   | 34,619,520                              | 9.00%  |
| 6667 GW5201 DEPARTMENT OF FISH, WILDLIFE & PARKS | 588,050  | 588,050   | -   | 6,533,881                               | 9.00%  |
| 6712 GW5603 DEPARTMENT OF LIVESTOCK              | 124,048  | 124,048   | -   | 1,378,311                               | 9.00%  |
| 6689 GW5401 DEPARTMENT OF TRANSPORTATION         | 371,521  | 371,521   | -   | 4,128,008                               | 9.00%  |
| 6647 GW5106 MONTANA STATE UNIVERSITY - BILLINGS  | 36,568   | 36,568  | -   | 406,315                                 | 9.00%  |
| 6645 GW5104 MONTANA STATE UNIVERSITY - BOZEMAN   | 105,844  | 105,844   | -   | 1,176,049                               | 9.00%  |
| 6644 GW5103 GW9103 UNIVERSITY OF MONTANA         | 87,231   | 87,231  | -   | 969,235                                 | 9.00%  |

# **Public Employees' Retirement Board (PERB)**

A Component Unit of the State of Montana

Game Wardens' and Peace Officers' Retirement System (GWPORS)

Notes to the Employer Proportionate Share Allocations

June 30, 2018

The Schedule of Employer Proportionate Share Allocations provides the required information under GASB Statement 68 for the GWPORS Multiple-Employer, Cost Sharing Plan (the Plan). The individual participating employers should use this information along with fiscal year 2018 contribution data to prepare financial reports in accordance with GASB Statement 68.

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end. The schedules provided with this report are for employers who are using a June 30, 2017 measurement date for their 2018 reporting.

As allowed by GASB Statement 68, the basis for the total pension liability as of June 30, 2017, was determined by taking the results of the June 30, 2016 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

## Employer Proportionate Share Allocations

Under the direction and oversight of the Public Employees' Retirement Board (PERB), Cavanaugh Macdonald Consulting LLC prepared the schedule and calculated the total pension liability; however, responsibility for the schedule remains with the Montana Public Employee Retirement Administration (MPERA) management, staff of the PERB. The Employer Proportionate Share Allocations schedule was extracted from the GASB 68 Report, with totals for all employer-contributing entities at the top of each page.

The financial statements of the PERB *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. Both reports are available on the MPERA website.

## Assumptions

The calculations in the GASB 68 Report used the same facts and assumptions found in the FY2017 GWPORS Actuary Valuation report. The Summary of Results for the pension plan, which includes financial statement information and membership information; Actuarial Procedures and Methods; and Summary of Benefit Provisions are contained in the report.

#### Employer Proportionate Share Allocations - Contributions

The schedule, on page 1, provides information on the measurement date (FY2017) regarding the contribution percentages and contribution amounts for individual employers.

State law defines contributions to the Plan as a percentage of salary and is consistent for all employers. The Plan's actuarial assumptions reflect the current demographics of all employers, along with the employer's expected long-term contribution effort to the Plan in relation to other employers.

#### Employer Proportionate Share Allocations - Net Pension Liability

The schedule, on page 2, provides the proportionate share and the net pension liability for the employers for fiscal years 2016 and 2017. The calculation of proportionate share used actual contributions made to the Plan during the measurement period (FY2017). The net pension liability component used the proportionate share allocation of the collective pension amounts for the employers.

The ratio of employer's contributions to total contributions from all employers equals the employer's proportionate share.

#### Employer Proportionate Share Allocations - Deferred Outflows and Deferred Inflows

Presented on pages 3-4 are the Deferred Outflows and Deferred Inflows by source. Since the amortization of certain expense items are over closed periods each year, the deferred portions of these items must be tracked annually. If they increased pension expense, they are labeled deferred outflows. If the amounts reduced pension expense, they are labeled deferred inflows. The amortization of amounts are calculated on a level dollar basis, with no interest included in the deferred amounts. The Total Collective Deferred Outflows and Total Collective Deferred Inflows columns are for audit purposes as the audit provides assurance of the total collective deferrals, not the individual components of the deferred items. The total collective deferred amounts in the schedule are not inclusive of the changes in proportion and differences between employer contributions and proportionate share of contributions. The total collective deferred outflows are also not inclusive of the employer contributions subsequent to the measurement date. The number signs (#) displayed in the column indicates the employer must obtain and enter this information for their FY2018 reporting. Employers should report the changes in proportion and differences between employer contributions and proportionate share of contributions and the employer contributions subsequent to the measurement date, as applicable.

#### Employer Proportionate Share Allocations - Pension Expense

Page 5 lists the amount of Pension Expense. Pension expense includes amounts for service cost (the annual normal cost under the entry age normal actuarial cost method), interest on the total pension liability, changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses.

The unrecognized portion of each year's experience, assumption changes and investment gains/losses are used to develop deferred outflows and inflows, which must be included in the employer's financial statements.

### Gains, Losses and Assumption Changes

The experience gains or losses are the portion of current year change in total pension liability due to actual versus expected experience for the year. The portion recognized in the current year was determined by spreading the total change, including any assumption change impacts, over the average expected remaining service life of the entire Plan membership. The average expected remaining service life was estimated at five years. Investment gains and losses are recognized over five years.

For FY2018 reporting, there was a total actuarial experience loss. This total loss is a result of a loss in the financial experience and changes in actuarial assumptions and methods, along with a gain in the benefit changes. Detailed below are the benefit, contribution, assumption and method changes for FY2018 reporting.

The benefit changes were:

- Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.
- Working Retiree Limitations apply to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired and who accrue at least 5 years of service credit before terminating service again.
- Effective July 1, 2017, lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

There have been no contribution changes since the previous valuation.

Since the June 30, 2016 valuation, the PERB adopted the recommendations made in the experience study for the six-year period ending June 30, 2016.

The assumption changes outlined below, effective July 1, 2017, were used in the June 30, 2017 actuarial valuation.

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased the rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.

The method changes outlined below, effective July 1, 2017, were used in the June 30, 2017 actuarial valuation.

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

### Employer Notes and Disclosures

As required by GASB Statement 68, the information on pages 6-9 of the Employer Proportionate Share Allocations schedule are for the employer's use in their notes and required supplementary information disclosures. The Recognition of Deferred Outflows and Deferred Inflows are on page 6; the Sensitivity of Employer's Proportionate Share of the Net Pension Liability on page 7 shows the sensitivity of the net pension liability to the discount rate. A small change in the discount rate can create a significant change in the net pension liability. Listed on page 8, the Schedule of Employer's Proportionate Share of the Net Pension Liability for 2017 includes the Employer's Covered Payroll and the ratios of the Employer's Proportionate Share as a percent of Covered Payroll and the Plan Fiduciary Net Position as a percent of Total Pension Liability. Page 9, the Schedule of Employer Contributions includes the Contractually Required Contribution, the Contributions in Relation to the Contractually Required Contributions, and the Contribution Deficiency (Excess). The final columns present the Employer's Covered Payroll and the Contributions as a percent of Covered Payroll.