

Summary of FY 2012 Actuarial Valuations

Compiled by Sheri Scurr, LSD, from TRS Board and PER Board FY 2012 Actuarial Valuations

System	Funded Ratio (percentage)	Covered Payroll	ARC Shortfall (% payroll)	ARC Shortfall (covered payroll x ARC shortfall)	Amortization period (years)
TRS	59.24%	\$ 735,600,000	4.89%	\$ 35,970,840	does not amortize
PERS-DB	67.60%	\$ 1,081,288,177	6.53%	\$ 70,575,679	does not amortize
SRS	74.30%	\$ 59,582,678	5.85%	\$ 3,485,587	does not amortize
GWPORS	75.80%	\$ 38,316,733	3.64%	\$ 1,394,729	does not amortize
HPORS	58.00%	\$ 13,513,915	5.78%	\$ 781,104	49.7
MPORS	55.00%	\$ 41,584,304	0.00%	\$ -	25.7
FURS	61.80%	\$ 35,849,518	0.00%	\$ -	16.4
JRS	137.00%	\$ 6,192,316	0.00%	\$ -	0
TOTAL				\$ 112,207,939	

Notes:

1. Funded ratio means current assets compared to current liabilities, including the unfunded portion of the liabilities. When the unfunded liabilities are completely paid off, the funded ratio is 100%. A funded ratio exceeding 100% means total contributions are more than sufficient to pay all current liabilities. However, total contributions cannot be reduced below the normal cost of the plan.
2. ARC means the Annual Required Contributions rate required to amortize the unfunded liabilities over 30 years as determined by the system's actuary.
3. The ARC shortfall as a percent of payroll is the total additional contribution rate needed to amortize the system's unfunded liabilities in 30 years.
4. The ARC shortfall as a dollar amount is the amount of money required in the first year of the biennial budget in addition to current contributions. To amortize the system's unfunded liabilities in 30 years, this amount must be deposited each year until the liability is completely paid off and will increase each year at the same rate as the payroll increases.
5. The amounts shown in this table are based on the actuarial assumptions used in the FY 2012 valuation. These assumptions are based on extensive actuarial studies of historical data sometimes going back 60 or more years to determine the most likely experience for the plan in the future. These assumptions are tested and supported by experts in the field. Under Montana's Constitution, it is not within the legislature's power to alter these assumptions for the purposes of actuarial valuations. Thus, the actuarial assumptions for these valuations include investment returns averaging 7.75% over the next 30 years and general wage increases of 4.0% to 4.5% over the next 30 years. Other assumptions are also made regarding termination, rates or retirement, mortality, etc.
6. Significant changes in funding or benefits enacted by the legislature will affect these projections. Thus, when the legislature considers significant retirement legislation, system actuaries "crunch the numbers" based on the specific provisions of the bill. Based on these actuarial determinations, the fiscal note will generally identify how the bill will affect the system's unfunded liabilities and thus, the amortization period. To be considered actuarially sound, unfunded liabilities should amortize in no more than 30 years. In some cases, given the severe market collapse, it may not be realistic to return to a 30-year amortization period all at once. How quickly to return a system to a 30-year amortization is a policy decision for the legislature and must be made after considering all alternatives and the various policy, financial, and legal risks.