



Cavanaugh Macdonald
CONSULTING, LLC

The experience and dedication you deserve

GASB Statement No. 67 Report

For the

**Montana Firefighters' Unified
Retirement System**

Prepared as of

June 30, 2023





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

October 18, 2023

Public Employees' Retirement Board
100 North Park, Suite 200
Helena, MT 59620-0139

Members of the Board:

Presented in this report is information to assist the Montana Firefighters' Unified Retirement System of the State of Montana (FURS) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 67. The information is presented for the period ending June 30, 2023.

The annual actuarial valuation used as a basis for much of the information presented in this report was performed as of June 30, 2023. The valuation was based upon data, furnished by the MPERA staff, concerning active, inactive and retired members along with pertinent financial information.

To the best of our knowledge, this report is complete and accurate. The necessary calculations were performed by, and under the supervision of, independent actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems.

The calculations were prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board, and, in our opinion, meet the requirements of GASB 67.

The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the System, and on actuarial assumptions that are, individually and in the aggregate, internally consistent and reasonably based on the actual experience of the System. In addition, the calculations were completed in compliance with the laws governing the System. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.



Board of Trustees

October 18, 2023

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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

Respectfully submitted,

A handwritten signature in blue ink that reads "Todd B. Green" followed by a horizontal line.

Todd B. Green, ASA, EA, FCA, MAAA
President

A handwritten signature in blue ink that reads "Bryan Hoge" with a stylized flourish at the end.

Bryan Hoge, FSA, EA, FCA, MAAA
Consulting Actuary

A handwritten signature in blue ink that reads "Beverly V. Bailey" in a cursive style.

Beverly V. Bailey, ASA, EA, FCA, MAAA
Senior Actuary

TBG:bvb



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REPORT OF THE ANNUAL GASB STATEMENT NO. 67

REQUIRED INFORMATION FOR FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM OF THE STATE OF MONTANA

BOARD SUMMARY

This report provides information required by the Firefighters' Unified Retirement System (FURS) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67 "Financial Reporting for Pension Plans." The information provided herein was prepared for the purpose of assisting FURS to comply with the financial reporting and disclosure requirements of GASB No. 67 and is not applicable for purposes of funding the System. A calculation of the System's liability for purposes other than GASB No. 67 may produce significantly different results.

The Total Pension Liability (TPL), Fiduciary Net Position (FNP), Net Pension Liability (NPL) and certain sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2023. The total pension liability as of the end of the plan year, June 30, 2023, was determined using the benefit provisions summarized in Schedule B.

The System's FNP is projected to cover all future benefit payments of current plan members. Therefore, the discount rate used to measure the TPL is the long-term expected rate of return on pension plan investments of 7.30%.

As of June 30, 2023, the TPL is \$794,682,254 and the FNP is \$643,702,271. The NPL, which is determined by subtracting the FNP from the TPL, is equal to \$150,979,983. Also included in this report is a sensitivity analysis of the NPL, which shows results using both a 1% increase in the discount rate and 1% decrease in the discount rate. A higher discount rate reduces the NPL while a lower discount increases the NPL.

Schedule A shows three tables of required supplementary information. The first table details the changes in the NPL for the year ending June 30, 2023, with a comparison to the prior nine years. The second table shows the ratio of the FNP to the TPL and the ratio of the NPL to the covered-employee payroll for the same ten-year period. The final Schedule A table shows a history of the schedule of employer contributions.

The table on the following page highlights information required by GASB No. 67 as of June 30, 2023.



REPORT OF THE ANNUAL GASB STATEMENT NO. 67

**REQUIRED INFORMATION FOR
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
OF THE STATE OF MONTANA**

PREPARED AS OF JUNE 30, 2023

BOARD SUMMARY

	2023
Valuation Date (VD):	June 30, 2023
Prior Measurement Date:	June 30, 2022
Measurement Date (MD):	June 30, 2023
Membership Data:	
Retirees and Beneficiaries	710
Inactive Members	155
Active Employees	<u>826</u>
Total	1,691
Discount Rate:	
Long-Term Expected Rate of Return	7.30%
Municipal Bond Index Rate at Prior Measurement Date	3.37%
Municipal Bond Index Rate at Measurement Date	3.66%
Fiscal Year in which Fiduciary Net Position is Projected to be Depleted	n/a
Discount Rate at Prior Measurement Date	7.30%
Discount Rate at Measurement Date	7.30%
Net Pension Liability:	
Total Pension Liability (TPL)	\$ 794,682,254
Fiduciary Net Position (FNP)	<u>643,702,271</u>
Net Pension Liability (NPL = TPL – FNP)	\$150,979,983
FNP as a percentage of TPL	81.00%



Section I - Introduction

**REPORT OF THE ANNUAL GASB STATEMENT NO. 67
REQUIRED INFORMATION FOR THE
MONTANA FIREFIGHTERS' UNIFIED RETIREMENT
SYSTEM OF THE STATE OF MONTANA
PREPARED AS OF JUNE 30, 2023**

This report was prepared as of June 30, 2023 to assist the Firefighters' United Retirement System in complying with Governmental Accounting Standards Board Statement No. 67 (GASB 67), "*Financial Reporting For Pension Plans*". Much of the material provided in this report is based on the data, assumptions and results of the annual actuarial valuation of the Montana Firefighters' Unified Retirement System of the State of Montana as of June 30, 2023.

GASB 67 basically divorces accounting and funding, creating disclosure and reporting requirements that may or may not be consistent with the basis used for funding the System.

GASB 67 requires the determination of the Total Pension Liability (TPL) utilizing the Entry Age Normal actuarial funding method. The Net Pension Liability (NPL) is then set equal to the TPL minus the System's Fiduciary Net Position (FNP) (basically the market values of assets) as of the measurement date. The benefit provisions recognized in the calculation of the TPL are summarized in Schedule B.

Among the assumptions needed for the liability calculation is a Discount Rate. To determine the Discount Rate, the FNP must be projected into the future for as long as there are anticipated benefits payable under the plan's provision applicable to the membership and beneficiaries of the System on the Measurement Date. If the FNP is projected to not be depleted at any point in the future, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the Discount Rate.



Section I - Introduction

If, however, the FNP is projected to be depleted, the Discount Rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System). The Municipal Bond Index Rate as of the measurement date is 3.66%.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 67 for note disclosure and Required Supplementary Information (RSI).



Section II – Financial Statement Notes

The material presented herein will follow the order as presented in GASB 67. Paragraph numbers are provided for ease of reference.

Paragraphs 30(a) (1)-(3): The information required is to be supplied by the Plan.

Paragraph 30(a) (4): The data required regarding the membership of the Montana Firefighters' Unified Retirement System of the State of Montana were furnished by the System's staff. The following table summarizes the membership of the system as of June 30, 2023, the Valuation Date.

Membership

	Number
Inactive Members Or Their Beneficiaries Currently Receiving Benefits	710
Inactive Members Entitled To But Not Yet Receiving Benefits	155
Active Members	826
Total	1,691

Paragraphs 30(a)(5)-(6) and Paragraphs 30(b)-(f): The information required is to be supplied by the Plan.



Section II – Financial Statement Notes

Paragraphs 31(a) (1)-(4): The information is provided in the following table. The NPL is equal to the TPL minus the FNP.

	Fiscal Year Ending June 30, 2023
Total Pension Liability	\$794,682,254
Fiduciary Net Position	<u>643,702,271</u>
Net Pension Liability	\$150,979,983
Ratio of Fiduciary Net Position to Total Pension Liability	81.00%

Paragraph 31(b): This paragraph requires information regarding the actuarial assumptions used to measure the TPL. The actuarial assumptions utilized in developing the TPL are outlined in Schedule C. The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	4.54 to 10.12 percent, including inflation
Investment rate of return	7.30 percent, net of pension plan investment expense, including inflation
Mortality	<p><u>Active</u>: PUB 2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.</p> <p><u>Healthy Retiree</u>: PUB 2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021, set forward one year for males and adjusted 105% for males and 100% for females. Projected generationally using MP-2021.</p> <p><u>Disabled Retiree</u>: Pub 2010 Safety Amount Weighted Disabled Retiree Mortality projected to 2021, set forward one year for males.</p> <p><u>Contingent Survivor</u>: PUB 2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.</p>



Section II – Financial Statement Notes

Paragraph 31.b.(1)

- (a) **Discount rate:** The discount rate used to measure the total pension liability was 7.30%.
- (b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed the System would continue to receive contributions required by statute.
- (c) **Long term rate of return:** The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the System about every five years. The current long-term rate of return is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.
- (d) **Municipal bond rate:** The discount rate determination does not use a municipal bond rate.
- (e) **Periods of projected benefit payments:** Future benefit payments for all current plan members were projected through 2133.



Section II – Financial Statement Notes

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study are summarized in the following table. More recent arithmetic real rates of return may be available. While not relied on to develop the long-term expected rate of return, we believe that if more recent arithmetic real rates of return were used, the current long-term expected rate of return would still be reasonable.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.0%	5.90%
International Equity	17.0%	7.14%
Private Investments	15.0%	9.13%
Real Assets	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.0%	3.02%
Cash	3.0%	-0.33%
Total	100.0%	

(g) **Sensitivity analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System, calculated using the discount rate of 7.30 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current rate:

	1% Decrease 6.30%	Current Discount Rate 7.30%	1% Increase 8.30%
System's Total Pension Liability	\$919,055,559	\$794,682,254	\$695,416,001
Fiduciary Net Position	<u>643,702,271</u>	<u>643,702,271</u>	<u>643,702,271</u>
System's net pension liability	\$275,353,288	\$150,979,983	\$51,713,730



Section II – Financial Statement Notes

Paragraph 31(c): June 30, 2023 is the actuarial valuation date upon which the TPL is based. Roll forward procedures were not used. The table below shows the change in the TPL from the prior year.

Changes in Total Pension Liability	
Total Pension Liability as of June 30, 2022	\$ 748,060,423
Changes for the year:	
Service Cost	\$ 18,266,315
Interest	54,760,901
Change in benefit terms	0
Difference between expected and actual experience	5,949,425
Changes of assumptions or other inputs	0
Benefit payments	(32,354,810)
Other	0
Net changes	<u>46,621,831</u>
Total Pension Liability as of June 30, 2023	\$ 794,682,254



Section III – Required Supplementary Information

There are several tables of Required Supplementary Information (RSI) that need to be included in the System’s financial statements:

Paragraphs 32(a)-(c): The required tables are provided in Schedule A.

Paragraph 32(d): The money-weighted rates of return required are to be supplied by the Plan.

Paragraph 34: In addition, the following should be noted regarding the RSI:

Changes of benefit terms: The following changes to the plan provisions were made as identified:

2015

1. If a PERS member transfers employment to a FURS covered position and fails to elect FURS membership within 90 days, the default is PERS membership

2017

1. Working Retiree Limitations - Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
 - Members who return for less than 480 hours in a calendar year:
 - may not become an active member in the system; and
 - are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.
 - Members who return for 480 or more hours in a calendar year;
 - must become an active member of the system;
 - will stop receiving a retirement benefit from the system; and
 - will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
 - Employee, employer and state contributions apply as follows:
 - Employer contributions and state contributions (if any) must be paid on all working retirees;
 - Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.
2. Second Retirement Benefit - Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.



Section III – Required Supplementary Information

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following second retirement.
 - If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - * the same retirement benefit previously paid to the member; and
 - * a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - * on the initial retirement benefit in January immediately following second retirement; and
 - * on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
 - A member who returns to covered service is not eligible for a disability benefit.
3. Refunds
- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
 - 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.
 - Trust, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump sum payment.
4. Interest credited to member accounts - Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.
5. Lump-sum payouts
- Effective July 1, 2017, lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.



Section III – Required Supplementary Information

Changes of assumptions: The following changes have been made to the actuarial assumptions and methods:

2017

1. The discount rate was lowered from 7.75% to 7.65%.
2. The inflation rate was reduced from 3.00% to 2.75%.
3. The wage inflation rate was reduced from 4.00% to 3.50%.
4. The non-disabled mortality and withdrawal assumptions were updated.
5. The salary merit scale was updated.

2020

1. The discount rate was lowered from 7.65% to 7.34%.
2. The investment rate of return was lowered from 7.65% to 7.34%.
3. The inflation rate was reduced from 2.75% to 2.40%.

2021

1. The discount rate was lowered from 7.34% to 7.06%.
2. The investment rate of return was lowered from 7.34% to 7.06%.

2022

1. The discount rate was raised from 7.06% to 7.30%.
2. The investment rate of return was raised from 7.06% to 7.30%.
3. The payroll growth rate was reduced from 3.50% to 3.25%.
4. All mortality tables were updated to the PUB2010 tables for public safety employees.
5. Updated the rates of withdrawal, retirement, disability and merit increase scales.
6. The inflation rate was increased from 2.40% to 2.75%.



Section III – Required Supplementary Information

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on an annual basis. The following actuarial methods and assumptions were used to determine contribution rates reported for the fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

Valuation date	June 30, 2022
Timing	Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	12 years
Asset valuation method	4-year smoothed market
Wage Inflation	3.50 percent
Inflation	2.75 percent
Salary increase	4.54 to 10.12 percent, including inflation
Investment rate of return	7.30 percent, net of pension plan investment and administrative expenses, including inflation
Mortality	<u>Active</u> : PUB 2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021. <u>Healthy Retiree</u> : PUB 2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021, set forward one year for males and adjusted 105% for males and 100% for females. Projected generationally using MP-2021. <u>Disabled Retiree</u> : Pub 2010 Safety Amount Weighted Disabled Retiree Mortality projected to 2021, set forward one year for males. <u>Contingent Survivor</u> : PUB 2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.



Schedule A – Required Supplementary Tables

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
GASB 67 Paragraph 32(a)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service Cost	18,266,315	16,569,879	15,001,370	13,086,953	12,421,310	11,819,193	12,162,734	11,519,465	11,066,391	10,608,895
Interest	54,760,901	48,124,314	45,515,522	43,027,646	41,022,969	37,983,963	35,230,726	33,514,243	32,580,262	30,847,306
Benefit changes	0	0	0	0	0	0	0	0	0	0
Difference between expected and actual experience	5,949,425	7,640,949	4,272,499	3,445,064	(931,198)	14,798,655	893,628	(1,162,342)	(159,885)	0
Changes of assumptions	0	9,287,822	26,277,324	25,851,699	0	0	16,915,553	0	0	0
Benefit payments	(32,131,050)	(30,353,865)	(28,529,988)	(26,838,506)	(25,626,191)	(23,863,193)	(22,335,636)	(20,896,200)	(19,747,008)	(19,052,130)
Refunds of contributions	<u>(223,760)</u>	<u>(66,244)</u>	<u>(93,251)</u>	<u>(61,799)</u>	<u>(89,824)</u>	<u>(173,278)</u>	<u>(168,422)</u>	<u>(46,128)</u>	<u>0</u>	<u>0</u>
Net change in total pension liability	46,621,831	51,202,855	62,443,476	58,511,057	26,797,066	40,565,340	42,698,583	22,929,038	23,739,760	22,404,071
Total pension liability - beginning	748,060,423	696,857,568	634,414,092	575,903,035	549,105,969	508,540,629	465,842,046	442,913,008	419,173,248	396,769,177
Total pension liability - ending (a)	794,682,254	748,060,423	696,857,568	634,414,092	575,903,035	549,105,969	508,540,629	465,842,046	442,913,008	419,173,248
Plan net position										
Contributions - employer	9,431,940	8,590,809	8,051,622	7,887,237	7,323,532	7,053,165	6,499,776	6,163,464	6,421,701	6,006,863
Contributions - Non-Employer	21,406,468	19,436,204	18,274,536	17,807,526	16,566,861	16,127,433	14,438,412	13,969,719	13,251,541	12,767,624
Contributions - member	7,055,269	6,440,593	6,091,044	5,938,345	5,527,363	5,314,833	4,925,425	4,751,806	4,710,082	4,697,333
Net investment income	48,812,434	(25,986,717)	129,637,798	12,246,535	23,722,343	34,284,721	40,838,569	7,311,946	14,640,156	45,464,858
Benefit payments	(32,131,050)	(30,353,865)	(28,529,988)	(26,838,506)	(25,626,191)	(23,863,193)	(22,335,636)	(20,896,200)	(19,747,008)	(19,052,130)
Administrative expense	(142,815)	(130,922)	(180,813)	(224,096)	(170,851)	(329,234)	(320,213)	(259,560)	(197,110)	(153,622)
Refunds of contributions	(223,760)	(66,244)	(93,251)	(61,799)	(89,824)	(173,278)	(168,422)	(46,128)	0	0
Other	<u>285,099</u>	<u>(3,046)</u>	<u>93,985</u>	<u>(7,444)</u>	<u>1,405</u>	<u>13,978</u>	<u>(485)</u>	<u>(2,424)</u>	<u>0</u>	<u>0</u>
Net change in plan net position	54,493,585	(22,073,188)	133,344,933	16,747,798	27,254,638	38,428,425	43,877,426	10,992,623	19,079,362	49,730,926
Plan net position - beginning	589,208,686	611,281,874	477,936,941	461,189,143	433,934,505	395,506,080	351,628,654	340,636,031	321,556,669	271,825,743
Plan net position - ending (b)	643,702,271	589,208,686	611,281,874	477,936,941	461,189,143	433,934,505	395,506,080	351,628,654	340,636,031	321,556,669
Net pension liability - ending (a) - (b)	150,979,983	158,851,737	85,575,694	156,477,151	114,713,892	115,171,464	113,034,549	114,213,392	102,276,977	97,616,579



Schedule A – Required Supplementary Tables

SCHEDULE OF THE NET PENSION LIABILITY
GASB 67 Paragraph 32(b)

Table with 11 columns (years 2014-2023) and 7 rows (Total pension liability, Plan net position, Net pension liability, Ratio of plan net position to total pension liability, Covered-employee payroll, Net pension liability as a percentage of covered-employee payroll).



Schedule A – Required Supplementary Tables

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 67 Paragraph 32(c)

Table with 11 columns (years 2014-2023) and 7 rows (Actuarially determined employer contribution, Actual employer contributions, Non-Employer Contributions, Annual contribution deficiency / (excess), Covered-employee payroll, Actual contributions as a percentage of covered-employee payroll).



Schedule B – Plan Provisions

- | | |
|--|---|
| Service credit | <ul style="list-style-type: none">• Service credit is used to determine the amount of a member’s retirement benefit.• One month of service credit is earned for each month where the member is paid for 160 hours. This includes certain transferred and purchased service. |
| Membership service | <ul style="list-style-type: none">• Membership service is used to determine eligibility for vesting, retirement or other benefits.• One month of membership service is earned for any month member contributions are made, regardless of the number of hours worked.• Eligible members in all systems may purchase service that counts toward membership service.• Additionally, eligible active and inactive Sheriffs’ Retirement System (SRS) members may purchase 1 for 5 (additional) service that will count as membership service. |
| Contributions | <ul style="list-style-type: none">• Member contributions are made through an “employer pick-up” arrangement which results in deferral of taxes on the contributions. |
| Compensation | <ul style="list-style-type: none">• Compensation generally means all remuneration paid, excluding certain allowances, benefits, and lump sum payments. Compensation is specifically defined in law and differs amongst the systems.• Bonuses paid on or after July 1, 2013 to any member will not be treated as compensation for retirement purposes. No member or employer contributions will be paid on bonuses. |
| Withdrawal of employee contributions | <ul style="list-style-type: none">• A member is eligible for a withdrawal of their contributions when they terminate service and are either not eligible for or have not taken a retirement benefit.• The member receives the accumulated member contributions, which consists of member contributions and regular interest.• Upon receipt of a refund of accumulated contributions a member’s vested right to a monthly benefit is forfeited. |
| Member contributions interest credited (regular interest) | <ul style="list-style-type: none">• Interest is credited to member accounts at the rates determined by the Board.• The current interest rate credited to member accounts is 0.32%. |



Schedule B – Plan Provisions

Working Retiree Limitations

Applies to retirement system members who return **on or after** July 1, 2017 to covered employment in the system from which they retired. These limits already applied to SRS members before July 1, 2017.

- Members who return for **less than 480 hours** in a **calendar year**:
 - may not become an active member in the system; and
 - are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.
- Members who return for **480 or more hours** in a **calendar year**:
 - must become an active member of the system;
 - will stop receiving a retirement benefit from the system; **and**
 - will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- Employee, employer and state contributions apply as follows:
 - Employer contributions and state contributions (if any) must be paid on all working retirees;
 - Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

NOTE: PERS has its own limits.

Second Retirement Benefit

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following second retirement.



Schedule B – Plan Provisions

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|--|---|
| Second Retirement Benefit (continued) | <ul style="list-style-type: none">• If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:<ul style="list-style-type: none">○ is awarded service credit for the period of reemployment;○ starting the first month following termination of service, receives:<ul style="list-style-type: none">* the same retirement benefit previously paid to the member; and* a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member’s rehire date; and○ does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:<ul style="list-style-type: none">* on the initial retirement benefit in January immediately following second retirement; and* on the second retirement benefit starting in January after receiving that benefit for at least 12 months.• A member who returns to covered service is not eligible for a disability benefit. |
| Refunds | <ul style="list-style-type: none">• Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.• 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.• Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump sum payment. |
| Lump-sum payouts | <ul style="list-style-type: none">• Effective July 1, 2017, lump sum payouts in all systems are limited to the member’s accumulated contributions rather than the present value of the member’s benefit. |
| Type of plan | <ul style="list-style-type: none">• Multiple-employer cost sharing |



Schedule B – Plan Provisions

Membership eligibility	<ul style="list-style-type: none">• Firefighters of first- and second-class cities• Firefighters of other cities that adopt the plan• Firefighters of rural fire district departments that adopt the plan• Firefighters hired by the Montana Air National Guard (MANG) on or after October 1, 2001
Member contributions	<ul style="list-style-type: none">• Members hired before 7/1/1997 and not electing GABA: 9.5% of member's compensation• Members hired on or after 7/1/1997 or electing GABA: 10.7% of member's compensation
Employer contributions	<ul style="list-style-type: none">• 14.36% of each member's compensation• 14.36% of each working retiree's compensation
State contributions	<ul style="list-style-type: none">• 32.61% of each member's compensation• 32.61% of each working retiree's compensation
Compensation period used in benefit calculation	<ul style="list-style-type: none">• HAC = Highest Average Compensation• HAC is average of the highest 36 consecutive months (or shorter period of total service) of compensation paid to member.• Part-time firefighter: 15% of regular compensation of a newly confirmed full-time firefighter.• Hired on or after July 1, 2013: 110% annual cap on compensation considered as part of a member's HAC
Service retirement eligibility and benefit formula	<p>Member hired on or after July 1, 1981, or a member who has elected to be covered by GABA:</p> <ul style="list-style-type: none">○ 20 years of membership service○ 2.5% of HAC x years of service credit <p>Member hired prior to July 1, 1981, and who had not elected to be covered by GABA, the greater of above, or:</p> <p>If membership service is less than 20 years:</p> <ul style="list-style-type: none">○ 2% of highest monthly compensation (HMC) x years of membership service and <p>If membership service is greater or equal to 20 years:</p> <ul style="list-style-type: none">○ 50% of HMC + 2% of HMC x years of membership service in excess of 20
Early retirement eligibility and benefit	<ul style="list-style-type: none">• Age 50 with 5 years of membership service• Normal retirement benefit calculated using HAC and service credit at early retirement.
Disability retirement eligibility and benefit formula	<ul style="list-style-type: none">• Any active member• The greater of:<ul style="list-style-type: none">a. 50% of HAC, orb. 2.5% of HAC x years of service credit



Schedule B – Plan Provisions

Survivor’s eligibility and benefit formula	<ul style="list-style-type: none">• Any active or inactive member• For deaths of active members with less than 20 years of membership service, a monthly survivor benefit to the surviving spouse (or equally to dependent children if there is no surviving spouse or after a surviving spouse dies, for as long as they remain dependent children) equal to 50% of HAC.• For active or inactive members with more than 20 years of membership service, a benefit equal to the accrued retirement benefit at the date of death.
Vesting eligibility and benefit	<ul style="list-style-type: none">• 5 years of membership service• Accrued normal retirement benefit, payable when eligible for retirement.• In lieu of a pension, a member may receive a refund of accumulated contributions.• Upon receipt of a refund of accumulated contributions, a member’s vested right to a monthly benefit is forfeited.
Retirement benefits - Form of payment	<ul style="list-style-type: none">• The retirement benefit is paid for the retired member’s life.• Upon the death of the retired member, the benefit is paid to the surviving spouse.• If there is no surviving spouse, or after the death of a surviving spouse, benefits are paid to the dependent children, if any, for as long as they remain dependent children.
Post retirement benefit increases	<ul style="list-style-type: none">• For retired members who became active members on or after July 1, 1997 and those who elected to be covered under GABA and who have been retired at least 12 months, a GABA will be paid each year in January equal to 3%.• For retired members who were hired prior to July 1, 1997 and who did not elect GABA, the minimum benefit adjustment should not be less than 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.
Changes since last valuation	<ul style="list-style-type: none">• None



Schedule C – Actuarial Assumptions and Methods

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

Tables C-3 through C-5 give rates of decrement for service retirement, disablement, and other terminations of employment.

Actuarial Cost Method

The actuarial valuation was prepared using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The normal cost was first calculated for each individual member. The normal cost rate is the total of the individual normal costs, divided by the total pay rate.

The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the UAAL. The UAAL is amortized as a level percentage of the projected salaries of present and future members of the System.

Records and Data

The data used in the valuation consists of financial information, records of age, sex, service, salary, contribution rates, and account balances of contributing members and records of age, sex, and amount of benefit for retired members and beneficiaries. All of the data has been supplied by the System and was accepted for valuation purposes without audit.

Replacement of Terminated Members

The ages at entry and distribution by sex of future members are assumed to average the same as those of the present members they replace. If the number of active members should increase, it is further assumed that the average entry age of the larger group will be the same, from an actuarial standpoint, as that of the present group. Under these assumptions, the normal cost rates for active members will not vary with the termination of present members.

Investment Expenses

The investment expenses of the System are assumed to be funded by investment earnings in excess of 7.30% per year.

Valuation of Assets

Market value of assets.

Investment Earnings

The annual rate of investment earnings of the assets of the System is assumed to be 7.30% per year net of investment expenses, compounded annually.



Schedule C – Actuarial Assumptions and Methods

Interest on Member Contributions

Interest on member contributions is assumed to accrue at the most recent actual rate granted, or a rate of 0.32% per annum, compounded annually.

Future Salaries

The rates of annual salary increase assumed for the purpose of the valuation are illustrated in Table C-2. In addition to increases in salary due to merit and longevity, this scale includes an assumed 3.50% annual rate of increase in the general wage level of the membership.

Service Retirement

Table C-3 shows the annual assumed rates of retirement among members eligible for service retirement. Separate rates are used when a member is eligible for reduced benefits, for the first year a member is eligible for full benefits, and for the years following the first year a member is eligible for full benefits.

Disablement

The rates of disablement used in this valuation are illustrated in Table C-4.

Mortality

The mortality rates used in this valuation are described in Table C-1.

Other Terminations of Employment

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are shown for representative ages in Table C-5.

Probability of Marriage & Dependent Children

If death occurs in active status, all members are assumed to have an eligible surviving spouse with no dependent children. Female spouses are three years younger than their male spouse.

Records with no Birth Date

New records with no birth date are assumed to be 37 years old. Records that are not new and have no birth date used the same birth date as the prior year's valuation.

Active Records with a Salary Less than \$1,000

These members are included in the active headcounts, however the pay of these members is not included in the Valuation Projected Salaries. The liability for these members is their accumulated member contributions payable on the valuation date.



Schedule C – Actuarial Assumptions and Methods

Table C-1

Summary of Assumptions

I. Economic assumptions	
A. General wage increases	3.50%
B. Investment return	7.30%
C. Discount Rate	7.30%
D. Price Inflation Assumption	2.75%
E. Growth in membership	0.00%
F. Interest on member accounts	0.32%
II. Demographic assumptions	
A. Individual salary increase due to promotion and longevity	Table C-2
B. Retirement	Table C-3
C. Disablement	Table C-4
D. Mortality among contributing members	
For Males and Females: PUB 2010 Safety Amount Weighted Employee Mortality Table projected to 2021. Projected generationally using MP-2021.	
E. Mortality among service retired members	
For Males and Females: PUB 2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021, set forward one year for males, adjusted 105% for males and 100% for females. Projected generationally using MP-2021.	
F. Mortality among beneficiaries	
For Males and Females: PUB 2010 Safety Amount Weighted Contingent Survivor Mortality Table projected to 2021, set forward one year for males. Projected generationally using MP-2021.	
G. Mortality among disabled members	
For Males and Females: PUB 2010 Safety Amount Weighted Disabled Retiree Mortality Table projected to 2021, set forward one year for males.	
H. Other terminations of employment	Table C-5



Schedule C – Actuarial Assumptions and Methods

Table C-2

Future Salaries

	(a)	(b)	(1+(a))*(1+(b))
Years of Service	Individual Merit & Longevity	General Wage Increase	Total Salary Increase
0-1	6.40%	3.50%	10.12%
1-2	4.70	3.50	8.36
2-3	3.60	3.50	7.23
3-4	2.70	3.50	6.29
4-5	2.00	3.50	5.57
5-6	1.40	3.50	4.95
6 & Up	1.00	3.50	4.54



Schedule C – Actuarial Assumptions and Methods

Table C-3

**Retirement
Annual Rates**

<u>Age</u>	<u>20 or More Years of Service</u>
Less than 50	16.0%
50	16.0%
51	16.0
52	16.0
53	16.0
54	16.0
55	25.0
56	25.0
57	25.0
58	25.0
59	25.0
60	25.0
61	40.0
62	40.0
63 & Over	100.0



Schedule C – Actuarial Assumptions and Methods

Table C-4
Disablement
Annual Rates

Age	All Members
22	0.00%
27	0.11
32	0.11
37	0.11
42	0.37
47	0.37
52	0.37
57	0.36
62	0.00

All disabilities are assumed to be permanent and without recovery.



Schedule C – Actuarial Assumptions and Methods

Table C-5

**Other Terminations of Employment
Among Members Not Eligible to Retire
Annual Rates**

Years of Service	All Members
0	9.0%
1	7.0
2	5.0
3	4.0
4	3.0
5	2.0
6	2.0
7	2.0
8	2.0
9	2.0
10	2.0
11	2.0
12 & Over	1.0

Family Composition

Female spouses are assumed to be three years younger than males. 100% of non-retired employees are assumed married for both male and female employees. Actual marital characteristics are used for pensioners.

Vested Benefits for Termination Members

Vested benefits for members who terminated during years ending June 30, 2009 and later were estimated based upon compensation and service information in the census data. For members who terminated prior to June 30, 2008, vested benefits valued were the same as had been calculated by the prior actuary for the June 30, 2008 actuarial valuation.



Schedule D – Glossary of Terms

Actuarial Present Value of Projected Benefit Payments

Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

Actuarial Valuation

The determination, as of a point in time (the actuarial valuation date), of the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice, unless otherwise specified by the GASB.

Actuarial Valuation Date

The date as of which an actuarial valuation is performed.

Actuarially Determined Contribution

A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice and based on the most recent measurement date available when the contribution for the reporting period was adopted.

Cost-Sharing Multiple Employer Defined Benefit Pension Plan (Cost-Sharing Pension Plan)

A multiple-employer defined benefit pension plan in which the pension obligation to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

Covered Employee Payroll

The payroll on which contributions to a pension plan are based.



Schedule D – Glossary of Terms

Discount Rate

The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected (under the requirements of Statement 67) to be greater than the benefit payments that are projected to be made in the period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Entry Age Actuarial Cost Method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of the actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.

Money-Weighted Rate of Return

A method of calculating period-by-period returns on pension plan investments that adjust for the changing amounts actually invested. For purpose of Statement 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.

Net Pension Liability

The liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit pension plan. It is calculated by subtracting the plan's fiduciary net position from the plan's total pension liability.

Non-Employer Contributing Entity

Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of Statement 67, plan members are not considered non-employer contributing entities.



Schedule D – Glossary of Terms

Plan Members

Individuals that are covered under the terms of a pension plan. Plan Members generally included (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).

Projected Benefit Payments

All benefits estimated to be payable through the pension plan to current active and inactive plan members as a result of their past service and their expected future service.

Real Rate of Return

The rate of return on an investment after adjustment to eliminate inflation.

Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

Single-Employer Defined Benefit Pension Plan (Single-Employer Pension Plan)

A defined benefit pension plan that is used to provide pensions to employees of only one employer.

Total Pension Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of Statement 67.