Public Employee Pensions

An Overview of Montana's Public Employee Retirement Systems

Lunch and Learn
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Why Talk About Pensions?

Impact to Montana

- 11 Statewide Public Employee Retirement Systems
- 1,285 Participating Public Employers
- 1 in 11 Montanans
- $16.6 Billion in Assets
- $4.9 Billion in Unfunded Liabilities

Brief History of Montana's Public Retirement Systems

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Creation of Montana's Statewide Public Employee Retirement Systems

- **1937** –Teachers' Retirement System (TRS) is established.
- **1945** – Public Employees Retirement Law is passed; Public Employees' Retirement System (PERS-DB) and Highway Patrol Officers' Retirement System (HPORS) are established.
- **1963** – Game Wardens' and Peace Officers' Retirement System (GWPORS) is established.
- **1965** – Volunteer Firefighters' Compensation Act (VFCA) is passed.
- **1967** – Judges' Retirement System (JRS) is established.
- **1974** – Municipal Police Officers' Retirement System (MPORS) and Sheriffs' Retirement System (SRS) are established.
- **1981** – Firefighters' Unified Retirement System (FURS) is established.
- **1987** – Montana University System Retirement Program (MUS-RP) is established.
- **1999** – PERS Defined Contribution Retirement Program (PERS-DC) is created.

Montana Constitution

Article VIII, Section 13 – Investment of Public Funds and Public Retirement System and State Compensation Insurance Fund Assets

(1) The legislature shall provide for a unified investment program for public funds and public retirement system and state compensation insurance fund assets and provide rules therefor, including supervision of investment of surplus funds of all counties, cities, towns, and other local governmental entities. Each fund forming a part of the unified investment program shall be separately identified. Except as provided in subsections (3) and (4), no public funds shall be invested in private corporate capital stock. The investment program shall be audited at least annually and a report thereof submitted to the governor and legislature.

(3) Investment of public retirement system assets shall be managed in a fiduciary capacity in the same manner that a prudent expert acting in a fiduciary capacity and familiar with the circumstances would use in the conduct of an enterprise of a similar character with similar aims. Public retirement system assets may be invested in private corporate capital stock.

Article VIII, Section 15 – Public Retirement System Assets

(1) Public retirement systems shall be funded on an actuarially sound basis. Public retirement system assets, including income and actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses.*

(2) The governing boards of public retirement systems shall administer the system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries.

*(*emphasis added)*

What are the Main Types of Public Pensions?

Defined Benefit (DB)

- A defined benefit (DB) plan is an employer-sponsored retirement plan that provides a **specific monthly benefit at retirement**.
- Retirees receive **set monthly installments** rather than a lump sum and the benefit is guaranteed for the rest of their life.
- The employee's **salary and length of service** determine the retirement benefit.
- DB plan funds typically include a combination of employer contributions, employee contributions, and investment earnings.
- Public pension assets are put into a **pooled trust fund** and are managed by professionals at the state level.
- The pooled trust fund assets are invested to pre-fund the cost of pension benefits, providing economies of scale that lower fees and increase returns.
- The typical DB plan places some **responsibility and risk on both the employer and employee**.
- DB plans are the most **prevalent plan design in the public sector**. As of March 2025, 74% of public employees participated in a DB plan.
- 9 of Montana's 11 statewide retirement systems are DB plans.

Defined Contribution (DC)

- A defined contribution (DC) plan is an employer-sponsored retirement savings vehicle that accumulates savings based on contributions to an employee's individual retirement account.
- DC plans **do not promise a specific retirement benefit**. The employee receives the **balance in their account upon retirement**.
- In a DC plan, the employee, employer, or both contribute to the plan. The contribution amount is typically a certain percentage of the employee's salary.
- DC plans **typically do not pool assets**, and instead, **employees have a range of investment options to manage individually**.
- **Employees assume the investment and longevity risks in DC plans.**
- Many states offer employees a DC plan as a supplemental retirement savings plan or as an optional alternative to the DB plan. Two states – Alaska and Oklahoma – and the District of Columbia offer only a DC plan on a statewide basis for broad employee groups.
- 2 of Montana's 11 statewide retirement systems are DC plans.

Who is Covered by Montana's Statewide Retirement Systems?

Montana's Public Employee Retirement Systems

SYSTEM	EMPLOYERS	DESCRIPTION	FY26 MEMBERS
TEACHERS' RETIREMENT SYSTEM (TRS)	365 participating employers, including: • School Districts • Community Colleges • Education Co-ops • Counties • MUS • State Agencies	• DB Plan • Teachers, administrators, specialists, and others employed in a teaching or educational services capacity by a public school district, state agency, county, community college, Montana University System, or educational cooperative	• Active: 19,777 • Retirees: 18,525
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)	557 participating employers, including: • State Agencies • MUS • Counties • Cities • Schools & Community Colleges • Special Districts • Some Smaller Police and Rural Fire Depts	• DB Plan (default) • DC Plan (optional) • Largest of Montana's public employee retirement systems • Covers most of the general classified positions in state agencies, legislators, and participating local governments, including school districts • Local governments and school districts contract with MPERA to participate in PERS	• DB Active: 30,770 • DB Retirees: 26,530 • DC Contributing Members: 5,945

	EMPLOYERS	DESCRIPTION	FY26 MEMBERS
SHERIFFS' RETIREMENT SYSTEM (SRS)	57 participating employers, including: • Dept of Justice • Counties • Detention Centers	• DB plan • Covers sheriffs, sheriffs' deputies, certain others employed in the county sheriff's office, and state investigators employed by the Montana Department of Justice	• Active: 1,598 • Retirees: 990
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS)	36 participating employers, including: • City Police Departments	• DB plan • Covers police officers employed by participating cities, towns, and municipalities	• Active: 900 • Retirees: 1,094
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM (HPORS)	1 participating employer: • Dept. of Justice	• DB Plan • Covers state highway patrol officers and supervisors	• Active: 235 • Retirees: 379
GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM (GWPORS)	7 participating employers, including: • Dept. of FWP • Dept. of Corrections • MUS	• DB Plan • Covers game wardens employed by the state and specified state law enforcement positions, including campus security officers and security guards and probation and parole officers under the Department of Corrections	• Active: 1,069 • Retirees: 597

	EMPLOYERS	DESCRIPTION	FY26 MEMBERS
JUDGES' RETIREMENT SYSTEM (JRS)	1 participating employer: • Judicial Branch	• DB Plan • Covers district court judges, the supreme court justices, the chief water judge, and the associate water judge employed by the state judicial branch	• Active: 64 • Retirees: 80
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS)	31 participating employers, including: • City Fire Departments • Rural Fire Districts	• DB Plan • Covers paid firefighters employed by participating cities, towns, and municipalities	• Active: 940 • Retirees: 762
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT (VFCA)	230 participating employers, including: • Fire Companies as defined in 19-17-109, MCA	• DB Plan • Covers the volunteer (uncompensated) firefighters of qualifying volunteer fire companies organized in unincorporated areas	• Active: 3,057 • Retirees: 1,555
MONTANA UNIVERSITY SYSTEM RETIREMENT PLAN (MUS-RP)	1 participating employer: • Montana University System (all campuses)	• DC Plan • All administrative, scientific, and instructional staff of the University System and the classified staff who elected MUS-RP rather than a PERS plan.	• Contributing (Active): 4,520 • Non-Contributing (Inactive, Retired): 10,264

Who Oversees the Pension Systems?

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Legislature

- Plan sponsor (taxpayer)
- Sets benefit formulas
- Sets employer and employee contribution rates in statute
- Receives reports and information from the Retirement Boards and the Board of Investments
- Introduces legislation requested by Retirement Boards and the Board of Investments
- Conducts interim studies
- Oversight responsibilities – SAVA, LFC, LAD

Retirement Boards & Agencies

- Fiduciaries, must act in best interest of members and benefit recipients
- Collects member and employer contributions
- Calculates & pays benefits
- Provides employer and member education
- Ensures consistency with federal standards and requirements
- Hires actuaries to conduct actuarial valuations and experience studies
- Provides reports to the Legislature
- Makes recommendations to Legislature and requests legislation

Board of Investments

- Approves asset allocations
- Approves investment policies
- Reviews investment activity and strategy regularly
- Invests using the prudent expert rule
- Diversifies the holdings of each fund to minimize risk and maximize returns
- Manages fees
- Must act in the best interest of the beneficiaries of the funds managed

Role of the Legislature

State Administration and Veterans' Affairs Interim Committee (SAVA)

- Has administrative rule review, draft legislation review, program evaluation, and monitoring functions for the public employee retirement plans

Legislative Finance Committee (LFC)

- Receives annual reports/presentations from TRS and MPERA leadership on the annual actuarial valuation reports on PERS and TRS and their progress towards 100% funding

Legislative Audit Committee (LAC)

- Conducts annual financial compliance audits

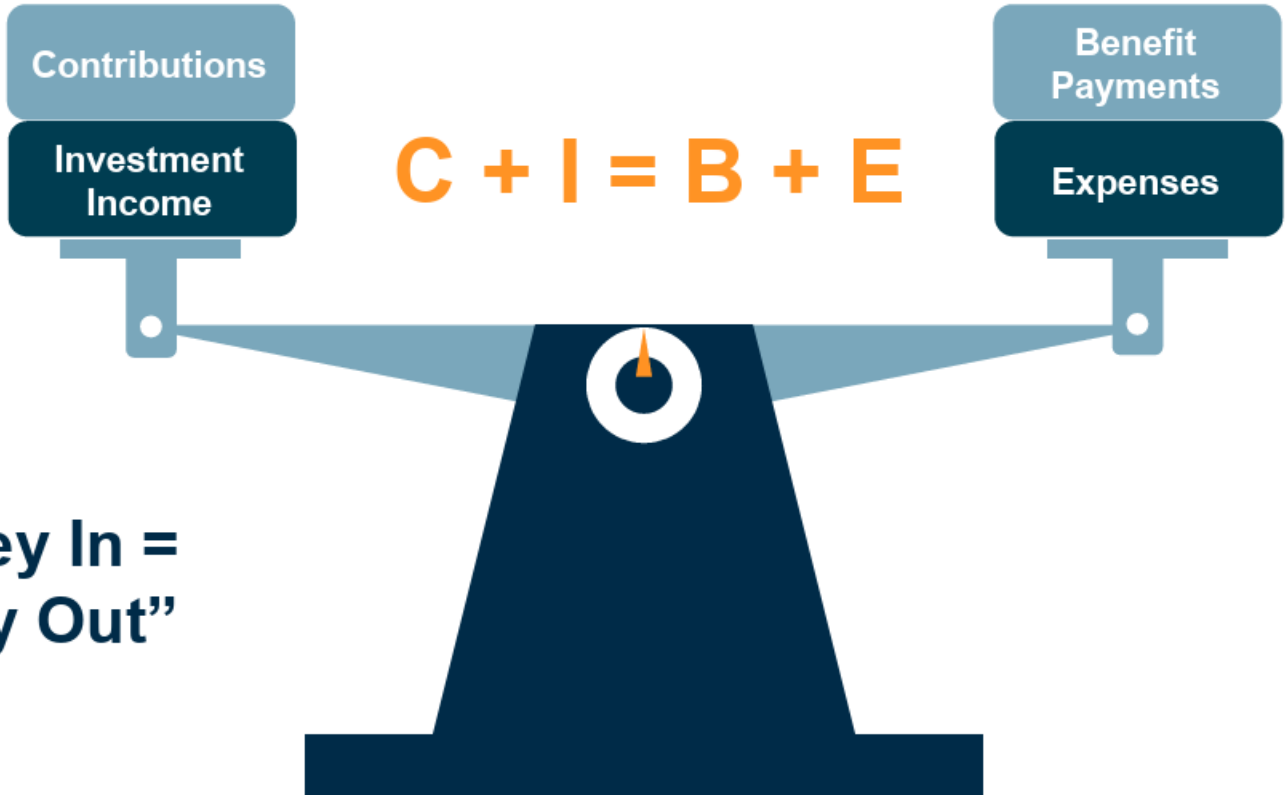
Full Legislature

- Receive recommendations from SAVA, LFC, agencies, and stakeholders
- Consider bills and conducts hearings
- Understand risks associated with the plans and proposed changes
- Sets benefit and funding policy
- Funds systems based on recommendations

How are the Benefits Calculated?

Basic Retirement Funding Formula

CavMac Actuarial Consulting Services



"Money In = Money Out"

Benefit Equation

Multiplier	X	Years of Service	X	Highest/ Final Average Salary

Multiplier

- A percentage based on years of service.

Years of Service

- The amount of service earned through employment.

Highest Average Salary

- The average of a set number of highest consecutive months of salary, depending on hire date. One system uses final average salary.

Sample Equation

Sheriffs' Retirement System

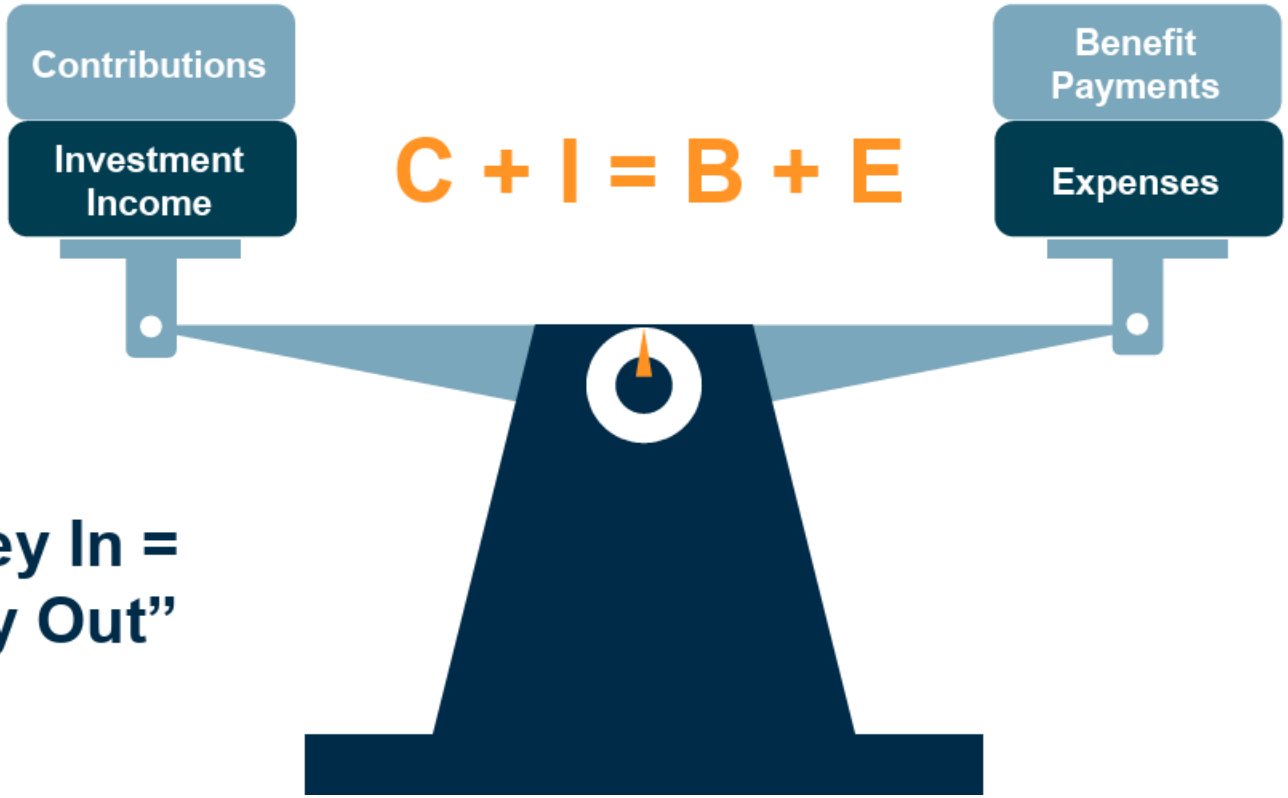
Years of Service x Multiplier x Highest Average Salary = Annual Benefit

20 years x 2.5% x $64,083 = $32,041

How are the Pension Systems Funded?

Basic Retirement Funding Formula

CavMac Actuarial Consulting Services



"Money In = Money Out"

Funding Sources

Member Contributions

- Employee/member contributions are a percentage of the employee's compensation and are withheld from each of the employee's paychecks.
- Set in statute by the Legislature.

Employer Contributions

- Employer contributions are also a percentage of the employee's compensation and are made directly to the retirement plan directly each pay period.
- Set in statute by the Legislature.

Statutory Appropriations

- As of FY26, 5 of the 9 DB systems receive supplemental statutory appropriations from the state general fund.
- Set in statute by the Legislature.
- Systems sometimes also receive OTO appropriations through legislation.

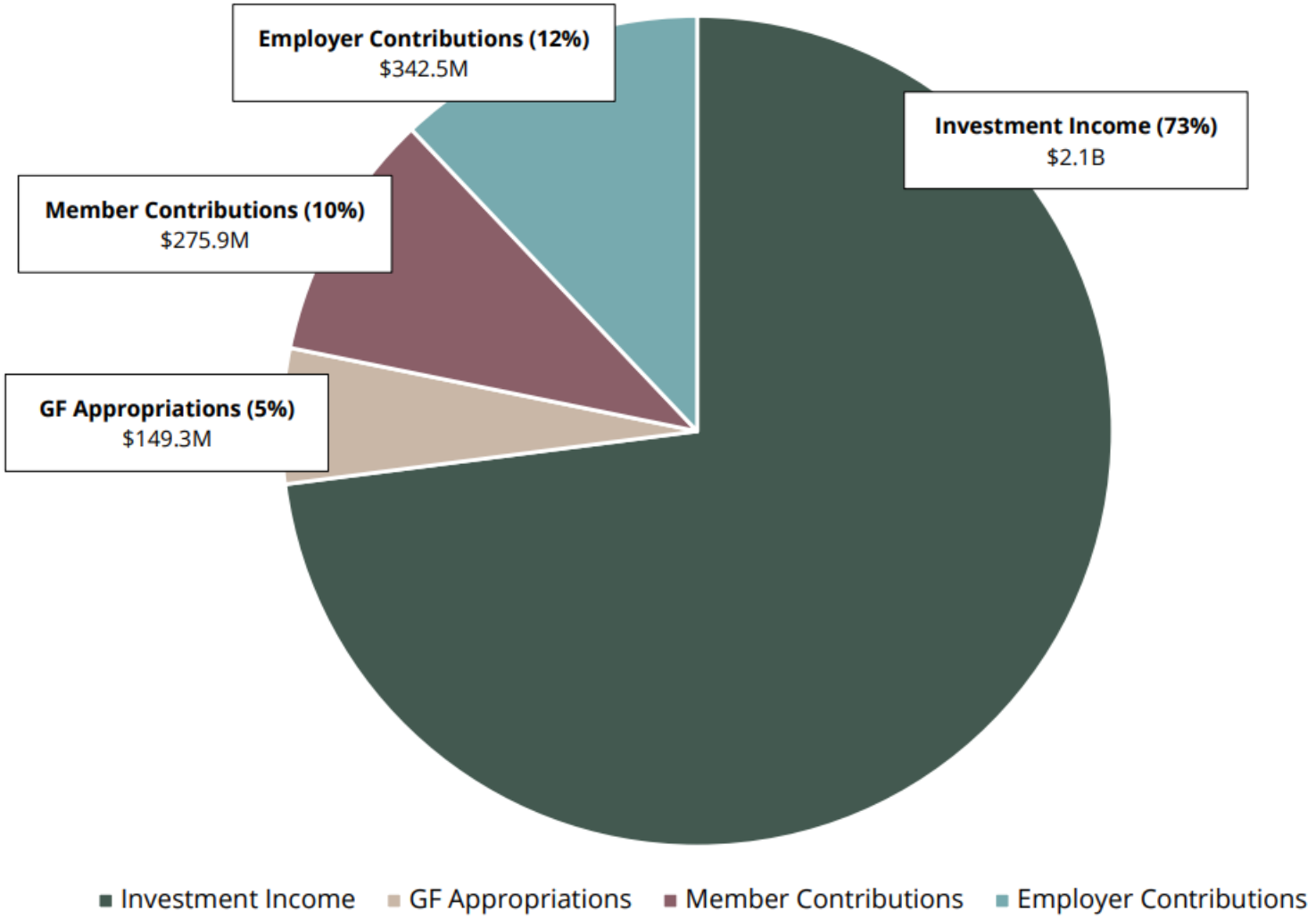
Investment Income

- Pension assets are pooled and managed by the Board of Investments as part of the state's unified investment program.
- Primary source of funding for the DB systems.

FY26 Contributions

SYSTEM	EMPLOYER CONTRIBUTIONS	MEMBER CONTRIBUTIONS	ADDITIONAL FUNDING FROM STATE GENERAL FUND
TRS	State & MUS 11.85% Schools & CCs & Local Gov't 9.47%	Tier One 8.15% Tier Two 8.15%	State General Fund $50.6M MUS $16.2M
PERS-DB	State & MUS 9.17% Local Gov't & Schools 9.07%	7.9%	State General Fund $37.4M
SRS	13.315%	10.495%	None
MPORS	14.41%	9.00%	$23.8M
GWPORS	10.66%	10.56%	None
FURS	14.36%	10.70%	$30.6M
HPORS	38.43%	13.05%	$2.8M
JRS	0%	7.00%	None
VFCA	0%	0%	5% of certain fire insurance premiums = $4.2M

FY26 Contributions



How are the Pension Systems Measured?

Performance Indicators

Funded Ratio

- The value of a pension plans assets divided by its liabilities (%).

Amortization Period

- The amount of time needed to pay off a retirement system's unfunded actuarial accrued liabilities.
- Montana uses an open amortization policy, so the period is recalculated each year.
- Per statute, Montana systems should amortize in 30 years or less.

Investment Rate of Return (Actual v. Assumed)

- The largest assumption when studying the health of a system is the assumed rate of return for a system's investments. Investment returns above/below the assumed rate strengthen/weaken the health of a system.
- The assumed rate of return is evaluated every 4 years through experience studies and changed as needed by the governing boards. The current assumed rate for all systems is 7.3%.

Performance Indicators

Market Rate of Return

- Rate of return for the most recent fiscal year

Actuarial Rate of Return

- 4-year "smoothed" rate of return, including the most recent fiscal year and the three preceding
- Smooths or spreads gains and losses over four years to reduce volatility in system performance and contribution rates

FY26 Results

SYSTEM	FUNDED RATIO	AMORTIZATION PERIOD	MARKET RATE OF RETURN	ACTUARIAL RATE OF RETURN
TRS	75%	21 yrs.	13.12%	10.10%
PERS-DB	76%	22 yrs.	13.17%	10.11%
SRS	84%	18 yrs.	13.17%	10.10%
MPORS	77%	18 yrs.	12.82%	9.85%
GWPORS	94%	18 yrs.	13.16%	10.04%
FURS	88%	6 yrs.	12.78%	9.81%
HPORS	78%	19 yrs.	13.18%	10.10%
JRS	185%	0 yrs.	13.21%	10.14%
VFCA	111%	0 yrs.	12.18%	9.05%

Experience Studies

Purpose

- Evaluate whether to retain or change the current set of assumptions and actuarial methods

Frequency

- Conducted every 4 years by actuaries for TRS & MPERA

Process

- Compare actual experience during study period with expected results based on current assumptions

Outcome

- Recommendations to pension governing boards for updated actuarial & demographic assumptions

What Else is Considered When Looking at Pension System Health?

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Other Considerations

Assets

- The pool of money and investments a retirement plan holds to pay future benefits.

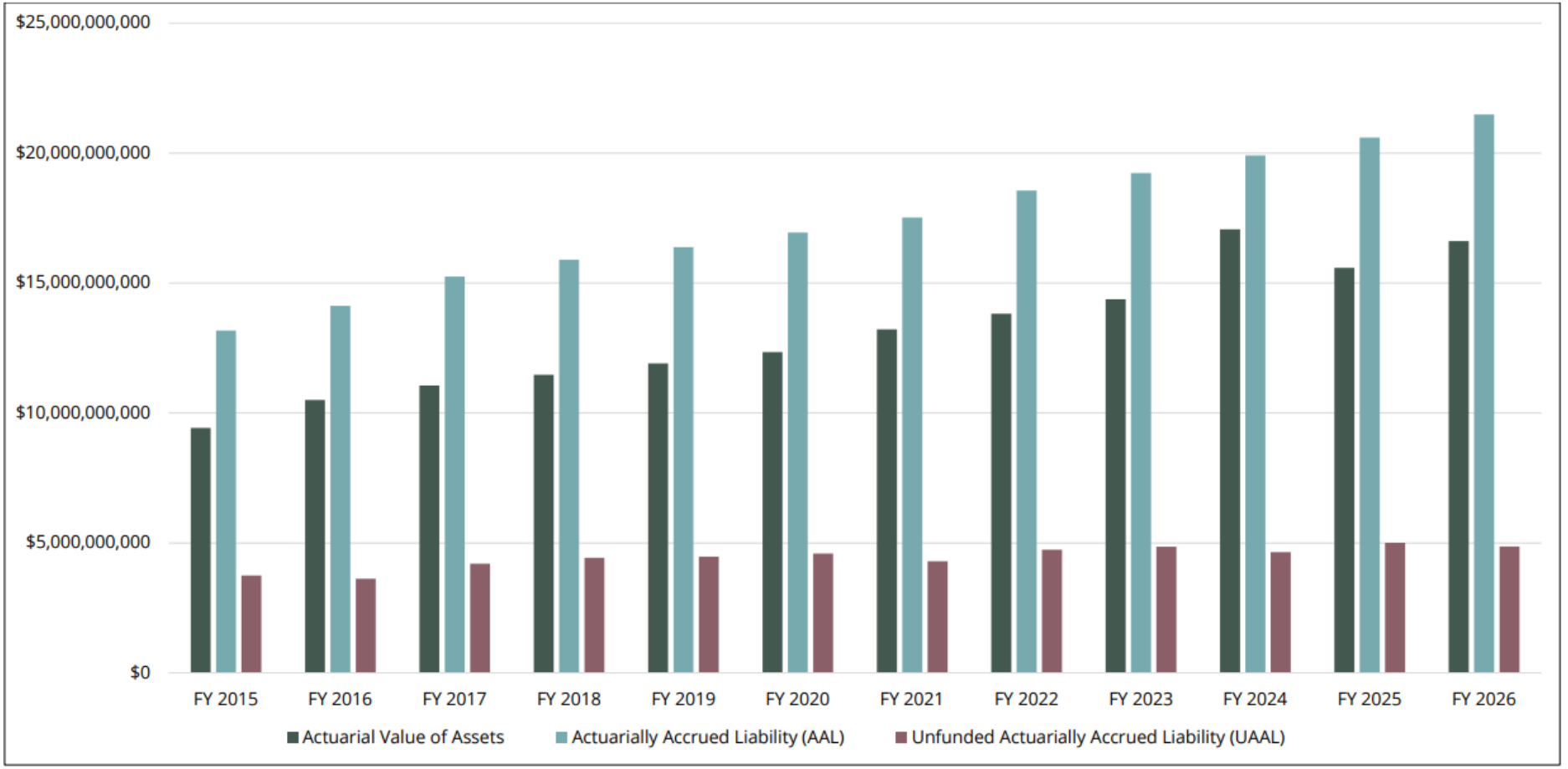
Actuarially Accrued Liability (AAL)

- The portion of liabilities that exceed of the present value of all benefits payable under a defined benefit retirement plan compared to the present value of future normal costs.

Unfunded Actuarially Accrued Liability (UAAL)

- The excess of a defined benefit retirement plan's actuarial liabilities at any given point in time over the value of its cash and investments on that same date.

FY17 – FY26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FY 2026
Actuarial Value of Assets
Actuarially Accrued Liability (AAL)
Unfunded Actuarially Accrued Liability (UAAL)

2025 Legislative Changes

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HB 924 (2025)

Increases to Supplemental Employer Contributions

- HB 924 adds a 0.1% yearly increase to the supplemental employer contribution for TRS and PERS, beginning July 1, 2027, and capping in 2047.
- PERS will go from 2.27% in 2027 to 4.27% in 2047.
- TRS will go from 2% in 2027 to 4% in 2047.

GO Trust

- HB 924 created the Growth & Opportunity (GO) trust.
- The GO trust includes a pension sub-trust than can be used to backfill pension assets under certain investment conditions.

Summary

Summary

- Significant impact to Montana – 1 in 11 Montanans
- 9 DB Systems and 2 DC Systems
- Protected by the Montana Constitution
- Legislature provides oversight and is the plan sponsor
- Funded by employer & employee contributions, investment income, and statutory appropriations
- Performance indicators: funded ratio, amortization period, and actual investment rate of return
- Other considerations: assets, AAL, and UAAL
- HB 924 (2025): increased the supplemental employer contribution & established the GO Trust

Resources

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Resources

- SAVA Website: FY26 Green Sheets and 2026 Legislator's Guide
- LFD Pension Library
- TRS, MPERA, and BOI Websites
- LSD, LFD, MPERA, TRS, BOI Staff

Questions?

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