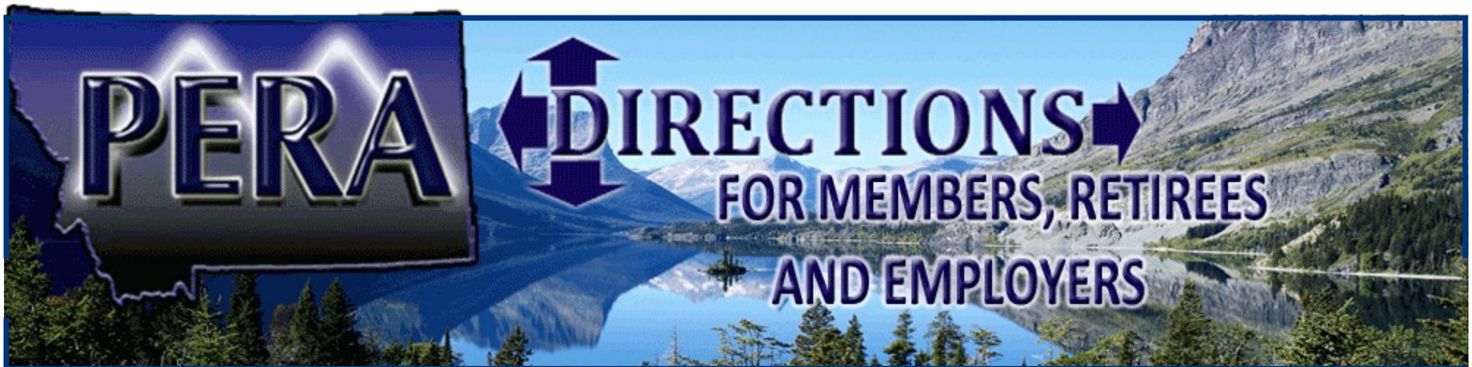

Montana Public Employee Retirement Administration (MPERA) **May 2011**

Message From The Executive Director *by Roxanne Minnehan*

Dear Members,

Thank you to everyone who followed along with us throughout this legislative session. We spent many hours providing testimony and talking with legislators about the different legislative proposals affecting our retirement systems. Overall, our systems survived the session relatively unscathed and for the most part, the legislature did the right thing; it did not pass harmful proposals. We believe this is in large part due to the active participation of our members.

The legislature talked at length about the need to address the unfunded liability of the three systems that are not actuarially sound. In these tight economic times, legislators were looking for ways to save money. They were unwilling to provide funding to the plans. Unfortunately plan design changes alone will not help us recover from the devastating -22% investment returns in fiscal year 2009. An economic impact which hit our nations economy - not just the public retirement systems.

The good news is that public pension funds nationwide have begun to recover from the recent recession. At the April Board meeting, Clifford Sheets, chief investment officer of the Montana Board of Investments reported that the Montana Public Employees' Retirement System (PERS) had a return of 19.8% for the fiscal year through March 31, 2011. He stated he believes we are headed in the right direction and that meeting the actuarial assumption of 7.75% is achievable. Because the pension funds are invested in pools, the other plans will have similar results.

As we move forward, it is likely that there will be a lot of talk about how to address the funding issues with the retirement systems. This can be done without taking an alarmist's approach. It's important to recognize that the unfunded liability is not all due right now and markets fluctuate over time. There's no question that some changes need to be made to ensure the stability of our retirement systems. Through careful study and analysis, it is possible to address the issues while maintaining adequate benefits for all of our members.

Enjoy spring in beautiful Montana! Roxanne

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HB 70 - MPERA General Revisions Highlights

House Bill 70, the MPERA General Revisions bill, was carried by Representative Mike Menahan and signed by Governor Schweitzer on April 1st. This bill revises and clarifies statutory language so MPERA's retirement systems remain consistent with federal law requirements and are easily administered. The changes in this bill apply to the specific retirement systems as noted:

All Systems

- Clarifies that "termination of service" requires that there will be "no written or verbal agreement between a retiree and employer that the retiree will return to covered employment in the future. "
- Clarifies that the disability benefit of a disabled member who continues purchasing service or chooses to purchase service following termination of employment will not start until the service purchase is completed. §19-2-908(3)(b), MCA

PERS

- PERS retirees must be terminated from employment for **at least 90 days** prior to returning to a PERS-covered position as a working retiree. §19-3-1106, MCA
- PERS DCRP Members - The compounded annual interest rate credited to the contributions transferred from the defined benefit plan to the member's Defined Contribution Retirement Plan (DCRP) will be 7.75% beginning July 1st, 2011. Additional service credit is not an option available to a DCRP member who is subject to a reduction in force. Service credit purchases are not available to members of a defined contribution retirement plan.

Attention Employers:
Retiring PERS members must have at least a 90 day break in service before they can be hired as a working retiree. You cannot have written or verbal agreement for them to return to work!

GWPORS

Clarifies that the "early retirement benefit" is actually a "reduced retirement benefit" available, at age 55, to system members who terminate employment prior to 20 years of service. ♦

HB 122 - PERS

House Bill 122 - The PERS funding bill was carried by Representative Sue Malek and signed by Governor Schweitzer on May 12th. The changes are as follows:

Current PERS Members

Early retirement – Current PERS members remain eligible for early retirement at age 50 or after 25 years of membership service. However, beginning October 1st, 2011, a current PERS member's early retirement benefit will be calculated using existing actuarial factors. The existing factors reflect PERS's most recent experience study and take into account the fact that people are living longer.

Working Retirees

Starting July 1st, 2011: If you are a working retiree who has returned to work for one employer in two positions, with one position subject to PERS and the other not, the hours worked in **both** positions will count toward your working retiree limit.

If your employer fails to report you timely or accurately – you and your employer are liable for repayment of the retirement benefits you receive inappropriately.

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New Members Hired On Or After July 1, 2011

- Employee contribution to PERS will be 7.9% of salary.
- Eligibility for early retirement changes to age 55 with a minimum of 5 years of membership service.
- Normal retirement age changes to age 65 with 5 years of service.
- The Highest Average Compensation (HAC) used to calculate the retirement benefit will be based on a time period of 60 months.
- The multiplier used to calculate the retirement benefit will be:
  - ⇒ 1.5% per year if service is less than 10 years,
  - ⇒ 1.785% per year if service is greater than or equal to 10 years but less than 30 years,
  - ⇒ 2% per year if service is greater than or equal to 30 years. ♦

Attention Employers: Members hired on or after July 1st will have a contribution rate of 7.9%.

HB 119 - VFCA

House Bill 119 was carried by Representative Gordon R. Hendrick and signed into law by Governor Schweitzer on March 25, 2011 and is effective July 1, 2011. This bill revises the Volunteer Firefighters' Compensation Act (VFCA) statutes and some Title 7 Chapter 33 statutes that govern fire protection. The main changes are:

- The requirement of no more than 28 certificate members being listed on the annual certificate has been removed from §7-33-23-11, MCA.
- The roster of active and inactive members for the current year are to be filed annually with the Public Employees' Retirement Board (PERB) by September 1, and will not have to be certified by the county clerk of the county where the fire company is located. **A copy of the annual certificate will no longer be acceptable for this filing.**
- A new requirement of membership cards which must be filed with the PERB by September 1 of each year. These cards are required for all members, active and inactive, of a fire company qualified under the VFCA for the first year and for new members in each subsequent year.
- Definitions of allowance, compensation, and reimbursed have been added to the statute. In addition, allowable payments to volunteer firefighters is addressed in a separate section.
- Fire company, inactive member, and pension benefit have been defined or amended.
- Records retention requirements have been defined.
- Disputes regarding credited years of service must be resolved, either by staff of the PERB and the member or by the PERB prior to payment of the retirement or disability benefit. Payment will be retroactive to the retirement effective date.
- Any late or amended annual certificates and the associated certified training records must be filed by the current fire chief within **three** years of the original annual certificate due date; an annual certificate can be amended only once. ♦

SB 223 - VFCA

Senate Bill 223 was carried by Senator Ryan Zinke and signed into law by Governor Schweitzer on April 15, 2011. It amends §19-17-404, MCA, the monthly pension benefit allowable for VFCA members.

- The change removes the 30 year cap on service for members who retire after July 1st, 2011.

Volunteer firefighter monthly pension benefits are currently equal to $7.50 per year of credited service, capped at 30 years of service. To qualify for the benefit,

- the member must have service recognized by the PERB beyond 30 years; **and**
- the pension trust fund must be actuarially sound, amortizing any unfunded liabilities in 20 years or less.

When the above criteria are met, the member will receive $7.50 per month for each additional year of credited service after 30 years. A VFCA member's benefit will remain capped at $225 a month (30 years of credited service) if the amortization period grows to greater than 20 years. ♦

HB 134 - GWPORS

House Bill 134 was carried by Representative Carolyn Squires and signed by Governor Schweitzer on April 8th. **The following change applies only to new members hired on or after July 1st, 2011:**

- The Highest Average Compensation (HAC) used to calculate a monthly retirement benefit will be based on 60 months of service.

HB 135 - SRS

House Bill 135 was also carried by Representative Carolyn Squires and signed by Governor Schweitzer on April 8th. **The following change applies only to new members hired on or after July 1st, 2011:**

- The Highest Average Compensation (HAC) used to calculate a monthly retirement benefit will be based on 60 months of service. ♦

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