

# AARP IN THE STATES



## SNAPSHOT: Montana Public Employees' Retirement Administration

The Montana Public Employees' Retirement Administration (MPERA) provides benefits to qualified public employees, highway patrol officers, sheriffs, municipal police officers, and firefighters.

### The MPERA Pension Works for Montana Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



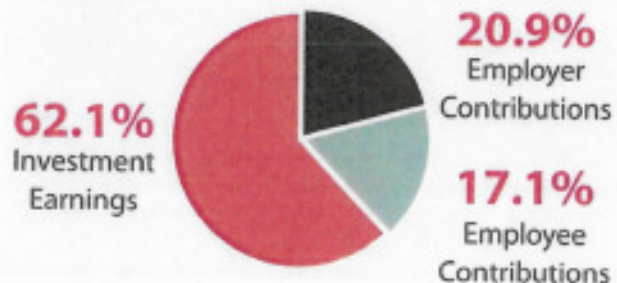
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

### Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New MPERA employees contribute 7.9% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers paid only 20.9% of the cost of benefits.



### Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



## PERA Key Facts



MPERA serves 28,390 active employees and 21,333 retired members and survivor beneficiaries.



New employees contribute 7.9% to MPERA.



Employers contribute 8.5% to the fund for employees.



The average monthly retirement benefit for members is \$1,344.



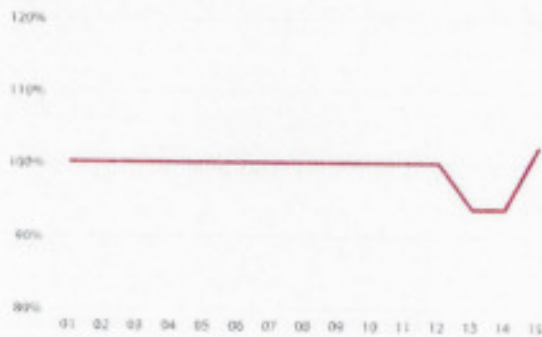
After a 30-year career, MPERA will replace 60% of final average salary.

## Historical MPERA Funding Experience

Montana established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2016 year, MPERA had \$5.3 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund becomes financially sound over time.

### Montana Paid 99.2% of Weighted Average Percent of ADC from FY2001-FY2015 for PERA



## Montana Made Plan Changes to MPERA in Recent Years

Following the global stock market crash in 2008-2009, Montana policymakers proactively made changes to MPERA to ensure long-term sustainability. These included:

- Increasing employee contribution rate to 7.9% of salary.
- Revising the Guarantee Annual Benefit Adjustment to a variable rate based on plan funding level.
- Reducing pension benefits for employees hired after 7/1/13 by lowering the multiplier, raising the normal and early retirement ages, and adjusting final average salary.

## The Economic Impact of Montana Pensions:



**\$882.9 million**

in economic output generated by retirees' spending from public pensions in Montana.



**6,589 jobs**

paying \$276.2 million in wages supported by retirees spending from public pensions in Montana.



**\$178.4 million**

in federal, state, and local tax revenues generated by retiree benefits and spending in Montana.

All data come from Montana, Public Plans Data, or the National Institute on Retirement Security.

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## BY THE NUMBERS: Montana Public Employees' Retirement System



The **Montana Public Employees' Retirement Administration (MPERA)** provides a defined benefit (DB) pension for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees to better serve taxpayers. DB pension payments also support the state's economy.

### Key facts about the plan and its benefits:



**28,390**

Total active members of Montana Public Employees' Retirement Administration.



**60%**

After a 30-year career, MPERA will replace 60% of an employee's pre-retirement income.



**\$1,344**

Typical pension benefit paid to retired MPERA members each month.

### Pensions are a good deal for taxpayers:

Funding of public employees pensions is shared by employees and employers. New MPERA employees contribute 7.9% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2014, taxpayers (employer contributions) paid only 20.9% of the cost of pension benefits.

**62.1%**  
Investment Earnings



**20.9%**  
Employer Contributions

**17.1%**  
Employee Contributions

### The spending from the pension checks of the 21,333 retired public employees helps support:



**\$882.9 million**

in economic output in Montana.



**6,589 jobs**

paying those workers in Montana \$276.2 million in income.



**\$178.4 million**

in federal, state, and local tax revenues based on benefits and spending in Montana.

### Pension benefits are a good deal for the economy too:

Each dollar "invested" by Montana taxpayers (employers) in these plans supported **\$6.49** in total economic activity in the state.



**\$1.00**



**\$6.49**



All data come from Montana, Public Plans Data, or the National Institute on Retirement Security.