



**Cavanaugh Macdonald**  
CONSULTING, LLC

*The experience and dedication you deserve*

**GASB Statement No. 67 Report**

**For the**

**Judges' 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 Judges Retirement System of the State of Montana (JRS) 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 JUDGES' RETIREMENT SYSTEM OF THE STATE OF MONTANA**

**PREPARED AS OF JUNE 30, 2023**

#### **BOARD SUMMARY**

This report provides information required by the Judges' Retirement System (JRS) 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 JRS 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. Details of this calculation are in Section II of this report.

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 \$73,135,389 and the FNP is \$130,857,089. The NPL, which is determined by subtracting the FNP from the TPL, is equal to \$(57,721,700). 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  
JUDGES' RETIREMENT SYSTEM  
OF THE STATE OF MONTANA**

**PREPARED AS OF JUNE 30, 2023**

**BOARD SUMMARY**

	2023
<b>Valuation Date (VD):</b>	June 30, 2023
<b>Prior Measurement Date:</b>	June 30, 2022
<b>Measurement Date (MD):</b>	June 30, 2023
<b>Membership Data:</b>	
Retirees and Beneficiaries	74
Inactive Members	4
Active Employees	<u>60</u>
Total	138
<b>Discount Rate:</b>	
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%
<b>Net Pension Liability:</b>	
Total Pension Liability (TPL)	\$ 73,135,389
Fiduciary Net Position (FNP)	<u>130,857,089</u>
Net Pension Liability (NPL = TPL – FNP)	(\$57,721,700)
FNP as a percentage of TPL	178.92%



## Section I - Introduction

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**REPORT OF THE ANNUAL GASB STATEMENT NO. 67  
REQUIRED INFORMATION FOR THE  
JUDGES' 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 Judges' Retirement System of the State of Montana 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 Judges 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) (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**

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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

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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 Judges’ Retirement System 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	74
Inactive Members Entitled To But Not Yet Receiving Benefits	4
Active Members	60
Total	138

**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

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

	Fiscal Year Ending
	June 30, 2023
Total Pension Liability	\$73,135,389
Fiduciary Net Position	<u>130,857,089</u>
Net Pension Liability	(\$57,721,700)
Ratio of Fiduciary Net Position to Total Pension Liability	178.92%



## Section II – Financial Statement Notes

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**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	3.50 percent, including inflation
Investment rate of return	7.30 percent, net of pension plan investment expense, including inflation
Mortality	<p><u>Active Participants:</u> PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.</p> <p><u>Disabled Retirees:</u> PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward 1 year for both males and females.</p> <p><u>Contingent Survivors:</u> PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward 1 year for males and females. Projected generationally using MP-2021.</p> <p><u>Health Retirees:</u> PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.</p>



## Section II – Financial Statement Notes

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### 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 assumes the System would continue to receive contributions provided for in statute in the future.
- (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 2106.



## 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	\$80,126,596	\$73,135,389	\$67,096,794
Fiduciary Net Position	<u>130,857,089</u>	<u>130,857,089</u>	<u>130,857,089</u>
System's net pension liability	(\$50,730,493)	(\$57,721,700)	(\$63,760,295)



## Section II – Financial Statement Notes

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**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		
<b>Total Pension Liability as of June 30, 2022</b>	\$	72,922,865
<b>Changes for the year:</b>		
Service Cost	\$	1,908,017
Interest		5,301,061
Change in benefit terms		0
Difference between expected and actual experience		(2,569,357)
Changes of assumptions or other inputs		0
Benefit payments		(4,427,197)
Other		0
<b>Net changes</b>	\$	212,524
<b>Total Pension Liability as of June 30, 2023</b>	\$	73,135,389



## Section III – Required Supplementary Information

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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:

An inactive vested judge's beneficiary is eligible for a survivor benefit or death benefit if the judge dies prior to retiring.

2017

1. 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.

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

3. 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.

**Changes of assumption:** The following changes to the assumptions were made as identified:

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 assumption was updated.



### **Section III – Required Supplementary Information**

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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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated the rates of retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.





### Section III – Required Supplementary Information

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*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	0 years
Asset valuation method	4-year smoothed market
Wage Inflation	3.50 percent
Salary increase	3.50 percent
Inflation	2.75 percent
Investment rate of return	7.30 percent, net of pension plan investment and administrative expenses, including inflation
Mortality	<u>Active Participants</u> : PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021. <u>Disabled Retirees</u> : PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward 1 year for both males and females. <u>Contingent Survivors</u> : PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward 1 year for males and females. Projected generationally using MP-2021. <u>Health Retirees</u> : PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. 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
<b>Total pension liability</b>										
Service Cost	1,908,017	2,021,754	1,896,963	1,748,288	1,771,629	1,664,039	1,628,290	1,578,705	1,652,926	1,593,854
Interest	5,301,061	5,099,382	4,948,543	4,842,414	4,457,587	4,502,928	4,043,662	3,986,419	3,933,947	3,824,389
Benefit changes	0	0	0	0	0	0	0	0	0	0
Difference between expected and actual experience	(2,569,357)	(2,781,784)	376,265	(261,841)	2,743,465	(2,900,423)	862,189	(1,341,332)	(1,032,091)	0
Changes of assumptions	0	(1,467,198)	1,869,369	1,911,905	0	0	3,864,700	0	0	0
Benefit payments	(4,427,197)	(4,356,996)	(4,204,547)	(4,038,362)	(3,846,157)	(3,723,271)	(3,554,335)	(3,416,023)	(3,040,988)	(3,022,512)
Refunds of contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(149,051)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net change in total pension liability</b>	212,524	(1,484,842)	4,886,593	4,202,404	5,126,524	(605,778)	6,844,506	807,769	1,513,794	2,395,731
<b>Total pension liability - beginning</b>	72,922,865	74,407,707	69,521,114	65,318,710	60,192,186	60,797,964	53,953,458	53,145,689	51,631,895	49,236,164
<b>Total pension liability - ending (a)</b>	73,135,389	72,922,865	74,407,707	69,521,114	65,318,710	60,192,186	60,797,964	53,953,458	53,145,689	51,631,895
<b>Plan net position</b>										
Contributions - employer	296	79,282	2,139,151	1,988,166	(281)	1,084,880	1,800,105	1,807,493	1,683,990	1,651,483
Contributions - member	647,761	629,033	589,463	560,108	516,777	575,050	488,208	729,180	534,091	481,461
Net investment income	10,331,304	(5,547,031)	29,149,599	2,827,148	5,687,228	8,467,204	10,368,402	1,778,748	3,842,387	12,420,597
Benefit payments	(4,427,197)	(4,356,996)	(4,204,547)	(4,038,362)	(3,846,157)	(3,723,271)	(3,554,335)	(3,416,023)	(3,040,988)	(3,022,512)
Administrative expense	(53,314)	(55,643)	(126,331)	(157,040)	(122,618)	(264,496)	(253,789)	(197,445)	(135,815)	(100,567)
Refunds of contributions	0	0	0	0	0	(149,051)	0	0	0	0
Other	<u>(39)</u>	<u>0</u>	<u>(3,374)</u>	<u>15</u>	<u>0</u>	<u>6,737</u>	<u>(674)</u>	<u>(2,742)</u>	<u>0</u>	<u>0</u>
<b>Net change in plan net position</b>	6,498,811	(9,251,355)	27,543,961	1,180,035	2,234,949	5,997,053	8,847,917	699,211	2,883,665	11,430,462
<b>Plan net position - beginning</b>	124,358,278	133,609,633	106,065,672	104,885,637	102,650,688	96,653,635	87,805,718	87,106,507	84,222,842	72,792,380
<b>Plan net position - ending (b)</b>	130,857,089	124,358,278	133,609,633	106,065,672	104,885,637	102,650,688	96,653,635	87,805,718	87,106,507	84,222,842
<b>Net pension liability - ending (a) - (b)</b>	(57,721,700)	(51,435,413)	(59,201,926)	(36,544,558)	(39,566,927)	(42,458,502)	(35,855,671)	(33,852,260)	(33,960,818)	(32,590,947)



## Schedule A – Required Supplementary Tables

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	73,135,389	72,922,865	74,407,707	69,521,114	65,318,710	60,192,186	60,797,964	53,953,458	53,145,689	51,631,895
Plan net position	<u>130,857,089</u>	<u>124,358,278</u>	<u>133,609,633</u>	<u>106,065,672</u>	<u>104,885,637</u>	<u>102,650,688</u>	<u>96,653,635</u>	<u>87,805,718</u>	<u>87,106,507</u>	<u>84,222,842</u>
Net pension liability	(57,721,700)	(51,435,413)	(59,201,926)	(36,544,558)	(39,566,927)	(42,458,502)	(35,855,671)	(33,852,260)	(33,960,818)	(32,590,947)
Ratio of plan net position to total pension liability	178.92%	170.53%	179.56%	152.57%	160.58%	170.54%	158.98%	162.74%	163.90%	163.12%
Covered-employee payroll	8,561,115	8,408,166	8,281,631	8,001,462	7,382,476	7,290,904	6,974,470	6,920,367	6,524,569	6,354,763
Net pension liability as a percentage of covered-employee payroll	-674.23%	-611.73%	-714.86%	-456.72%	-535.96%	-582.35%	-514.10%	-489.17%	-520.51%	-512.86%



## Schedule A – Required Supplementary Tables

### SCHEDULE OF EMPLOYER CONTRIBUTIONS GASB 67 Paragraph 32(c)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contribution	0	0	0	0	0	0	0	0	0	0
Actual employer contributions	<u>296</u>	<u>79,282</u>	<u>2,139,151</u>	<u>1,988,166</u>	<u>(281)</u>	<u>1,084,880</u>	<u>1,800,105</u>	<u>1,807,493</u>	<u>1,683,990</u>	<u>1,651,483</u>
Non-Employer Contributions	0	0	0	0	0	0	0	0	0	0
Annual contribution deficiency / (excess)	(296)	(79,282)	(2,139,151)	(1,988,166)	281	(1,084,880)	(1,800,105)	(1,807,493)	(1,683,990)	(1,651,483)
Covered-employee payroll	8,561,115	8,408,166	8,281,631	8,001,462	7,382,476	7,290,904	6,974,470	6,920,367	6,524,569	6,354,763
Actual contributions as a percentage of covered-employee payroll	0.00%	0.94%	25.83%	24.85%	0.00%	14.88%	25.81%	26.12%	25.81%	25.99%



## Schedule B – Plan Provisions

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- |  |   |
|--|---|
| <b>Service credit</b>  | <ul style="list-style-type: none"><li>• Service credit is used to determine the amount of a member’s retirement benefit.</li><li>• 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.</li></ul>  |
| <b>Membership service</b>  | <ul style="list-style-type: none"><li>• Membership service is used to determine eligibility for vesting, retirement or other benefits.</li><li>• One month of membership service is earned for any month member contributions are made, regardless of the number of hours worked.</li><li>• Eligible members in all systems may purchase service that counts toward membership service.</li><li>• Additionally, eligible active and inactive Sheriffs’ Retirement System (SRS) members may purchase 1 for 5 (additional) service that will count as membership service.</li></ul> |
| <b>Contributions</b>   | <ul style="list-style-type: none"><li>• Member contributions are made through an “employer pick-up” arrangement which results in deferral of taxes on the contributions.</li></ul>  |
| <b>Compensation</b>  | <ul style="list-style-type: none"><li>• 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.</li><li>• Bonuses paid <b>on or after</b> 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.</li></ul>  |
| <b>Withdrawal of employee contributions</b>                      | <ul style="list-style-type: none"><li>• 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.</li><li>• The member receives the accumulated member contributions, which consists of member contributions and regular interest.</li><li>• Upon receipt of a refund of accumulated contributions a member’s vested right to a monthly benefit is forfeited.</li></ul>  |
| <b>Member contributions interest credited (regular interest)</b> | <ul style="list-style-type: none"><li>• Interest is credited to member accounts at the rates determined by the Board.</li><li>• The current interest rate credited to member accounts is 0.32%.</li></ul>   |



## Schedule B – Plan Provisions

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<b>Refunds</b>	<ul style="list-style-type: none"><li>• Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.</li><li>• Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so <b>within 90 days</b> of termination of service.</li><li>• Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump sum payment.</li></ul>
<b>Lump-sum payouts</b>	<ul style="list-style-type: none"><li>• 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.</li></ul>
<b>Type of plan</b>	<ul style="list-style-type: none"><li>• Single-employer defined benefit</li></ul>
<b>Membership eligibility</b>	<ul style="list-style-type: none"><li>• Judges of district courts</li><li>• Justices of supreme court</li><li>• Chief water judge</li><li>• Associate water judge (effective July 1, 2011)</li></ul>
<b>Member contributions</b>	<ul style="list-style-type: none"><li>• 7% of member's compensation</li></ul>
<b>Employer contributions</b>	<ul style="list-style-type: none"><li>• 25.81% of each member's compensation.</li><li>• Contributions were temporarily suspended for the period January 1, 2018 through June 30, 2019.</li><li>• Contributions were temporarily suspended for the period July 1, 2021 through June 30, 2023.</li><li>• 14% of each member's compensation beginning July 1, 2023 if the funded ratio is greater than or equal to 120%. If the funded ratio is below 120%, the employer contribution will return to 25.81% of each member's compensation.</li></ul>
<b>Compensation period used in benefit calculation</b>	<ul style="list-style-type: none"><li>• Current salary or HAC = Highest Average Compensation</li><li>• Hired <b>prior to</b> July 1, 1997, <b>and did not elect</b> GABA, benefits are calculated using current salary of the office from which the member retired.</li><li>• Hired <b>on or after</b> July 1, 1997, <b>or</b> hired <b>prior to</b> July 1, 1997 <b>and elected</b> GABA, benefits are calculated using HAC, the average of the highest 36 consecutive months (or shorter period of total service) of compensation paid to the member.</li><li>• Hired <b>on or after</b> July 1, 2013: 110% annual cap on compensation considered as part of a member's HAC.</li></ul>



## Schedule B – Plan Provisions

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- |   |   |
|---|---|
| <b>Service retirement eligibility and benefit</b> | <ul style="list-style-type: none"><li>• Age 60 with 5 years of membership service</li><li>• <b>First 15 years</b> of service credit:<br/>3<math>\frac{1}{3}</math>% per year of current salary <b>or</b> HAC, and</li><li>• <b>Over 15 years</b> of service credit:<br/>1.785% per year of current salary <b>or</b> HAC</li></ul>   |
| <b>Disability eligibility and benefit</b>         | <p><b>Non-duty disability:</b></p> <ul style="list-style-type: none"><li>• 5 years membership service</li><li>• Regular disability benefit:<br/>Actuarial equivalent of the normal retirement benefit available at the time of disability.</li></ul> <p><b>Duty-related disability:</b></p> <ul style="list-style-type: none"><li>• Any amount of membership service</li><li>• Duty-related disability benefit:<br/>Greater of 50% of current salary <b>or</b> 50% of HAC</li></ul>   |
| <b>Survivor's eligibility and benefit</b>         | <p><b>Duty-related death:</b></p> <ul style="list-style-type: none"><li>• Active or retired member</li><li>• Member's service retirement benefit on the date of the death.</li></ul> <p><b>Non-duty-related death:</b></p> <ul style="list-style-type: none"><li>• Vested member</li><li>• Refund of the member's accumulated contributions, <b>or</b></li><li>• Actuarial equivalent of the member's service retirement benefit on date of death.</li><li>• A beneficiary may elect to receive the present value of the benefit as a single lump sum</li><li>• For retired members without a contingent annuitant, a payment will be made to the member's designated beneficiary equal to the accumulated contributions reduced by any retirement benefits already paid.</li></ul> |
| <b>Vesting eligibility and benefit</b>            | <ul style="list-style-type: none"><li>• 5 years of membership service</li><li>• Accrued normal retirement benefit, payable when eligible for retirement.</li><li>• In lieu of a pension, a member may receive a refund of accumulated contributions.</li><li>• Upon receipt of a refund of accumulated contributions, a member's vested right to a monthly benefit is forfeited.</li></ul>  |



## Schedule B – Plan Provisions

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### Retirement benefits - Form of payment

Option 1, the normal form of payment is a single life annuity with a refund of any remaining accumulated contributions (account balance) to a designated beneficiary.

Optional Benefits:

- Option 2, a life annuity and joint 100% survivor benefit,
- Option 3, a life annuity and joint 50% survivor benefit, and
- Option 4, a life annuity with a period certain.

If a retiring member selects Option 2 or 3 and the contingent annuitant predeceases or is divorced from the member, the retiree may, within 18 months of the death or divorce, choose to revert to the higher Option 1 benefit available at retirement or the retiree may select a different contingent annuitant and/or a different option.

### Post retirement benefit increases

- For retired members who have been retired for at least 12 months and who were either hired **after** June 30, 1997 **or** hired **prior to** July 1, 1997 **and elected** GABA, a GABA will be made January 1 of each year equal to 3%.
- For retired members who were hired **prior to** July 1, 1997 **and did not elect** GABA, the current salary of an active member in the same position is used to recalculate the monthly benefit.

### Changes since last valuation

- For July 1, 2023 through June 30, 2024, the contribution rate will be 0%.
- For July 1, 2024 and after, contribution rates are actuarially determined.





## **Schedule C – Actuarial Assumptions and Methods**

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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-2 through C-4 give rates of decrement for service retirement, disablement and mortality.

### **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**

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### **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 an assumed 3.5% annual rate of increase in the general wage level of the membership. There are no separate merit and seniority increases assumed.

### **Service Retirement**

Table C-2 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-3.

### **Mortality**

A written description of each table used is included in Table C-1.

### **Other Terminations of Employment**

No terminations are assumed other than for retirement, death and disability.

### **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.



## 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. Retirement	Table C-2
B. Disablement	Table C-3
C. Mortality among active participants	
PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.	
D. Mortality among disabled pensioners	
PUB-2010 General Amount Weighted Disabled Retiree mortality table, projected to 2021, set forward 1 year for both males and females.	
E. Mortality among contingent survivor pensioners	
PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward 1 year for males and females. Projected generationally using MP-2021.	
F. Mortality among retired healthy pensioners	
PUB-2010 General Amount Weighted Healthy Retiree Mortality Table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.	



## Schedule C – Actuarial Assumptions and Methods

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Table C-2

**Retirement  
Annual Rates**

Age	Rate
60	10.0%
61	10.0
62	10.0
63	10.0
64	10.0
65	20.0
66	20.0
67	20.0
68	20.0
69	20.0
70 & Over	100.0

Vested terminations are assumed to retire at their earliest unreduced eligibility.



## Schedule C – Actuarial Assumptions and Methods

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**Table C-3**  
**Disablement**  
**Annual Rates**

<u>Age</u>	<u>All Members</u>
22	0.00%
27	0.04
32	0.04
37	0.04
42	0.16
47	0.40
52	0.71
57	1.00
60	1.44

10% of disabilities are assumed to be duty-related and 90% are assumed to be non-duty related. All disabilities are assumed to be permanent without recovery.



## **Schedule D – Glossary of Terms**

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### **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**

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### **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**

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### **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.