

**Public Employees' Retirement Board**  
**December 11, 2014**

**Topic: Helena BID PERS Termination Request**

**Staff Recommendation:**

Staff recommends the Board require Helena BID to pay the full amount of residual liability, \$44,963, in order to terminate so that the liability is not imposed upon the remaining PERS-covered employers pursuant to GASB 67 due to Helena BID's termination. The terms for repayment are at the Board's discretion. Staff would recommend that the Board determine the length of repayment and all other terms, and only approve Helena BID's request to terminate PERS coverage contingent upon Helena BID signing a binding agreement for such repayment.

**Board Motion:**

Uphold Staff Recommendation

Other.

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\_\_\_\_\_  
Moved by

\_\_\_\_\_  
Seconded by

\_\_\_\_\_  
Vote

## INFORMATIONAL SUMMARY

Helena BID has passed a resolution seeking to terminate PERS coverage. After receiving the signed resolutions, MPERA requested the Actuary determine the residual actuarial liability, if any, for PERS benefits owed to current and past members of Helena BID. The Actuary determined that should Helena BID terminate its contract for PERS coverage effective December 31, 2014, there would be an outstanding unfunded actuarial liability of \$44,963 to fund the actuarial accrued benefit liability for Helena BID's employees. Further detail is contained in the attached report.

Pursuant to § 19-3-201(3), MCA, local government employers who have previously entered into a contract for PERS coverage can seek to terminate the contract. In order to terminate, the employer must pass a resolution giving notice to its employees that it intends to terminate coverage and allow employees to vote for or against termination. Upon a vote of at least a two-thirds majority of employees, the employer can pass a resolution terminating coverage. However, this termination is subject to Board approval. The Board is authorized to withhold approval of the termination until satisfactory arrangements have been made to provide funding for any excess accrued liabilities not previously funded by the terminating agency. Section 19-3-201(3)(d), MCA.

### **19-3-201. Contracts with political subdivisions.**

\* \* \*

(3) The termination of the contract is subject to the following provisions, in addition to the other provisions of this chapter:

(a) The legislative body of a contracting employer shall adopt a resolution giving notice to its employees that it intends to terminate retirement system coverage.

(b) All employees covered under the retirement system must be given notice of the termination resolution and be permitted to vote for or against the resolution by secret ballot.

(c) If a majority of covered employees votes for termination, the legislative body, within 20 days after the approval of the resolution by the employees, may adopt by a two-thirds majority a resolution terminating coverage under the system effective the last day of that month and forward the resolution and a certified copy of the election results to the board.

(d) Upon receipt of the termination resolution, the board may request an actuarial valuation of the liabilities of the terminating agency to the retirement system, and the board may withhold approval of the termination of contract until satisfactory arrangements are made to provide funding for any excess accrued liabilities not previously funded by the terminating agency.



*Via Electronic Mail*

December 3, 2014

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

**Re: *Estimated Actuarial Impact of Helena Business Improvement District MPERS Contract Termination as of December 31, 2014***

Dear Dore:

In accordance with section 19-3-201(3) of the Montana Code, you have requested the actuarial impact of Helena Business Improvement District (HBID) terminating its contract with Montana Public Employees' Retirement System (MPERS). Upon termination, the Board is required to determine the actuarial liabilities not funded by the terminating agency and to make arrangements for funding such unfunded liabilities. The figures in this letter have been estimated based upon the results of the June 30, 2014 actuarial valuation.

**Data, Methods and Assumptions**

We have estimated the residual liability that would be left to the State of Montana if the HBID were to withdraw effective December 31, 2014. The liability measurement assumes that the impact of the withdrawal would be to cease any future accruals for the active participants, and that the benefits eventually paid to those participants would reflect benefits earned only through December 31, 2014.

The calculations in this letter are based upon the data, actuarial methods and assumptions as were used in the actuarial valuation of MPERS as of June 30, 2014. In preparing our report, we relied without audit on information (some oral and some written) supplied by the staff of the System. This information includes, but is not limited to plan provisions, membership data and financial information.

The actuarial assumptions reflect our understanding of the likely future experience of the System and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the proposed legislation could vary from our results.

The following additional assumptions were used with respect to our analysis:

- The actuarial analysis presented in the letter assumes there have been no changes in benefits since the most recent actuarial valuation as of June 30, 2014.
- There have been no adjustments for actuarial gains and losses with respect to changes in membership or financial data since the last valuation as of June 30, 2014.



- The participants are assumed to remain in the same status as of June 30, 2014 until all become terminated employees at December 31, 2014.
- Account balances are assumed to increase from June 30, 2014 to December 31, 2014 at a rate in line with the average increase seen from June 30, 2013 to June 30, 2014, or 0.25%.

Below is a summary of the data used for this analysis.

<b><i>HBID Participant Data as of June 30, 2014 *</i></b>	
Active	2
Terminated Non-Vested	6
Terminated Vested	1
Currently In-Pay	<u>0</u>
<b>Total</b>	<b>9</b>

\* Includes PERS-DB Plan participants only

**Actuarial Impact**

The estimated residual liability for HBID as of December 31, 2014 is calculated to be \$44,963 (supporting calculations are shown in the table below). The actual underfunding would be based on the actual assets invested in the plan and accrued benefits of plan participants as of the December 31, 2014 proposed withdrawal date.

<b><i>PERS Results as of June 30, 2014</i></b>		
1. Actuarial Liability	\$	6,177,504,549
2. Market Value of Assets	\$	4,942,769,917
<b><i>PERS Expected Results as of December 31, 2014</i></b>		
3. Actuarial Liability	\$	6,304,894,396
4. Market Value of Assets	\$	5,066,721,493
5. Market Value Funded Ratio		80.4%
<b><i>HBID Expected Results as of December 31, 2014</i></b>		
6. Actuarial Liability	\$	206,677
7. Market Value of Assets (5. x 6.)	\$	166,089
<b><i>HBID Expected Results as of December 31, 2014 AFTER TERMINATION</i></b>		
8. Actuarial Accrued Benefit Liability	\$	211,053
9. Residual Liability (8. - 7.)	<b>\$</b>	<b>44,963</b>

Mr. Dore Schwinden

December 3, 2014

Page 3

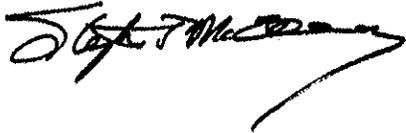
**Certification**

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.

This letter was prepared exclusively for Montana Public Employee Retirement Administration for the purpose described herein. This letter is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

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

Sincerely,  
Cheiron, Inc.



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

cc: Barbara Quinn (MPERA)  
Diann Levandowski (MPERA)  
Margaret Tempkin, FSA, MAAA, EA (Cheiron)  
Alison Chafin, ASA, MAAA (Cheiron)



225 Cruse Avenue, Ste B  
Helena, MT 59601  
406/447-1535

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**NOV 17 2014**

**MPERA**

November 12, 2014

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**NOV 17 2014**

**MPERA**

Kris Vladic, Program Specialist  
Montana Public Employees Retirement Administration  
100 N Park Avenue, Ste 200  
Helena, MT 59601

Dear Ms. Vladic:

Enclosed are the two resolutions required to terminate PERS coverage for Helena Business Improvement District (HBID) employees.

As of November 8<sup>th</sup>, there is one eligible employee, myself, that is impacted. The HBID Board of Trustees met on Monday November 10<sup>th</sup> and passed the resolution notifying employees of the intent to terminate. I voted and the Board Chairman Randy Riley counted and verified the vote. The Board of Trustees then passed the second resolution certifying the vote and to terminate PERS coverage.

Please let me know what else you need from HBID regarding our termination. Per the documentation, this will be effective the end of November. Do you send a follow up confirming withdrawal?

Thank you for all of your assistance.

Sincerely,

A handwritten signature in cursive script that reads "Tracy L Reich".

Tracy L Reich  
Executive Director

Enc.

**Helena Business Improvement District  
Notice to Employees of Intent to Terminate PERS Coverage**

WHEREAS: The Public Employees' Retirement System Act, in section 19-3-201, MCA, provides for terminating retirement plan coverage for employees of certain public agencies.

WHEREAS: This agency would like to terminate its status as a covered employer under the Public Employees' Retirement System, as expressed in Montana Code Annotated Title 19, Chapters 2 and 3, and related rules, policies, and plan documents.

WHEREAS: It is in the best interest of the Helena Business Improvement District to provide cost effective benefits to its employees; the State of Montana Public Employees Retirement System (PERS) is not a cost effective option for the Helena Business Improvement District; and a SIMPLE IRA provides a cost effective retirement benefit for the Helena Business Improvement District employees;

NOW THEREFORE, BE IT RESOLVED:

That this agency hereby declares its intention to give notice to its employees that it intends to terminate its status as a covered employer and to cease participation in the Public Employees' Retirement System.

BE IT FURTHER RESOLVED:

That a secret ballot election of all eligible employees shall be held on the 10th day of November, 2014, between the hours of 8:00 a.m. and 5:00 p.m., in the office of the Executive Director of this agency. All eligible employees shall be requested and allowed to vote on whether this agency should terminate or maintain its contract to be a covered employer under the Public Employees' Retirement System (see attached Sample Ballot).

BE IT FURTHER RESOLVED:

That this agency hereby notifies its employees that if the agency terminates the contract for Public Employees' Retirement System (PERS) coverage, employees will retain PERS rights, membership service and service credit accrued prior to termination but will not accrue additional PERS membership service and service credit for work performed for this agency following termination; and new employees hired after termination will not become PERS members for purposes of employment with this agency. A summary of the major provisions of PERS follows:

The Montana Public Employees' Retirement System (PERS) provides a retirement for public employees. PERS covers over 520 employers, and has roughly 29,000 active members and 17,500 benefit recipients. Local government employees have the same PERS rights as state employees, pursuant to Montana Code Annotated Title 19, Ch. 2 and 3.

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**Contributions** – Eligible PERS members contribute 7.9% of gross compensation into PERS. The contribution is made pre-tax. The investment earnings on the contributions are tax deferred. Members will pay taxes when the benefits are received. The employer and the state contribute a total of 8.17% of payroll to PERS, most of which helps fund the member's benefit. This contribution is not deducted from the member's paycheck, but is paid directly to PERS by the employer and the state.

**Two Plans** – New PERS members have one year to choose between two distinct retirement plans in PERS – the Defined Benefit Retirement Plan or the Defined Contribution Retirement Plan.

The **Defined Benefit Retirement Plan (DBRP)** deposits contributions into a pension trust fund with all other plan members' contributions. The Montana Board of Investments directs the investment of the pension trust fund. A member's retirement benefit does not depend on gains and losses in the pension trust fund. Instead, a lifetime monthly benefit is calculated by a formula using the member's years of PERS service, age, and highest average compensation.

The **Defined Contribution Retirement Plan (DCRP)** credits each member's individual account with member contributions and a portion of employer contributions. The member invests his or her account in the available investment options. The member realizes all gains and losses from those investments. The balance in the member's account will determine retirement income.

Complete information regarding both plans is available at: <http://mpera.mt.gov/>.

**Benefit Eligibility** – A member must terminate PERS-covered employment to be eligible for a benefit from either plan.

A **DBRP** member who terminates covered employment prior to 5 years of service is eligible to receive a lump-sum payment of their contributions and regular interest. Taxes and IRS penalties may apply.

A **DBRP** member who terminates covered employment after 5 years of service is eligible to receive a monthly benefit or a lump-sum payment of their contributions and regular interest. Taxes and IRS penalties may apply.

A **DCRP** member who terminates covered employment prior to 5 years of service is eligible to receive their contributions and investment earnings. Taxes and IRS penalties may apply.

A **DCRP** member who terminates covered employment after 5 years of service is eligible to receive their contributions and investment earnings, and the allowable portion of employer contributions. Taxes and IRS penalties may apply.

**Disability Benefit** – In either plan, if the Public Employees' Retirement Board finds a vested member disabled, the member can receive a monthly benefit regardless of the member's age. The monthly benefit is paid after the member terminates PERS-covered employment.

**Death Benefit** – In either plan, a member's benefit can be paid to designated beneficiary(ies) after the member dies.

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BE IT FURTHER RESOLVED:

That this body will hold a meeting on the 10th day of November, 2014, at 5:00 pm for the purpose of canvassing the result of the employee election and adopting a resolution to terminate Public Employees' Retirement System contract coverage, if in accordance with the majority of the tabulated votes of the employees of the agency and approved by a two-thirds majority of this body.

This resolution was duly passed by the Helena Business Improvement District Board of Trustees on the 10th day of November, 2014.

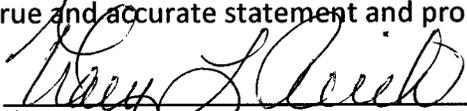
DATED Nov 10, 2014.

Signature of Officer: 

Printed Name: Randy Riley

Title of Officer: Board Chairman

Certified as a true and accurate statement and proper signature.

Signature of Clerk: 

Printed Name: TRACY L REICH

Formal Title: EXECUTIVE DIRECTOR

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NOV 17 2014

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Helena Business Improvement District  
Resolution to Terminate PERS Coverage

- WHEREAS: The Public Employees' Retirement System Act, in section 19-3-201, MCA, provides for terminating retirement plan coverage for employees of certain public agencies.
- WHEREAS: This agency would like to terminate its status as a covered employer under the Public Employees' Retirement System, as expressed in Montana Code Annotated Title 19, Chapters 2 and 3, and related rules, policies, and plan documents.
- WHEREAS: It is in the best interest of the Helena Business Improvement District to provide cost effective benefits to its employees; the State of Montana Public Employees Retirement System (PERS) is not a cost effective option for the Helena Business Improvement District; and a SIMPLE IRA provides a cost effective retirement benefit for the Helena Business Improvement District employees;
- WHEREAS: A secret ballot election of all eligible employees was held on the 10<sup>th</sup> day of November, 2014, between the hours of 8:00 a.m. and 5:00 p.m., in the office of the clerk of this agency, at which election all eligible employees were requested and allowed to vote on the ballot prescribed on page two of this motion to adopt contract.
- WHEREAS: The result of the employee election has been canvassed and the number of eligible employees voting to terminate participation in the Public Employees' Retirement System was one, which constitutes 100 percent of the total number of eligible employees.

THEREFORE IT IS MOVED:

That this agency terminate Public Employees' Retirement System contract coverage effective the last day of the month in which this Resolution is adopted, November, 2014; that all necessary documents be sent to the PER Board in order to help determine the amount of excess accrued liabilities not previously funded by this agency; and to make arrangements to provide said funding to the Public Employees' Retirement System.

THIS MOTION was duly passed by an affirmative vote of at least two-thirds of the members of Helena Business Improvement District Board of Trustees on this 10th day of November, 2014.

Officer Signature:



Officer Printed Name:

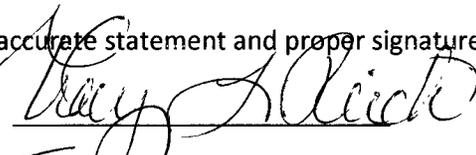
Randy Riley

Title:

Board Chairman

Certified as a true and accurate statement and proper signature:

Clerk Signature:



Clerk Printed Name:

TRACY LREICH

Title:

Executive Director