

BEFORE THE PUBLIC EMPLOYEES' RETIREMENT BOARD
OF THE STATE OF MONTANA

In the matter of the amendment of)	NOTICE OF PROPOSED
ARM 2.43.1306 pertaining to actuarial)	AMENDMENT
rates and assumptions and ARM)	
2.43.2309, 2.43.2310 and 2.43.2319)	NO PUBLIC HEARING
pertaining to service purchases)	CONTEMPLATED

TO: All Concerned Persons

1. On September 8, 2017, the Public Employees' Retirement Board proposes to amend the above-stated rules.

2. The Public Employees' Retirement Board will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. If you require an accommodation, contact Montana Public Employee Retirement Administration no later than 5:00 p.m. on July 14, 2017, to advise us of the nature of the accommodation that you need. Please contact Kris Vlastic, Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana, 59620-0131; telephone (406) 444-2578; fax (406) 444-5428; TDD (406) 444-1421; or e-mail kvlastic@mt.gov.

3. The rules as proposed to be amended provide as follows, new matter underlined, deleted matter interlined:

2.43.1306 ACTUARIAL RATES AND ASSUMPTIONS (1) The actuary will present the actuarial data and recommend the board adopt specific rates and assumptions. The board in its discretion will adopt rates and assumptions and publish them in a board policy. The board adopts and incorporates by reference BOARD Admin 09 Actuarial Valuation Assumptions and Methods (approved ~~December 11, 2014~~) and ~~BOARD Admin 10 Actuarial Equivalence Option Factor Determination (approved June 10, 2010~~ June 8, 2017), providing actuarial rates, assumptions, and methods, and factors used for valuation and actuarial equivalence purposes. BOARD Admin 09 also contains the early retirement factor tables applicable to PERS, HPORS, and SRS.

(2) MPERA shall maintain a historical file of all rates, ~~or~~ assumptions, methods, and factors, including the current version. The file shall be open and readily available to the public. Copies of the assumptions and board ~~policies~~ policy BOARD Admin 09 ~~and BOARD Admin 10~~ may be obtained from MPERA, 100 North Park Avenue, Suite 200, P.O. Box 200131, Helena, MT 59620-0131, phone 1 (877) 275-7372, e-mail mpera@mt.gov and are available on MPERA's web site at www.mpera.mt.gov.

(3) This rule applies to all systems administered by MPERA, including the VFCA but excluding the defined contribution (401)(a) plan and the deferred compensation (457) plan.

AUTH: 19-2-403, MCA
IMP: 19-2-405, 19-17-107, MCA

STATEMENT OF REASONABLE NECESSITY: The Internal Revenue Service requires public pension systems to adopt actuarial assumptions, rates, methods, and factors in a manner that gives them the force and effect of law. The IRS requirement is an issue that may affect the qualified status of public pension retirement systems. Adopting the applicable actuarial assumptions, rates, methods, and factors into rule by reference gives them the force and effect of law.

The Public Employees' Retirement Board's actuary performs an experience study every five to seven years. Information obtained through the experience study is used by the actuary to update demographic and economic assumptions relied on when conducting annual valuations of the defined benefit retirement systems administered by the Board and to determine actuarial equivalent option factors as well as actuarial cost factors for all defined benefit retirement systems (Board Admin 09).

While preparing this notice of proposed amendment, the board staff noted duplication between board policies Board Admin 10 Actuarial Equivalence Option Factor Determination (approved June 10, 2010) and Board Admin 09 Actuarial Valuation Assumptions (approved December 11, 2014). Due to this duplication, the board voted at its meeting on June 8, 2017 to combine Board Admin 10 and Board Admin 09 together into a revised Board Admin 09 for easier reference and to avoid any further unnecessary policy duplication. In addition, the 2017 experience study resulted in the board's actuary recommending, and the board adopting, demographic and economic assumption revisions to Board Admin 09 mentioned above.

Since Board Admin 09 is adopted by reference, 2-4-307(3), MCA, requires that the amended policy also be adopted by reference. Therefore, it is necessary to amend the rule that adopts this policy by reference. In addition, since Board Admin 10 is no longer in existence, it is necessary to delete references to this policy in the rule.

Finally, while preparing this notice of proposed amendment, board staff noted subpart (3) of the rule did not contain an exclusionary reference to the 401(a) defined contribution retirement plan as it does with the 457(b) deferred compensation plan. The assumptions adopted by the board under this rule do not apply to the 401(a) defined contribution retirement plan. Therefore, the board proposes to add this specific exclusionary reference under this subpart (3).

2.43.2309 SERVICE PURCHASES BY INACTIVE VESTED MEMBERS

(1) through (2)(a) remain the same.

(b) Interest, ~~compounded monthly, will be charged from~~ equaling the actuarially assumed rate of return for the trust fund in effect on the member's most recent termination date ~~to when, will be charged and compounded monthly until~~ the member completes payment for the cost of the purchase:

~~(i) for members terminated prior to July 1, 2010, at an effective annual rate of 8% per year; and~~

~~(ii) for members terminated on or after July 1, 2010, at an effective annual rate of 7.75% per year.~~

(3) remains the same.

AUTH: 19-2-403, MCA

IMP: 19-2-603, 19-2-715, 19-2-908, 19-3-401, 19-5-301, 19-6-301, 19-7-301, 19-8-301, 19-9-301, 19-13-301, MCA

STATEMENT OF REASONABLE NECESSITY: Pursuant to 19-2-403(9), MCA and Board Admin 09, and based upon actuarial findings, the board adopted an interest rate of 7.65% effective July 1, 2017. This rate is applicable to interest charged for various types of service purchases, including purchase of service by inactive vested members. The proposed amendment is necessary to include the new rate and to allow future new rates to be included without the need for another rule amendment.

2.43.2310 PURCHASE OF FULL-TIME SERVICE OR "ONE-FOR-FIVE" SERVICE BY PART-TIME MEMBERS (1) through (2)(a) remain the same.

(b) retain the full-time service by paying the difference between the cost actually paid and the cost had the member been paid a full-time salary at the time of the purchase, plus interest: equaling the actuarially assumed rate of return for the trust fund in effect on the date of the member's purchase

~~(i) for members who purchased the service prior to July 1, 2010, at a rate of 8%; and~~

~~(ii) for members who purchased the service on or after July 1, 2010, at a rate of 7.75%.~~

AUTH: 19-2-403, MCA

IMP: 19-2-704, 19-2-715, MCA

STATEMENT OF REASONABLE NECESSITY: Pursuant to 19-2-403(9), MCA and Board Admin 09, and based upon actuarial findings, the board adopted an interest rate of 7.65% effective July 1, 2017. This rate is applicable to interest charged for various types of service purchases, including service purchases by part-time members. The proposed amendment is necessary to include the new rate and to allow future new rates to be included without the need for another rule amendment.

2.43.2319 PURCHASE OF "ONE-FOR-FIVE" SERVICE BY EMPLOYERS FOR REDUCTION IN FORCE EMPLOYEES (1) through (5) remain the same.

(6) A cost statement for the employer's portion of the cost of the one-for-five service will be sent to the member's former employer after the member terminates. The employer may pay the amount in full within one month of billing, or may select an installment plan of no more than ten years duration. Installment plans will include interest compounded monthly: at the actuarially assumed rate of return for the trust fund in effect on the date of the member's termination

~~(i) for members terminated prior to July 1, 2010, at an effective annual rate of~~

8%; and

~~(ii) for members terminated on or after July 1, 2010, at an effective annual rate of 7.75%.~~

(7) and (8) remain the same.

AUTH: 19-2-403, MCA

IMP: 19-2-706, MCA

STATEMENT OF REASONABLE NECESSITY: Pursuant to 19-2-403(9), MCA and Board Admin 09, and based upon actuarial findings, the board adopted an interest rate of 7.65% effective July 1, 2017. This rate is applicable to interest charged for various types of service purchases, including purchases of one-for-five service for employees subject to a reduction in force. The proposed amendment is necessary to include the new rate and to allow future new rates to be included without the need for another rule amendment.

4. Concerned persons may submit their data, views, or arguments concerning the proposed action in writing to: Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana, 59620-0131; telephone (406) 444-3154; fax (406) 444-5428; or e-mail mpera@mt.gov, and must be received no later than 5:00 p.m., July 21, 2017.

5. If persons who are directly affected by the proposed amendments wish to express their data, views, or arguments orally or in writing at a public hearing, they must make written request for a hearing and submit this request along with any written comments they have to Kris Vladic at the above address no later than 5:00 p.m., July 21, 2017.

6. If the Public Employees' Retirement Board receives requests for a public hearing on the proposed amendments from either 10 percent or 25, whichever is less, of the persons directly affected by the proposed amendment; from the appropriate administrative rule review committee of the Legislature; from a governmental subdivision or agency; or from an association having not less than 25 members who will be directly affected, a hearing will be held at a later date. Notice of the hearing will be published in the Montana Administrative Register. Ten percent of those directly affected has been determined to be 7,490 persons based on the following combined total of members, retirees, and beneficiaries in each defined benefit system administered by MPERA as of June 30, 2016: Public Employees' Retirement System - 62,816, Judges' Retirement System – 125, Highway Patrol Officers' Retirement System – 591, Sheriffs' Retirement System – 2,473, Game Wardens' and Peace Officers' Retirement System – 1,622, Municipal Police Officers' Retirement System – 1,703, Firefighters' Unified Retirement System – 1,369, Volunteer Firefighters' Compensation Act – 4,198, for a total of 74,897 persons.

7. The Public Employees' Retirement Board maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request

that includes the name, e-mail, and mailing address of the person to receive notices and specifies for which program the person wishes to receive notices. Notices will be sent by e-mail unless a mailing preference is noted in the request. Such written request may be mailed or delivered to the contact person in 4 above or may be made by completing a request form at any rules hearing held by the Public Employees' Retirement Board.

8. An electronic copy of this proposal notice is available through the Secretary of State's web site at <http://sos.mt.gov/ARM/Register>. The Secretary of State strives to make the electronic copy of this notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered. In addition, although the Secretary of State works to keep its web site accessible at all times, concerned persons should be aware that the web site may be unavailable during some periods, due to system maintenance or technical problems.

9. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

10. With regard to the requirements of 2-4-111, MCA, the Public Employees' Retirement Board has determined that the amendment of the above-referenced rules will not significantly and directly impact small businesses.

/s/ William Holahan
William Holahan
Legal Counsel
and Rule Reviewer

/s/ Sheena Wilson
Sheena Wilson
President
Public Employees' Retirement Board

Certified to the Secretary of State June 12, 2017.