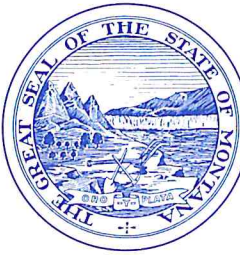


MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION



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November 7, 2019

Cascade County Commission
Commissioner's Office
325 2nd Ave. N, Room #111
Great Falls, MT 59401

Re: Cascade County's Unfunded Pension Liabilities

Mr. Briggs, Mr. Larson, and Ms. Weber:

We are writing to inform you of Cascade County's unfunded pension liabilities related to Community Health Care Center (CHCC). These liabilities will need to be paid to the PERS trust pursuant to the County's existing contract with the Montana Public Employees' Retirement Board (MPERB) due to the severance of CHCC from the Public Employees' Retirement System (PERS) Defined Benefit (DB) Plan in early 2019.

As fiduciaries and legally responsible fiscal agents of the PERS system it administers, MPERA and the MPERB must ensure under Article VIII, Section 15 of the Montana Constitution that "Public retirement system assets, including income and *actuarially required contributions*, shall not be encumbered, diverted, reduced, or terminated" so that retirement benefits of all of its members are being "funded on an actuarially sound basis" in order to ensure that MPERA and the MPERB are able to "administer the system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries".

When CHCC severed from the County in 2019, and the County terminated its payment of actuarially required contributions on behalf of CHCC employees, Cascade County left to the PERS DB trust an unfunded actuarial accrued pension liability of approximately \$3,125,000 (as reported in the Cascade County 2018 CAFR). This number represents the approximate portion of Cascade County's unfunded promised employee pension benefits attributable to PERS-covered CHCC staff that must be paid by the County to the PERS DB trust.

This funding lapse of the County has resulted in this constitutionally mandated actuarial review of contributions tied to CHCC staff. If left unpaid, this amount will cause PERS pension obligations tied to CHCC staff to no longer be funded on an actuarially sound basis as required by the Montana Constitution and a disproportionate share of this liability will be paid for by all remaining state, county, and local governmental entities participating in PERS. This will require taxpayers outside of Cascade County to potentially be burdened with future tax bill costs to pay for Cascade County's unfunded PERS pension costs in order to prevent actuarial unsoundness to the PERS DB plan.

As fiduciaries and responsible fiscal agents of the PERS system, and as required under Article VIII, Section 15 of the Montana Constitution, MPERA must require Cascade County to furnish a listing of current and former CHCC staff to it to allow MPERA's actuary to calculate the exact amount of unfunded PERS liabilities attributable to former County-CHCC staff. Once this calculation is completed, Cascade County must pay to MPERA a sum equal to this total unfunded pension liability as it is legally and financially accountable for this amount that was left unfunded by the County after the CHCC's departure from the PERS system.

This is a final administrative decision. ***You may appeal this decision by notifying the Public Employees' Retirement Board in writing at the address above within 90 days from the date of this letter.*** The Board would then make its initial decision on the basis of material properly submitted 21 days in advance of the Board meeting at which the matter is considered. The Board would then notify you of its initial decision.

If the Board's initial decision is adverse to your position, you would be given two options, either of which must be exercised within 30 days if you wish to further appeal the issue:

1. You could submit a request in writing for an informal reconsideration by the Board. If the Board decides adversely to your position, you could appeal that decision to an administrative hearing; or
2. You could submit a request to proceed directly to an administrative hearing. A proposed decision by the hearings examiner is subject to Board approval. You could appeal an adverse decision to District Court.

Please let me know if you have any questions regarding this decision or your appeal rights.

Sincerely,



Dore Schwinden
MPERA Executive Director