

MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD

TITLE: Plan Sponsor Withdrawal Policy

POLICY: BOARD Op 06

EFFECTIVE DATE: 8/11/2016

I. PURPOSE AND BACKGROUND

The Plan Sponsor Withdrawal Policy is intended to establish guidelines by which the Montana Public Employees Retirement Board (Board) intends to assure that a participating Public Employees Retirement Systems (PERS) employer that ceases to provide retirement system membership for its active members but is expected to continue to be an ongoing financially viable entity will continue to satisfy its obligation to timely pay all Unfunded Actuarial Accrued Liability ("UAAL") attributable to its active and retired employees by reason of their prior service as members. In accordance with applicable law, MPERA will enter into a *Withdrawing Employer and Contribution Agreement* (Continuing Contribution Agreement) with any such employer consistent with this policy.

II. POLICY AND OBJECTIVES

1. The objectives of this policy are, among other things, to ensure compliance with Montana Code Annotated 19-3-201 as amended ("MCA") and other applicable provisions of law:
 - a) Pursuant to 19-3-201(d), MCA, and other applicable provisions of law, upon an employer's decision to terminate participation in PERS, the Board may hold that an employer remains liable, and must make the required appropriations and transfers, to MPERA for the employer's share of liabilities attributable to its employees who are and may be entitled to receive retirement, disability and related benefits from PERS.
2. The general principle applied in this policy is to establish the funding obligation of withdrawing employers as:
 - a) The value of future benefits to be paid to members credited with service while employed with the withdrawing employer; *minus*
 - b) As determined by MPERA's actuary, the assets accumulated from contributions of the withdrawing employer and its employees, and earnings on such contributions.

3. It is the Board's intent to allow a withdrawing employer to satisfy its funding obligation in a manner which provides the employer reasonable flexibility; however, primary consideration will be given to ensuring the funding obligation of the withdrawing employer is properly determined and satisfied.
4. This policy covers only those withdrawing employers (i) who cease to provide membership for their active employees (i.e., both current actives and new hires), (ii) who are financially viable entities when the withdrawal is initiated, and (iii) for whom MPERA expects thereafter to continue to be financially viable entities.

III. POLICY GUIDELINES

Absent exigent circumstances or unless otherwise expressly approved by the Board at a duly-noticed meeting, the guidelines for implementing this policy are set forth below.

5. Upon notice that a participating employer seeks to terminate PERS membership for its active employees' future service, and on the advice and recommendation of its actuary, MPERA will segregate on its books all assets and liabilities attributable to the employer as determined by MPERA's actuary, and shall maintain such separate accounting for the employer until all of its liabilities have been fully satisfied.
6. MPERA and the withdrawing employer will enter into a Continuing Contribution Agreement, the purposes of which are to:
 - a) evidence the withdrawing employer's obligations as of the date the employer initiates its withdrawal, as well as its continuing funding obligations for the ongoing benefits owed to its retired and disabled employees and their surviving beneficiaries, for their accumulated service and related benefits;
 - b) provide a funding mechanism acceptable to the Board for the withdrawing employer to timely satisfy its existing and continuing funding obligations, the payment of which must be over a period which is not longer than the period over which the system's remaining unfunded liability is being amortized;
 - c) require the withdrawing employer to provide MPERA with updated employee census and payroll data requested by MPERA in the years following the date the employer initiates its withdrawal;
 - d) provide a mechanism for adjusting the withdrawing employer's obligations and payments due to MPERA based on periodic actuarial experience analysis; and
 - e) provide a mechanism by which MPERA will consider the transfer of any Final Surplus, as defined below, to the withdrawing employer or a successor retirement system, as appropriate.

- f) provide a mechanism acceptable for the Board for the withdrawing employer to satisfy their obligation to pay for the cost incurred by MPERA to determine the withdrawing employer's UAAL.
7. Pursuant to the terms of the Continuing Contribution Agreement, MPERA's actuary will determine, and certify to the Board, the withdrawing employer's initial funding obligation for its UAAL calculated as of the date of withdrawal. Absent exigent circumstances, the amortization schedule for payment of the employer's initial funding obligation will not exceed a period of five (5) years.
8. The initial value of the assets used to determine the withdrawing employer's initial funding obligation for its UAAL will be based on the valuation value of assets (VVA) allocated to the withdrawing employer determined as of the end of the prior fiscal year, adjusted to the date the employer initiated its withdrawal (or later date if the Continuing Contribution Agreement so provides), based upon all of MPERA's then current actuarial assumptions and methodologies.
9. The present value of future benefits owed to the withdrawing employer's retired, disabled employees, and employees and their surviving beneficiaries (present value of accrued benefits, or "liabilities") will be determined using MPERA's then current actuarial assumptions and methodologies. In determining the present value of accrued benefits, benefit service shall be frozen for the withdrawing employer's active employees but, for members who transfer to a system that has reciprocity with PERS, pay shall be projected based on MPERA's then salary growth assumptions.
10. If any Surplus remains after the withdrawing employer has satisfied *all* of its UAAL obligations (Final Surplus), MPERA will distribute the Final Surplus in accordance with the terms of the Continuing Contribution Agreement and applicable law.

IV. CROSS REFERENCE GUIDE

The following laws, rules or policies may contain provisions that apply to this policy. This list should not be considered exhaustive - other policies may apply.

Section 19-3-201, MCA

V. HISTORY

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Originally Approved August 2016

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