

AARP IN THE STATES



OVERVIEW: Montana Public Employees' Retirement System



The **Montana Public Employees' Retirement System (MPERA)** provides a defined benefit (DB) fund 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.

The spending from the pension checks of the 23,245 retired public employees helps support:



\$1.4 billion

in economic output in Montana.



9,287 jobs

paying \$402.2 million in wages supported by retirees' spending from public pensions in Montana.



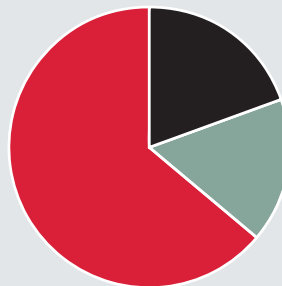
\$247.3 million

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

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New MPERA employees contribute 7.90% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 19.59% of the cost of pension benefits in Montana.

63.9%
Investment Earnings



19.6%
Employer Contributions

16.5%
Employee Contributions

Key facts about the plan and its benefits:



28,908

Total active members of Montana Public Employees' Retirement System.



60%

After a 30-year career, a pension benefit from MPERA will replace 60% of an employees' pre-retirement income.



\$1,544

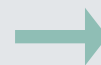
Average pension benefit paid to retired MPERA members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Montana taxpayers (employers) in these plans supported **\$6.16** in total economic activity in the state.



\$1.00



\$6.16



All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



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PRIMER: Montana Public Employees' Retirement System

The Montana Public Employees' Retirement System (MPERA) provides benefits to qualified public employees, highway patrol officers, sherriffs, 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.



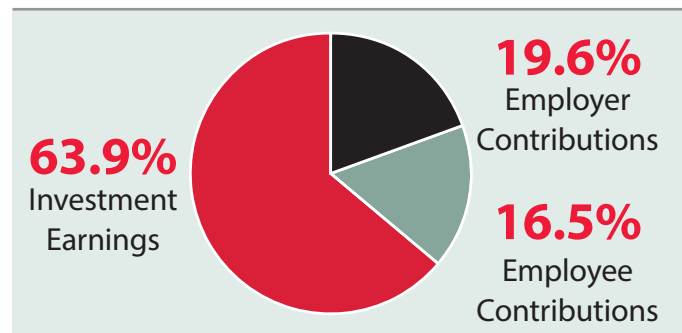
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



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 7.90% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 19.59% of the cost of benefits in Montana.



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:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

MPERA Key Facts



MPERA serves 28,908 active employees and 23,245 retired members and survivor beneficiaries.



New employees contribute 7.90% of pay to MPERA.



Employers contribute 8.77% to the fund.



The average monthly retirement benefit for members is \$1,544.



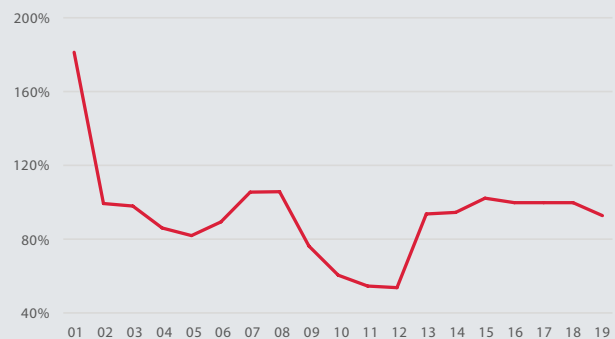
After a 30-year career, a pension benefit from MPERA will replace 60% of an employee's final average salary.

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 2019 year, MPERA had \$5.90 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 is financially sound over time.

Montana Paid 93.59% of Weighted Average Percent of ADC from FY2001-FY2019 for MPERA



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:

- Contribution rates for employees covered by the system increased to 7.9%.
- The Guarantee Annual Benefit Adjustment, a cost of living adjustment (COLA), moved to a variable rate based on the plans funding level for new employees.
- Employees hired after 7/1/13 would receive lower benefits because of lowering the multiplier, raising the normal and early retirement ages, and expanding the calculation of final average salary.

The Economic Impact of Montana Pensions:



\$1.4 billion

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



9,287 jobs

paying \$402.2 million in wages supported by retirees spending from public pensions in Montana.



\$247.3 million

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

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.

AARP IN THE STATES



OVERVIEW: Montana Teachers' Retirement System

The **Montana Teachers' Retirement System (TRS)** provides a defined benefit (DB) pension for teachers. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 16,256 retired public employees helps support:



\$1.4 billion

in economic output in Montana.



9,287 jobs

paying \$402.2 million in wages supported by retirees' spending from public pensions in Montana.



\$247.3 million

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

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New TRS employees contribute 8.15% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 19.59% of the cost of pension benefits in Montana.

63.9%
Investment
Earnings



19.6%
Employer
Contributions

16.5%
Employee
Contributions

Key facts about the plan and its benefits:



18,994

Total active members of Montana Teachers' Retirement System.



55.5%

After a 30-year career, a pension benefit from TRS will replace 55.5% of an employee's pre-retirement income.



\$1,966

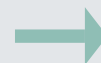
Average pension benefit paid to retired TRS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by Montana taxpayers (employers) in these plans supported **\$6.16** in total economic activity in the state.



\$1.00



\$6.16



All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



The Montana Teachers' Retirement System (TRS) provides benefits to qualified public school teachers, administrators, and college faculty.

The TRS Pension Works for Montana Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



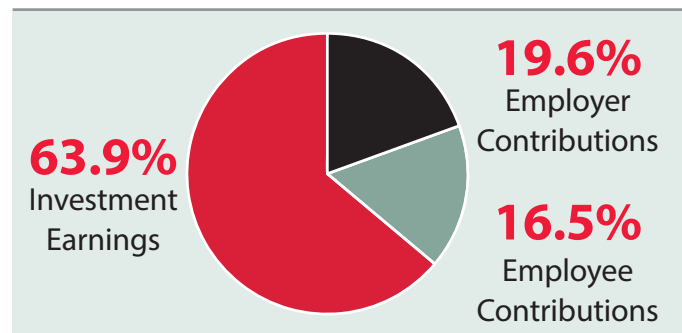
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



Pensions offer teachers 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 TRS employees contribute 8.15% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 19.59% of the cost of benefits in Montana.



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



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

TRS Key Facts



TRS serves 18,994 active employees and 16,256 retired members and survivor beneficiaries.



New employees contribute 8.15% to TRS.



Employers contribute 11.56% to the fund for employees.



The average monthly retirement benefit for members is \$1,966.



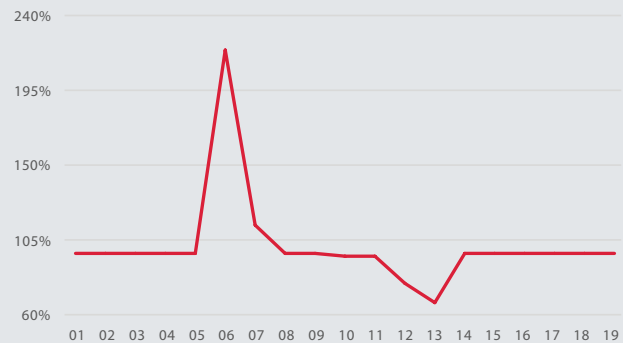
After a 30-year career, a pension benefit from TRS will replace 55.5% of final average salary.

Historical TRS 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 2019 year, TRS had \$4.22 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 is financially sound over time.

Montana Paid 104.68% of Weighted Average Percent of ADC from FY2001-FY2019 for TRS



Montana Made Plan Changes to TRS in Recent Years

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

- Contribution rates for employees covered by the system increased to 8.15%.
- The Guarantee Annual Benefit Adjustment, a cost of living adjustment (COLA), moved to a variable rate based on the plans funding level.
- Employees hired after 7/1/13 would receive lower benefits because of raising the normal and early retirement ages, and expanding the calculation of final average salary.

The Economic Impact of Montana Pensions:



\$1.4 billion

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



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Pensions Help Deliver Quality Education in Montana

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college-educated workers, widens for more experienced teachers.

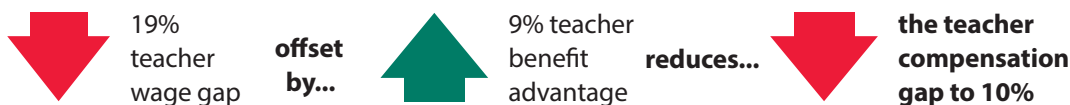
Because pensions help attract and retain workers, Montana can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting Montana, as enrollment in traditional teacher preparation programs has *declined by 49%* between 2009-2010 and 2017-2018.

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 19 percent pay gap relative to comparable private sector workers in 2019. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 10 percent. In Montana, teachers experience a 19.4% wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



83 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



74 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better 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.⁴

7.3%



Percentage of Montana teachers who leave education.

126



The number of Montana teachers retained each year due to the DB pension.

\$655K to \$1.4M



Savings created by the DB system through reduced teacher turnover costs in school districts across Montana.

TRS Key Facts



TRS serves 18,994 active employees and 16,256 retired members and survivor beneficiaries.



New employees contribute 8.15% to the fund.



Employers contribute 11.56% to the fund.



The average monthly retirement benefit for members is \$1,966.



TRS has \$4.2 billion in assets and \$1.9 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of Montana Pensions

\$1.4 billion



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

9,287 jobs



paying \$402.2 million in wages supported by retirees' spending from public pensions in Montana.

\$247.3 million



in federal, state, and local tax revenues based on spending of pension benefits in Montana.⁶

¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

² Allegretto, S. A. and Mishel, L. 2020. "Teacher pay penalty dips but persists in 2019." Washington, DC. Economic Policy Institute.

³ Oakley, D. and Kenneally, K. 2019. "Retirement Insecurity 2019: Americans' Views of the Retirement Crisis." Washington, DC. NIRS.

⁴ Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement." Washington, DC. NIRS.

⁵ All data, unless otherwise noted, as of fiscal year ended 2019.

⁶ Boivie, I. 2021. "Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.