

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, 2024

GASB 68 Single Employer Report	
Schedule of Pension Amounts	
	Measurement Date 6/30/2023
Total Pension Liability	\$ 283,434,819
Plan Fiduciary Net Position	186,588,738
Net Pension Liability	\$ 96,846,081
Deferred Outflows	\$ (1,940,198)
Deferred Inflows	33,930,123
Net Impact on Statement of Net Position	\$ 128,836,006
Contributions - Employer	\$ 6,908,350
Pension Expense (\$ Amount)	\$ 12,104,334
Pension Expense (% of Covered Payroll)	67.23%
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, 2024

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 (FY) 2024 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, 2023 measurement date for their 2024 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, 2024.

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, 2023.

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 FY2023 HPORS 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: <https://mpera.mt.gov/about/annualreports1/valuations>.

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 FY2024 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 FY2024 reporting, there was a total actuarial experience loss. This total loss is a result of a loss in the financial experience. There has been no contribution, or assumption and method changes since the previous valuation. Detailed below is the benefit change for FY2024 reporting.

There has been a change in benefit terms since the previous valuation:

- Unreduced retirement eligibility was changed from 20 years of service at any age, to age 50 and 20 years of service for new hires entering the system on or after July 1, 2023. This change had no impact on the TPL.

For FY2025 reporting, the method change is:

During the 2023 Legislative session, House Bill 569 was signed into law which states that an actuarially determined contribution rate will be developed and contributed beginning fiscal year end 2025. The new policy will use a layered amortization approach with a 25-year closed amortization period for the legacy unfunded liability and 10-year closed amortization periods for contemporary unfunded liabilities for HPORS. For July 1, 2024 and after, contribution rates are

actuarially determined beginning with the June 30, 2023 actuarial valuation and applying to the year beginning July 1, 2024 and ending June 30, 2025. For July 1, 2024 through June 30, 2025, the contribution rate will be 34.40%. This rate may not exceed last year's statutory rate of 38.33% by more than the statutory rate increase limit of 0.500%.

For FY2025 reporting, there will be a not-special funding contribution from the State general fund of \$27.6 million.

The assumptions and methods utilized in the June 30, 2023 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, 2023; 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.