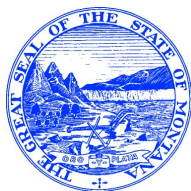


# LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
Joe Murray

## INDEPENDENT AUDITOR'S REPORT

The Public Employees' Retirement Board:

### ***Introduction***

We have audited the Employer Contribution column for the fiscal year ended June 30, 2019, and the Employer Proportion based on Employer Contributions column as of June 30, 2019, on the accompanying Schedule of Employer Proportionate Share Allocations for the Game Wardens' and Peace Officers' Retirement System—Cost Sharing Plan. We have also audited the Net Pension Liability-Employer total as of June 30, 2019, Total Collective Deferred Outflows total, Total Collective Deferred Inflows total, and Proportionate Share of Plan Pension Expense total included in the accompanying Schedule of Employer Proportionate Share Allocations of the Game Wardens' and Peace Officers' Retirement System as of and for the fiscal year ended June 30, 2019, for the purpose of employer financial reporting for fiscal year 2020. In addition, we have audited the related notes to the schedule.

### ***Management's Responsibility for the Schedule***

Management, the Public Employees' Retirement Board, and its staff, the Montana Public Employee Retirement Administration, is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles generally accepted in the United States of America; this responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on the specified columns and specified total amounts on the schedule as noted above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the specified columns and specified total amounts are free from material misstatement. This report does not include the results of our testing of internal control over financial reporting or compliance and other matters; results are addressed through our separately issued financial audits of the Public Employees' Retirement Board.

An audit involves performing procedures to obtain audit evidence about the specified columns and specified total amounts on the schedule as noted above, and disclosures. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the specified columns and specified total amounts on the schedule as noted above, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the board's preparation and fair presentation of the specified columns and specified total amounts on the schedule as noted above in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the board's internal control, and accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the specified columns and specified total amounts on the schedule as noted above.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the Employer Contribution column (page 1), the Employer Proportion based on Employer Contributions column (page 2), and the specified total amounts summarized in the table below are presented fairly, in all material respects, in the Schedule of Employer Proportionate Share Allocations for the Game Wardens' and Peace Officers' Retirement System–Cost Sharing Plan as of and for the fiscal year ended June 30, 2019, for the purpose of employer financial reporting for fiscal year 2020, in accordance with accounting principles generally accepted in the United States of America.

<b>Specified Amounts from the Schedule of Employer Proportionate Share Allocations for the Game Wardens' and Peace Officers' Retirement System as of the June 30, 2019, Measurement Date</b>	<b>Total Amount</b>	<b>Page Number</b>
Net Pension Liability-Employer	\$40,665,398	2
Total Collective Deferred Outflows	\$8,690,258	3
Total Collective Deferred Inflows	\$3,782,693	4
Proportionate Share of Plan Pension Expense	\$9,500,651	5

### ***Other Matters***

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Public Employees' Retirement Board as of and for the fiscal year ended June 30, 2019, and our report thereon, dated December 6, 2019, expressed an unmodified opinion on those financial statements. The Game Wardens' and Peace Officers' Retirement System is one of several retirement systems that are included in the board's financial statements referred to above.

The Schedule of Employer Proportionate Share Allocation for the Game Wardens' and Peace Officers' Retirement System–Cost Sharing Plan, as of and for the fiscal year ended June 30, 2019, for the purpose of employer financial reporting for fiscal year 2020, includes partial prior-year comparative information. Such information does not include all information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Schedule of Employer Proportionate Share Allocations for the Game Wardens' and Peace Officers' Retirement System for the fiscal year ended June 30, 2018, for the purposes of employer financial reporting for fiscal year 2019, from which such partial information was derived.

### ***Restriction on Use***

Our report is intended solely for the information and use of the Montana Public Employees' Retirement Board and its auditor, Montana Public Employees' Retirement Administration management, Game Wardens' and Peace Officers' Retirement System employers and their auditors, and the Montana Legislature. It is not intended to be, and should not be, used by anyone other than those specified parties.

Respectfully submitted,

*/s/ Jeane Carstensen-Garrett*

Jeane Carstensen-Garrett, CPA, Audit Manager  
Financial-Compliance Audits  
Helena, MT

June 2, 2020

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**  
for the year ending June 30

**Contributions for Fiscal Year Ending June 30, 2019**

	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Employer Contribution</u>
<b>Total</b>			\$ 4,686,260
<b><u>Employer</u></b>			
6802 DEPARTMENT OF CORRECTIONS	10.56%	9.00%	3,258,493
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	10.56%	9.00%	646,719
6712 DEPARTMENT OF LIVESTOCK	10.56%	9.00%	145,338
6689 DEPARTMENT OF TRANSPORTATION	10.56%	9.00%	401,726
6647 MONTANA STATE UNIVERSITY - BILLINGS	10.56%	9.00%	35,115
6645 MONTANA STATE UNIVERSITY - BOZEMAN	10.56%	9.00%	107,101
6644 UNIVERSITY OF MONTANA	10.56%	9.00%	91,767

**Employer Proportionate Share Allocations  
Game Wardens' and Peace Officers' Retirement System  
- Cost Sharing Plan**

for the year ending June 30

	<b>Net Pension Liability as of June 30, 2019</b>		<b>Net Pension Liability as of June 30, 2018</b>	
	<u>Net Pension Liability - Employer</u>	<u>Employer Proportion based on Employer Contributions</u>	<u>Net Pension Liability - Employer</u>	<u>Employer Proportion based on Employer Contributions</u>
<b>Total</b>	\$ 40,665,398	100.000000%	\$ 40,947,130	100.000000%
<b><u>Employer</u></b>				
6802 DEPARTMENT OF CORRECTIONS	28,275,835	69.532912%	28,715,618	70.128525%
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	5,611,953	13.800315%	5,532,895	13.512291%
6712 DEPARTMENT OF LIVESTOCK	1,261,184	3.101368%	1,267,997	3.096668%
6689 DEPARTMENT OF TRANSPORTATION	3,486,014	8.572432%	3,334,507	8.143445%
6647 MONTANA STATE UNIVERSITY - BILLINGS	304,717	0.749328%	341,697	0.834483%
6645 MONTANA STATE UNIVERSITY - BOZEMAN	929,379	2.285430%	961,673	2.348573%
6644 UNIVERSITY OF MONTANA	796,316	1.958215%	792,743	1.936015%

**Employer Proportionate Share Allocations  
Game Wardens' and Peace Officers' Retirement System  
- Cost Sharing Plan**

for the year ending June 30

<b>Deferred Outflows of Resources as of June 30, 2019</b>							
	Difference Between Expected and Actual <u>Experience</u>	Net Difference Between Projected Actual Investment and Actual Investment Earnings of Pension <u>Plan Investments</u>	Change of <u>Assumptions</u>	Total Collective Deferred <u>Outflows</u>	Changes in Proportion and Differences Between Employer Contributions and Proportionate <u>Share of Contributions</u>	Total Deferred Outflows of <u>Resources</u>	To be filled in by Employer Employer Contributions Subsequent to the <u>Measurement Date</u>
<b>Total</b>	\$ 5,476,183	\$ 863,038	\$ 2,351,037	\$ 8,690,258	\$ 220,847	\$ 8,911,105	
<b>Employer</b>							
6802 DEPARTMENT OF CORRECTIONS	3,807,749	600,095	1,634,744	6,042,589	-	6,042,589	#
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	755,731	119,102	324,451	1,199,283	125,298	1,324,581	#
6712 DEPARTMENT OF LIVESTOCK	169,837	26,766	72,914	269,517	68,188	337,705	#
6689 DEPARTMENT OF TRANSPORTATION	469,442	73,983	201,541	744,966	27,361	772,328	#
6647 MONTANA STATE UNIVERSITY - BILLINGS	41,035	6,467	17,617	65,119	-	65,119	#
6645 MONTANA STATE UNIVERSITY - BOZEMAN	125,154	19,724	53,731	198,610	-	198,610	#
6644 UNIVERSITY OF MONTANA	107,235	16,900	46,038	170,174	-	170,174	#

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**

for the year ending June 30

**Deferred Inflows of Resources as of June 30, 2019**

	Difference Between Expected and Actual <u>Experience</u>	Net Difference Between Projected Actual Investment and Actual Investment Earnings of Pension <u>Plan Investments</u>	Change of <u>Assumptions</u>	Total Collective Deferred <u>Inflows</u>	Changes in Proportion and Differences Between Employer Contributions and Proportionate <u>Share of Contributions</u>	Total Deferred Inflows of <u>Resources</u>
<b>Total</b>	\$ 3,782,693	\$ -	\$ -	\$ 3,782,693	\$ 220,847	\$ 4,003,540
<u>Employer</u>						
6802 DEPARTMENT OF CORRECTIONS	2,630,217	-	-	2,630,217	135,364	2,765,580
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	522,024	-	-	522,024	-	522,024
6712 DEPARTMENT OF LIVESTOCK	117,315	-	-	117,315	-	117,315
6689 DEPARTMENT OF TRANSPORTATION	324,269	-	-	324,269	-	324,269
6647 MONTANA STATE UNIVERSITY - BILLINGS	28,345	-	-	28,345	25,130	53,475
6645 MONTANA STATE UNIVERSITY - BOZEMAN	86,451	-	-	86,451	49,797	136,248
6644 UNIVERSITY OF MONTANA	74,073	-	-	74,073	10,557	84,630

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**

for the year ending June 30

<b>Pension Expense as of June 30, 2019</b>			
<u>Proportionate</u> Share of Plan Pension <u>Expense</u>	Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate <u>Share of Contributions</u>	Total Employer Pension <u>Expense</u>	
<b>Total</b>	\$ 9,500,651	\$ 0	\$ 9,500,651
<b>Employer</b>			
6802 DEPARTMENT OF CORRECTIONS	6,606,079	(24,661)	6,581,418
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	1,311,120	38,245	1,349,365
6712 DEPARTMENT OF LIVESTOCK	294,650	25,524	320,174
6689 DEPARTMENT OF TRANSPORTATION	814,437	(6,014)	808,422
6647 MONTANA STATE UNIVERSITY - BILLINGS	71,191	(7,542)	63,649
6645 MONTANA STATE UNIVERSITY - BOZEMAN	217,131	(19,837)	197,294
6644 UNIVERSITY OF MONTANA	186,043	(5,714)	180,329

**Employer Proportionate Share Allocations**  
**Game Wardens' and Peace Officers' Retirement System**  
**- Cost Sharing Plan**

for the year ending June 30

**Recognition of**  
**Deferred Outflows and Deferred Inflows as of June 30, 2019**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Future Year</u> <u>Deferrals</u>
<b>Total</b>	\$ 3,222,697	\$ 1,530,241	\$ 351,342	\$ (196,715)	\$ -
<u>Employer</u>					
6802 DEPARTMENT OF CORRECTIONS	\$ 2,216,174	\$ 1,039,360	\$ 195,118	\$ (173,642)	\$ -
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	\$ 482,988	\$ 249,424	\$ 79,469	\$ (9,322)	\$ -
6712 DEPARTMENT OF LIVESTOCK	\$ 125,471	\$ 72,982	\$ 27,746	\$ (5,810)	\$ -
6689 DEPARTMENT OF TRANSPORTATION	\$ 270,249	\$ 125,164	\$ 42,960	\$ 9,685	\$ -
6647 MONTANA STATE UNIVERSITY - BILLINGS	\$ 16,607	\$ 3,925	\$ (2,143)	\$ (6,744)	\$ -
6645 MONTANA STATE UNIVERSITY - BOZEMAN	\$ 53,815	\$ 15,135	\$ 1,815	\$ (8,403)	\$ -
6644 UNIVERSITY OF MONTANA	\$ 57,393	\$ 24,251	\$ 6,378	\$ (2,478)	\$ -



**Employer Proportionate Share Allocations  
Game Wardens' and Peace Officers' Retirement System  
- Cost Sharing Plan**

for the year ending June 30

**Sensitivity of Employer's Proportionate Share  
of the Net Pension Liability as of June 30, 2019**

	1% Decrease <u>6.65%</u>	Discount Rate <u>7.65%</u>	1% Increase <u>8.65%</u>
<b>Total</b>	\$ 77,614,223	\$ 40,665,398	\$ 10,489,098
<b>Employer</b>			
6802 DEPARTMENT OF CORRECTIONS	53,967,429	28,275,835	7,293,375
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	10,711,008	5,611,953	1,447,529
6712 DEPARTMENT OF LIVESTOCK	2,407,103	1,261,184	325,306
6689 DEPARTMENT OF TRANSPORTATION	6,653,427	3,486,014	899,171
6647 MONTANA STATE UNIVERSITY - BILLINGS	581,585	304,717	78,598
6645 MONTANA STATE UNIVERSITY - BOZEMAN	1,773,819	929,379	239,721
6644 UNIVERSITY OF MONTANA	1,519,853	796,316	205,399

**Employer Proportionate Share Allocations  
Game Wardens' and Peace Officers' Retirement System  
- Cost Sharing Plan**

for the year ending June 30

**Schedule of Employer's Proportionate Share  
of the Net Pension Liability as of June 30, 2019**

	Net Pension Liability <u>Employer</u>	Employer's Covered Payroll	Employer's Proportionate Share as a % of Covered Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
<b>Total</b>	\$ 40,665,398	\$ 51,676,963		
<u>Employer</u>				
6802 DEPARTMENT OF CORRECTIONS	28,275,835	35,931,030	78.69%	83.54%
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	5,611,953	7,131,289	78.69%	83.54%
6712 DEPARTMENT OF LIVESTOCK	1,261,184	1,602,622	78.70%	83.54%
6689 DEPARTMENT OF TRANSPORTATION	3,486,014	4,429,780	78.69%	83.54%
6647 MONTANA STATE UNIVERSITY - BILLINGS	304,717	389,345	78.26%	83.54%
6645 MONTANA STATE UNIVERSITY - BOZEMAN	929,379	1,180,993	78.69%	83.54%
6644 UNIVERSITY OF MONTANA	796,316	1,011,905	78.69%	83.54%

**Employer Proportionate Share Allocations  
Game Wardens' and Peace Officers' Retirement System  
- Cost Sharing Plan**

for the year ending June 30

**Schedule of Employer Contributions as of June 30, 2019**

	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contributions</u>	Contribution Deficiency <u>(Excess)</u>	Employer's Covered <u>Payroll</u>	Contributions as % Covered <u>Payroll</u>
<b>Total</b>	\$ 4,686,260	\$ 4,686,260	\$ -	\$ 51,676,963	9.07%
<b>Employer</b>					
6802 DEPARTMENT OF CORRECTIONS	3,258,493	3,258,493	-	35,931,030	9.07%
6667 DEPARTMENT OF FISH, WILDLIFE & PARKS	646,719	646,719	-	7,131,289	9.07%
6712 DEPARTMENT OF LIVESTOCK	145,338	145,338	-	1,602,622	9.07%
6689 DEPARTMENT OF TRANSPORTATION	401,726	401,726	-	4,429,780	9.07%
6647 MONTANA STATE UNIVERSITY - BILLINGS	35,115	35,115	-	389,345	9.02%
6645 MONTANA STATE UNIVERSITY - BOZEMAN	107,101	107,101	-	1,180,993	9.07%
6644 UNIVERSITY OF MONTANA	91,767	91,767	-	1,011,905	9.07%

# Public Employees' Retirement Board (PERB)

A Component Unit of the State of Montana

## Game Wardens' and Peace Officers' Retirement System (GWPORS)

Notes to the Employer Proportionate Share Allocations

June 30, 2020

The Schedule of Employer Proportionate Share Allocations provides the required information under GASB Statement 68 for the GWPORS Multiple-Employer, Cost Sharing Plan (the Plan). The individual participating employers should use this information along with fiscal year 2020 contribution data to prepare financial reports in accordance with GASB Statement 68.

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end. The schedules provided with this report are for employers who are using a June 30, 2019 measurement date for their 2020 reporting.

As allowed by GASB Statement 68, the basis for the total pension liability 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 update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

### Change in actuarial allocation calculations

The employer and state contributions on the covered payroll are adjusted by the actuary to align with the total employer and state contributions presented on the financial statements included in the PERB CAFR.

### Employer Proportionate Share Allocations

Under the direction and oversight of the Public Employees' Retirement Board (PERB), Cavanaugh Macdonald Consulting LLC prepared the schedule and calculated the total pension liability; however, responsibility for the schedule remains with the Montana Public Employee Retirement Administration (MPERA) management, staff of the PERB. The Employer Proportionate Share Allocations schedule was extracted from the GASB 68 Report, with totals for all employer-contributing entities at the top of each page.

The financial statements of the PERB *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. Both reports are available on the MPERA website.

### Assumptions

The calculations in the GASB 68 Report used the same facts and assumptions found in the FY2018 GWPORS Actuary Valuation report. The Summary of Results for the pension plan, which includes financial statement information and membership information; Actuarial Procedures and Methods; and Summary of Benefit Provisions are contained in the report. The Actuary Valuation report may be viewed

on MPERA's website at: <http://mpera.mt.gov/ABOUT/ActuarialStudies>.

#### Employer Proportionate Share Allocations - Contributions

The schedule, on page 1, provides information on the measurement date (FY2019) regarding the contribution percentages and contribution amounts for individual employers.

State law defines contributions to the Plan as a percentage of salary and is consistent for all employers. The Plan's actuarial assumptions reflect the current demographics of all employers, along with the employer's expected long-term contribution effort to the Plan in relation to other employers.

#### Employer Proportionate Share Allocations - Net Pension Liability

The schedule, on page 2, provides the proportionate share and the net pension liability for the employers for fiscal years 2018 and 2019. The calculation of proportionate share used actual contributions made to the Plan during the measurement period (FY2019). The net pension liability component used the proportionate share allocation of the collective pension amounts for the employers.

The ratio of employer's contributions to total contributions from all employers equals the employer's proportionate share.

#### Employer Proportionate Share Allocations - Deferred Outflows and Deferred Inflows

Presented on pages 3-4 are the Deferred Outflows and Deferred Inflows by source. Since the amortization of certain expense items are over closed periods each year, the deferred portions of these items must be tracked annually. If they increased pension expense, they are labeled deferred outflows. If the amounts reduced pension expense, they are labeled deferred inflows. The amortization of amounts are calculated on a level dollar basis, with no interest included in the deferred amounts. The Total Collective Deferred Outflows and Total Collective Deferred Inflows columns are for audit purposes as the audit provides assurance of the total collective deferrals, not the individual components of the deferred items. The total collective deferred amounts in the schedule are not inclusive of the changes in proportion and differences between employer contributions and proportionate share of contributions. The total collective deferred outflows are also not inclusive of the employer contributions subsequent to the measurement date. The number signs (#) displayed in the column indicates the employer must obtain and enter this information for their FY2020 reporting. Employers should report the changes in proportion and differences between employer contributions and proportionate share of contributions and the employer contributions subsequent to the measurement date, as applicable.

#### Employer Proportionate Share Allocations - Pension Expense

Page 5 lists the amount of Pension Expense. Pension expense includes amounts for service cost (the annual normal cost under the entry age normal actuarial cost method), interest on the total pension liability, changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses.

The unrecognized portion of each year's experience, assumption changes and investment gains/losses are used to develop deferred outflows and inflows, which must be included in the employer's financial statements.

### Gains, Losses and Assumption Changes

The experience gains or losses are the portion of current year change in total pension liability due to actual versus expected experience for the year. The portion recognized in the current year was determined by spreading the total change, including any assumption change impacts, over the average expected remaining service life of the entire Plan membership. The average expected remaining service life was estimated at five years. Investment gains and losses are recognized over five years.

For FY2020 reporting, there was a total actuarial experience gain. This total gain is a result of a gain in the financial experience. There have been no benefit, contribution, assumption or method changes since the previous valuation.

The assumptions and methods utilized in the June 30, 2018 valuation were developed in the six-year experience study for the period ending June 30, 2016.

### Employer Notes and Disclosures

As required by GASB Statement 68, the information on pages 6-9 of the Employer Proportionate Share Allocations schedule are for the employer's use in their notes and required supplementary information disclosures. The Recognition of Deferred Outflows and Deferred Inflows are on page 6; the Sensitivity of Employer's Proportionate Share of the Net Pension Liability on page 7 shows the sensitivity of the net pension liability to the discount rate. A small change in the discount rate can create a significant change in the net pension liability. Listed on page 8, the Schedule of Employer's Proportionate Share of the Net Pension Liability for 2019 includes the Employer's Covered Payroll and the ratios of the Employer's Proportionate Share as a percent of Covered Payroll and the Plan Fiduciary Net Position as a percent of Total Pension Liability. Page 9, the Schedule of Employer Contributions includes the Contractually Required Contribution, the Contributions in Relation to the Contractually Required Contributions, and the Contribution Deficiency (Excess). The final columns present the Employer's Covered Payroll and the Contributions as a percent of Covered Payroll.