

### Proposed 2007 Session Legislation

Agency Name:  Agency No:

Priority Number:  Filename:

Short Title:

Agency Contact Person/Phone:

**1. Purpose:**  
 Public retirement systems are required to be actuarially sound as required by the Montana Constitution, Article VIII, Section 15. If retirement systems are determined not to be actuarially sound, then action is required by the legislature to maintain the actuarial soundness of all public retirement systems. Unfunded actuarial liabilities are usually amortized through increases in employer contribution rates. The PERB is drafting legislation to increase employer contribution rates.

**2. Background:**  
 All retirement systems throughout the country have had issues with funding their retirement systems due to the down turn in the investment markets in 2000-2002. Montana retirement systems are no exception. Public pension funds are considered actuarially sound if the unfunded accrued actuarial liability amortization period is less than 30 years. Three of the 10 retirement systems administered by the PERB are not funded on an actuarial sound basis. The legislature is required to address the funding of the Public Employees', Game Wardens' and Peace Officers' and Sheriffs' Retirement Systems.

**3. Fiscal Impact by Fund Type:** *This impact should be as specific as possible.*  
 The full fiscal impact will not be known until after the July 1, 2006 actuarial valuation is completed, in October 2006. As of July 1, 2005 ER rates needed to be increased by: PERS 1st FY 0.66%, 2nd FY an additional 0.67%. GWPORS a one time increase of 0.24%, SRS 1st FY 1.2%, 2nd FY an additional 1.2%. A 1% increase is approximately: PERS -- \$8.75M, GWPORS \$215,000, SRS \$274,000.

**4. Summary Checklist [Check & complete all that apply]--**

Housekeeping Only     Federal Requirement     Audit Recommendation (Audit No.)     Major Legislation

Anticipated to be Controversial Legislation     Bill Draft has been included in Legislation Submittal (if available)

Supports Submitted EPP Item Number:     Local Government Fiscal Impact

Increases FTE, or     Decreases FTE by

**List FTE amount and program**

Increases Existing Revenue     Tax     Fee     Penalty [amount in #3]

Decreases Existing Revenue     Tax     Fee     Penalty [amount in #3]

Establishes New Revenue     Tax     Fee     Penalty [amount in #3]

Leg. has been Submitted in Previous Legislative Sessions (list priority no, LC no, or bill no):  
 2005 Regular Session - HB148; 2005 Special Session - HB1

Legislation would affect other state agencies (list):

Special Interest Groups Affected (list):

Other:  
 Montana Constitution, Article VIII, Section 15