



*For
Active Defined Benefit
Members*

Montana Public Employee Retirement Administration October 2010

This newsletter provides information to members who are covered under the following retirement systems administered by the Montana Public Employees' Retirement Administration (MPERA):

- Public Employees' (PERS)
- Highway Patrol Officers' (HPORS)
- Game Wardens' and Peace Officers' (GWPORS)
- Firefighters' Unified (FURS)
- Judges' (JRS)
- Sheriffs' (SRS)
- Municipal Police Officers' (MPORS)
- Volunteer Firefighters' Compensation Act (VFCA)

Message From The Executive Director



Dear Valued Members,

The Board and MPERA are committed to providing sustainable retirement benefits to its members and their beneficiaries. Defined benefit plans are perpetual long-term retirement vehicles. They assist the retiree by providing a stable guaranteed benefit for life. This benefit, in turn, helps the communities by providing a stable income for retirees to purchase basic necessities, even during economic stress. The impact of this purchasing power ripples through every community in the state. (See Pensions Benefit Montana's Economy on page 3.)

In March, the Board bid farewell to John Paull who recently served as Board President. We appreciate his service and dedication to members and beneficiaries during his term. Mr. Paull served in the capacity of an active member. We welcome Mr. Scott Moore to replace him. Mr. Moore is a firefighter from Miles City.

Staff and Board also said good-bye to long-term employee, Kim Flatow. Ms. Flatow served MPERA for over 35 years, most recently as the Member Services Bureau Chief. Many of you have probably spoken with Kim over the years. Kim is well known for her knowledge, diplomacy and work ethic. She will be missed by staff, members and employers. Kim has earned her

retirement, we wish her well.

Welcome to Ms. Patricia Davis. Patty fills the Member Services Bureau Chief position. She brings over 15 years of operational experience and over five years of financial advisory experience. Patty passionately advocates automation and education. We are thrilled to welcome Patty and her expertise to MPERA.

As with all retirement plans in Montana and across the nation, the recent recession has eroded the funding of the retirement systems. PERS, SRS, and GWPORS were not "actuarially sound" as of the June 30, 2010 valuation. The Board is faced with making difficult decisions to ensure the long-term sustainability of the retirement plans and will be addressing the funding of PERS, SRS and GWPORS in the 62nd Legislative Session. The Board is proposing PERS design modifications for legislature consideration: increasing the regular retirement age, the highest average compensation calculation, and phasing in the benefit formula multiplier. These modifications are being proposed for new hires only. Increasing Highest Average Compensation for new hires in SRS and GWPORS will also be proposed.

Watch for legislation updates in future newsletters and at MPERA's website.

Enjoy beautiful Montana!

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Brian Schweitzer
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Retirement Board**

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Official publication of the
Montana Public
Employee Retirement
Administration
Editor: Ann Reber

Should any information in this newsletter conflict with statute or rule, the statute or rule will apply.

Increased Life Expectancy Changes Calculations

Based on a 2009 Experience Study conducted by our actuary*, Cheiron, the Montana Public Retirement Board adopted changes to actuarial assumptions and methods in Board Administrative policies 09 and 10. The study evaluated our retirement systems for the six year period July 1, 2003 through June 30, 2009. Member demographic assumptions evaluated included retirement rates, termination rates, disability rates and member mortality.

As a result of the evaluation, the actuary recommended the adoption of new retirement assumptions related to retired members' mortality. The change in assumed mortality rates means that effective July 1, 2010, MPERA staff began using new factor tables to calculate members' retirement benefits and actuarially equivalent service purchases.

In most cases, members will see an increase in their calculated retirement estimates. The old factor tables assumed that retiring members were predominately male with female contingent beneficiaries. As life expectancy for males is shorter than their female partners, the old option factor tables discounted the retirement calculation to account for the longer time period of benefits paid to surviving beneficiaries. The new tables more closely reflect a member population which is closer to 50% male and 50% female. Therefore, members will no longer see as large a deduction in the calculation of for choosing the surviving spouse options requesting choosing retirement options 2, 3, & 4.

In addition, purchase of prior service that requires an actuarial equivalent calculation (one-for-five, military, out of state, etc) has become more expensive under the new factor tables as members are living longer in retirement.

Specific details regarding all of all the actuarial assumption changes can be viewed on our website at <http://mpera.mt.gov/>. Click on the Rules and Policies tab. The "Board Admin 09" and "Board Admin 10" policies contain the changes. Questions on retirement options and option tables can be directed to Member Services at 877-ASK-PERA.

* (an actuary determines the financial impact of the possibility that events will occur.) ♦

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All of MPERA's newsletters, including this one, are available on our website. You can sign up to be notified when they are posted, rather than receiving a paper copy in the mail. To subscribe, go to <http://mpera.mt.gov/>. Its free and its green! ♦



Find Us on



Facebook!

MPERA is now on Facebook! You can keep up with all the latest retirement news, ask questions and get answers. Just go to www.mpera.mt.gov, and click on the icon. See you there!

Pensions Benefit Montana's Economy

Retirement payments to Montana public employee retirees are essential to Montana's economy. This infusion of money for the communities of Montana is spread across the state through benefit payments to retirees of the eight defined benefit retirement systems administered by MPERA: Public Employees'; Judges'; Highway Patrol Officers'; Sheriffs'; Game Wardens' and Peace Officers'; Municipal Police Officers'; Firefighters' Unified Retirement Systems; and the Volunteer Firefighters' Compensation Act.

MPERA provides monthly benefits to 20,672 retired members and their beneficiaries. Of this number, 18,242 live in Montana. Therefore, most of the total benefits paid by MPERA, to the 89% of retirees who are Montana residents, stay within our state. When retirement checks are spent in Montana, our businesses experience an increase in revenue. Increases in revenue permit Montana businesses to grow, which leads to further spending and a stronger tax base. This "ripple effect" provides a significant economic boost to our state and our local governments. *State pensions added approximately \$248 million dollars to Montana's economy and tax base for the 12-month period ending June 30, 2010.*

The table below shows the geographical distribution of these benefit payments in Montana. ♦

County	\$ Benefit	County	\$ Benefit	County	\$ Benefit
BEAVERHEAD	2,200,707	GRANITE	860,497	POWELL	3,797,353
BIG HORN	1,069,965	HILL	3,667,677	PRAIRIE	565,427
BLAINE	970,710	JEFFERSON	7,067,198	RAVALLI	5,332,785
BROADWATER	1,329,767	JUDITH BASIN	395,274	RICHLAND	1,596,504
CARBON	2,100,155	LAKE	5,079,912	ROOSEVELT	1,662,550
CARTER	271,638	LEWIS & CLARK	52,273,992	ROSEBUD	1,467,338
CASCADE	19,712,794	LIBERTY	384,477	SANDERS	1,553,766
CHOUTEAU	901,362	LINCOLN	2,609,432	SHERIDAN	905,534
CUSTER	4,919,105	MADISON	1,759,849	SILVER BOW	11,897,252
DANIELS	455,311	MCCONE	412,532	STILLWATER	1,433,744
DAWSON	3,302,490	MEAGHER	574,822	SWEET GRASS	792,915
DEER LODGE	6,857,503	MINERAL	1,081,685	TETON	1,621,727
FALLON	712,742	MISSOULA	21,687,458	TOOLE	1,183,098
FERGUS	3,903,314	MUSSELSHELL	786,736	TREASURE	191,869
FLATHEAD	13,548,680	PARK	2,499,208	VALLEY	2,338,466
GALLATIN	14,674,762	PETROLEUM	153,715	WHEATLAND	478,351
GARFIELD	217,790	PHILLIPS	975,068	WIBAUX	466,975
GLACIER	1,594,564	PONDERA	1,413,932	YELLOWSTONE	27,707,952
GOLDEN VALLEY	304,920	POWDER RIVER	485,803	TOTAL	\$ 248,211,152

Update Your Membership Card

When you entered employment covered by an MPERA retirement system, you completed a membership card naming your beneficiaries and contingent beneficiaries. MPERA keeps this card on file so if something happens to you before retirement, we have a record of who to contact regarding your retirement benefit. It is very important to keep your membership card up to date!

Some specific instances when you should fill out a new card are:

- ◆ If you change your name.
- ◆ If you want to add or remove a beneficiary.
- ◆ If you change jobs. Even if you remain a member, you must complete a new membership card.

Generally, if you have a life-changing event such as marriage, divorce, birth or death in the family, you should check to see if your membership card needs updating.

It is very important to give your completed membership card to your payroll clerk as soon as possible. **MPERA uses only the membership card it has on file.** If you have a membership card but do not give it to your payroll clerk to send to MPERA, we cannot honor it if something happens to you.

In July of each year, you receive your annual membership statement. This statement lists your beneficiaries currently on record. Check it carefully to ensure that your beneficiaries are who you intend them to be.

One final note: You should never fill out a membership card to change your address. ◆

Changing Your Address



If you have changed your address recently, it is very important to tell your payroll clerk. Your payroll clerk provides MPERA with your current address. If it is out of date, your mail from MPERA will be returned. This includes very important retirement information such as your annual membership statement and newsletters.

Do not attempt to change your address by completing a new membership card. ◆

ANNOUNCING!

NATIONAL SAVE FOR RETIREMENT WEEK!

MPERA is celebrating National Save for Retirement Week (NSRW) October 17-23, 2010. Our goal is to increase awareness about the importance of adequate retirement savings and the availability of employer-sponsored retirement plans.

Retirement costs are growing largely due to the fact that Americans are living longer and health care costs are steadily increasing. Benefits like traditional pensions and Social Security, which remain the bedrock of retirement income for a great majority of Americans, were never intended to be workers' sole source of income in retirement. Statistics have shown that while those benefits help provide workers a safety net in retirement, they may not be enough.

For more information about MPERA's National Save for Retirement Week events, visit our website at: www.mpera.mt.gov. ◆

Women and Retirement Security

Most working Americans are concerned about their ability to retire. However, according to the National Institute on Retirement Security, achieving retirement security can be much more of a challenge for women. A report titled *Shattering the Retirement Glass Ceiling, Women Need a Three-Legged Stool*, reveals this is due to several factors.

- ◆ **Women tend to live longer than men.** The Government Accountability Office (GAO) estimates that by 2020, women who reach the retirement age 65 are likely to live another 20 years. This means women need to save an average of 2% more of their pay than men each year to avoid outliving their savings. For example, a woman with a salary of \$50,000 must save \$1,000 more per year than her male counterpart to achieve the same retirement income based on her longer life expectancy. In addition to their longer life-spans, women are more likely to require long-term care. This puts additional strain on their retirement benefits.
- ◆ **Women tend to make less in wages than men.** A 2007 study by A. Caiazza, A. Shaw, and M. Werschkul found that full-time female workers make about 76% of their male counterparts' wages. This is due to several factors, but whatever the reason, women generally have less disposable income and less to save for retirement. When MPERA calculates the retirement benefit for a member of the Defined Benefit pension plan, the Highest Average Compensation (HAC) for 36 months is one factor used to determine the member's retirement benefit. If a woman is earning less than a man, who works the same amount of time in the same position, her retirement benefit will be lower than his.
- ◆ **Women tend to have less access to Defined Benefit (DB) retirement plans than men.** According to the US Census Bureau, of the women who are over 60, only 23.3% have their own DB pension, compared to 42% of men. Even if they do have a DB pension, the benefit amount is usually less than a man's DB pension benefit.

Number and Percentage of Persons Age 60 or Older with Pension Income by Sex 2006				
	Percentage with DB Income		Mean Amount of DB Income	
	Men	Women	Men	Women
From Own Employer	42.0%	23.3%	\$16,529	\$11,535
From Own or Spouse's Employer	46.8%	37.8%	\$18,184	\$10,995

Source: US Census Bureau's Survey of Income and Program Participation and author calculations.

However, a DB plan can be beneficial to women because it offers a **lifetime income that cannot be outlived**. A 2008 study by S. Lee, and L. Shaw, for the Washington, DC: AARP Public Policy Institute finds that retired women are more likely to live above the poverty line when they have income from pensions. Among women who are dependent on their husband's retirement plan, those with a DB plan are generally better off than women whose husbands have a DC plan, because DB plans have special protections for spouses. The full report is available online at the National Institute of Retirement Security Research page at:

http://www.nirsonline.org/index.php?option=com_content&task=view&id=17&Itemid=47. ◆

Workshops - an Easy Way to Learn about Your Retirement

MPERA offers retirement workshops for members in all career stages from new employees to members who are thinking about retiring. These popular workshops provide valuable information regarding your retirement system.

NEW HIRE WORKSHOP This 60 minute in-depth workshop is for PERS members in the first year of their employment. It covers both the Defined Benefit and the Defined Contribution plans, and provides new employees an opportunity to ask questions about their plan choice.

457 WORKSHOP Whether you're a 457 Deferred Compensation Plan participant or just interested in the possibilities, your Great-West Retirement Services representative will shed light on the Montana's optional plan. This plan is a great way to supplement your retirement benefit.

STEPS TO RETIREMENT This workshop is intended for Defined Benefit Plan members who are within five years of retirement. It provides members a chance to review the Defined Benefit Plan and ask questions. Members of other retirement systems are encouraged to attend as the information will be similar for your system.

NEW!! If you cannot travel to attend a workshop, check our website for upcoming webinars and video clips for new hire and pre-retirement information. We are adding new content every week, so check back often! ♦

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copies of this public document were published at an estimated cost of \$1.09 per copy, for a total cost of \$ which includes \$ for printing and \$ for distribution.	IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1992, ALTERNATIVE ACCESSIBLE FORMATS OF THIS DOCUMENT WILL BE PROVIDED UPON REQUEST.
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