

An open letter to all AMRPE member from Dore Schwinden, Executive Director of Montana Public Employees' Retirement System:

Dear Retiree:

We hope that you and your family are safe and well or that you are receiving the care you need. As we witness daily, COVID-19 ("Coronavirus") is disrupting businesses, households, and governments at all levels. The impact on the US economy is serious and real if not entirely known at this point. The market has rapidly repriced assets, which is unsettling. More volatility is expected. All markets across the globe are affected.

The MPERA retirement plans are built to withstand vagaries that can buffet the market. That is why our investment policies call for a diverse and balanced portfolio of investments, rather than solely investing in fund classes that just track the overall market. Plan assets are in place to continue to pay benefits while we wait for other assets more deeply affected by the market stress to recover, which may take time. Our retirement plans have faced headwinds before. COVID-19 is the latest.

Negative sentiment in the market can appear overwhelming, but it can obscure the opportunities that come with periods of market stress as we are experiencing now. New contributions into the plan are purchasing new shares in asset classes that have fallen, but now at lower prices. Adding new shares at lower prices forms the foundation for future compounding.

Our retirement plans are considered to be mature plans, which means that more cash goes out to pay benefits than the plan receives in new contributions. This is not new. It has been occurring for some time. The plan has diversified into asset classes that have performed historically in ways that lower the volatility of returns. While some asset classes experience low or negative returns for a certain period, other asset classes retreat less or achieve gains that enable benefit payments to flow on a regular basis. This reduces, while not eliminating entirely, the need to sell assets when they have declined greatly in value and preserves the potential to generate long-term wealth.

The MPERA retirement plans are long-term plans with a decision framework exceeding 30 years. As stewards of the plan, we manage it for current and future beneficiaries; and we intend to pass on a stronger, healthier plan for those to come. We are in this together and we will weather it together. The Public Employees Retirement Board, its professional advisors, and the Board of Investments' staff are closely monitoring the situation and are prepared to respond to changes during this difficult time.

Sincerely,

Dore Schwinden
Executive Director
MPERA