

Public Employees' Retirement Board
Thursday, March 31, 2016

Topic: PCR-UAL Payoff

With the implementation of the PERS – Defined Contribution Retirement Plan (PERS-DCRP) and the ability for members to elect membership in the PERS-DCRP or the Montana University System Retirement Plan (MUS-RP), the Legislature also implemented the Plan Choice Rate – Unfunded Actuarial Liability (PCR-UAL) to pay off the PCR UAL. The PCR-UAL was implemented to help pay down the PERS-Defined Benefit Retirement Plan (PERS-DBRP) UAL and was designed to offset the PERS-DBRP funding deficiencies due to a smaller payroll base as people elected to move to the PERS-DCRP and MUS-RP.

Per 19-3-2117(4), MCA and the PERB's verification the contributions directed to the PCR-UAL will cease and those contributions will then be directed to member accounts. The PCR-UAL has been paid off as of March 14, 2016 per the attached letter from the PERB's actuary, Cheiron. The current rate to be redirected to member accounts is 3.84%.

Staff recommends directing these contributions to member accounts, per ARM 2.43.3533. These contributions will be effective for any pay dates on or after April 1, 2016.

Recommended Board Motion:

- Uphold Staff Recommendation
- Other

Moved by

Seconded by

Vote

CONFIDENTIAL – Via Electronic Mail

March 16, 2016

Mr. Dore Schwinden, Executive Director
Public Employee Retirement Administration
100 North Park, Suite 200
Helena, Montana 59620

Re: Certification of PCR-UAL Payoff

Dear Dore:

Members of the Public Employees' Retirement System (PERS) have been offered the choice of participating in either the Defined Benefit Retirement Plan (PERS-DBRP) or the Defined Contribution Retirement Plan (PERS-DCRP). For University employees, the choice has been between PERS-DBRP and the Optional Retirement System (ORP)¹. At the time this plan choice was implemented, an unfunded actuarial liability was determined in relation to the group which chose to leave the PERS-DBRP (referred to as the PCR-UAL). The PCR-UAL was determined in order to offset PERS-DBRP funding deficiencies due to a smaller payroll base. The PCR-UAL was to be funded by a portion of the employer contributions made on behalf of PERS-DCRP and ORP (or MUS-RP) members. These contributions have been referred to as Plan Choice Rate (PCR) contributions.

The Montana Code provides that payment of the PCR contributions will cease when the PCR-UAL is paid off. The purpose of this letter is to certify that the PCR-UAL has been paid off.

As of June 30, 2015, the PCR-UAL was \$2,589,223. Your staff provided us with the dates and amounts of PCR contributions made after that date. These contributions are shown in the attached exhibit, which also shows the amount of PCR-UAL remaining after each such contribution. The exhibit shows that the PCR-UAL is completely paid off after the payment of PCR contributions on March 14, 2016, and in fact \$38,957.55 of such contributions were not needed to bring the PCR-UAL to zero. These calculations assume a discount rate of 7.75%.

This letter was prepared exclusively for the Public Employees' Retirement System for the purpose described herein. Other users of this letter are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

¹ The Optional Retirement System was later renamed the Montana University System Retirement Plan (MUS-RP)

Mr. Dore Schwinden

March 16, 2016

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To the best of my knowledge, this letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. I am not an attorney and our firm does not provide any legal services or advice.

If you have any questions or need additional information, please feel free to contact me.

Sincerely,
Cheiron


Stephen T. McElhaney, FSA, FCA, MAAA
Principal Consulting Actuary

Attachment

cc: Hollie Koehler (MPERA)
Margaret Tempkin, FSA (Cheiron)



