Overview

The Montana Public Employees' Retirement System (PERS) is a member system of the Montana Public Employees' Retirement Board, and serves Montana state employees. New hires in PERS have the option of choosing participation in either the defined benefit retirement plan or the defined contribution retirement plan. The system provides benefits for some 28,548 active employees, and 18,738 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 6.9 - 7.9%% of salary to PERS.

- Employers contribute about 7% to the fund.

- Each dollar invested by Montana taxpayers in PERS supported $5.75 in total economic activity in the state.

Key Montana PERS Data[1]

The chart below summarizes the key PERS data, as of June 30, 2012:

Total active employees	28,548
Total retired members, disability members, and beneficiaries	18,738
Average annual service retirement benefit	$13,914
Employer contribution rate*	7.17% (state and university); 7.07% (local governments); 6.8% (K-12 school districts)
Employee contribution rate	6.9% (members hired before July 1, 2011); 7.9% (members hired after July 1, 2011)
Actuarial value of assets	$3.8 billion
Funded ratio	67.42%
Unfunded actuarial accrued liability	$1.8 billion
Percent of ARC contributed	53.68% (2012); 54.56% (2011); 60.46% (2010); 76.35% (2009); 105.98% (2008)

* The state contributes an additional 0.1% of local government payroll and 0.37% of K-12 school districts' payroll.

The Economic Impact of Montana Pensions[2]

Expenditures made by retirees of state and local government provide a steady economic stimulus to Montana communities and the state economy. Within the state of Montana, 2012 expenditures stemming from state and local pensions supported:

- 8,239 jobs that paid $288.9 million in wages and salaries
- $1.0 billion in total economic output
- $145.6 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported $1.69 in total economic activity in Montana.

Each dollar "invested" by Montana taxpayers in these plans supported $5.75 in total economic activity in the state.

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[1] All data, unless otherwise noted, as of June 30, 2012.

[2] Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures.* Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Montana Public Employees' Retirement System (PERS)**. PERS provides retirement benefits for state employees, including a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

$5.75 The total economic activity in Montana for each dollar invested by Montana taxpayers in PERS.

$1.0 billion Total economic output in Montana created in 2009 when public sector retirees spent their pension income.

$145.6 million Federal, state and local tax revenues generated by spending of Montana public pension income.

8,239 Jobs created from pension income spending by Montana state and local government retirees.

28,548 Total active members of PERS.

$13,914 Average annual service pension benefit for a PERS retiree.

6.9 - 7.9 Percentage of salary that employees contribute from every pay-check to their pension benefit to share the funding responsibility.

5.0 Median employee contribution rate nationally.

60 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service.

80 Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data come from either PERS or the National Institute on Retirement Security.

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Overview

The Montana Teachers' Retirement System (TRS) was established in 1937. The system provides defined benefit (DB) pension benefits for its 44,473 active public school employees and 13,363 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions are almost always funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 7.15% of salary to TRS.

- Employers contribute 9.85% of salary to the fund.

- Each dollar invested by Montana taxpayers in TRS supported $5.75 in total economic activity in the state.

▶ Key Montana Teachers Data[1]

The chart below summarizes the key TRS data, as of June 30, 2012:

Total active employees	44,473
Total retired members and beneficiaries	13,363
Average annual retirement allowance	$20,044
Employer contribution rate	9.85%
Employee contribution rate	7.15%
Actuarial value of assets	$2.9 billion
Funded ratio	59.2%
Unfunded actuarial accrued liability	$2.0 billion
Percent of ARC contributed	81.9% (2012); 98.3% (2011); 98.3% (2010); 100.0% (2009); 87.4% (2008)

▶ The Economic Impact of Montana Pensions[2]

Expenditures made by retirees of state and local government provide a steady economic stimulus to Montana communities and the state economy. Within the state of Montana, 2012 expenditures stemming from state and local pensions supported:

- 8,239 jobs that paid $288.9 million in wages and salaries
- $1.0 billion in total economic output
- $145.6 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported $1.69 in total economic activity in Montana.

Each dollar "invested" by Montana taxpayers in these plans supported $5.75 in total economic activity in the state.

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[1] All data, unless otherwise noted, as of June 30, 2012.

[2] Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures.* Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Montana Teachers' Retirement System (TRS)**. TRS provides retirement benefits for public school employees in Montana. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

$5.75 The total economic activity in Montana for each dollar invested by Montana taxpayers in TRS.

$1.0 billion Total economic output in Montana created in 2009 when public sector retirees spent their pension income.

$145.6 million Federal, state and local tax revenues generated by spending of Montana public pension income.

8,239 Jobs created from pension income spending by Montana state and local government retirees.

44,473 Total active members of TRS.

$20,044 Average annual pension income for a retired teacher in Montana.

7.15 Percentage of salary that employees contribute from every paycheck to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

50 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

73 The number of teachers retained each year solely due to the defined benefit (DB) plan.

$699,364 Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either TRS or the National Institute on Retirement Security.

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AARP's Educator Community

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Reliable Research. Sensible Solutions.

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."[1]

Key Facts

- Employees contribute 7.15% of salary out of each paycheck to the pension fund.

- The average retirement benefit is $20,044 per year, or $1,670 per month.

- TRS covers 44,473 active school employees and 13,363 retired school employees and beneficiaries.

- Teachers are paid 14.3% less than comparable private sector workers.

- The pension replaces 50% of pre-retirement income for a teacher with 30 years of service.

- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.[2]

Public school teachers in Montana have pension coverage through the Montana Teachers' Retirement System (TRS).

TRS covers 44,473 active employees of public educational institutions, and 13,363 retired school employees and beneficiaries. Employees contribute 7.15% out of each of their paychecks to the pension fund. The average retirement benefit is $20,044 per year, or $1,670 per month.

The TRS pension replaces 50% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.[3] More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.[4] Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.[5]

▶ Pensions Help Retain Quality Teachers in Montana[6]

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Montana:
- The cost of turnover in Montana is $9,643 per teacher.
- 73 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved $699,364 in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: *AARP's Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.

[1,2] Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

[3] Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

[4] Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide.* Washington, DC: Economic Policy Institute.

[5] Oakley, D, and K. Kenneally. 2013. Pensions and Retirement Security 2013: A Roadmap for Policy Makers. Washington, DC: National Institute on Retirement Security.

[6] Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.