



Cavanaugh Macdonald
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GASB Statement No. 67 Report

For the

Public Employees' 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 Public Employees' Retirement System of Montana (PERS) 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 performed 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".

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

A handwritten signature in blue ink that reads "Bryan Hoge".

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

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

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

TBG:bvb



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REPORT OF THE ANNUAL GASB STATEMENT NO. 67

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF MONTANA

PREPARED AS OF JUNE 30, 2023

BOARD SUMMARY

This report provides information required by the Public Employees' Retirement System (PERS) 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 PERS 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 \$9,361,215,642 and the FNP is \$6,920,861,726. The NPL, which is determined by subtracting the FNP from the TPL, is equal to \$2,440,353,916. 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 a 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
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF MONTANA**

PREPARED AS OF JUNE 30, 2023

BOARD SUMMARY

Valuation Date (VD):	June 30, 2023
Prior Measurement Date:	June 30, 2022
Measurement Date (MD):	June 30, 2023
Membership Date	
Retirees and Beneficiaries	25,554
Inactive Members	29,618
Active Employees	<u>29,622</u>
Total	84,794
Single Equivalent Interest Rate (SEIR):	
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 Plan's Fiduciary Net Position is projected to be depleted from future benefit payments for current members	n/a
Single Equivalent Interest Rate at Prior Measurement Date	7.30%
Single Equivalent Interest Rate at Measurement Date	7.30%
Net Pension Liability	
Total Pension Liability (TPL)	\$ 9,361,215,642
Fiduciary Net Position (FNP)	<u>6,920,861,726</u>
Net Pension Liability (NPL = TPL – FNP)	\$ 2,440,353,916
FNP as a percentage of TPL	73.93%



Section I - Introduction

**REPORT OF THE ANNUAL GASB STATEMENT NO. 67
REQUIRED INFORMATION FOR THE
PUBLIC EMPLOYEES' 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 Public Employees' 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 Public Employees' 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

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 Public Employees’ 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	25,554
Inactive Members Entitled To But Not Yet Receiving Benefits	29,618
Active Members	29,622
Total	84,794

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	\$9,361,215,642
Fiduciary Net Position	<u>6,920,861,726</u>
Net Pension Liability	\$2,440,353,916
Ratio of Fiduciary Net Position to Total Pension Liability	73.93%

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 B. 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 to 8.47 percent, including inflation
Investment rate of return	7.30 percent, net of pension plan investment expense, 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>Healthy 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.



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 determined does not use the municipal bond rate.
- (e) **Periods of projected benefit payments:** Future benefit payments for all current plan members were projected through 2127.



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	\$10,445,943,960	\$9,361,215,642	\$8,451,225,480
Fiduciary Net Position	<u>6,920,861,726</u>	<u>6,920,861,726</u>	<u>6,920,861,726</u>
System's Net Pension Liability	\$3,525,082,234	\$2,440,353,916	\$1,530,363,754



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 summarizes the calculation. 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	\$ 9,026,784,090
Changes for the year:	
Service Cost	\$ 116,475,831
Interest	647,039,932
Change in benefit terms	0
Difference between expected and actual experience	130,314,212
Changes of assumptions or other inputs	0
Benefit payments	(559,398,423)
Other	0
Net changes	\$ 334,431,552
Total Pension Liability as of June 30, 2023	\$ 9,361,215,642



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 have been made to the plan provisions as noted:

2015

1. For retired members who were hired on or after July 1, 2013 and who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to:
 - A maximum of 1.5% for each year PERS is funded at or above 90%;
 - For each 2% PERS is funded below 90% the 1.5% is reduced by 0.1%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
2. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of additional service credit receive:
 - A refund of the member's contributions plus regular interest (.25%);
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Their GABA starts again in the January immediately following their second retirement.
3. Members who retire before January 1, 2016 and return to PERS covered employment for at least 2 years of additional service credit receive:
 - A recalculated retirement benefit based on provisions in effect after their initial retirement
 - Their GABA starts on their recalculated benefit in the January after receiving new benefit for 12 months.
4. Members who retire on or after January 1, 2016, return to PERS service, and accumulate less than 5 years of additional service credit receive:
 - A refund of the member's contributions plus regular interest (.25%);
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Their GABA starts again in the January immediately following their second retirement.



Section III – Required Supplementary Information

5. Members who retire on or after January 1, 2016, return to PERS service, and accumulate 5 or more years of service credit receive:
 - The same retirement benefit as prior to their return to service;
 - A second retirement benefit for their second period of service based on laws in effect upon their rehire date; and
 - Their GABA starts on both benefits in the January after receiving the original and new benefit for 12 months.
6. An employer must report elected officials who decline PERS membership.
7. Effective July 1, 2015 (the first FY2016 pay date payroll), the additional 1.0% employer contribution is directed to the Plan Choice Rate Unfunded Actuarial Liability rather than the Defined Benefit Unfunded Actuarial Liability.

2017

1. Working Retiree Limitations - Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, the general contractor overhead costs are excluded from PERS working retiree limitations.
2. 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.
3. Interest credited to member accounts - Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.
4. 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 have been made to the actuarial assumptions and methods:

2015

1. Assumptions related to the Guaranteed Annual Benefit Adjustment (GABA) for members hired on or after July 1, 2013 have been added.



Section III – Required Supplementary Information

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 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 withdrawal, 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

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	30 years
Asset valuation method	4-year smoothed market
Wage Inflation	3.50 percent
Salary increase	3.50 to 8.47 percent, including inflation
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>Healthy 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
Total pension liability										
Service Cost	116,475,831	142,664,846	129,099,681	123,083,106	123,618,712	132,567,233	144,475,909	132,620,813	138,049,956	137,452,701
Interest	647,039,932	618,424,612	604,750,489	593,858,382	585,204,569	552,036,737	507,380,846	486,830,869	476,777,225	456,406,491
Benefit changes	0	0	0	0	0	0	0	0	0	0
Difference between expected and actual experience	130,314,212	30,957,025	29,025,581	(39,377,503)	(147,536,263)	170,344,495	55,782,342	12,254,313	(11,276,266)	0
Changes of assumptions	0	(261,124,637)	265,843,313	274,029,096	0	0	354,960,213	0	0	0
Benefit payments	(544,698,781)	(512,042,746)	(476,443,132)	(449,601,997)	(422,444,896)	(395,338,673)	(366,354,719)	(344,103,875)	(333,401,463)	(307,741,308)
Refunds of contributions	<u>(14,699,642)</u>	<u>(15,343,596)</u>	<u>(12,712,759)</u>	<u>(11,922,673)</u>	<u>(12,360,997)</u>	<u>(12,619,498)</u>	<u>(12,252,007)</u>	<u>(10,379,388)</u>	<u>0</u>	<u>0</u>
Net change in total pension liability	334,431,552	3,535,504	539,563,173	490,068,411	126,481,125	446,990,294	683,992,584	277,222,732	270,149,452	286,117,884
Total pension liability - beginning	9,026,784,090	9,023,248,586	8,483,685,413	7,993,617,002	7,867,135,877	7,420,145,583	6,736,152,999	6,458,930,267	6,188,780,815	5,902,662,931
Total pension liability - ending (a)	9,361,215,642	9,026,784,090	9,023,248,586	8,483,685,413	7,993,617,002	7,867,135,877	7,420,145,583	6,736,152,999	6,458,930,267	6,188,780,815
Plan net position										
Contributions - employer	131,911,929	120,533,342	121,135,718	111,991,380	107,257,974	106,650,985	103,537,059	102,327,838	100,175,856	95,820,397
Contributions - non-employer	36,176,182	35,760,593	35,389,005	35,008,859	34,641,994	34,659,174	28,757,463	30,800,371	34,466,719	34,561,721
Contributions - member	119,169,165	110,597,557	111,246,724	105,009,017	101,713,235	102,075,271	100,768,139	97,342,719	95,424,031	92,160,048
Net investment income	549,305,530	(295,902,497)	1,593,110,118	157,977,027	320,879,899	478,690,356	591,434,954	101,199,856	225,106,692	732,253,062
Benefit payments	(544,698,781)	(512,042,746)	(476,443,132)	(449,601,997)	(422,444,896)	(395,338,673)	(366,354,719)	(344,103,875)	(333,401,463)	(307,741,308)
Administrative expense	(5,353,261)	(4,731,110)	(4,397,338)	(4,059,627)	(3,806,945)	(4,168,771)	(4,472,084)	(3,858,330)	(3,483,531)	(3,522,346)
Refunds of contributions	(14,699,642)	(15,343,596)	(12,712,759)	(11,922,673)	(12,360,997)	(12,619,498)	(12,252,007)	(10,379,388)	0	0
Other	<u>151,708</u>	<u>471</u>	<u>(2,775,478)</u>	<u>(2,234,266)</u>	<u>(2,567,968)</u>	<u>(2,474,018)</u>	<u>(1,706,733)</u>	<u>(1,580,302)</u>	<u>0</u>	<u>0</u>
Net change in plan net position	271,962,830	(561,127,986)	1,364,552,858	(57,832,280)	123,312,296	307,474,826	439,712,072	(28,251,111)	118,288,304	643,531,574
Plan net position - beginning	6,648,898,896	7,210,026,882	5,845,474,024	5,903,306,304	5,779,994,008	5,472,519,182	5,032,807,110	5,061,058,221	4,942,769,917	4,299,238,343
Plan net position - ending (b)	6,920,861,726	6,648,898,896	7,210,026,882	5,845,474,024	5,903,306,304	5,779,994,008	5,472,519,182	5,032,807,110	5,061,058,221	4,942,769,917
Net pension liability - ending (a) - (b)	2,440,353,916	2,377,885,194	1,813,221,704	2,638,211,389	2,090,310,698	2,087,141,869	1,947,626,401	1,703,345,889	1,397,872,046	1,246,010,898



Schedule A – Required Supplementary Tables

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

Table with 11 columns (years 2014-2023) and 6 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contribution	171,316,756	156,293,935	164,930,899	156,152,446	152,662,879	141,310,159	132,294,522	133,128,209	131,424,000	137,681,000
Actual employer contributions	131,911,929	120,533,342	121,135,718	111,991,380	107,257,974	106,650,985	103,537,059	102,327,838	100,175,856	95,820,397
Non-Employer Contributions	36,176,182	35,760,593	35,389,005	35,008,859	34,641,994	34,659,174	28,757,463	30,800,371	34,466,719	34,561,721
Annual contribution deficiency / (excess)	3,228,645	0	8,406,176	9,152,207	10,762,911	0	0	0	(3,218,575)	7,298,882
Covered-employee payroll	1,453,317,132	1,349,882,543	1,361,589,739	1,280,557,497	1,247,343,733	1,230,105,350	1,232,066,537	1,185,646,179	1,154,866,605	1,120,266,025
Actual contributions as a percentage of covered-employee payroll	11.57%	11.58%	11.50%	11.48%	11.38%	11.49%	10.74%	11.23%	11.66%	11.64%



Schedule B – Plan Provisions

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| 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

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| 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 |
| Membership eligibility | <ul style="list-style-type: none">• Employees of the State and local governments that have contracted for PERS coverage.• Certain employees of the university system and school districts, not covered by a separate retirement system governed by Title 19 of the Montana Code Annotated. |
| Member contributions | <ul style="list-style-type: none">• 7.9% of member's compensation.• Temporary 1% increase for all members effective July 1, 2011.• Reduced to 6.9% when amortization period drops below 25 years and remains below 25 years following the termination of the temporary 1% increase and the additional employer contribution rate. |
| Employer contributions | <ul style="list-style-type: none">• 9.07% of each member's compensation for state and university. Reduced when amortization period drops below 25 years and remains below 25 years following the termination of the additional employer contribution rate and the member's temporary 1% increase.• 8.97% of each member's compensation for local governments• 8.7% of each member's compensation for school districts• Contribution going into the PERS Defined Benefit Plan is reduced by 0.04% of compensation paid into the Educational Fund.• Employers who hire PERS retirees who work less than 960 hours in the calendar year in a PERS-covered position, but do not become active members, contribute the employer's contribution rate on the working retiree's compensation. |



Schedule B – Plan Provisions

State contributions	<ul style="list-style-type: none">• 0.1% of compensation from the State for local governments• 0.37% of compensation from State for School Districts• Contributions are also made to the system from the State General Fund through a statutory appropriation.
Compensation period used in benefit calculation	<ul style="list-style-type: none">• HAC = Highest Average Compensation• Hired prior to July 1, 2011: HAC is average of the highest 36 consecutive months (or shorter period of total service) of compensation paid by member.• Hired on or after July 1, 2011: HAC is average of the highest 60 consecutive months (or shorter period of total service) of compensation paid to member.• Hired on or after July 1, 2013: 110% annual cap on compensation considered as part of a member's HAC.
Service retirement eligibility	<p>Members hired prior to July 1, 2011:</p> <ul style="list-style-type: none">• Age 60, 5 years membership service• Age 65, regardless of membership service• Any age, 30 years membership service <p>Members hired on or after July 1, 2011:</p> <ul style="list-style-type: none">• Age 65, 5 years of membership service• Age 70, regardless of service
Service retirement benefit formula	<p>Members hired prior to July 1, 2011:</p> <ul style="list-style-type: none">• Less than 25 years of membership service: 1.785% of HAC x years of service credit• 25 years or more of membership service: 2% of HAC x years of service credit• OR, if greater than either of the above: the actuarial equivalent of 2 times the member's regular contributions and interest plus the actuarial equivalent of any additional contributions and interest. <p>Members hired on or after July 1, 2011:</p> <ul style="list-style-type: none">• Less than 10 years of membership service: 1.5% of HAC x years of service credit• Between 10 and 30 years of membership service: 1.785% of HAC x years of service credit• 30 years or more of membership service: 2% of HAC x years of service credit• OR, if greater than any of the above: the actuarial equivalent of 2 times the member's regular contributions and interest plus the actuarial equivalent of any additional contributions and interest.



Schedule B – Plan Provisions

Second retirement benefit

Members who retire **before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of additional service credit receive:**

- A refund of the member's contributions plus regular interest;
- No service credit for second employment;
- The same benefit amount starting the month following termination; **and**
- The member's Guaranteed Annual Benefit Adjustment (GABA) increasing again in January immediately following the member's second retirement.

Members who retire **before January 1, 2016 and return to PERS-covered employment for at least 2 years of additional service credit receive:**

- A re-calculated retirement benefit based on provisions in effect after member's initial retirement; **and**
- GABA on member's re-calculated benefit starting in January after receiving the re-calculated benefit for 12 months.

Members who retire **on or after January 1, 2016, return to PERS service, and accumulate less than 5 years of additional service credit receive:**

- A refund of a member's contributions plus regular interest;
- No service credit for second employment;
- The same benefit amount starting the month following termination; **and**
- The member's GABA increasing again in January immediately following the member's second retirement.

Members who retire **on or after January 1, 2016, return to PERS service, and accumulate 5 or more years of additional service credit receive:**

- The same retirement benefit paid immediately prior to member's return to service;
- A second retirement benefit for member's second period of service based on laws in effect upon the member's rehire date; **and**
- The member's GABA on both benefits starting in January after receiving the original and new benefit for 12 months.

Early retirement eligibility

Members hired **prior to July 1, 2011:**

- Age 50 with 5 years of membership service; or
- Any age under age 60 with 25 years of membership service



Schedule B – Plan Provisions

Early retirement benefit formula

Members hired **on or after** July 1, 2011:

- Age 55 with 5 years of membership service.

Members hired **prior to** July 1, 2011 **and**

- who retire **prior to** October 1, 2011

The actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 60 or upon completion of 30 years of membership service. The service retirement benefit is reduced by a factor resulting from multiplying 0.5% (for first five years from service retirement eligibility) and 0.3% (for six to 10 years from service retirement eligibility) by the number of months by which the retirement date precedes the date at which the member would have attained age 60 or completed 30 years of membership service.

- who retire **on or after** October 1, 2011

The actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 60 or upon completion of 30 years of membership service. The service retirement benefit must be reduced using actuarially equivalent factors based on the most recent valuation.

Members hired **on or after** July 1, 2011:

The actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 65. The service retirement benefit must be reduced using actuarially equivalent factors based on the most recent valuation.

Disability eligibility and benefit formula

- 5 years of membership service

If hired **on or before** February 24, 1991 **and** did not make a contrary election, the greater of:

- (90% of 1.785% of HAC) x service credit, or
- 25% of HAC

If hired **after** February 24, 1991 **and prior to** July 1, 2011, **or** hired **on or before** February 24, 1991 **and** so elected:

- Less than 25 years of membership service: 1.785% of HAC x service credit, or
- At least 25 years of membership service: 2% of HAC x service credit



Schedule B – Plan Provisions

	<p>If hired on or after July 1, 2011:</p> <ul style="list-style-type: none">• Less than 10 years of membership: 1.5% of HAC x years of service credit• Between 10 and 30 years of membership service: 1.785% of HAC x years of service credit• 30 years or more of membership service: 2% of HAC x years of service credit
Survivor's benefit eligibility	<p>Member's status at time of death:</p> <ul style="list-style-type: none">• active;• receiving disability benefit for less than six months;• continuously disabled without receiving a disability benefit; <p>or</p> <ul style="list-style-type: none">• inactive
Death payment benefit formula	<ul style="list-style-type: none">• Accumulated contributions + (monthly compensation x lesser of years of service credit or 6) + interest until benefit paid.• However, a survivor of an inactive member who was inactive for more than 6 months will receive only accumulated contributions and interest from the date of death until payment.• A survivor may elect to receive the payment as a non-increasing annuity that is the actuarial equivalent of the death payment amount.
Survivor benefit formula	<p>Members hired prior to July 1, 2011:</p> <ul style="list-style-type: none">• The survivorship benefit payable to a vested member's survivor is:<ul style="list-style-type: none">○ the actuarial equivalent of the member's accrued retirement benefit at the time of death; or,• If the member dies prior to age 50 or 25 years of membership service:<ul style="list-style-type: none">○ the actuarial equivalent of the accrued portion of the early retirement benefit that would have been paid to the member at age 50. <p>Members hired on or after July 1, 2011:</p> <ul style="list-style-type: none">• The survivorship benefit payable to an active vested member's survivor is:<ul style="list-style-type: none">○ the actuarial equivalent of the member's accrued retirement benefit at the time of death; or• If the member dies prior to age 55:



Schedule B – Plan Provisions

	<ul style="list-style-type: none"> ○ the actuarial equivalent of the accrued portion of the early retirement benefit that would have been paid to the member at age 55.
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	<p>Option 1, the normal form of payment is a single life annuity with a refund of any remaining account balance to a designated beneficiary. Optional Benefits:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
Post retirement benefit increases	<p>For retired members hired before July 1, 2013 who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made January 1 of each year equal to:</p> <ul style="list-style-type: none"> • 3% for members hired before July 1, 2007, and • 1.5% for members hired on or after July 1, 2007 and prior to July 1, 2013. <p>For retired members who were hired on or after July 1, 2013 and who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made January 1 of each year equal to:</p> <ul style="list-style-type: none"> • A maximum of 1.5% for each year PERS is funded at or above 90%, subject to a 0.1% reduction for each 2% PERS is funded below 90%; or • 0% whenever the amortization period for PERS is 40 years or more.
Changes since last valuation	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, mortality, 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 3.5% annual rate of increase in the general wage level of the membership.

Service Retirement

Table C-3 shows the annual assumed rates of retirement for active members meeting the service retirement eligibilities.

Disablement

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

Mortality

A written description of each table used is included 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.

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 active participants PUB-2010 General Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.	
E. 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.	
F. 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.	
G. 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.	
H. Other terminations of employment	Table C-5



Schedule C – Actuarial Assumptions and Methods

Table C-2

Future Salaries

Years of Service	(a) Individual Merit & Longevity	(b) General Wage Increase	(1+(a))*(1+(b)) Total Salary Increase
1	4.80%	3.50%	8.47%
2	3.80	3.50	7.43
3	2.80	3.50	6.40
4	2.00	3.50	5.57
5	1.40	3.50	4.95
6	0.80	3.50	4.33
7	0.40	3.50	3.91
8	0.00	3.50	3.50
8 & Up	0.00	3.50	3.50



Schedule C – Actuarial Assumptions and Methods

Table C-3
Retirement Annual Rates

<u>Age</u>	<u>Less than 30 Years of Service</u>	<u>30 Years or more of Service and age 60 with 25 Years of Service</u>
Less than 45		10.0%
45		10.0
46		10.0
47		10.0
48		10.0
49		10.0
50	4.5%	15.8
51	4.5	15.8
52	4.5	15.8
53	4.5	15.8
54	4.5	15.8
55	5.5	15.8
56	6.0	15.8
57	6.0	15.8
58	6.0	15.8
59	7.0	15.8
60	9.0	15.8
61	9.0	15.8
62	15.0	22.0
63	15.0	22.0
64	15.0	22.0
65	30.0	35.0
66	30.0	35.0
67	25.0	35.0
68	25.0	30.0
69	25.0	30.0
70 & Over	100.0	100.0



Schedule C – Actuarial Assumptions and Methods

Table C-4
Disablement
Annual Rates

Age	All Members
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
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	35.0%
1	27.0
2	18.0
3	14.0
4	11.0
5	11.0
6	10.0
7	9.0
8	8.0
9	7.0
10	6.0
11	6.0
12	5.0
13	5.0
14	4.5
15 & Over	3.0

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 retirees.

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.