

SCHOOL DISTRICT 1 - MISSOULA (6773)
PUBLIC EMPLOYEES' RETIREMENT SYSTEM – DEFINED BENEFIT
GASB 68 NOTES TO THE FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED

JUNE 30, 2019 (measurement date)
JUNE 30, 2020 (reporting date)

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. Employers are provided guidance in GASB Statement 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans. This report provides information for employers who are using a June 30, 2019 measurement date for the 2020 reporting. If an employer's fiscal year end is after June 30th, the employer will not use the measurements shown in this report but will need to wait for the measurement date as of June 30, 2020.

Summary of Significant Accounting Policies - 79

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the Net Pension Liability (NPL); Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. 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 in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

General Information about the Pension Plan – 76a, 76b, 76c

Plan Description – 76a: The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, and local governments, and certain employees of the Montana University System, and school districts. Benefits are established by state law and can only be amended by the Legislature.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP).

Benefits provided – 76b: The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation (HAC). Member rights are vested after five years of service.

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service
 - Age 65, regardless of membership service
 - Any age, 30 years of membership service
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service
 - Age 70, regardless of membership service

Early Retirement:

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service
 - Any age, 25 years of membership service
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service

Second Retirement: (requires returning to PERS-covered employer or PERS service)

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011 highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

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.

- 3.0% for members hired **prior to** July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - (a) 1.5% for each year PERS is funded at or above 90%;
 - (b) 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - (c) 0% whenever the amortization period for PERS is 40 years or more.

Contributions – 76c: The state Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as *special funding*. Those employers who received *special funding* are all participating employers.

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

| Fiscal Year | Member | | State & Universities | Local Government | | School Districts | |
|----------------|------------------|------------------|----------------------|------------------|--------|------------------|--------|
| | Hired < 07/01/11 | Hired > 07/01/11 | Employer | Employer | State | Employer | State |
| 2020 | 7.900% | 7.900% | 8.770% | 8.670% | 0.100% | 8.400% | 0.370% |
| 2019 | 7.900% | 7.900% | 8.670% | 8.570% | 0.100% | 8.300% | 0.370% |
| 2018 | 7.900% | 7.900% | 8.570% | 8.470% | 0.100% | 8.200% | 0.370% |
| 2017 | 7.900% | 7.900% | 8.470% | 8.370% | 0.100% | 8.100% | 0.370% |
| 2016 | 7.900% | 7.900% | 8.370% | 8.270% | 0.100% | 8.000% | 0.370% |
| 2015 | 7.900% | 7.900% | 8.270% | 8.170% | 0.100% | 7.900% | 0.370% |
| 2014 | 7.900% | 7.900% | 8.170% | 8.070% | 0.100% | 7.800% | 0.370% |
| 2012 – 2013 | 6.900% | 7.900% | 7.170% | 7.070% | 0.100% | 6.800% | 0.370% |
| 2010 – 2011 | 6.900% | | 7.170% | 7.070% | 0.100% | 6.800% | 0.370% |
| 2008 – 2009 | 6.900% | | 7.035% | 6.935% | 0.100% | 6.800% | 0.235% |
| 2000 - 2007 | 6.900% | | 6.900% | 6.800% | 0.100% | 6.800% | 0.100% |

1. Member contributions to the system of 7.9% are 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.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions:
 - a. Special Funding
 - i. The state contributed 0.1% of members' compensation on behalf of local government entities.
 - ii. The state contributed 0.37% of members' compensation on behalf of school district entities.
 - iii. The state contributed a Statutory Appropriation from the General Fund of \$33,615,000.

Pension Liabilities (80a, 80b, 80c, 80d, 80e, 80f), Pension Expense (80g, 80j), and Deferred Outflows of Resources and Deferred Inflows of Resources (57, 80h, 80i) Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2019, and 2018, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The employer recorded a liability of \$11,131,417 and the employer's proportionate share was 0.532525 percent.

| As of measurement date | Net Pension Liability as of 6/30/2019 | Net Pension Liability as of 6/30/2018 | Percent of Collective NPL as of 6/30/2019 | Percent of Collective NPL as of 6/30/2018* | Change in Percent of Collective NPL |
|--|---------------------------------------|---------------------------------------|---|--|-------------------------------------|
| SCHOOL DISTRICT 1 - MISSOULA Proportionate Share | \$ 11,131,417 | \$ 11,037,979 | 0.532525% | 0.528856% | 0.003669% |
| State of Montana Proportionate Share associated with Employer | \$ 3,966,637 | \$ 4,066,575 | 0.189763% | 0.194839% | (0.005076)% |
| Total | \$ 15,098,054 | \$ 15,104,554 | 0.722288% | 0.723695% | (0.001407)% |
| *To be consistent with this year's calculation of the <i>State of Montana Proportionate Share Associated with Employer Percent of Collective NPL</i> , the June 30, 2018 percentage has been recalculated using the actual State percentage presented on the allocation calculation instead of the 100% displayed last year. This does not change the dollar amount of the Net Pension Liability as of 6/30/2018, just the percentage. | | | | | |

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

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 NPL 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, 80j: At June 30, 2019, the employer recognized \$1,119,586 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$32,452 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$236,841 from the State Statutory Appropriation from the General Fund. (Two years of pension expense are documented in the table below but are not necessary for the employer's disclosures.)

| As of measurement date | Pension Expense as of 6/30/2019 | Pension Expense as of 6/30/2018 |
|--|---------------------------------|---------------------------------|
| SCHOOL DISTRICT 1 - MISSOULA's Proportionate Share | \$1,119,586 | \$706,677 |
| Employer Grant Revenue – State of Montana Proportionate Share for employer | 32,452 | 271,399 |
| Employer Grant Revenue – State of Montana State Appropriation for employer | 236,841 | 0 |
| Total | \$1,388,879 | \$978,076 |

Recognition of Deferred Inflows and Outflows – 57, 80h, 80i: At June 30, 2019, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Expected vs. Actual Experience | \$527,827 | \$523,778 |
| Projected Investment Earnings vs. Actual Investment Earnings | 134,965 | 0 |
| Changes in Assumptions | 472,563 | 0 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 0 | 1,405,144 |
| Employer Contributions Subsequent to the Measurement Date | # | |
| Total | \$1,135,354 | \$1,928,922 |
| # the employer's contributions subsequent to the measurement date must be entered by the employer. These are the FY2020 contributions paid to the Plan | | |

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

| For the Measurement Year ended June 30: | Recognition of Deferred Outflows and Deferred Inflows in future years as an increase or (decrease) to Pension Expense |
|---|---|
| 2020 | \$(46,661) |
| 2021 | \$(918,244) |
| 2022 | \$50,208 |
| 2023 | \$121,131 |
| Thereafter | \$ 0 |

Actuarial Assumptions - 77: The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions.

| | |
|---|---|
| Investment Return (net of admin expense) | 7.65% |
| Admin Expense as % of Payroll | 0.26% |
| General Wage Growth * | 3.50% |
| *includes Inflation at | 2.75% |
| Merit Increases | 0% to 6.30% |
| Postretirement Benefit Increases | |
| 1. Guaranteed Annual Benefit Adjustment (GABA) each January | |
| • 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. | |
| • Members hired prior to July 1, 2007 | 3.0% |
| • Members hired between July 1, 2007 & June 30, 2013 | 1.5% |
| • Members hired on or after July 1, 2013 | 1.5% |
| • For each year PERS is funded at or above 90% | |
| • The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90% | |
| • 0% whenever the amortization period for PERS is 40 years or more | 0% |
| Mortality: | |
| • Contributing members, , service retired members & beneficiaries | RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males |
| • Disabled Members | RP-2000 Combined Mortality Tables, with no projections |

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption including historical rates of return, rate of return assumptions 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 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation (78c & 78f) as of June 30, 2019, are summarized in the table below.

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return Arithmetic Basis |
|------------------|-------------------------|---|
| Cash Equivalents | 3.0% | 4.09% |
| Domestic Equity | 36.0% | 6.05% |
| Foreign Equity | 18.0% | 7.01% |
| Fixed Income | 23.0% | 2.17% |
| Private Equity | 12.0% | 10.53% |
| Real Estate | 8.0% | 5.65% |
| Total | 100.0% | |

Discount Rate – 78a, 78b, 78d, 78e: The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan’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 TPL. A municipal bond rate was not incorporated in the discount rate.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – 78g: The following presents the employer’s sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

| As of measurement date | 1.0% Decrease (6.65%) | Current Discount Rate | 1.0% Increase (8.65%) |
|--|-----------------------|-----------------------|-----------------------|
| SCHOOL DISTRICT 1 - MISSOULA’s Net Pension Liability | \$15,992,676 | \$11,131,417 | \$7,046,145 |

PERS Disclosure for the defined contribution plan - 126

SCHOOL DISTRICT 1 - MISSOULA contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer’s contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2019, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the *defined contribution* plan. Plan level non-vested forfeitures for the 320 employers that have participants in the PERS-DCRP totaled \$714,024.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plan’s fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>

SCHOOL DISTRICT 1 - MISSOULA (6773)
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Last Ten Fiscal Years*
81a1

| As of measurement date | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|-------------|
| Employer's proportion of the Net Pension Liability (percentage) | 0.532525% | 0.528856% | 0.706968% | 0.701763% | 0.691860% | 0.704915% |
| Employer's Net Pension Liability (amount) | \$11,131,417 | \$11,037,979 | \$13,769,093 | \$11,953,458 | \$9,671,317 | \$8,783,314 |
| State's Net Pension Liability (amount) | 3,966,637 | 4,066,575 | 648,571 | 558,652 | 454,453 | 410,590 |
| Total | \$15,098,054 | \$15,104,554 | \$14,417,664 | \$12,512,110 | \$10,125,771 | \$9,193,905 |
| Employer's Covered Payroll | \$9,072,401 | \$9,020,589 | \$9,063,252 | \$8,689,595 | \$8,348,017 | \$8,272,571 |
| Employer's Proportionate Share as a percent of Covered Payroll | 122.70% | 122.36% | 151.92% | 137.56% | 115.85% | 111.22% |
| Plan Fiduciary Net Position as a percent of Total Pension Liability | 73.85% | 73.47% | 73.75% | 74.71% | 78.40% | 79.87% |

**The amounts presented for each fiscal year were determined as of June 30, the measurement date.*

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

SCHOOL DISTRICT 1 - MISSOULA (6773)
Required Supplementary Information
Schedule of Contributions
For the Last Ten Fiscal Years*
81b

| As of most recent FYE (reporting date) | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------|-------------|-------------|-------------|-------------|-------------|
| Contractually Required DB Contributions | # | \$755,706 | \$736,664 | \$734,060 | \$702,611 | \$665,342 |
| Plan Choice Rate Required Contributions | # | \$ 0 | \$ 0 | \$ 0 | \$5,158 | \$7,362 |
| Contributions in Relation to the Contractually Required Contributions | # | \$755,706 | \$736,664 | \$734,060 | \$707,769 | \$672,704 |
| Contribution Deficiency (Excess) | # | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Employer's Covered Payroll | # | \$9,072,401 | \$9,020,589 | \$9,063,252 | \$8,689,595 | \$8,348,017 |
| Contributions as a percent of Covered Payroll | # | 8.33% | 8.17% | 8.10% | 8.15% | 8.06% |
| # the employer must enter FY2020 data | | | | | | |

**The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end.
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

SCHOOL DISTRICT 1 - MISSOULA (6773)
Notes to Required Supplementary Information
for the Year ended June 30, 2019
82

Changes of Benefit Terms

The following changes to the plan provisions were made as identified:

2017:**Working Retiree Limitations – for PERS**

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in Actuarial Assumptions and Methods**Method and assumptions used in calculations of actuarially determined contributions**

The following Actuarial Assumptions were adopted from the June 2016 Experience Study:

| | |
|-------------------------------|--|
| General Wage Growth* | 3.50% |
| Investment Rate of Return* | 7.65% |
| *Includes inflation at | 2.75% |
| Merit salary increase | 0% to 8.47% |
| Asset valuation method | Four-year smoothed market |
| Actuarial cost method | Entry age Normal |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 30 years |
| Mortality (Healthy members) | For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year |
| Mortality (Disabled members) | For Males and Females: RP 2000 Combined Mortality Table, with no projections |
| Admin Expense as % of Payroll | 0.26% |

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

Sample Journal Entries

Sample journal entries are provided. Employers please reference the guidance provided in the *Guide to Implementation of GASB Statement 68* illustrations 3 and 4.

The entries in this disclosure are for the employer who has reported GASB Statement 68 since implementation. The implementation year entries are far different than succeeding years. The entries are provided as guidance and should be analyzed by the employer's accounting staff to ensure accuracy for the specific employer.

MPERA makes no management representations for the employer's entries.

SCHOOL DISTRICT 1 - MISSOULA (6773)
Sample Journal Entries
For Employer's Fiscal Year Ended June 30, 2020 (June 30, 2019 Measurement Date)

| | <u>Debit</u> | <u>Credit</u> |
|---|--------------------|--------------------|
| Proportionate share of beginning collective net pension liability | \$11,037,979 | |
| Proportionate share of ending collective net pension liability | | \$11,131,417 |
| Pension expense – Employer | 1,119,586 | 0 |
| Deferred outflows/inflows of resources – Difference b/w Expected and Actual Experience | 0 | 835,315 |
| Deferred outflows/inflows of resources – Difference b/w Projected and Actual Investment Earnings | 306,385 | 0 |
| Deferred outflows/inflows – Change of Assumptions | 0 | 466,052 |
| Deferred outflows/inflows – Difference b/w Actual and Expected Contributions & Change in Proportionate Share | 724,540 | 0 |
| Deferred outflows of resources – Employer contributions 7/1/2018 – 6/30/2019 ¹ | | 755,706 |
| To record current year activity | <hr/> \$13,188,490 | <hr/> \$13,188,490 |
| Pension expense – Non-Employer Contributing Entity | \$269,293 | |
| Revenue – State aid | | \$269,293 |
| To record pension expense and revenue for State support | | |
| Deferred outflows of resources – Employer contributions 7/1/2019– 6/30/2020 | \$xx,xxx | |
| Pension expense | | \$xx,xxx |
| To record deferred outflows of resources for contributions subsequent to measurement date | | |

¹The employer contributions for 7/1/2018 – 6/30/2019 use the employer's defined benefit contributions on the June 30, 2019 Covered Payroll and are adjusted by the actuary to align with the total employer and state contributions presented on the financial statements included in the June 30, 2019 PERB CAFR.

NOTE: Due to the nature of the calculations and the rounding involved in the presentation of the amounts on this page, your debits and credits may not equal.