EXHIBIT 6
DATE 02/08/07
HB 95

HB 95
Moving Toward "Competitive Compensation" for MUS Optional Retirement Program (ORP) Members

BACKGROUND

In the late 1980s and early 1990s, the Legislature and Montana University System (MUS) adopted an "optional retirement program" (ORP) for university faculty. In 1993, all new and future-hired faculty were mandated into the ORP. As of 2006, more than ½ of all faculty statewide are enrolled in the ORP rather than in TRS. By 2015 or so, it is likely that 90% of Montana faculty will be enrolled in the ORP.

The ORP investment program is and has since inception been administered by TIAA-CREF. Under the ORP, employee contributions of 7.15% are placed directly into individual TIAA-CREF accounts rather than be contributed to TRS. MUS employer contributions of 4.956% are to members ORP accounts, and MUS also pays TRS 4.04% of salary to amortize past and future service liabilities for faculty remaining in TRS.

1. PROBLEM

Combined employee and employer contributions to individual ORP accounts are limited by 19-21-203(1) MCA to 12% of ORP enrollees' salary. This total contribution to ORP accounts is roughly 2.6% less than combined employee (7.15%) and employer (7.47%) – or 14.62% contributions to TRS for TRS enrolled faculty. MUS contributions to ORP member accounts are far less than commonly contributed by other public university systems to member TIAA-CREF accounts in other western states. The shortfall in MUS contributions to accounts undermines compensation levels for a growing share of Montana's university faculty and reduces MUS competitiveness when seeking to recruit and retain faculty within the MUS system.

2. PROPOSED CHANGE – WHAT THE PROPOSED LEGISLATION WOULD DO

HB 95 would amend 19-21-203(1) MCA, raising the combined employer and employee contribution to individual accounts from 12% to 13% of ORP enrollees' salary. The proposal (a preliminary draft appears below) would increase the MUS employer's contribution from 4.956% by +1%, to 5.956% of salary.

This +1% increase in MUS contribution to ORP accounts is estimated to cost an additional $1.1 million in FY07. The proposal would provide a state general fund statutory appropriation to fund the MUS's additional cost.

This proposal only affects TRS-ORP members as they are the only group of government employees who are involuntarily enrolled into the ORP upon hire.

Institution Name (ORP)	Contribution Rate
University of Alaska 1990	Employer – 8.65% Employee – 11.67%
Arizona Board of Regents 1975	Employer – 7% Employee – 7%
Arizona Community Colleges	Employer – 5.2% Employee – 5.2%
University of Colorado 1924	Employer – 10% Employee – 5%
Colorado State University 1992	Employer – 9% Employee – 8%
University of Northern Colorado 1992	Employer – 11.5% Employee – 8%
University of Southern Colorado and Ft. Lewis College 1994	**USC** Employer – 11.1% Employee – 8% **Ft. Lewis** Employer – 11.4% Employee – 8%
Idaho ORP 1990	Employer – 7.72% Employee – 6.97%
Idaho Community Colleges 1997	Employer – 7.72% Employee – 6.97%
Montana University System 1988, 2002	**FACULTY** Employer – 4.956% Employee – 7.044% **STAFF** Employer – 4.49% Employee – 6.90%
University of Nebraska 1961	**Optional** Employer – 6% Employee – 3.5% Or Employer – 7.5% Employee – 5.5%
Nebraska State Colleges 1964	Employer – 7.5% Employee – 6%

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Nebraska State Colleges 1964	Employer – 7.5% Employee – 6%

Nebraska Community Colleges 1964	Employer - 5.50%, 6.50%, 7.50% Employee – 5.50%, 6.50%, 7.50%
University of Nevada System 1972	Employer – 10% Employee – 10%
New Mexico Alternate Retirement Plan 1991	Employer – 8.60% Employee – 7.6%
North Dakota University System 1964 (Single Plan)	**Class I** – Teaching and research faculty with ranks of professor or associate professor, research personnel with equivalent rank, and executive and administrative staff. **Class II** – Teaching and research faculty with ranks of assistant professor or instructor, research personnel and lecturers with equivalent rank, and professional staff. **Class I:** Years of Service / Institution's Contribution / Your Contribution < = 10 / 9.5% of salary / 1.5% of salary > 10 / 10.0% / 2% **Class II:** Years of Service / Institution's Contribution / Your Contribution < 3 / 4.5% / 0.5% < = 10 / 9.5% / 1.5% > 10 / 10.0% / 2.0%
Oregon State System Of Higher Education 1967 (amended 1996)	**PERS I** Employer – 9.49% Employee – 6% **PERS II** Employer – 8.52% Employee – 6% (amended 1996)
Oregon Health Sciences University 1996	As of 7/2001 Employer – 12%
Texas ORP 1968	Faculty, Admin, and Professional Employer – 6% Employee – 6.65%
Utah System of Higher Education 1923	Employer – 14.2% Employee – 0%

Washington State Institutions of Higher Education 1939	**Age < 35:** Employer – 5% Employee – 5% **Age 35 – 50:** Employer – 7.5% Employee – 7.5% **Age 50 and above:** Employer – 10% Employee – 10%
Wyoming ORP – 1970	Employer – 11.25% Employee – 0%

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