

The Montana Teachers' and Public Employees' Retirement Systems...The Real Story: A February 14th column in the Bozeman Daily Chronicle suggested that Montana's Public Retirement Systems are grossly underfunded and that the benefits paid to retirees are somehow excessive. We would like to address some issues raised in that article and provide your readers with actual numbers and historical performance so they can draw their own conclusions.

The Teachers' Retirement System (TRS) provides benefits to 15,566 retired education professionals who worked, on average, 25.3 years to earn an annual gross benefit of \$22,614. This means an average benefit of \$1,884 per month – before taxes, insurance and other withholdings. The Montana Public Employees' Retirement System (PERS) provides benefits to 21,641 retired public employees who worked, on average, 26.1 years to earn an annual gross benefit of \$17,543, or an average gross monthly benefit of \$1,462. Neither of these amounts seems excessive or unjustified after a twenty-plus year career as a professional educator or public employee.

Article 8, Section 15 of the Montana Constitution requires the Legislature to fund the State's public retirement systems on an actuarially sound basis, which means they must amortize in 30 years or less. As of December 31, 2017, TRS has just over \$4.1 billion in assets and receives statutory contributions sufficient to fully amortize any unfunded actuarially accrued liability within 22 years. Likewise, PERS has just over \$5.76 billion in assets and receives contributions sufficient to fully amortize any unfunded liability within 30 years. Simply put, these large systems are actuarially sound.

Public pension plans use an assumed rate of return to project future investment earnings and to discount future liabilities, and this fact has received a lot of attention in recent years. The goal of both the Teachers' Retirement Board and the Montana Public Employees' Retirement Board is to set an assumed rate of return that is attainable over 20 or 30 years. This assumption is specifically reviewed by each system's actuary as part of an experience study conducted every four to six years. TRS's actuarially assumed rate of return currently is 7.75% but the net investment return on TRS assets for calendar year 2017 was 14.70% and the inception to date (23.5 years) rate of return was 7.85%. PERS's actuarially assumed rate currently is 7.65%; however, the net investment return on PERS assets for calendar year 2017 was 14.8% and the inception to date (23.5 years) rate of return was 7.84%. The past twenty-plus years of actual investment experience tells us the actuarial assumptions for both TRS and PERS have been on the mark.

We will not speculate as to whether the inaccurate numbers in the February 14 column were purposely misrepresented to push a particular political agenda. Doing so would be counterproductive and harmful to the thousands of Montanans who worked hard over their entire adult life to earn these pensions and the Montanans who deserve to know the truth about their tax dollars.

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