

Public Employees' Retirement Board (PERB)

A Component Unit of the State of Montana

Highway Patrol Officers' Retirement System (HPORS)

for the Year Ended June 30, 2023

GASB 68 Single Employer Report Schedule of Pension Amounts

Measurement Date
6/30/2022

| | |
|---|-----------------|
| Total Pension Liability | \$ 273,240,808 |
| Plan Fiduciary Net Position | 175,940,332 |
| Net Pension Liability | \$ 97,300,476 |
| Deferred Outflows | \$ (38,253,957) |
| Deferred Inflows | 66,799,329 |
| Net Impact on Statement of Net Position | \$ 125,845,848 |
| Contributions - Employer | \$ 6,639,274 |
| Pension Expense (\$ Amount) | \$ 10,742,477 |
| Pension Expense (% of Covered Payroll) | 62.19% |
| Discount Rate | 7.30% |

The Notes are an integral part of this schedule

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Notes to the GASB 68 Single Employer Report

June 30, 2023

The Schedule of Pension Amounts provides the required information under Governmental Accounting Standards Board (GASB) Statement 68 for the HPORS Single-Employer Plan (the Plan). The employer should use this information along with the fiscal year 2023 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 information provided with this report are for employers who are using a June 30, 2022 measurement date for their 2023 reporting.

The Total Pension Liability (TPL), Fiduciary Net Position (FNP), Net Pension Liability (NPL) and certain sensitivity information in the GASB 68 Plan Reports are based on an actuarial valuation performed by the Plan's actuary as of June 30, 2022.

Under the direction and oversight of the Public Employees' Retirement Board (PERB), Cavanaugh Macdonald Consulting LLC prepared the GASB 68 Report and calculated the total pension liability; however, responsibility for the data remains with the Montana Public Employee Retirement Administration (MPERA) management, staff of the PERB. The Schedule of Pension Amounts schedule was extracted from the GASB 68 Report.

The financial statements of the PERB *Annual Comprehensive Financial Report* (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. Both reports are available on the MPERA website at: <https://mpera.mt.gov/about/annualreports1/annualreports>.

Assumptions

The calculations in the GASB 68 Report used the same facts and assumptions found in the FY2020 HPORS Actuary Valuation report, except for the change in assumptions to measure the Total Pension Liability (TPL) described on the next page. 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: <https://mpera.mt.gov/about/annualreports1/valuations>.

Change in actuarial assumptions

The changes to the actuarial assumptions to measure the TPL are:

- The discount rate was increased from 7.06% to 7.30%.
- The investment rate of return was increased from 7.06% to 7.30%.
- The payroll growth assumption was reduced from 3.50% to 3.25%.
- All mortality tables were updated to the PUB2010 tables for public safety employees.
- Updated the rates of retirement, disability, and salary merit scales.
- The inflation rate was increased from 2.40% to 2.75%.

Contributions

State law defines contributions to the Plan as a percentage of the salary for the employer and the State of Montana. The Plan's actuarial assumptions reflect the current demographics along with the expected long-term contribution effort to the Plan.

No Special Funding

A special funding situation does not exist. The Plan receives contributions from the State of Montana that are *not* recognized as special funding but rather as employer contributions since the State of Montana is the only employer for HPORS.

Schedule of Pension Amounts

The schedule on page 1 provides the total pension liability, the plan fiduciary net position, the net pension liability, and the actual contributions during the measurement period. The State of Montana, as the employer, is required to record a liability equal to the net pension liability; the deferred outflows and deferred inflows; total pension expense; and employer contributions.

Deferred Outflows and Deferred Inflows are presented in the schedule on page 1. 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 is calculated on a level dollar basis, with no interest included in the deferred amounts. The deferred outflows are not inclusive of the employer contributions subsequent to the measurement date. The employer must obtain and enter this information for their FY2023 reporting.

Gains, Losses and Assumption Changes

The experience gains or losses are the portion of current year changes in total pension liability due to actual versus expected experience for the year. The portion to recognize 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 four years. Investment gains and losses are recognized over five years.

For FY2023 reporting, there was a total actuarial experience loss. This total loss is a result of a gain in the financial experience, a loss in the assumption change in the discount rate from 7.06% to 7.30%, and other experience study assumption changes. There have been no benefit, contribution, or method changes since the previous valuation.

The assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending June 30, 2021.

Employer Notes and Disclosures

As required by GASB Statement 68, the information on page 1 is for the employer's use in their notes and required supplementary information disclosures. The Schedule of Pension Amounts discloses the Total Pension Liability for June 30, 2022; Plan Fiduciary Net Position; Net Pension Liability; Deferred Outflows and Deferred Inflows; and Net Impact on the Statement of Net Position. Other information provided includes the Employer Contributions; Pension Expense; Pension Expense as a Percent of Covered Payroll; and the Discount rate.