

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired **prior to** July 1, 2007
- 1.5% for members hired **on or after** July 1, 2007
- Members hired on or after July 1, 2013
 - a. A maximum of 1.5% each year PERS is funded at or above 90%;
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c. 0% whenever the amortization period for PERS is 40 years or more.

Court Decision: The First Judicial District Court, Judge Reynolds presiding, issued a decision March 4, 2015, concluding that Section 5 of HB 454 substantially impairs contract rights and is in violation of the contract clause of both the Montana and the United States Constitutions. A permanent injunction prohibiting the State from reducing the GABA paid to PERS retirees was issued. Following cross-appeals to the Montana Supreme Court, the parties agreed to seek clarification from Judge Reynolds regarding the scope of his original order. Judge Reynolds issued an order August 19, 2015, clarifying that the permanent injunction is only applicable to public employees that were hired prior to July 1, 2013, the effective date of HB 454. The permanent injunction does not apply to public employees hired on or after July 1, 2013.

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 2,925
 - Non-vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 20,080
 - Disability Retirements: 176
 - Survivor Benefits: 425

Overview of Contributions – 76c

1. Member and employer contribution rates are established by state law and may be amended only by the legislature.

Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.

2. Member contributions to the system for the fiscal year ended June 30, 2015:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system for the fiscal year ended June 30, 2015:
 - a. State and University System employers are required to contribute 8.27% of members' compensation.
 - b. Local government entities are required to contribution 8.17% of members' compensation.
 - c. School district employers contributed 7.90% of members' compensation.
 - d. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
 - e. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes from the Coal Tax Severance fund.

Stand-Alone Statements – 76d

The PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialvaluations.shtml>

Actuarial Assumptions – 77

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases

As a result of HB 454 (2013) a permanent injunction is applicable to PERS members hired before July 1, 2013.

- Members hired prior to July 1, 2007 maintain the 3% GABA
- Members hired between July 1, 2007 and June 30, 2013 maintain the 1.5% GABA
- Members hired on or after July 1, 2013 will have a “sliding scale” GABA ranging from 0% to 1.5% as provided in HB 454 (2013).

After the member has completed 12 full months of retirement, the member’s benefit increases by the applicable percentage (provided above) each January, **inclusive** of other adjustments to the member’s benefit.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate - 78a, 78b, 78d

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board’s funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations - 78c, 78e, 78f

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the table below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

Sensitivity Analysis – 78g

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
PERS' Net Pension Liability	\$1,982,274,732	\$1,246,010,898	\$625,044,646

(insert employer's proportion from your specific Employer Report)

Located on the MPERA website

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies – 79

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

Net Pension Liability - 80a, 80b, 80c, 80d, 80e, 80f

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015 and includes requirements for employers to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

	<u>Net Pension Liability</u> as of 6/30/13	<u>Net Pension Liability</u> as of 6/30/14	<u>Percent of</u> <u>Collective NPL</u>
Employer Proportionate Share	\$ xxx,xxx	\$ xxx,xxx	x.xxxxxx%
State of Montana Proportionate Share associated with Employer	\$ xxx,xxx	\$ xxx,xxx	x.xxxxxx%
Total	\$ xxx,xxx	\$ xxx,xxx	x.xxxxxx%

At June 30, 2015, the employer recorded a liability of \$xxx,xxx for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers. At June 30, 2014, the employer's proportion was x.xxxxxx percent.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense – 80g

	<u>Pension Expense as of 6/30/14</u>
Employer's Proportionate Share	\$xxx,xxx
State of Montana Proportionate Share associated with the Employer	\$xxx,xxx
Total	\$xxx,xxx

At June 30, 2015, the employer recognized a Pension Expense of \$xxx,xxx for its proportionate share of the PERS' Pension Expense. The employer also recognized grant revenue of \$xxx,xxx for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

Support Revenue 80j

In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of special funding attributable to the employer.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY2014 contributions of \$xxx,xxx

Deferred Inflows and Outflows - 80h, 80i

At June 30, 2015, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$xxx,xxx	\$xxx,xxx
Changes in assumptions	\$xxx,xxx	\$xxx,xxx
Difference between projected and actual earnings on pension plan investments	\$xxx,xxx	\$xxx,xxx
Changes in proportion differences between employer contributions and proportionate share of contributions	\$xxx,xxx	\$xxx,xxx
Difference between actual and expected contributions	\$xxx,xxx	\$xxx,xxx
# Contributions paid to PERS subsequent to the measurement date - FY 2015 Contributions [to be entered by the entity]	\$xxx,xxx	\$xxx,xxx
Total	\$xxx,xxx	
#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability.		

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$xxx,xxx
2017	\$xxx,xxx
2018	\$xxx,xxx
2019	\$xxx,xxx
2020	\$xxx,xxx
Thereafter	\$ -