

Montana Leads the Nation

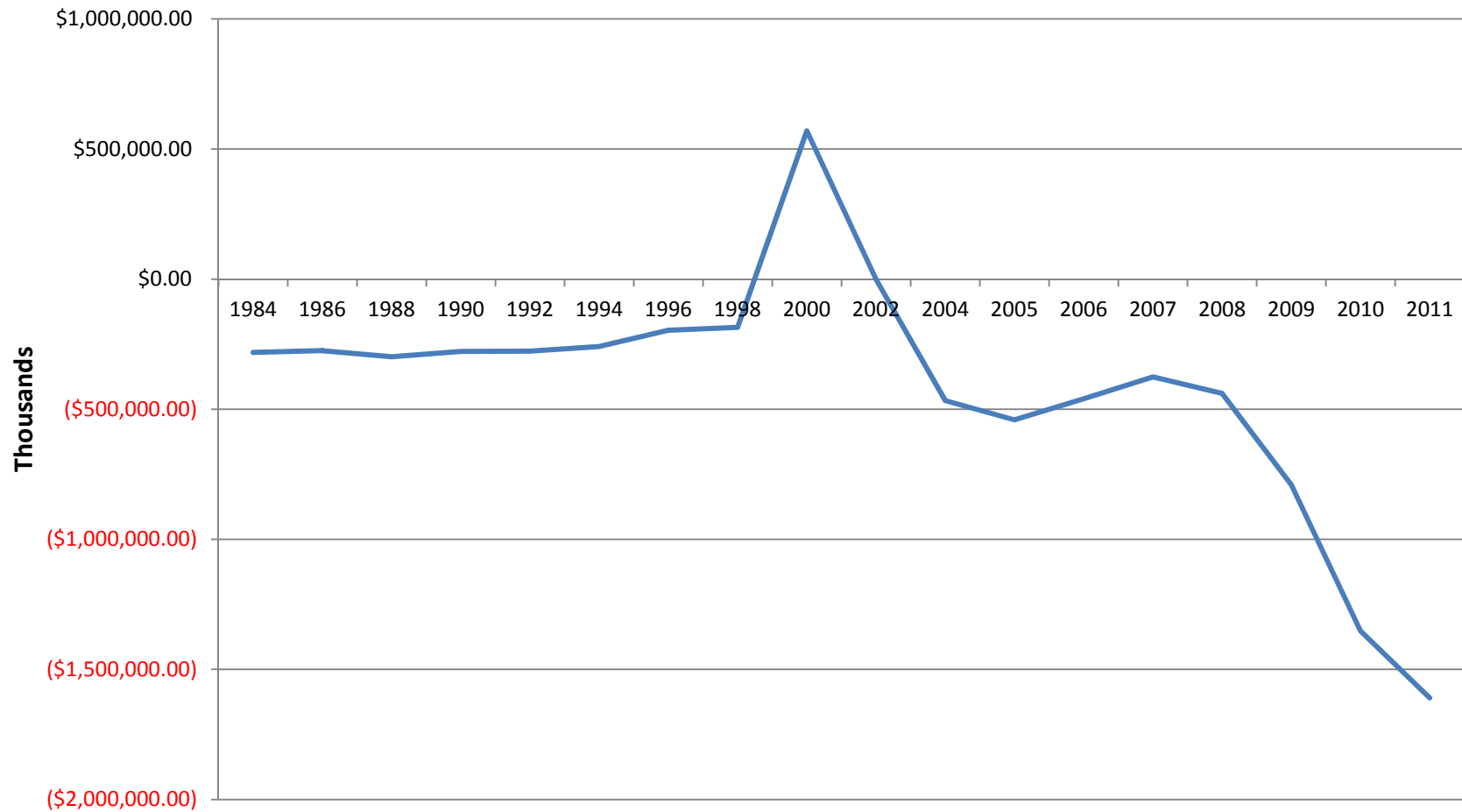
- Adopting this plan puts Montana first among states in the nation in fixing its pension liability.
- Fitch Ratings already lists Montana as the 3rd best performing state.*

Montana's Public Pensions

Montana Constitution Article VIII, Section 15

“Public retirement systems shall be funded on an actuarially sound basis.”

Public Employee Retirement System Solvency



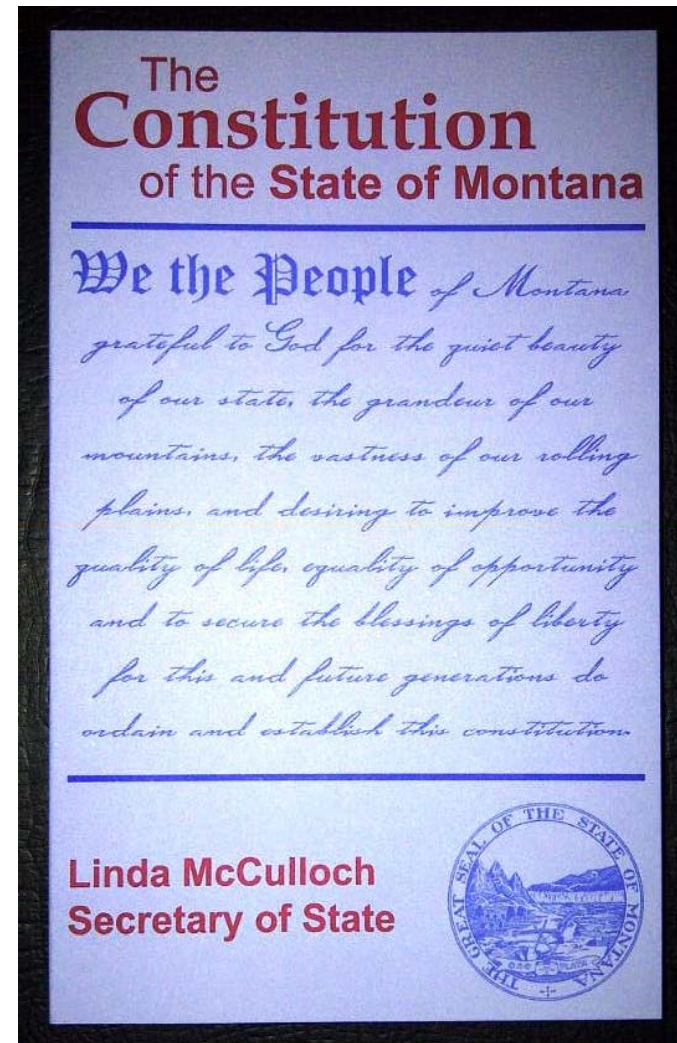
Public Employee and Teacher's Retirement Systems

<u>Fiscal Year</u>	<u>Schweitzer Proposal</u>	<u>Legislature Adopted</u>
2005	\$100 million to TRS \$25 million to PERS	Adopted Schweitzer Plan
2007	Fix Ongoing Damage to PERS	Adopted Schweitzer Plan
2007	\$100 million to TRS \$33 million to PERS	\$50 million to TRS \$33 million to PERS
2009	\$43 million to TRS	Legislature Rejected

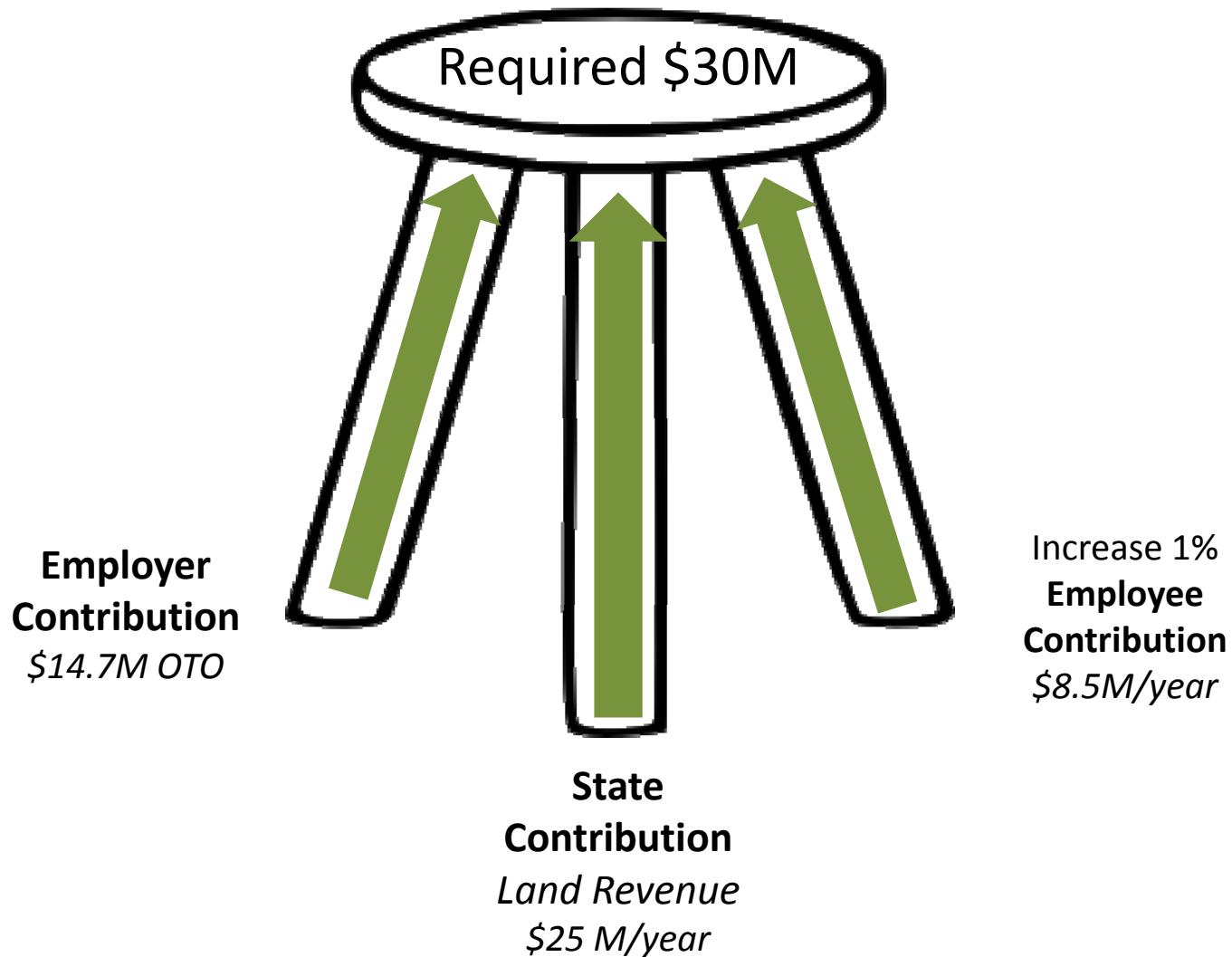
Fixing Pension Shortfall

-It's like paying your mortgage-

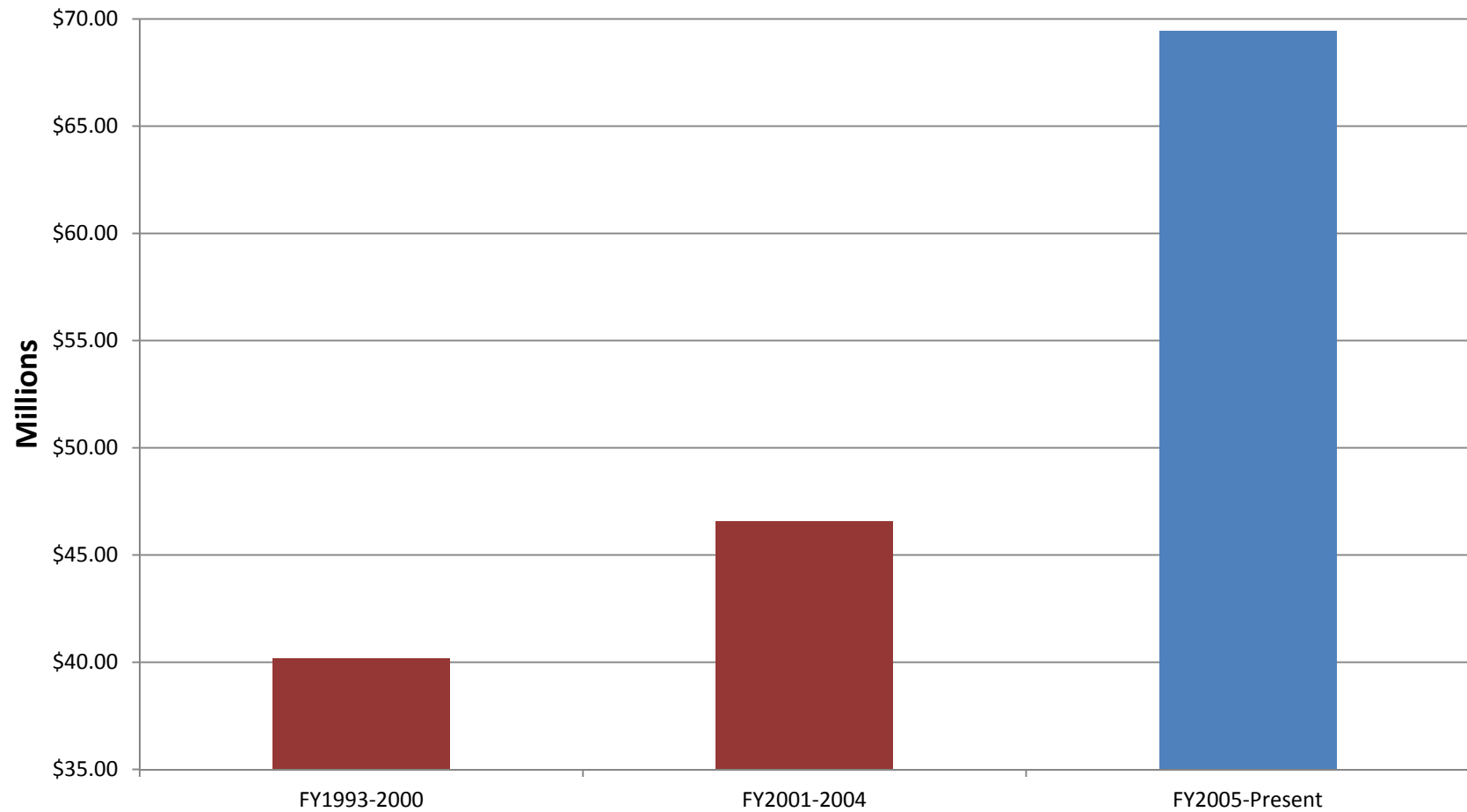
- **TRS** needs an additional \$1.8 billion over 30 years
 - Up from \$1.4 billion in 2009
- **PERS** needs an additional \$1.6 billion over 30 years
 - Up from \$790 million in 2009



Pension Solutions for TRS with no tax increases



Average State Land Revenue

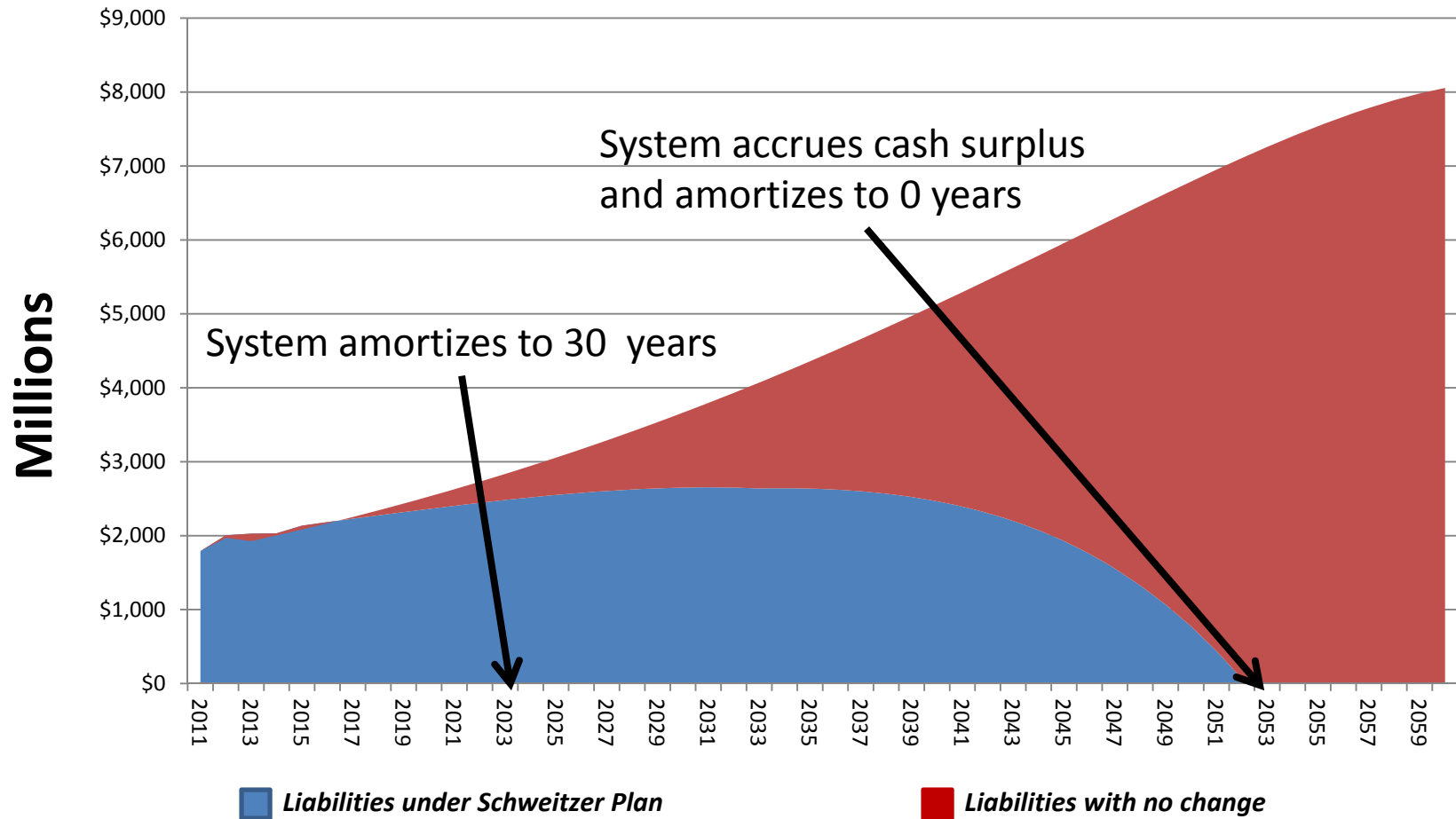


Funding the Pensions and Reducing Taxes

K-12 Retirement Fund



Governor Schweitzer's Plan vs Doing Nothing



Source: Cavanaugh Macdonald Consulting - April, 2012

“Hybrid” vs Defined Benefit Costs

(SB 54, Balyeat - 2011)

- SB 54 created between \$1.3 or \$1.4 million per year in savings through benefit reductions
- The current Actuarially Required Contribution is approximately \$30 million per year
- This leaves a shortfall of between \$27.7 and \$27.8 million per year

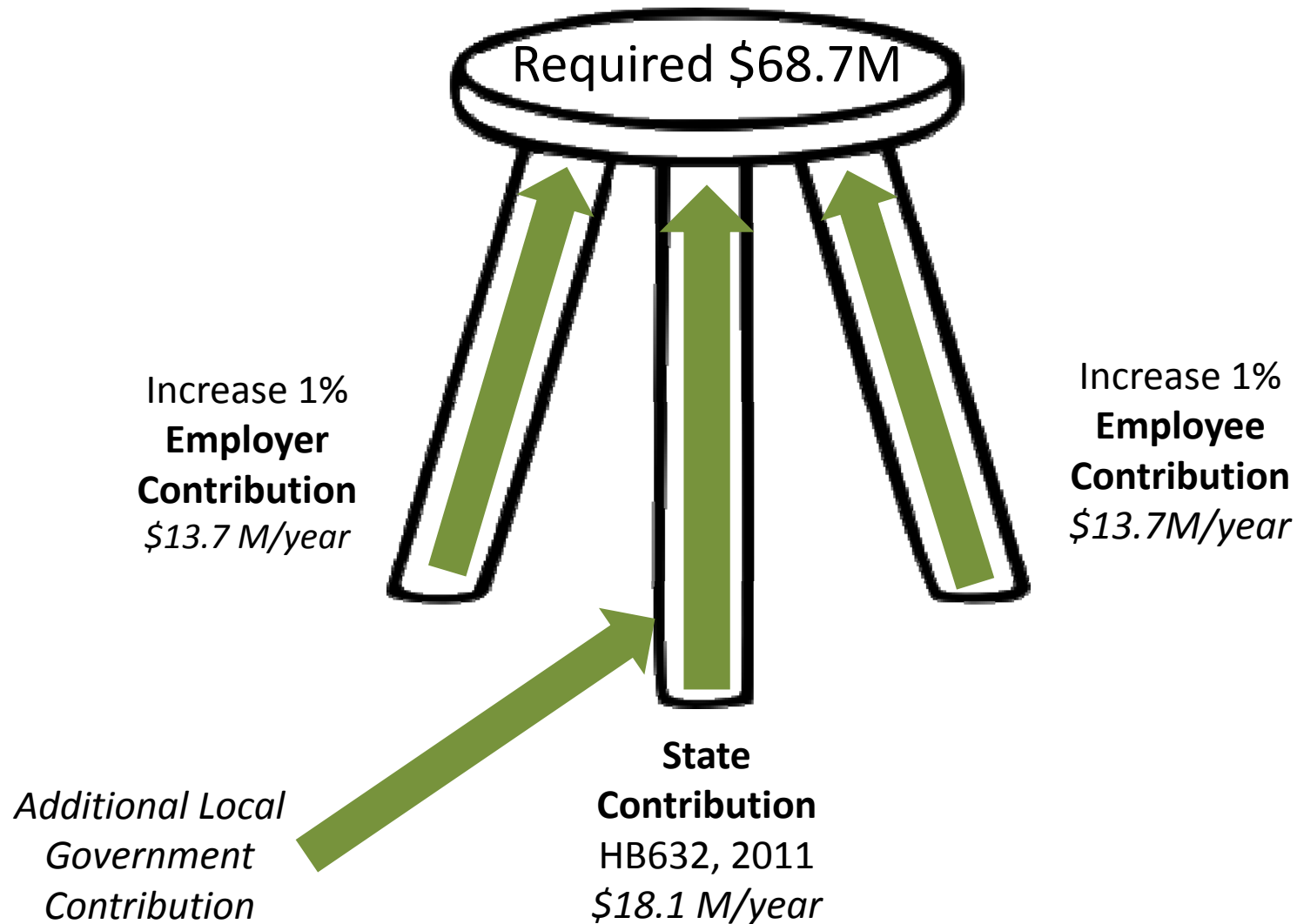
Converting to Defined Contribution Plan Costs the State of Montana \$2.1 billion

Attachment A
All Dollar Values are in Millions

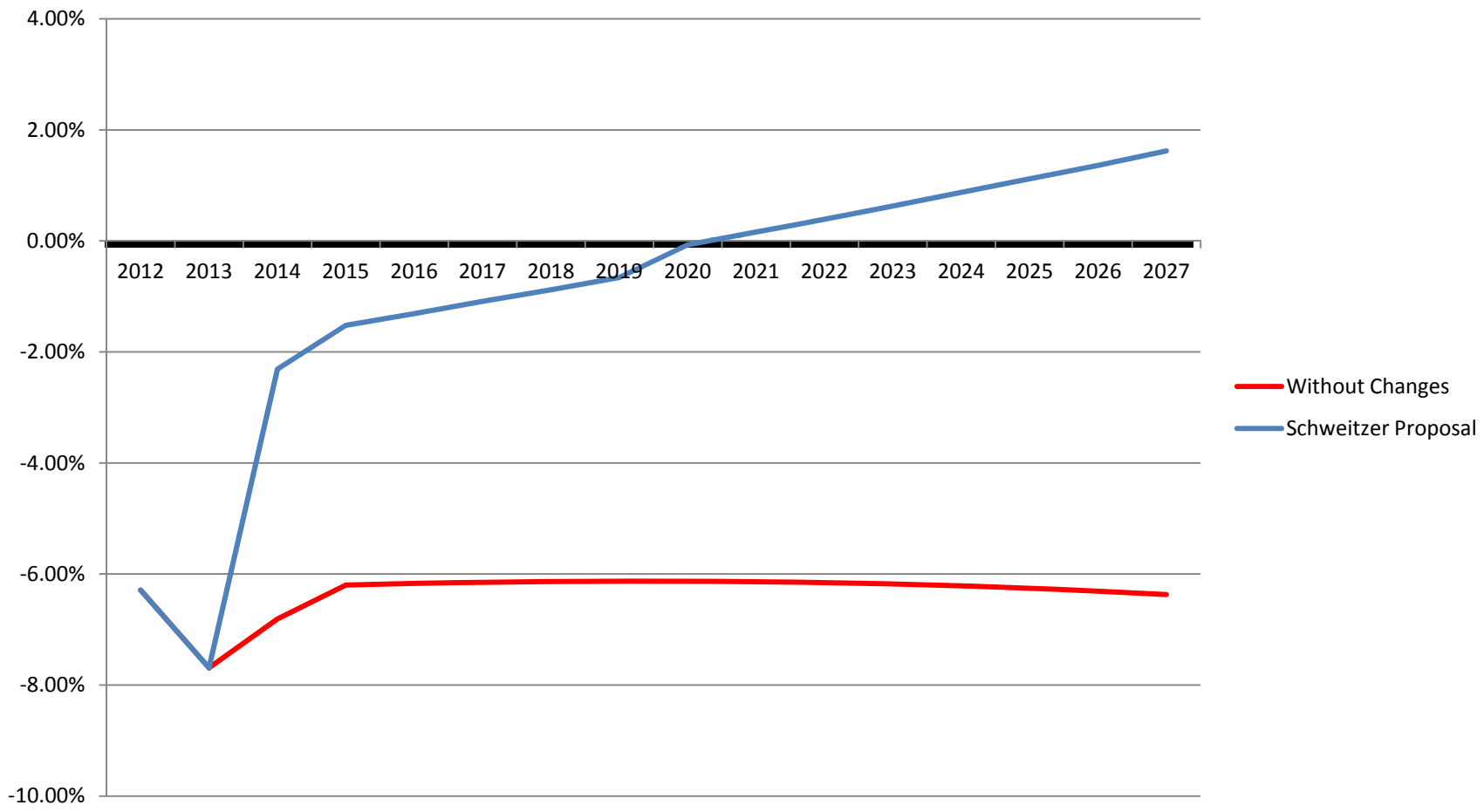


	(A)	(B)	(C)
	July 1, 2010 Valuation	Decreasing Payroll Amortization	Decreasing Payroll Amortization Over the Future Working Lifetime
			Long Term Impact Reflecting 4.50% Assumed Rate of Return
Present Value of Future Benefits	\$ 5,115.9	\$ 5,115.9	\$ 5,115.9
Present Value of Future Normal Cost	(597.7)	(597.7)	(597.7)
Actuarial Accrued Liability	\$ 4,518.2	\$ 4,518.2	\$ 4,518.2
Actuarial Value of Assets	2,956.6	2,956.6	2,956.6
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,561.6	\$ 1,561.6	\$ 3,700.8
Total Normal Cost Rate	9.74%	9.74%	9.74%
Employee Contribution Rate	7.15%	7.15%	7.15%
Employer Normal Rate	2.59%	2.59%	2.59%
Employer Statutory Contribution Rate			
Normal Rate	2.59%		
UAAL Amortization Rate	7.37%		
Total Rate	9.96%		
Amortization Period (Years)	49.5		
Actuarially Determined Contribution Rate			
Normal Rate	2.59%	2.59%	2.59%
UAAL Amortization Rate	9.57%	23.77%	31.21%
Total Rate	12.16%	26.36%	33.80%
Amortization Period (Years)	30	30	11
Annual Payroll Growth/(Decrease) Assumption	4.5%	(5.0%)	(5.0%)

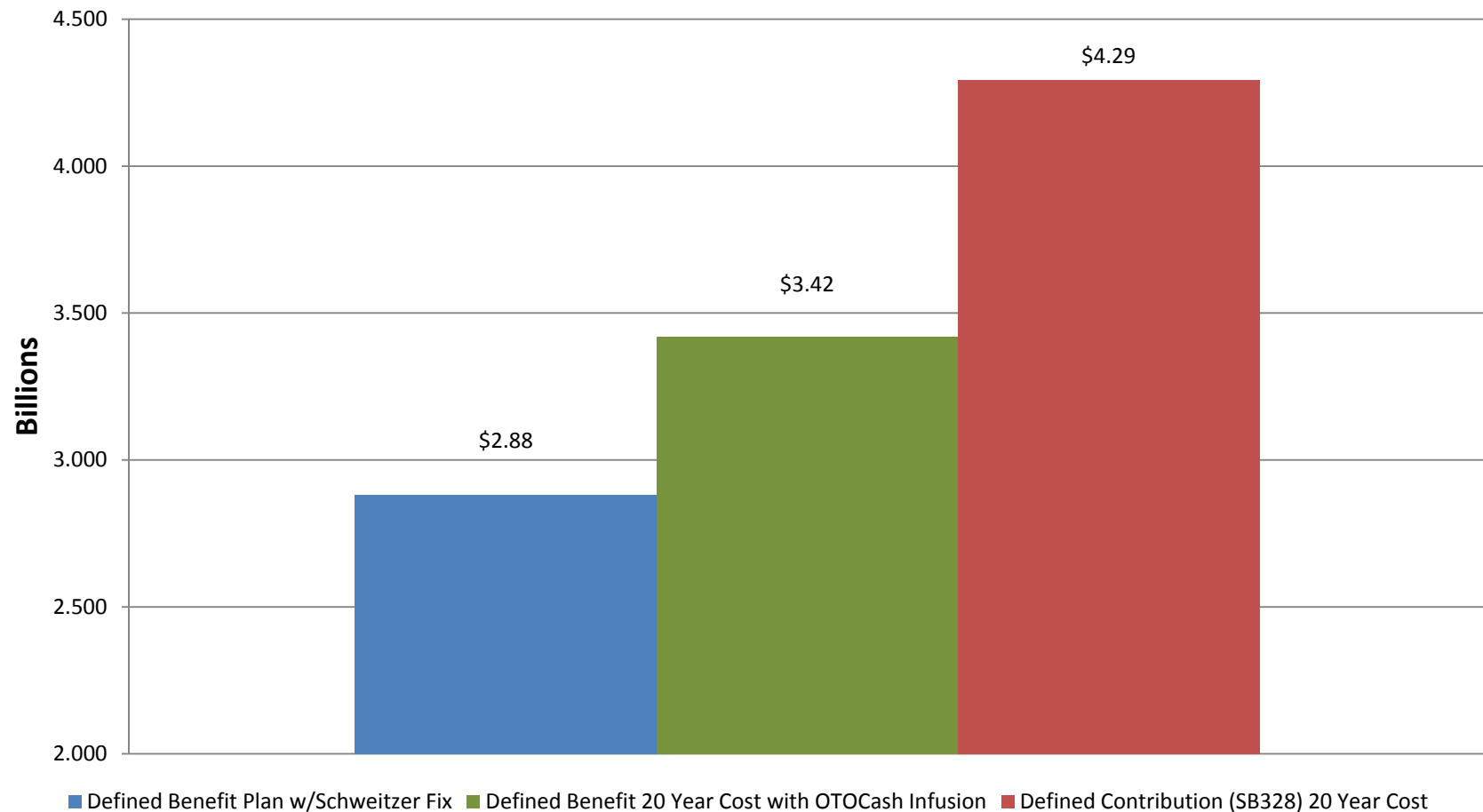
Pension Solutions for PERS with no tax increases



Public Employee Retirement System

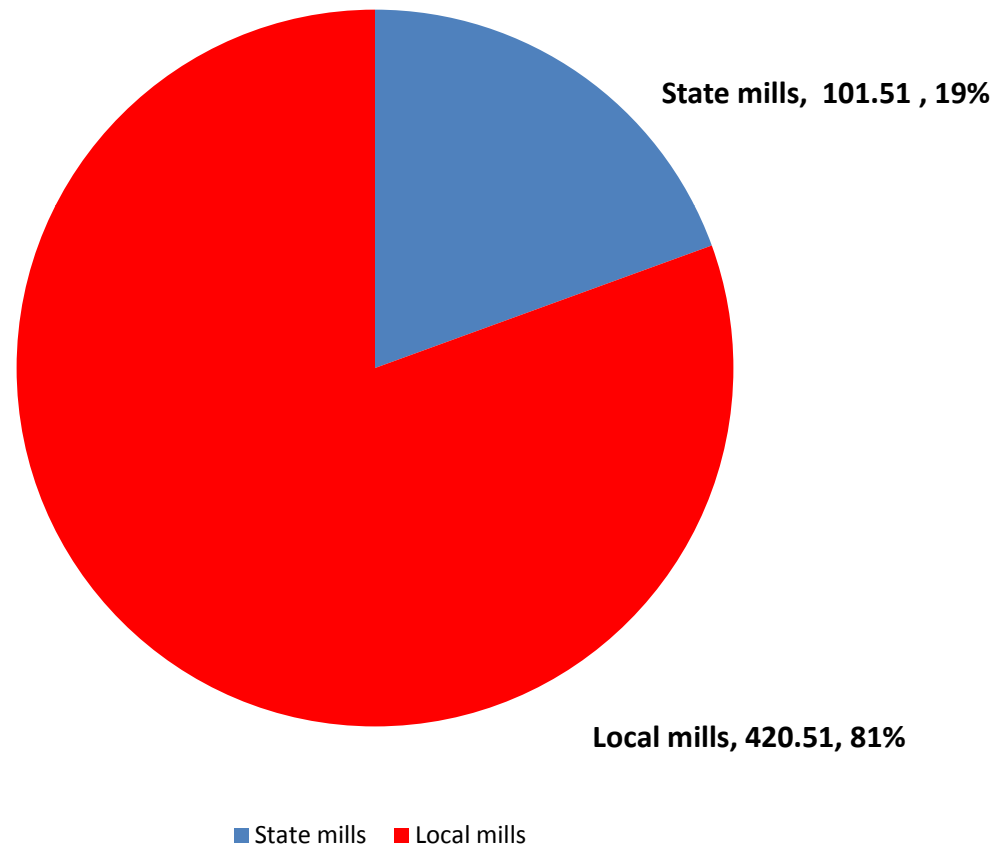


Converting to Defined Contribution Plan Costs the State of Montana \$1.6 billion

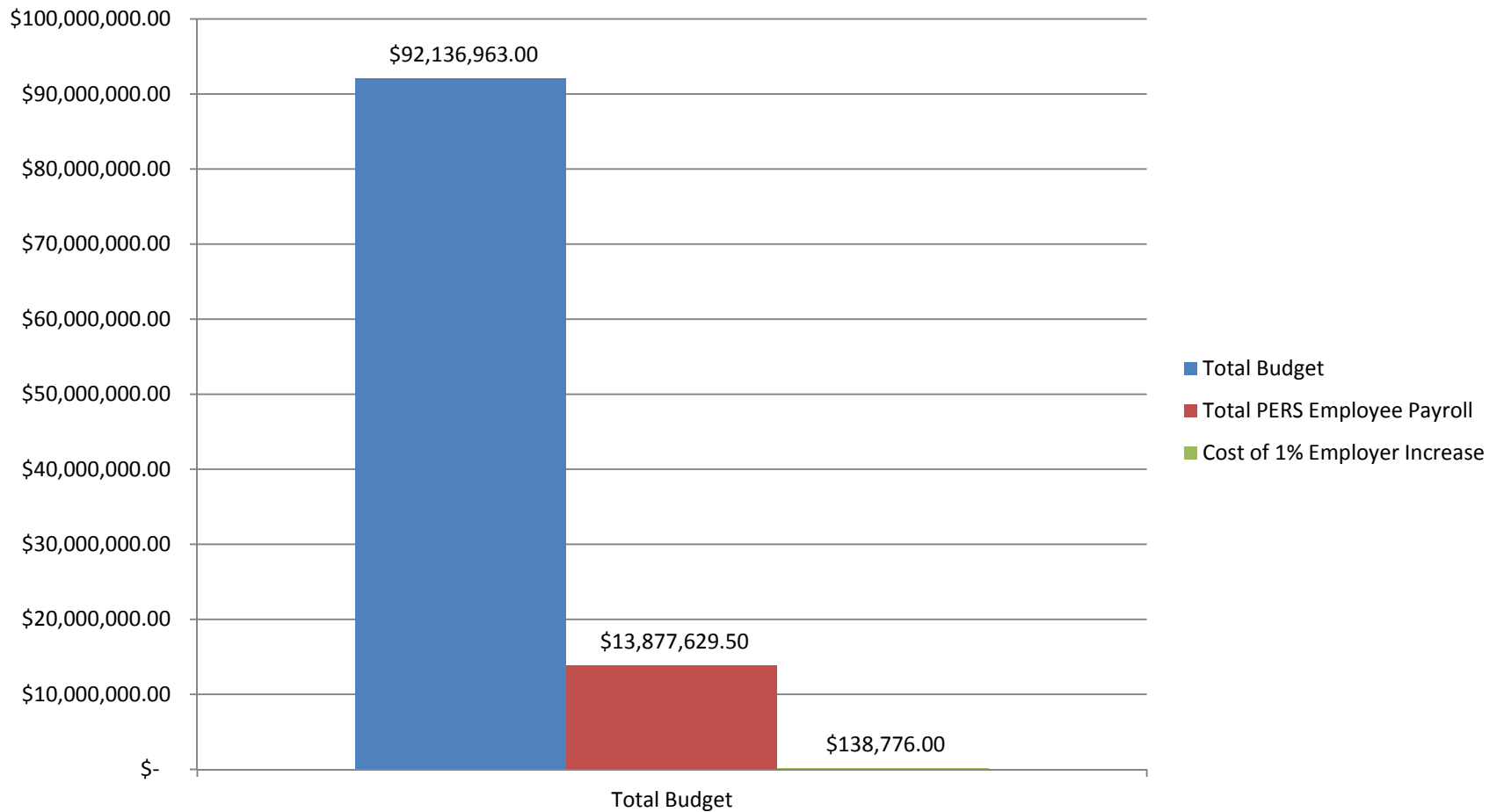


Source: Cheiron Actuaries - April, 2012; PERS Actuarial Valuation – September, 2011

FY2011 Average Mills

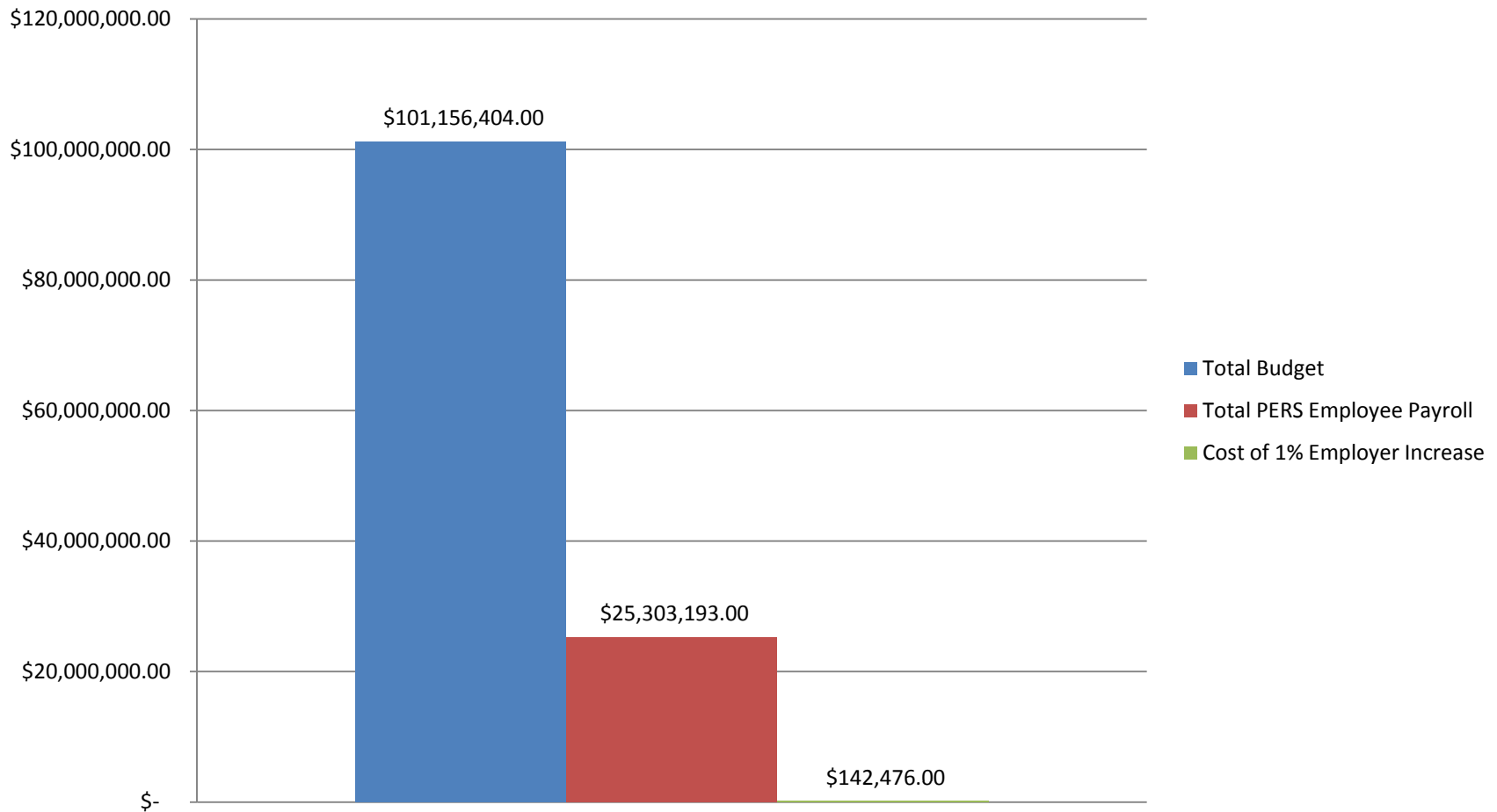


Example: Yellowstone County



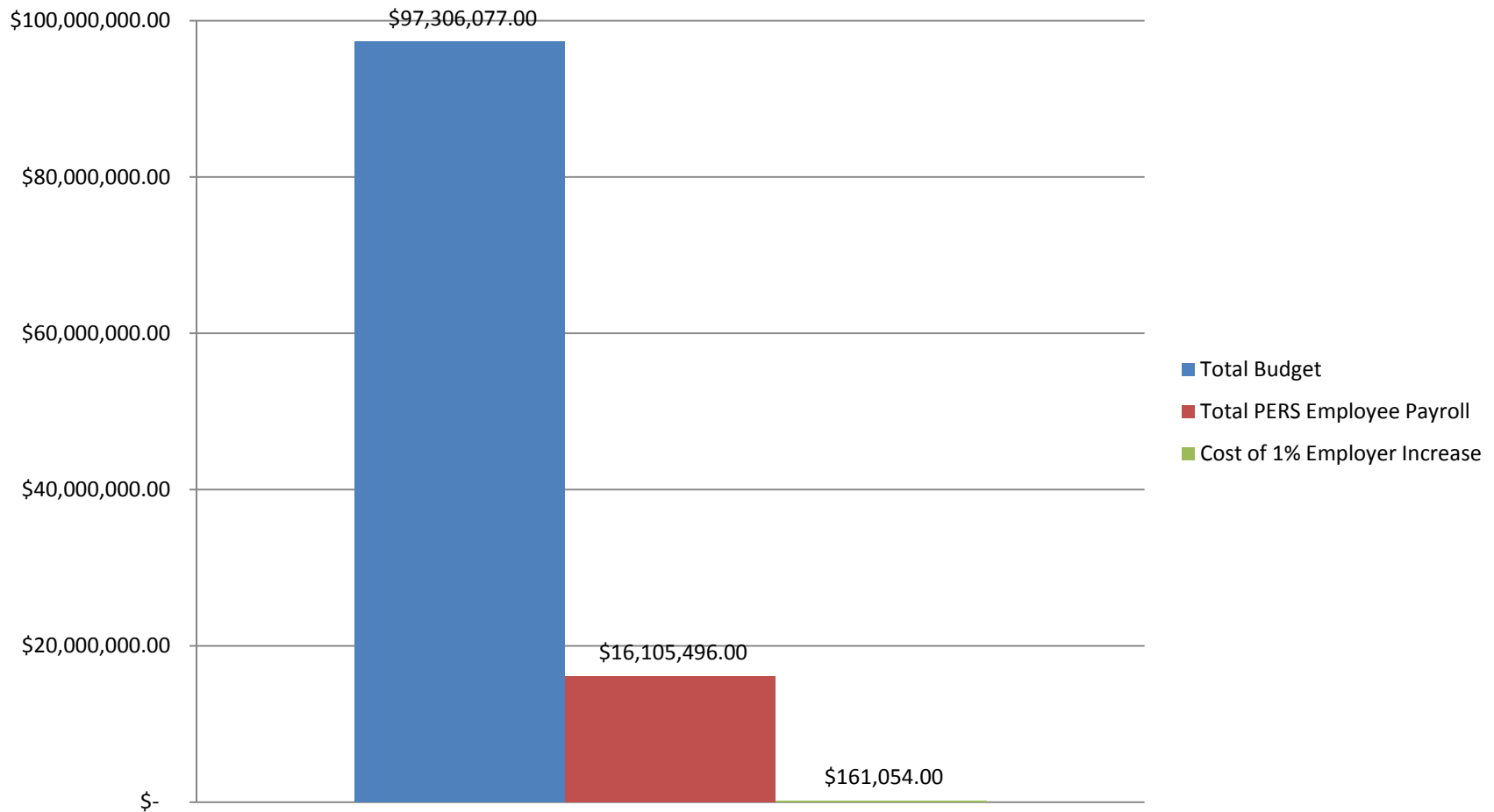
Source: http://www.co.yellowstone.mt.gov/finance/Budget12/Budget12_Summary.pdf

Example: Missoula County



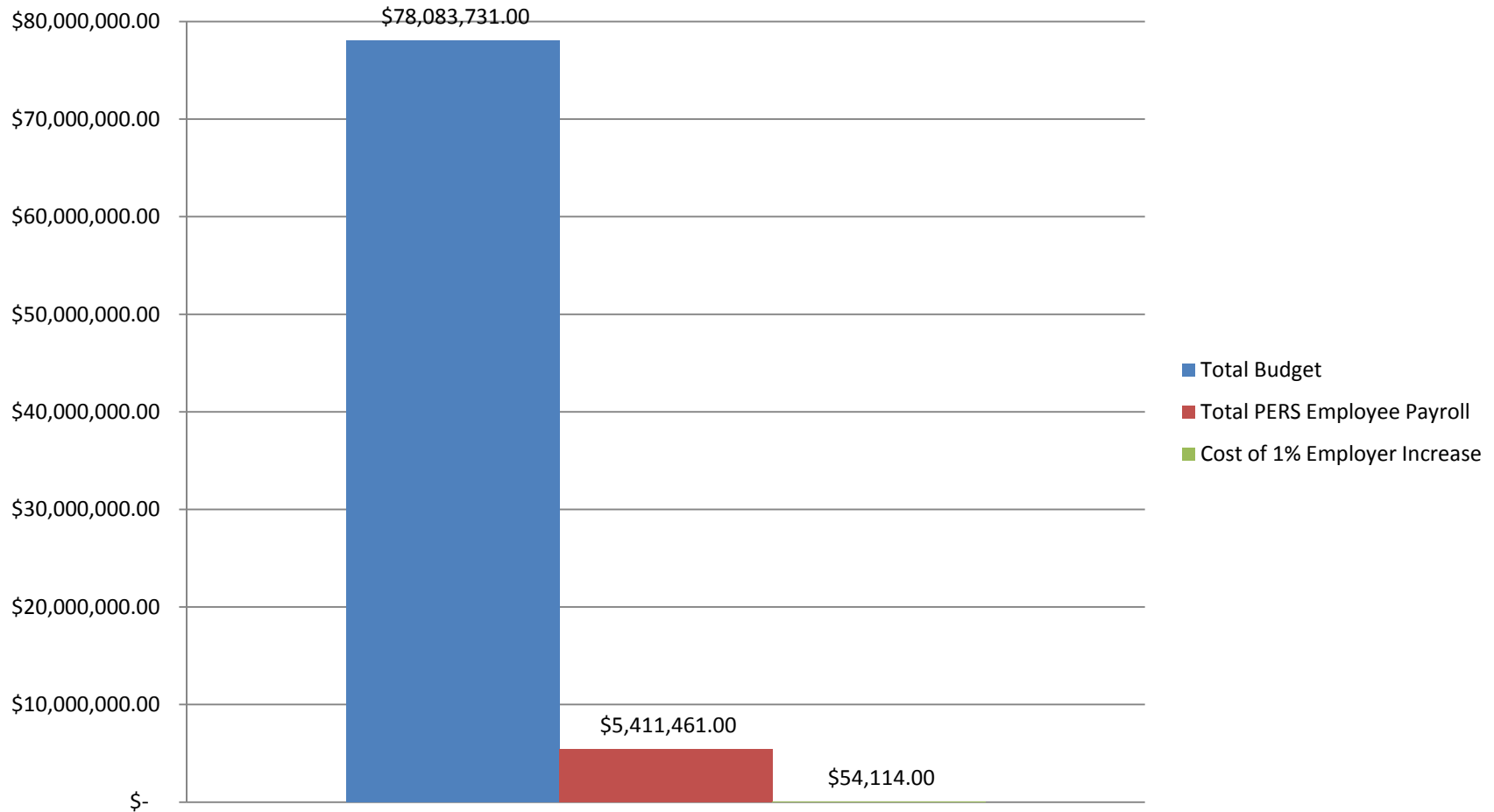
Source: www.co.missoula.mt.us/.../Missoula%20County%202012%20Budget%20Adoption.ppt

Example: City of Great Falls



Source: http://www.greatfallsmt.net/sites/default/files/fileattachments/2012_budget_financials_0.pdf

Example: City of Kalispell



Source: <https://www.time.ci.kalispell.mt.us/WebLink8/DocView.aspx?id=18239&dbid=0>

All Systems in Surplus

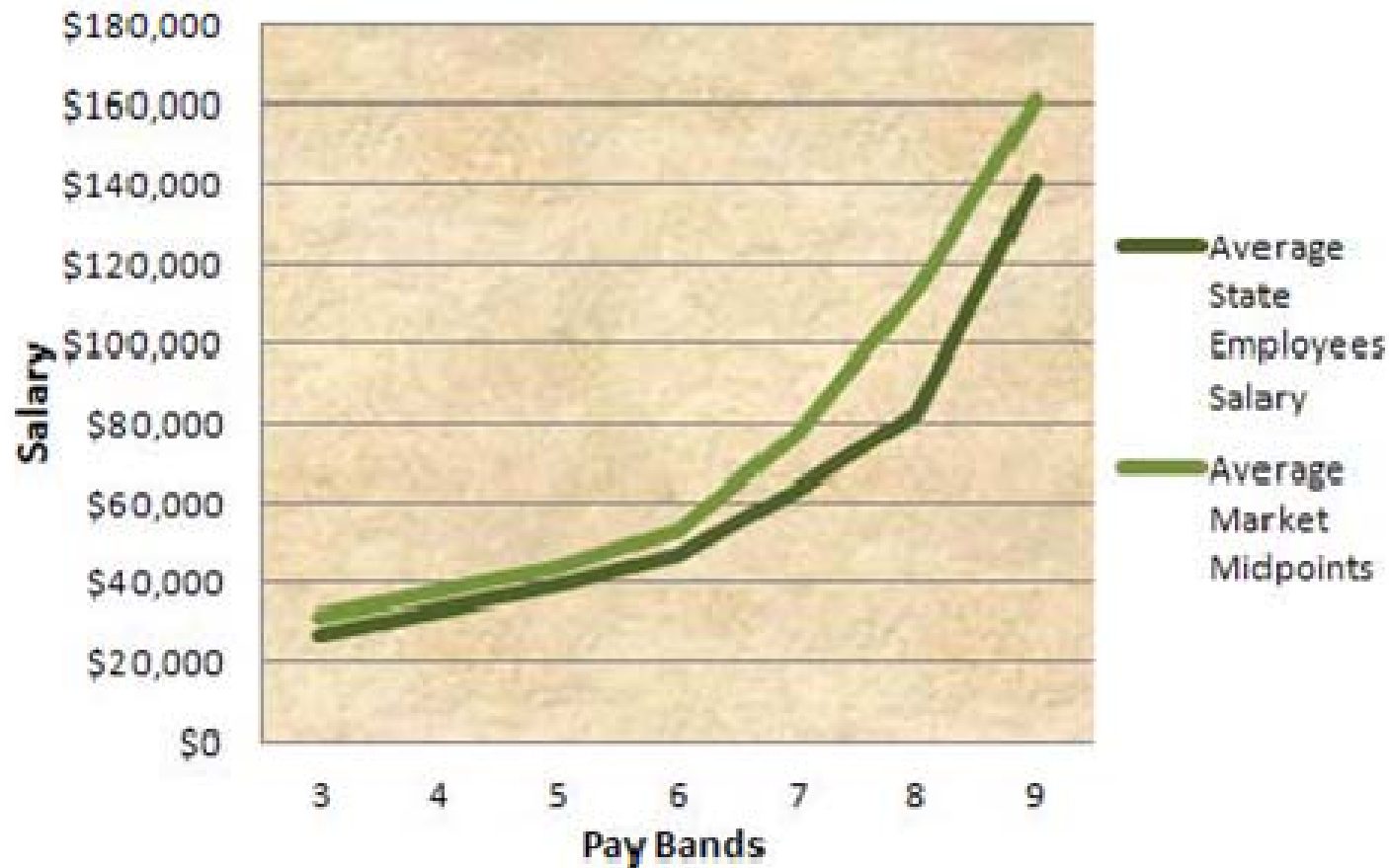
- TRS
 - Amortizes to 30 years by 2023
 - Cavanaugh Macdonald Consulting (TRS Actuary)
- PERS (state share)
 - Amortizes at 28.8 years by 2019
 - Cheiron (PERS Actuary)
- PERS (local share)
 - Waiting for Local Government ideas

Defined Contribution Costs More

Converting to a defined contribution system costs an additional \$3.7 billion.

It is far cheaper to fix the defined benefit plan.

State employees DO NOT make more than the private sector



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