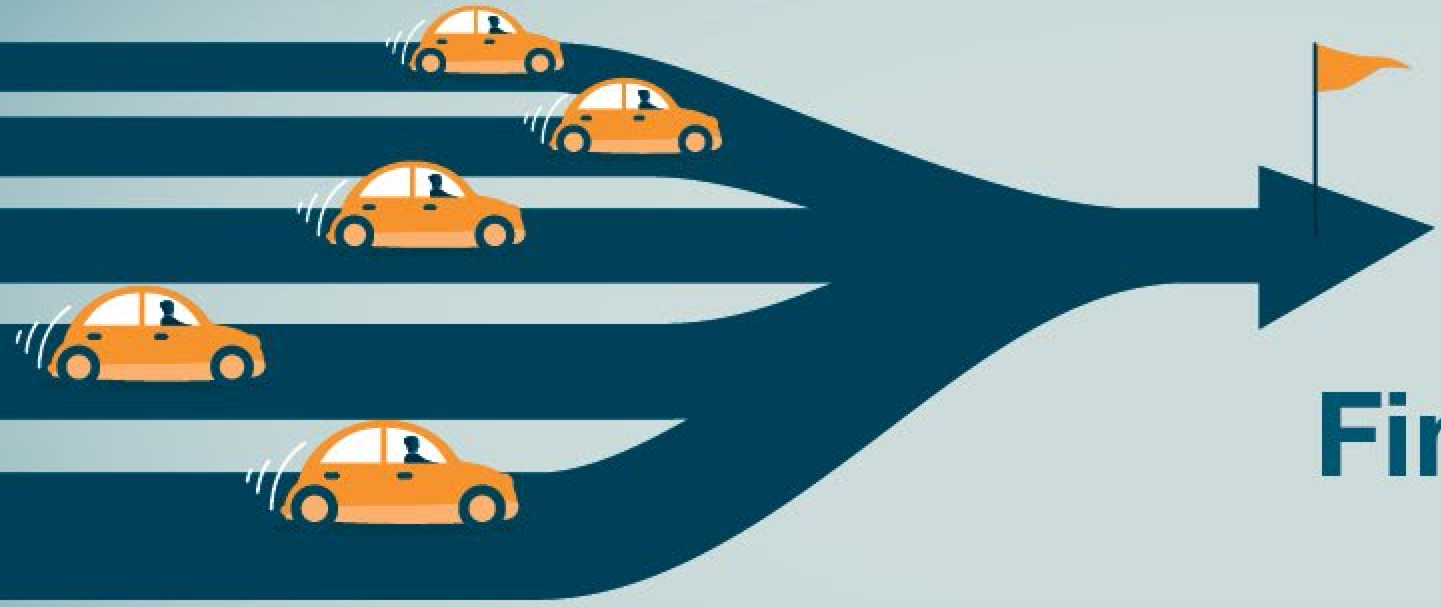


# DRIVE

## Financial Excellence

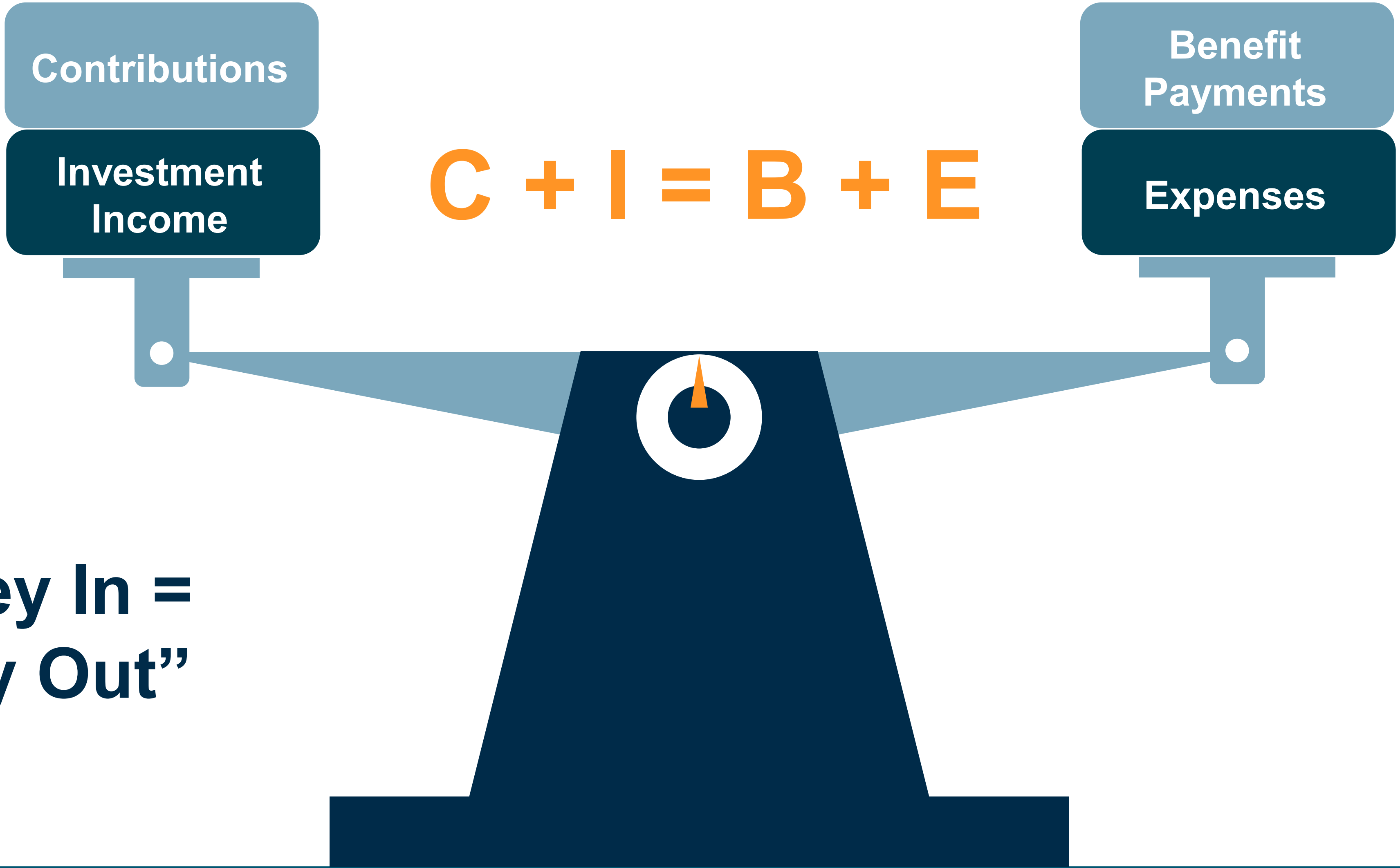
# Montana Public Employees’ Retirement Board
# June 30, 2025 Actuarial Valuation Results

CavMac
Actuarial Consulting Services

# Why does my Plan need an Actuary?

| | |
|---|---|
| **Develop** | • Develop a strategy to systematically fund the promised benefits of the system |
| **Measure** | • Measure assets and liabilities (future benefit payments) |
| **Determine** | • Determine actuarial contribution rates |
| **Analyze** | • Analyze experience (actual vs. expected) |
| **Report** | • Report on trends, risks, accounting, etc. |

# Basic Retirement Funding Formula




$$C + I = B + E$$

**“Money In = Money Out”**

# Benefit Financing



## C + I = B + E

### "B" depends on

Plan Provisions

Experience

### "C" depends on

<u>Short Term</u>
Actuarial Assumptions
Actuarial Cost Method

<u>Long Term</u>
I, B, E

# June 30, 2025 Funding Results

# Changes Since Prior Valuation

## PERS

- The employer supplemental contribution will increase by an additional 0.10% each year following June 30, 2027, until the total employer supplemental contribution is equal to 4.27% of compensation.
- The supplemental employer contribution terminates on January 1 following the board's receipt of the system's actuarial valuation if the actuarial valuation determines that terminating the additional employer contribution would not cause the amortization period of the unfunded actuarial accrued liability to exceed 25 years.
- The State established a pension reserve fund with the potential for transfers to PERS if the inception to date return falls below 7.3%
  - No assumption for transfers, so no impact on the valuation results

# Changes Since Prior Valuation

## GWPORS, HPORS, SRS

- Funding policy changed from layered amortization of UAAL bases to fixed rate contributions.
- The employer contribution rate will increase by 0.10% per year for 10 years beginning in fiscal year 2026. The additional employer contribution terminates on July 1 following the actuarial valuation if the actuarial valuation determines that terminating the additional employer contribution would not cause the amortization period to exceed 25 years.

# Changes Since Prior Valuation

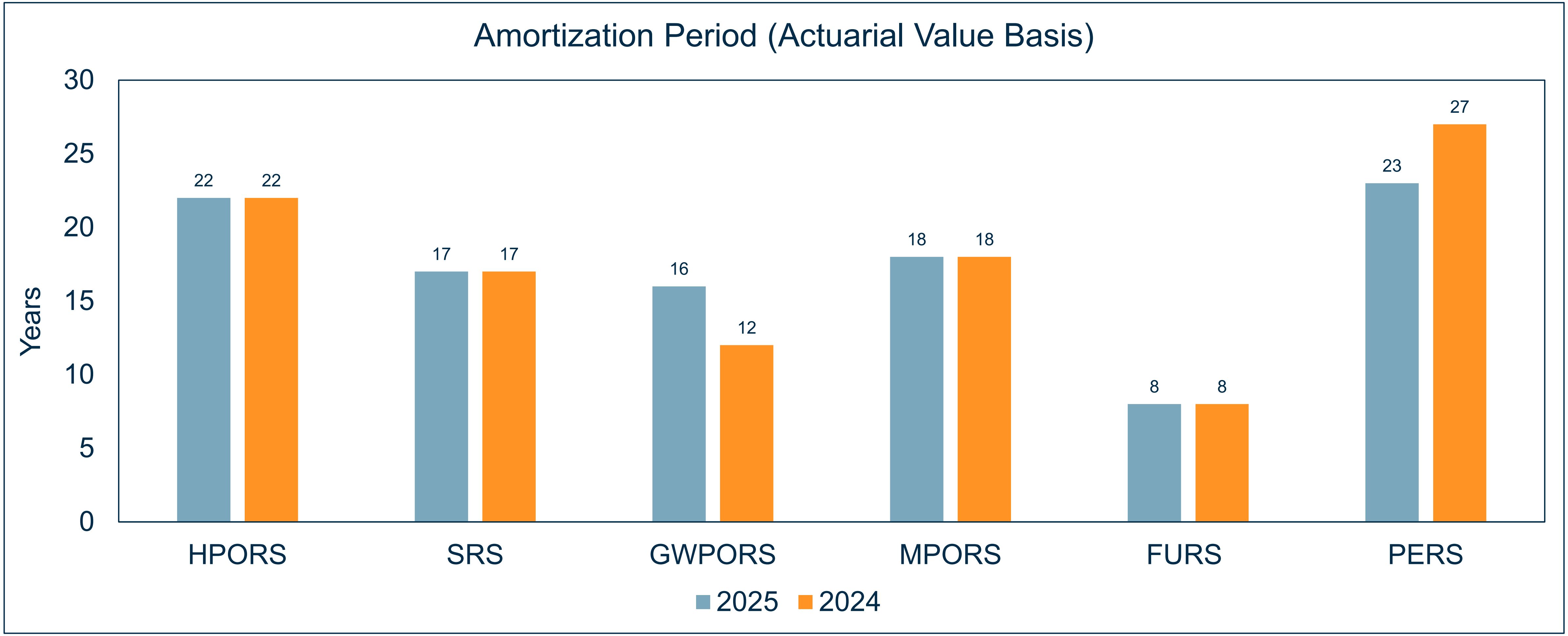
## JRS

- Funding policy changed from layered amortization of UAAL bases to fixed rate contributions.
- The employer contribution rate has been reduced to 0.00%. If the funded ratio drops below 120%, the employer contribution rate must be increased to 25.81%.

## VFCA

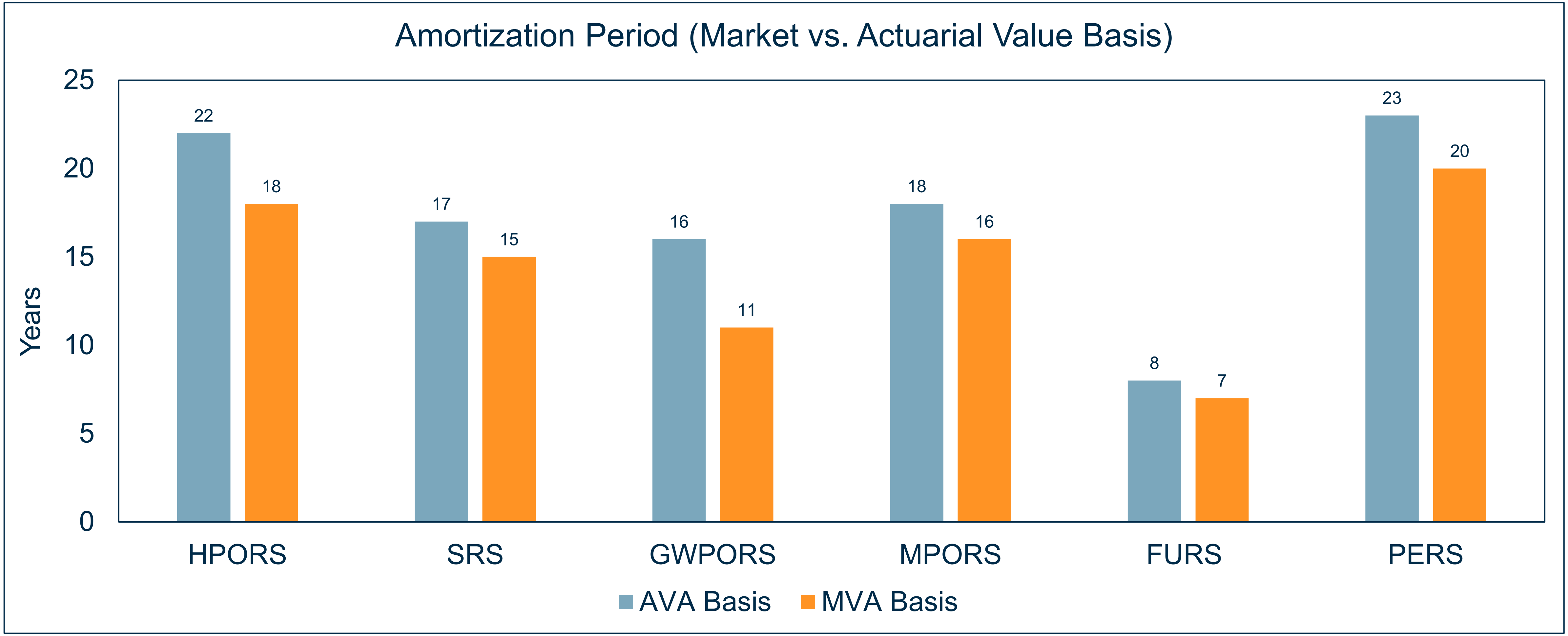
- MCA-19-17-404 was amended, increasing the full pension benefit payable to eligible members to $200/month (up from $175/month) and increasing the partial pension benefit by a fraction of the full benefit based on the members years of service up to 20 years.

# Valuation Results



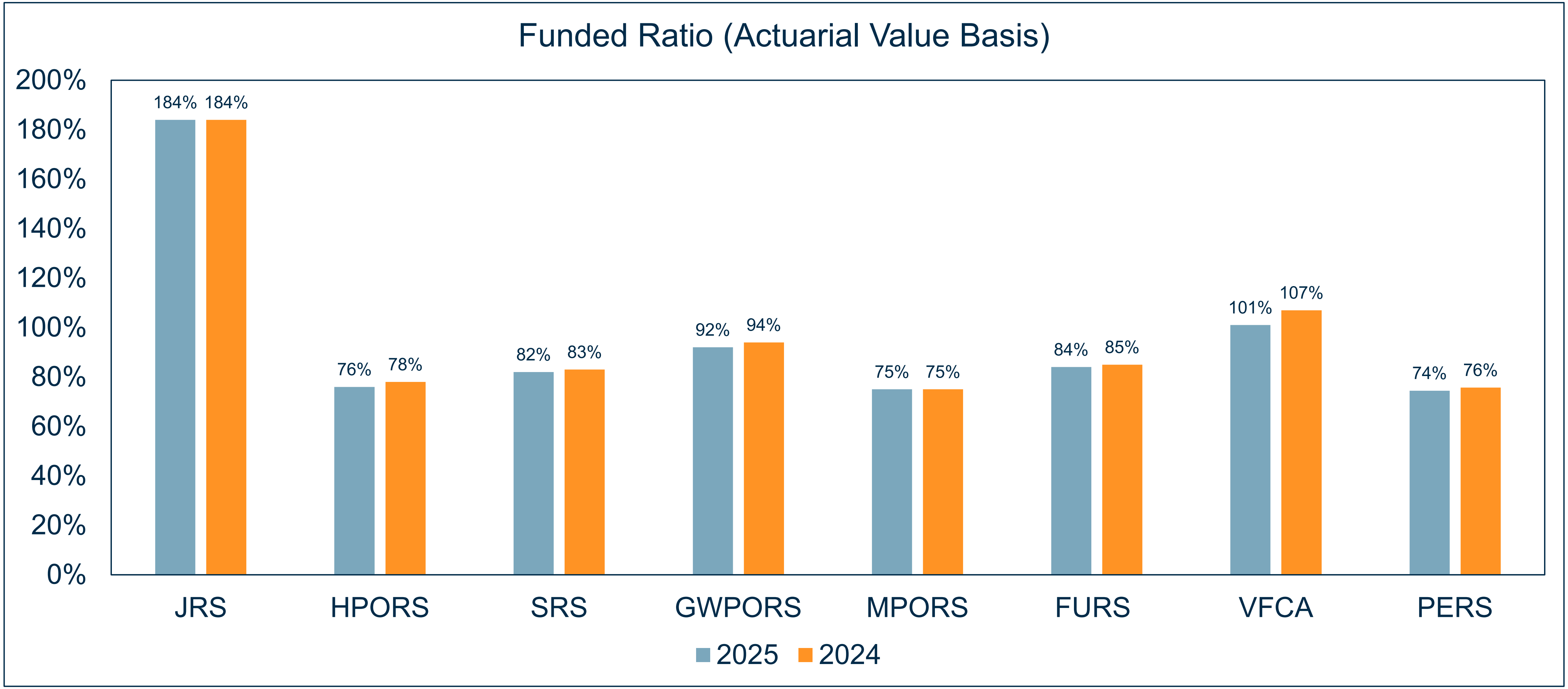

Amortization periods for JRS, VFCA and PERS DCRP LTD are 0 Years.

# Valuation Results



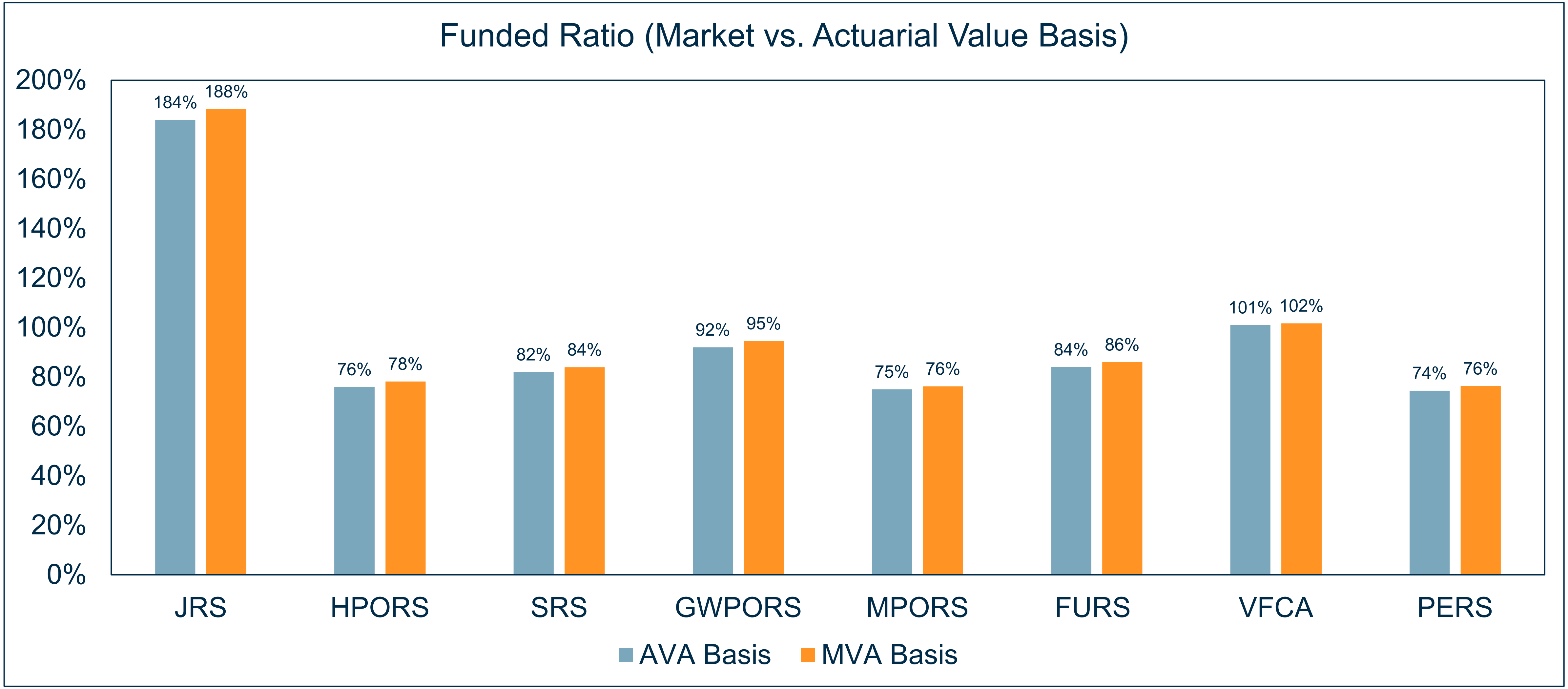

Amortization periods for JRS, VFCA and PERS DCRP LTD are 0 Years.

# Valuation Results




Funded ratio for PERS DCRP LTD is 809%.

# Valuation Results




Funded ratio for PERS DCRP LTD is 809%.

# Valuation Highlights

## Actuarial Experience Across All Plans

### Experience

Overall experience loss of $304.3 million

### Assets

Actuarial value of assets investment loss of $175.2 million due to prior unrecognized investment experience

### Demographics

Demographic and mortality experience loss of $15.0 million (0.1% of AAL)

### Salary

Experience loss of $114.1 million due to salary increases that were greater than anticipated

# Asset Returns

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- Market asset returns (net of investment and administrative expenses) averaged 9.23% vs. 7.30% expected (1.93% more than expected)

- Actuarial asset returns (net of investment and administrative expenses) averaged 5.66% vs. 7.30% expected (1.64% less than expected)
  - Actuarial value of assets smooth investment gains and losses on a market value basis over a four-year period
  - The actuarial value of assets will recognize deferred investment gains/losses over the following three years
  - In general, if all assumptions are met going forward, we can expect:
    - 2026: Investment Gain ↑
    - 2027: Investment Gain ↑
    - 2028: Investment Gain ↑

# PERS Valuation Results

# Active and Retired Membership

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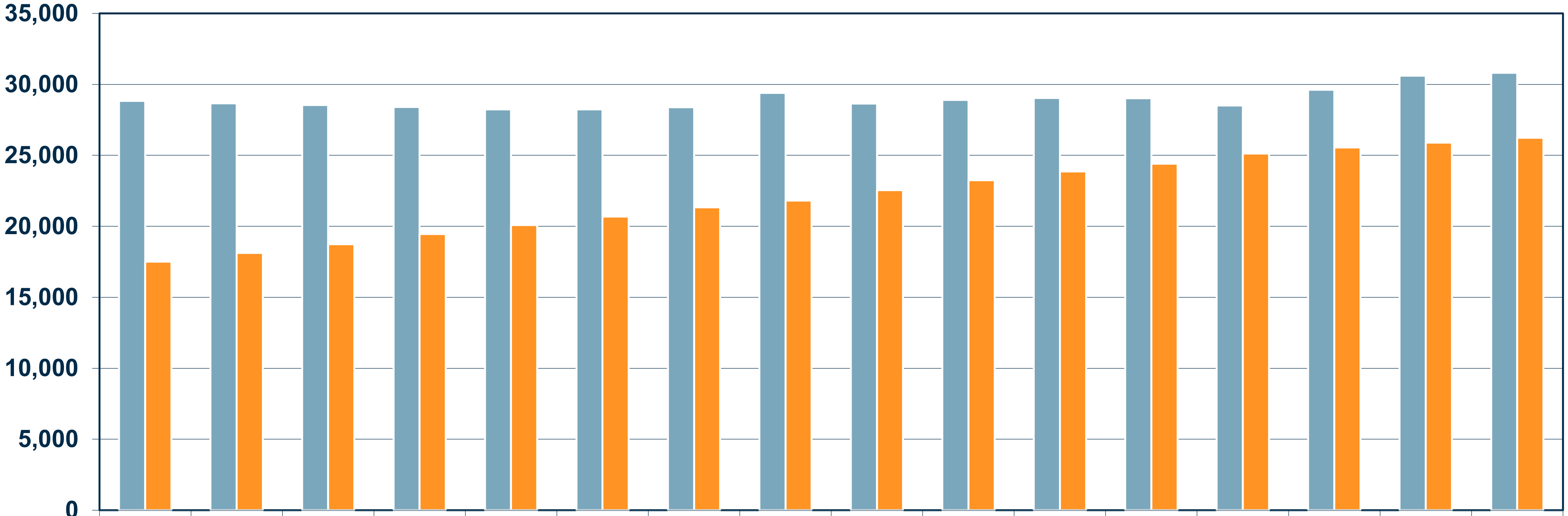


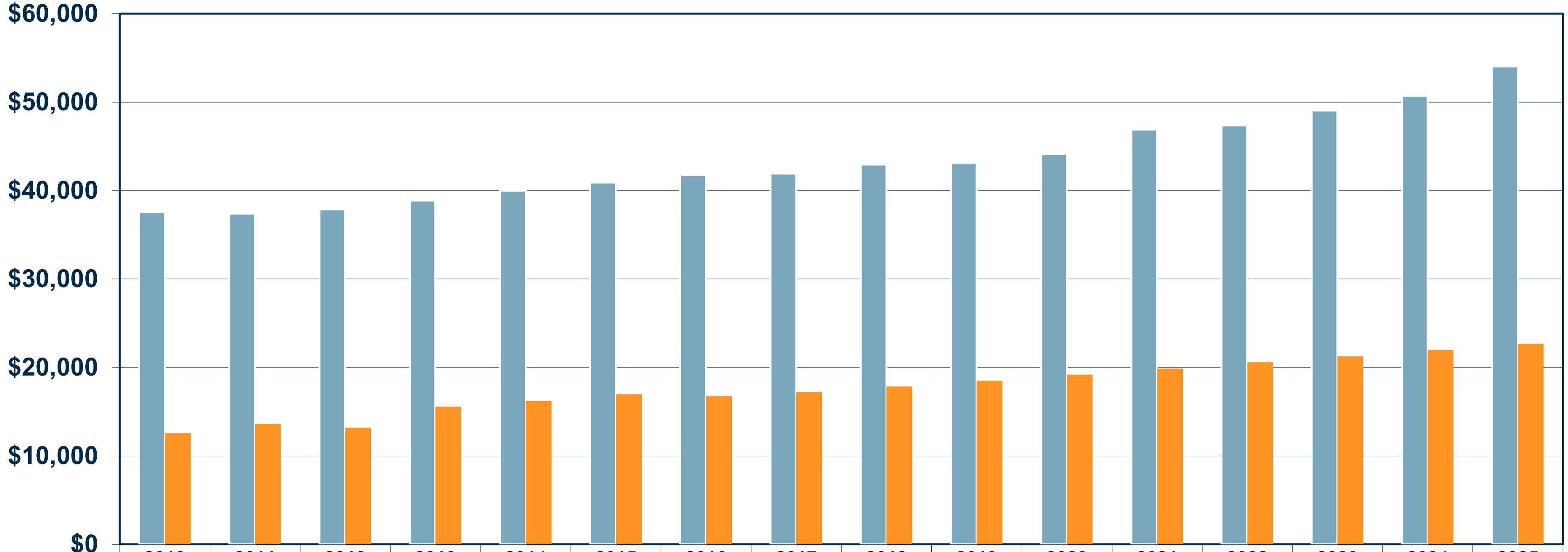

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Actives | 28,834 | 28,659 | 28,548 | 28,401 | 28,229 | 28,237 | 28,390 | 29,395 | 28,646 | 28,908 | 29,039 | 29,028 | 28,508 | 29,622 | 30,604 | 30,811 |
| Retirees | 17,512 | 18,123 | 18,738 | 19,451 | 20,081 | 20,681 | 21,333 | 21,805 | 22,556 | 23,245 | 23,856 | 24,403 | 25,128 | 25,554 | 25,904 | 26,233 |

0.4% annual increase for active members since 2010; 0.7% increase for 2025.

2.7% annual increase for retired members since 2010; 1.3% increase for 2025.

0.6 retirees per active 15 years ago; 0.9 retirees per active now.

# Average Salary and Benefits




| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Active Salary | $37,587 | $37,384 | $37,876 | $38,872 | $39,998 | $40,899 | $41,763 | $41,914 | $42,942 | $43,149 | $44,098 | $46,906 | $47,351 | $49,062 | $50,733 | $54,051 |
| Retirees Benefits | $12,575 | $13,625 | $13,177 | $15,574 | $16,230 | $16,945 | $16,748 | $17,201 | $17,866 | $18,522 | $19,178 | $19,865 | $20,573 | $21,262 | $21,975 | $22,676 |

2.5% annual increase for average salary since 2010; 6.5% increase for 2025.

4.0% annual increase for average benefits since 2010; 3.2% increase for 2025.

# Payroll & Benefits (Millions)

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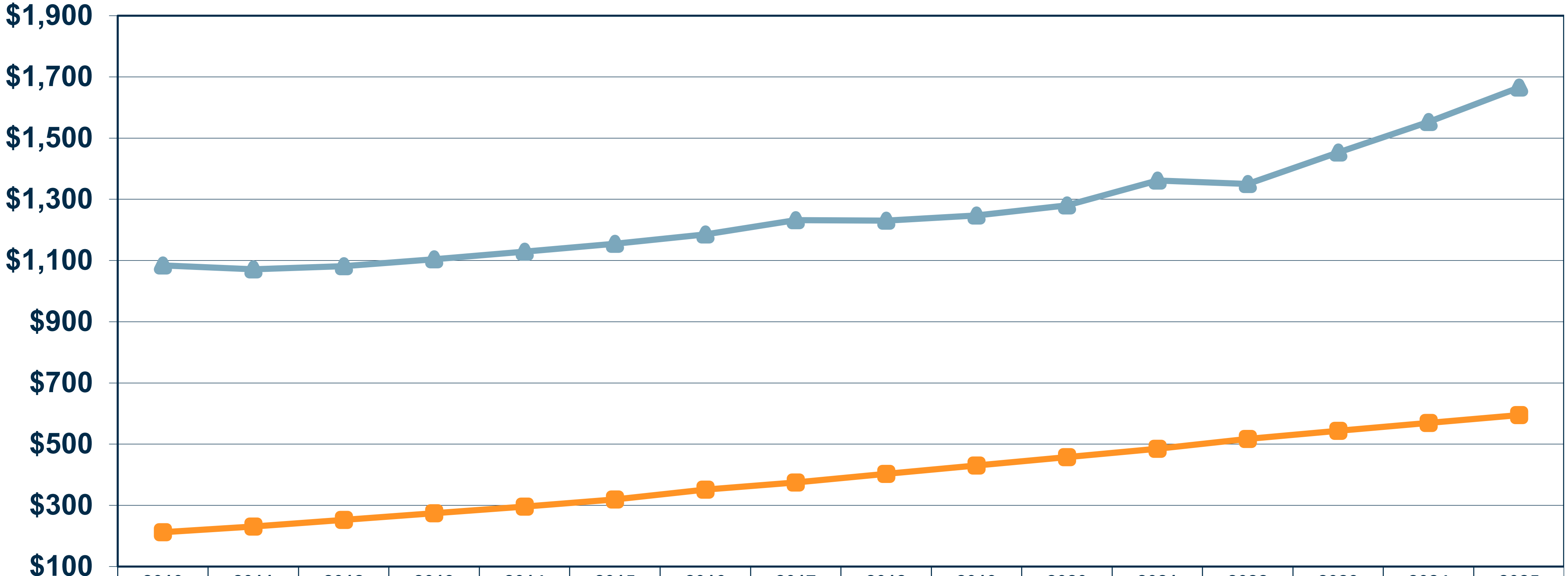


| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Payroll | $1,083.8 | $1,071.4 | $1,081.3 | $1,104.0 | $1,129.1 | $1,154.9 | $1,185.6 | $1,232.1 | $1,230.1 | $1,247.3 | $1,280.6 | $1,361.6 | $1,349.9 | $1,453.3 | $1,552.6 | $1,665.1 |
| Benefits | $212.2 | $231.2 | $252.8 | $274.0 | $296.2 | $319.5 | $351.7 | $375.1 | $403.0 | $430.6 | $457.5 | $484.8 | $517.0 | $543.3 | $569.2 | $594.9 |

# Assets ($ Millions)

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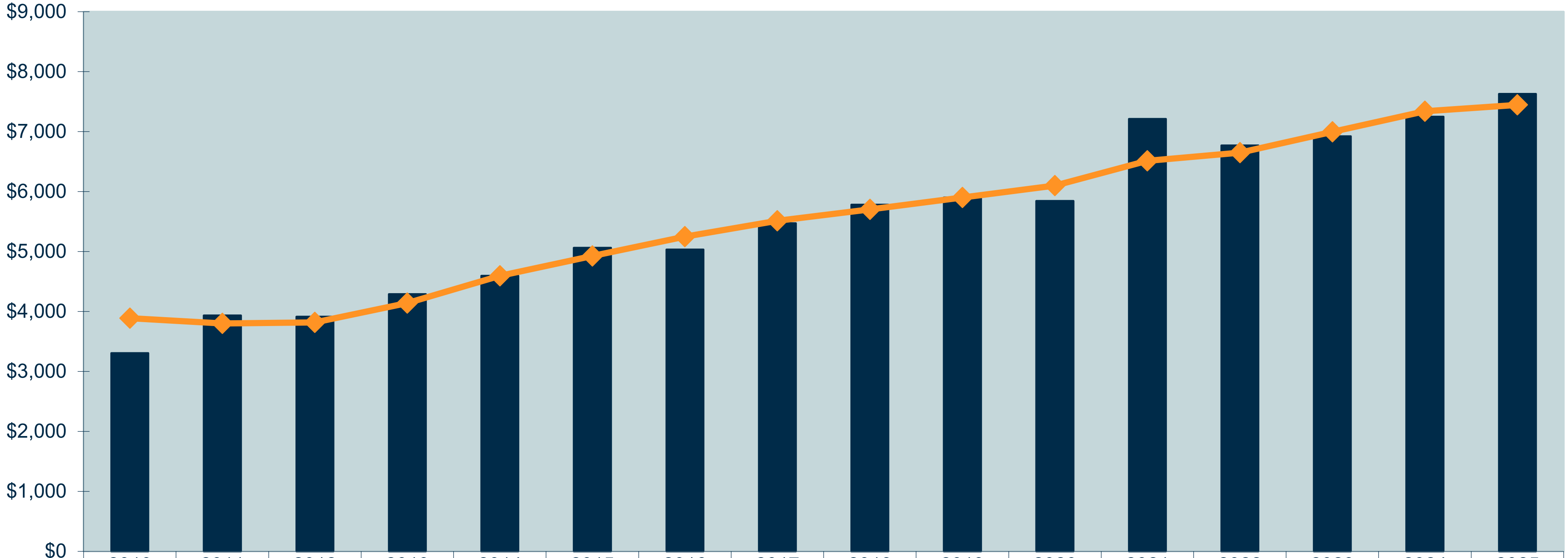



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Market Value | $3,304 | $3,933 | $3,913 | $4,290 | $4,596 | $5,061 | $5,033 | $5,473 | $5,780 | $5,903 | $5,845 | $7,210 | $6,771 | $6,921 | $7,250 | $7,631 |
| Actuarial Value | $3,890 | $3,801 | $3,817 | $4,140 | $4,596 | $4,927 | $5,248 | $5,514 | $5,705 | $5,903 | $6,099 | $6,515 | $6,649 | $6,999 | $7,341 | $7,446 |

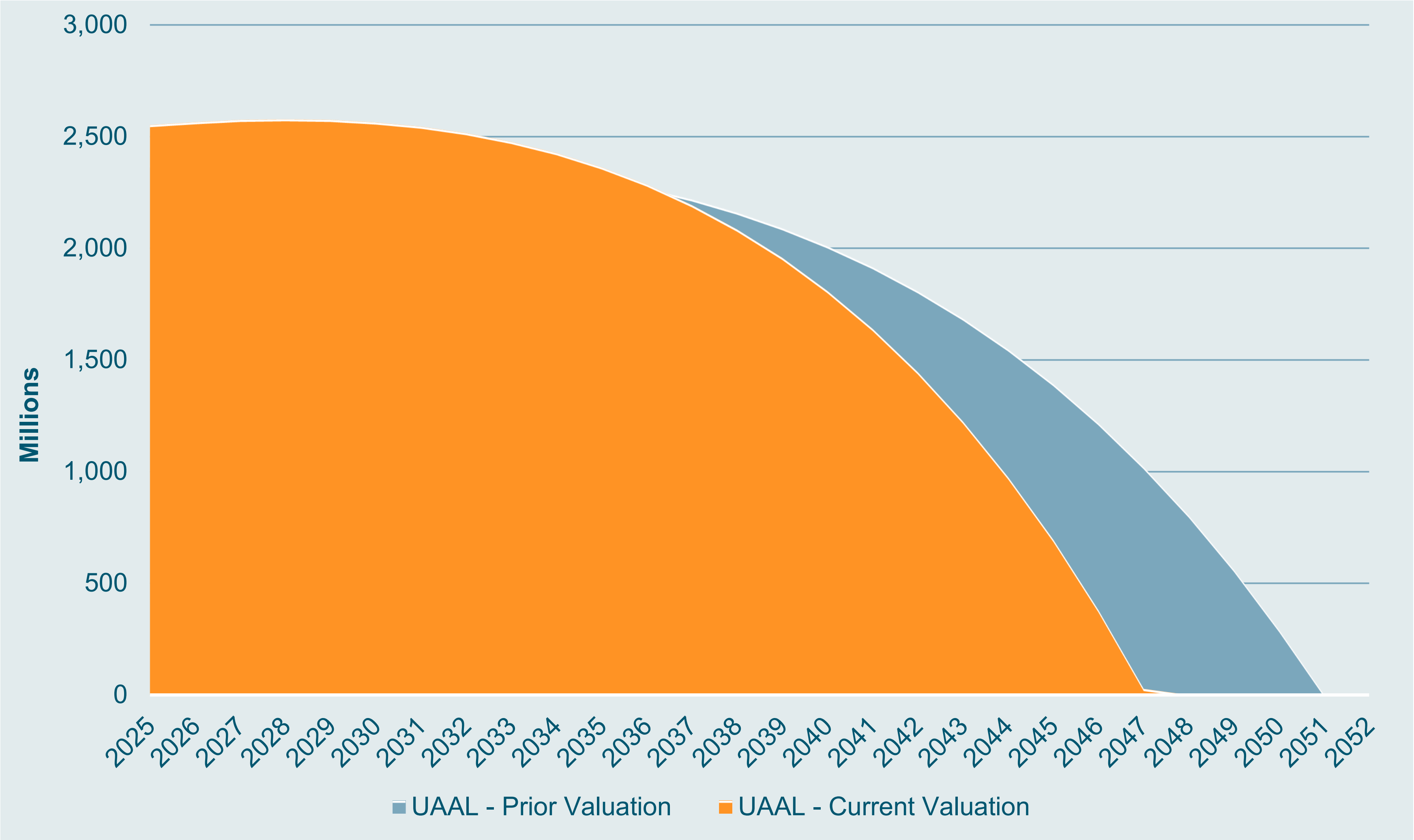
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Market Return** | 12.9% | 21.7% | 2.3% | 13.0% | 17.1% | 4.6% | 2.0% | 11.9% | 8.9% | 5.7% | 2.7% | 27.8% | (4.2)% | 8.4% | 8.9% | 9.4% |
| **Actuarial Return** | (1.2%) | (0.1)% | 3.3% | 11.9% | 13.2% | 9.6% | 9.3% | 8.1% | 6.7% | 7.1% | 7.1% | 10.8% | 8.2% | 7.6% | 9.0% | 5.4% |

# Funding Results

| | July 1, 2025 Valuation | July 1, 2024 Valuation |
|---|---|---|
| Total Normal Cost Rate | 9.29% | 9.83% |
| Less Member Rate | 7.90% | 7.90% |
| Employer Normal Cost Rate | 1.39% | 1.93% |
| Rate to Amortize UAL | 7.74% | 7.20% |
| Transfer to DB Education Fund | 0.04% | 0.04% |
| Total Employer Statutory Rate | 9.17% | 9.17% |
| | | |
| Actuarial Accrued Liability | $9,998.1 million | $9,695.5 million |
| Actuarial Value of Assets | $7,446.5 million | $7,341.3 million |
| Unfunded Actuarial Accrued Liability | $2,551.6 million | $2,354.2 million |
| Funded Ratio | 74.48% | 75.72% |
| Amortization Period * | 23 Years | 27 Years |

* Reflects projected State revenue. Payable in fiscal year immediately following the valuation date.

# Progress Toward 100% Funding




Increased employer contributions beginning in FY2028, decreasing of interest credits on employee contributions and total payroll increasing by more than 7.00% reduced the full funding date to 2047.

# Valuation Highlights

## Plan Experience

### Experience

Overall experience loss of $212.7 million

$133.9M loss due to investment experience

$78.8M loss due to liability experience

### Assets

$184.2 million deferred asset gain

- 2026 Gain: $82.1M
- 2027 Gain: $65.0M
- 2028 Gain: $37.1M

### Demographics

Demographic and mortality experience loss of $5.0 million (0.05% of AAL)

### Salary

Experience loss of $73.8 million due to salary increases that were greater than anticipated

# Other Plans Valuation Results

# Valuation Results

| System | Funded Ratio 2025 | Funded Ratio 2024 | Amortization Period 2025 | Amortization Period 2024 | Rate Member | Rate Employer | Rate Total |
|---|---|---|---|---|---|---|---|
| JRS | 184% | 184% | 0 | 0 | 7.00% | 0.00% | 7.00% |
| HPORS | 76% | 78% | 22 | 22 | 13.05% | 38.43% | 51.48% |
| SRS | 82% | 83% | 17 | 17 | 10.495% | 13.215% | 23.710% |
| GWPORS | 92% | 94% | 16 | 12 | 10.56% | 10.66% | 21.22% |
| MPORS | 75% | 75% | 18 | 18 | 9.00% | 43.78% | 52.78% |
| FURS | 84% | 85% | 8 | 8 | 10.70% | 46.97% | 57.67% |
| VFCA* | 101% | 107% | 0 | 0 | 5% of premium taxes | | |

* The actual contributions for the fiscal year ending 2024 and 2025 were $3,519,342 and $3,910,471, respectively

# PERS DCRP
# Long Term Disability Plan
# Valuation Results

# Funding Results

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| | July 1, 2025 Valuation | July 1, 2024 Valuation |
|---|---|---|
| Total Normal Cost Rate | 0.06% | 0.06% |
| Rate to Amortize UAL | 0.24% | 0.24% |
| Total Employer Statutory Rate | 0.30% | 0.30% |
| | | |
| Actuarial Accrued Liability | $1,542,584 | $1,282,139 |
| Actuarial Value of Assets (Market Value) | $12,480,299 | $10,443,239 |
| Unfunded Accrued Liability | ($10,937,715) | ($9,161,100) |
| Funded Ratio | 809.05% | 814.52% |
| Amortization Period | 0 Years | 0 Years |
| 30-Year Funding Period | (0.19)% | (0.17)% |

# Upcoming Experience Study

- Experience study to be performed in Spring 2026
  - Any changes would be reflected in the June 30, 2026 valuation
  - Assumption changes may require updates to optional form factors

# Caveats and Disclosures

- Additional information regarding the assumptions and methods can be found in the June 30, 2025 actuarial valuation reports.

- The actuaries who prepared these results, Todd B. Green, ASA, EA, MAAA, FCA, and Bryan K. Hoge, FSA, EA, MAAA, FCA, are members of the American Academy of Actuaries and are qualified to render the actuarial opinions presented herein. We are happy to provide additional information and answer any questions, if necessary.


THANK
YOU