Montana Public Employee Retirement System (PERS)

Actuarially Determined Contributions Would Reverse PERS Debt Trends

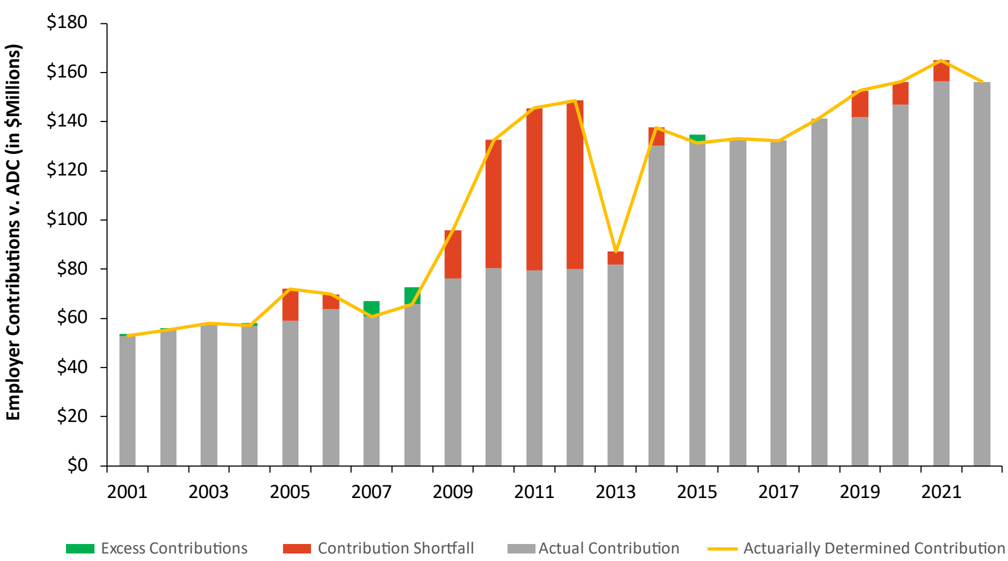
Pension systems like the Montana Public Employee Retirement System Define Benefit (PERS-DB) plan rely on contributions from government workers and their employers—as well as compounding investment returns—to save the necessary amounts needed to pay constitutionally protected retirement benefits. Despite periodically increasing rates, annual contributions have routinely fallen short of what's needed to pay off more than $2 billion in unfunded pension liabilities. Moving from the current statutorily-fixed contribution rate to an employer contribution that is actuarially determined (ADEC) annually is an important step towards securing the long-term financial future of one of Montana's largest public pension systems.

Fixed Contributions are Pushing PERS Debt Higher

- The Montana legislature's responsiveness to the impact of actuarial experience has often lagged the annually calculated (ADEC) rate.
- PERS had a $487 million surplus in FY 2001 but failed to make ADEC contributions in 12 of the last 20 years, shorting PERS over $248 million in expected funds.

ADEC Saves Taxpayers Over the Long-Term

- Using an ADEC funding policy is an industry best practice that would depoliticize and automate the funding process and make it more responsive to the plan's experience.
- ADEC funding would limit the impact of missed actuarial assumptions by ensuring the subsequent contributions needed to make up for the lost revenue.
- During an August 2020 hearing of the Legislative Finance Committee, PERS actuaries pointed out that "states are getting away from the old statutory funding method" and that "an actuary's dream funding policy" is a system that adjusts "to keep up with how the plan is doing."



Did You Know?

According to a 2020 Legislative Fiscal Division report "…current funding policies leave the systems [Montana's Teachers' Retirement System (TRS) and the Public Employees' Retirement System] heavily reliant on investment earnings and unable to adjust contributions to maintain an actuarially sound basis in times of significant financial declines.."

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