



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2025 Biennium

Bill information:

HB0117 - Generally revise working retiree laws under TRS (Bertoglio, Marta)

Status: As Introduced

Retirement Systems Affected: Teachers Public Employees Highway Patrol Police
 Sheriffs Firefighters Volunteer Firefighters Game Wardens Judges

Check the box if "Yes".

- Has this legislation been reviewed by the legislative interim committee?
- Has the cost of this legislation been calculated by the system's actuary?
- Does this legislation include full funding for any benefit revisions?

	July 1, 2022 Current System	July 1, 2022 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$ 6,691,275,000.00	\$ 6,691,275,000.00	\$ -
Present Value of Actuarial Assets	\$ 4,724,449,000.00	\$ 4,724,449,000.00	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,891,678,000.00	\$ 1,891,678,000.00	\$ -
Amortization Period (years) of UAAL	25.00	25.00	0.00
Change in normal costs	10.87%	10.87%	0.00%

	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	9.37%	9.47%	9.47%	9.47%	9.47%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	20.01%	20.11%	20.11%	20.11%	20.11%

FISCAL SUMMARY

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	\$ 126,538	\$ 130,650	\$ 134,897	\$ 139,281
State Special Revenue	\$ 162	\$ 167	\$ 173	\$ 178
Federal Special Revenue	\$ 1,709	\$ 1,765	\$ 1,822	\$ 1,881
Other-MUS Tuition/Restricted	\$ 28,936	\$ 29,876	\$ 30,847	\$ 31,850
Other-TRS Pension Trust	\$ 800	\$ -	\$ -	\$ -
Revenue:				
General Fund	\$ -	\$ -	\$ -	\$ -
State Special Revenue	\$ -	\$ -	\$ -	\$ -
Federal Special Revenue	\$ -	\$ -	\$ -	\$ -
Other-MUS Tuition/Restricted	\$ -	\$ -	\$ -	\$ -
Other-TRS Pension Trust	\$ 428,217	\$ 442,134	\$ 456,503	\$ 471,340
Net Impact-General Fund Balance:	\$ (126,538)	\$ (130,650)	\$ (134,897)	\$ (139,281)

Description of fiscal impact: HB 117 increases the amount a retired member of the Teacher’s Retirement System (TRS) can earn without impacting their monthly retirement benefit from one third of their Average Final Compensation (AFC) or one third of the Median AFC from the previous year (whichever is higher) to 49% of their AFC or the Median AFC from the previous year. The bill also reinstates “superintendent” as a position to return to work under 19-20-732, MCA and it reduces the required 150 calendar-day-break in service to 120 calendar-day-break in service before a newly retired member is eligible to go back to work in a position reportable to TRS. In addition, HB 117 extends the expiration date of 19-20-732 (temporary) from June 30, 2025, to June 30, 2029. This section of statute allows TRS retirees with 27 years of service to be employed for up to three years with no limit on compensation in second-class and third-class school districts as defined in sections 20-6-201 & 20-6-301, MCA, in cases where the employing district is unable to recruit a qualified teacher, specialist, or administrator.

FISCAL ANALYSIS

Assumptions:

1. All current working retirees working under their one third earnings limitation would work additional hours and/or days up to the new 49% allowable earnings in Section 1 of the bill.
2. Actual FY 2022 working retiree contributions by employer were used as a starting point and inflated by the statutory increase of 0.10% which is in current law under §19-20-605(4) and 19-20-609, MCA, for FY 2023 and FY 2024.
3. FY 2024 employer contributions reflect the increase in allowable earnings to 49% of the member’s AFC or the median AFC from the previous year, whichever is higher. These contributions are inflated by the actuarial payroll growth assumption of 3.25% in subsequent years.
4. The projected increase in working retiree contributions under Section 1 of HB 117 is expected to increase revenue to the TRS trust fund by \$428,217 in FY 2024.
5. Employer costs reflected in the fiscal impact tables are for projected additional employer paid working retiree contributions; however, it is not mandatory that all employers offer their working retirees an increase from one third of their AFC to 49% of their AFC or the median AFC, as subject to §19-20-731, MCA.

6. Section 2 of the bill adds back the position of “Superintendent” as a position that is eligible to work under §19-20-732, MCA, where a retired member is eligible to receive a full-time salary while receiving full retirement benefits for up to three years during their lifetime if all the other existing statutory requirements are met. It is expected that two to three Superintendents per year may meet the existing statutory requirements to work under this provision but the increase in liability and potential contributions to the system is negligible and does not change the overall funded status of the plan.
7. Section 3 of HB 117 reduces the mandatory break-in-service from 150 calendar days to 120 calendar days and although it is expected that the number of members who retire sooner than they otherwise would have may increase due to the shorter break in service period, the increase in contributions and liability will be negligible and does not change the overall funded status of the plan.
8. The programming cost to modify the TRS pension administration system would not exceed \$800 (8 hours at \$100 per hour) and the minimal cost to update TRS forms and other documentation would be absorbed in our normal operating budget.
9. The actuarial analysis included in this fiscal note is based on the data, methods, assumptions, and plan provisions contained in the actuarial valuation of the system performed as of July 1, 2022. This analysis assumed that this is the only statutory amendment being considered. If other provisions are enacted, the actuarial impact associated with this proposal may be different.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$ -	\$ -	\$ -	\$ -
State Agencies Contributions	\$ 5,408.00	\$ 5,583.76	\$ 5,765.23	\$ 5,952.60
MUS Contributions	\$ 46,598.00	\$ 48,112.44	\$ 49,676.09	\$ 51,290.56
State Portion K-12 Contributions	\$ 105,339.00	\$ 108,762.52	\$ 112,297.30	\$ 115,946.96
Other-TRS Pension Trust	\$ 800.00	\$ -	\$ -	\$ -
TOTAL Expenditures	\$158,145	\$162,459	\$167,739	\$173,190

<u>Funding of Expenditures:</u>				
General Fund (01)	\$ 108,876.00	\$ 112,414.47	\$ 116,067.94	\$ 119,840.15
MUS General Fund (01)	\$ 17,662.00	\$ 18,236.02	\$ 18,828.69	\$ 19,440.62
State Special Revenue (02)	\$ 162.00	\$ 167.27	\$ 172.70	\$ 178.31
Federal Special Revenue (03)	\$ 1,709.00	\$ 1,764.54	\$ 1,821.89	\$ 1,881.10
Other-MUS Tuition/Restricted	\$ 28,936.00	\$ 29,876.42	\$ 30,847.40	\$ 31,849.94
Other-TRS Pension Trust	\$ 800.00	\$ -	\$ -	\$ -
TOTAL Funding of Exp.	\$158,145	\$162,459	\$167,739	\$173,190

<u>Revenues:</u>				
General Fund (01)	\$ -	\$ -	\$ -	\$ -
Other-MUS Tuition/Restricted	\$ -	\$ -	\$ -	\$ -
Other-TRS Pension Trust	\$ 428,217.00	\$ 442,134.05	\$ 456,503.41	\$ 471,339.77
TOTAL Revenues	\$428,217	\$442,134	\$456,503	\$471,340

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$ (126,538.00)	\$ (130,650.49)	\$ (134,896.63)	\$ (139,280.77)
State Special Revenue (02)	\$ (162.00)	\$ (167.27)	\$ (172.70)	\$ (178.31)
Federal Special Revenue (03)	\$ (1,709.00)	\$ (1,764.54)	\$ (1,821.89)	\$ (1,881.10)
Other-MUS Tuition/Restricted	\$ (28,936.00)	\$ (29,876.42)	\$ (30,847.40)	\$ (31,849.94)
Other-TRS Pension Trust	\$ 427,417.00	\$ 442,134.05	\$ 456,503.41	\$ 471,339.77

Effect on Local Governments:

1. School District salaries are funded with 28% State General Fund which is captured in the fiscal impact table and 72% Local Government Funds.
2. School District Employers with working retirees that increase their allowable earnings from one third to 49% would pay additional working retiree contributions to TRS estimated as follows:

Fiscal Year	2024	2025	2026	2027
Employer Contributions	\$ 270,872	\$ 279,675	\$ 288,765	\$ 298,150

Long-Term Impacts:

1. It is not possible to exactly determine the changes in future member behavior that might occur due to this proposal; therefore, the ultimate cost will be heavily dependent on how the proposal changes active and retired members' utilization.
2. All of the proposed changes in HB 117 will sunset on June 30, 2029 which will require the TRS Board and the Legislature to review the impact of these measures during the 2029 Legislative Session.
3. If members retire earlier than they would have otherwise, knowing that they can come back to work sooner and earn more under these provisions, TRS will pay out benefits for a longer period than they would have otherwise. The actuarial analysis indicates that any additional liability created by HB 117 would be negligible and would not change the overall funded status of the plan.

MB

Sponsor's Initials

1/5/23

Date



Budget Director's Initials

1-5-23

Date

