



**DIRECTIONS NEWSLETTER** for active and retired members of the Defined Benefit Retirement Plan (DBRP), the Defined Contribution Retirement Plan (DCRP), Participating Employers and 457(b) Deferred Compensation Participants

◆ 100 North Park Avenue PO Box 200131 Helena MT 59620-0131 ◆ (406) 444-3154 or (877) 275-7372 ◆ [mpera@mt.gov](mailto:mpera@mt.gov) ◆ Fax (406) 444-5428 ◆

**SPECIAL LEGISLATIVE EDITION**

February 2013

**Governor  
Steve Bullock**

**Public Employees'  
Retirement Board (PERB)**

*Board President*

Scott Moore

Active Public Employee

Miles City, MT

Appointed 4/1/2010

Term Expires 3/31/2015

[mperb.smooore@gmail.com](mailto:mperb.smooore@gmail.com)

*Board Vice-President*

Terrence Smith

Active DC Plan Member

Bozeman, MT

Appointed 4/1/2009

Term Expires 3/31/2014

[mperb.tsmith@gmail.com](mailto:mperb.tsmith@gmail.com)

Bob Bugni

Investment Management

East Helena, MT

Appointed 12/13/2011

Term Expires 3/31/2014

[mperb.bbugni@gmail.com](mailto:mperb.bbugni@gmail.com)

Darcy Halpin

Retired PERS Member

Belgrade, MT

Appointed 4/21/2008

Term Expires 3/31/2013

[mperb.dhalpin@gmail.com](mailto:mperb.dhalpin@gmail.com)

Dianna Porter

Member at Large

Butte, MT

Appointed 4/8/2008

Term Expires 3/31/2013

[mperb.dporter@gmail.com](mailto:mperb.dporter@gmail.com)

Melissa Strecker

Active Public Employee

Missoula, MT

Appointed 6/26/2012

Term expires 3/31/2017

[mperb.mstrecker@gmail.com](mailto:mperb.mstrecker@gmail.com)

Timm Twardoski

Member at Large

Helena, MT

Appointed 4/1/2011

Term Expires 3/31/2016

[mperb.twardoski@gmail.com](mailto:mperb.twardoski@gmail.com)

**MPERA**

*Executive Director*

Roxanne Minnehan

Official publication of the  
Montana Public Employee  
Retirement Administration.

*Should any information in this  
newsletter conflict with statute or  
rule, the statute or rule will apply.*

In compliance with the Americans  
with Disabilities act of 1992,  
alternative accessible formats of  
this document will be provided  
upon request.

**D**ear Valued Members,

The 2013 legislative session is underway and retirement is a hot topic. Due to economic conditions over the past several years, all retirement plans (defined benefit, defined contribution, private and public) across the nation have suffered. Four of the eight pension funds administered by MPERA are not actuarially sound. The Game Wardens' and Peace Officers' (GWPORS), Sheriffs' (SRS), Public Employees' (PERS), and Highway Patrol Officers' (HPORS) Retirement Systems all fall short of actuarial funding. To be actuarially sound means that a system has sufficient funding to cover the full cost of the plan over a scheduled period of no more than 30 years.

The Board is charged with providing a stable retirement foundation for our members while maintaining the actuarial soundness of the retirement plans it administers. During the 2011 legislative session we brought forward proposals to help fund the unsound systems. Benefit and contribution changes were made for new hires. Unfortunately, before passing the bills, much of the funding mechanisms were removed. This left our systems with changes for new hires, but did not address the needed funding. This session we are again proposing legislation to address funding (see article "PERB Proposed Legislation"). You will likely see many proposals trying to address the unfunded liability. We encourage all our members to be active regarding your retirement benefits. If you have questions or concerns, contact your legislator or feel free to contact MPERA.

Along with legislation to address funding, we are happy to announce our proposal to add a Roth account option to our 457(b) Deferred Compensation Plan. This will allow participants to contribute both pre-tax and after tax contributions, within the IRS limits. If the legislation passes, we hope to be able to implement Roth accounts by 2014.

Although the legislative session is keeping us busy, MPERA has also been hard at work implementing a new computer system. The Public Employee Retirement Information System (PERIS) is currently in the development phase. Our goal is to provide a self service portal that will allow you to access your retirement account information online. We are still a few years away, stay tuned for more details as the project progresses.

Throughout the session, we will keep you informed on legislation impacting the retirement systems through our website and Facebook. We hope you enjoy the coming spring in beautiful Montana!

**PERB - PROPOSED LEGISLATION**

The Montana Public Employees' Retirement Board (PERB) is responsible for fiducially administering its retirement plans and trust funds, acting in the best interest of the members and beneficiaries. For the 2013 session, the PERB has submitted the following bills:

**HB 91** Currently state statute allows only pre-tax contributions into the deferred compensation plan. The Board would like to include a ROTH 457 investment option. ROTH 457 contributions are post-tax; requiring an amendment to current statute. *Sponsored by Representative Ryan Lynch.*

**HB 97** Establishes a cap of 115% applied to compensation earned during the highest average compensation period. This bill applies to all new hires in all retirement plans administered by MPERA. The objective is to ensure that the final highest average compensation period is not unreasonably inflated. *Sponsored by Representative Franke Wilmer.*

**HB 96** The PERS, GWPORS, SRS and HPORS are currently actuarially unsound. The contributions set in statute do not meet the annual required contributions (ARC). Plan design changes for new hires, including increased contributions, were implemented last session. The Board is again proposing an increase to the systems' funding through increased employer contributions. Because the ARC has not been received, a funding shortfall has been created. This funding shortfall has not been addressed. The shortfall continues to grow. Funding has become a major issue. The proposal increases employer contributions by 0.25% each year for four years. The increases will be monitored and proposals made to reduce the increases when the system is able to amortize the Unfunded Actuarial Liability over 25 years. The Board realizes that this proposal will not return the systems to actuarial soundness. However, it is a step in the right direction, without over burdening employers and taxpayers. The Board anticipates and supports legislation seeking additional funding sources such as the Coal Tax Fund. *Sponsored by Representative Franke Wilmer.*

**HB 95** This bill impacts those systems that allow working retirees: PERS, SRS, and FURS. This bill does not impact the employers' budgets because all retirement system-covered positions already require employee and employer contributions. This bill will require employer contributions even if the retirement system covered position is filled with a working retiree. *Sponsored by Representative Franke Wilmer.*

**HB 105** Our biennial housekeeping bill has no fiscal impact. This will include general revisions to statutes administered by MPERA to clarify statute for the user. *Sponsored by Representative Tom Steenberg.*

**HB 122** Internal Revenue Code and Federal Regulations are continually changing. Recent changes have been made to the definitions of "normal retirement age" and "governmental entities". Therefore, the Board is proposing legislation to comply with IRS regulations. *Sponsored by Representative Bryce Bennett.*

**OTHER RETIREMENT LEGISLATION**

Several other bills have been introduced this session by legislators that may have an effect on yours or future members' retirement benefits.

**HB 282** - Proposes a constitutional amendment regarding all public employee retirement systems. The amendment would cap state General Fund expenditures at inflation rate as long as retirement systems are unsound. *Sponsored by Representative Kirk Wagoner.*



Continued on back

Continued from the front

**HB 336** - Revises the highway patrol officers' retirement system by decreasing the Guaranteed Annual Benefit Adjustment (GABA) for new members and increasing the waiting period to 3 years before receiving GABA. It increases the years of membership service for new members to purchase service credit and receive a retirement benefit. It increases both employee and employer contributions and the benefit multiplier for all members. *Sponsored by Representative Steve Gibson.*

**HB 338** - Closes all the defined benefit plans. This includes PERS, TRS, JRS, HPORS, SRS, GWPORS, MPORS, FURS and VFCA. The bill increases contribution rates, suspends the GABA, and requires all new hires to participate in the PERS-Defined Contribution Retirement Plan (DCRP). It also changes the make-up of the Public Employees' Retirement Board. *Sponsored by Representative Keith Regier.*

**HB 382** - Requires that a portion of the expendable coal severance tax collections be statutorily appropriated to the trust funds for the TRS, the PERS - DBRP, the SRS, and the GWPORS until the funds are actuarially sound. *Sponsored by Representative Liz Bangerter.*

**SB 82** - Closes the PERS Defined Benefit Retirement Plan, requires all new hires to participate in the Defined Contribution Retirement Plan. It also requires the Governor's budget to include funding for the Unfunded Actuarial Liability. *Sponsored by Senator Dave Lewis.*

**THE GOVERNOR'S PROPOSAL**

**HB 454** *Sponsored by Representative Bill McChesney.* This bill proposes legislation to address funding the PERS through several different avenues:

- paying the unallocated portion of coal severance tax collections to the PERS - DBRP.
- paying a portion of the coal tax interest income to the PERS - DBRP.
- temporarily increasing employee and employer contributions.

MPERA supports the governor's proposal. HB 454 incorporates a shared sacrifice by both employers and employees to preserve the plan and returns the system to actuarial soundness.

We also believe in keeping our members informed about retirement legislation so we are tracking legislation related to retirement on our website at [mpera.mt.gov](http://mpera.mt.gov). If you have issues, concerns or comments regarding proposed legislation, we encourage you to contact your legislators. ♦

**THE IMPORTANCE OF GOOD POLICY**

In 1945, Montana leaders recognized their responsibility as an employer to provide retirement security for public employees. The Montana Legislature enacted the Public Employees' Retirement law. The purpose of this Act was to effect economy and efficiency in the public service by providing a means whereby employees who become retired or incapacitated may, without hardship or prejudice, be replaced by more capable employees, and to that end providing a retirement system consisting of retirement compensation, death and disability benefits.

With this Act, policy makers helped ensure members and their beneficiaries maintain a stable standard of living. What does it take to maintain a stable standard of living? Retirement experts recommend retirees need 70% – 80% of their pre-retirement income to live comfortably. However, with rising medical costs, some are now recommending an income replacement goal of 100%.

Today, many traditional Defined Benefit plans replace approximately one-third to one-half of a retiree's pre-retirement income. In theory, retirement benefits combined with Social Security and an individual's personal savings, will provide enough retirement income to maintain their standard of living.

It's important to remember that the market decline and subsequent recession did not just impact the Montana retirement plans. Economists and financial professionals are calling the past ten years "the lost decade" for the Baby Boomers. This generation, already ill-prepared for their looming retirement, has lost precious time to accumulate and grow future retirement assets; time which will never be recovered. With so many Baby Boomers facing retirement with inadequate savings, it is easy to predict that the burden will shift to Montana taxpayers to support these retirees as their retirement savings are depleted.

Regardless of the options presented, it is imperative to remember when we look for solutions to retirement plan issues *why* retirement plans are offered to employees and what the intent of that plan is for the long range health of society. If a solution is implemented and it does not provide retirees with enough of a replacement income, we run the risk of increased reliance on public assistance for our Montana seniors. ♦

PRSRRT FIRST CLASS  
US POSTAGE PAID  
HELENA MT  
PERMIT NO. 89

MONTANA PUBLIC EMPLOYEE  
RETIREMENT ADMINISTRATION (MPERA)  
PO BOX 200131  
HELENA MT 59620-0131