

SHERIFFS' RETIREMENT SYSTEM
PENSION PLAN DISCLOSURES PER GASB 68
FOR FISCAL YEAR ENDED JUNE 30, 2015

Plan Description – 76a

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits – 76b

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

Age 50, 5 years of membership service, actuarially reduced.

Vesting

5 years of membership service

Monthly benefit formula

2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of all other adjustments to the member's benefit.

- 3% for members hired **prior to** July 1, 2007
- 1.5% for members hired **on or after** July 1, 2007

Total number of members (employees) covered by benefit terms as of June 30, 2015:

1. Active plan members: 1,336
2. Inactive members entitled to but not yet receiving benefits or a refund:
 - Vested: 81
 - Non-vested: 342
3. Inactive members and beneficiaries currently receiving benefits:
 - Service Retirements: 523
 - Disability Retirements: 32
 - Survivor Benefits: 22

Overview of Contributions – 76c

1. Rates are specified by state law for periodic employer and employee contributions
The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system
 - a. Plan members are required to contribute 9.245% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
3. Employer contributions to the system:
 - a. The employers are required to contribute 9.825% of members' compensation.
 - b. Effective July 1, 2013, employer contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Stand-Alone Statements – 76d

The SRS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154.

CAFR information including our stand alone financial statements can be found on our web site at <http://mpera.mt.gov/annualReports.shtml>

The latest actuarial valuation and experience study can be found at our website at <http://mpera.mt.gov/actuarialValuations.asp>

Actuarial Assumptions – 77

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 7.3%
- Investment Return 7.75%
- Postretirement Benefit Increases
 - For members hired **prior to** July 1, 2007 3.00%
 - For members hired **on or after** July 1, 2007 1.50%

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, **inclusive** of other adjustments to the member's benefit.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate - 78a, 78b, 78d

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations - 78c, 78e, 78f

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term

expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2014, is summarized in the above table.

Sensitivity Analysis – 78g

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
SRS’ Net Pension Liability	\$87,589,281	\$41,617,020	\$3,675,904

*(insert employer’s
proportion from
your specific
Employer Report)*

*Located on the
MPERA website*

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies – 79

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

Net Pension Liability - 80a, 80b, 80c, 80d, 80e, 80f

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Sheriffs’ Retirement System (SRS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions.

	<u>Net Pension Liability as of 6/30/13</u>	<u>Net Pension Liability as of 6/30/14</u>	<u>Percent of Collective NPL</u>
Employer Proportionate Share	\$ xxx,xxx	\$ xxx,xxx	x.xxxxxx%

At June 30, 2015, the employer recorded a liability of \$xxx,xxx for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by SRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of SRS' participating employers. At June 30, 2014, the employer's proportion was x.xxxxxx percent.

Changes in actuarial assumptions and methods: Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. The plan did report a change in assumption because there was an increase in the discount rate resulting in a decrease in the Liability There were no other changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

Pension Expense – 80g, 80j

	<u>Pension Expense as of 6/30/14</u>
Employer's Proportionate Share	\$xxx,xxx

At June 30, 2015, the employer recognized a Pension Expense of \$xxx,xxx for its proportionate share of the SRS' Pension Expense.

Recognition of Beginning Deferred Outflow – GASB 71

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY2014 contributions of \$xxx,xxx

Deferred Inflows and Outflows - 80h, 80i

At June 30, 2015, the employer reported its proportionate share of SRS' deferred outflows of resources and deferred inflows of resources related to SRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$xxx,xxx	\$xxx,xxx
Changes in assumptions	\$xxx,xxx	\$xxx,xxx
Difference between projected and actual earnings on pension plan investments	\$xxx,xxx	\$xxx,xxx
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$xxx,xxx	\$xxx,xxx
Difference between actual and expected contributions	\$xxx,xxx	\$xxx,xxx
#Contributions paid to SRS subsequent to the measurement date - FY 2015 Contributions [to be entered by the entity]	\$xxx,xxx	
Total	\$xxx,xxx	\$xxx,xxx

#Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx
2017	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx
2018	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx
2019	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx
2020	\$ -	\$ -	\$ -
Thereafter	\$ -	\$ -	\$ -