



Montana

MONTANA HAS BEEN MAKING a yeoman’s effort at improving the funding status of its teachers’ pension system, which has historically been less well funded than its public employee system. (The teachers’ plan was 73% funded at the end of 2006, while the public employee plan was 88% funded.) In 2006, the state contributed twice what its actuaries deemed necessary as a means of supplying extra funding for the teachers’ plan. The state generally has done well over the past 10 years at meeting required contribution levels for its public employee plans, but those contribution levels may need to be raised. The way they are currently set doesn’t supply enough dollars to reach full funding by an amortization period that conforms to accounting standards. Montana’s non-pension benefits are relatively modest. The state does not offer a cash subsidy, but only the “implicit subsidy” that comes from including retirees and typically healthier active employees in the same health plan.

PENSIONS

TOTAL BILL COMING DUE: **\$8.6 billion**¹

FUNDS SET ASIDE: **\$6.9 billion**

PORTION UNFUNDED: **\$1.7 billion**

PERCENT FUNDED: **80 as of 2006**²

TEN YEAR FUNDING HIGH: **103% in 2001**

TEN YEAR FUNDING LOW: **78% in 2005**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: The state uses slightly varying assumptions in its different pension plans. For public employees and most of its smaller plans it assumed 8% interest in 2006, the same as the 50-state median. (The teachers’ plan used a 7.75% interest assumption.) It uses a four-year smoothing period to calculate the actuarial value of assets, one reason that its pension funding levels have improved in the last year sooner than states that use a longer smoothing period and are still factoring in poor investment returns from the early part of the decade. As of 2006, the amortization period for the public employees retirement system and the much smaller sheriffs’ retirement system did not conform to standards set by the Governmental Accounting Standards Board, which establishes this period as 30 years or less.

¹ Pension funds include public employees, sheriffs, game warden employees, municipal police, firefighters, highway patrol, judges and teachers.

² 50-state mean was 82%.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.

OTHER BENEFITS

TOTAL BILL COMING DUE: **\$525 million**

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$525 million**

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ \$556 per capita, based on the state’s population, compared to a national median of \$774.

REFORMS: In 2007, Montana increased employer contribution rates for several of its pension systems. The legislature also required annual rather than biennial actuarial reports on the retirement system’s finances and investments, according to the National Conference of State Legislatures.



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