



Montana Legislative Services Division
Office of Research and Policy Analysis

March 19, 2007

TO: House State Administration Committee
FROM: Sheri Heffelfinger
RE: Summary, HB 63 (Musgrove), Actuarially Fund TRS

Current situation in TRS (as of July, 1 2006, valuation)

Active Members:	18,099
Benefit Recipients:	11,019
Number of Employers	379
Liabilities minus assets	\$863,100,000
Employee contribution	7.15%
Employer contribution	<u>7.47%</u>
	14.73%
Normal cost of benefits	10.37%
Amt. to unfunded liability	4.36%
Years to amortize	does not amortize (goal: 30 years)
Funded ratio	76% (TRS Board's goal: 85%)
Est. cost to make sound (30-yr amortization)	3.38% of contributions

HB 63 proposes:

- (1) Increased employer contributions - 2.38% total
- (2) Reduced risk of future increases in normal cost of benefits (improve funded ratio)
- (3) Cash infusion from general fund
- (4) Other changes that affect TRS

(over)

Summary: House Bill No. 63 (Musgrove)

- Increase employer contribution: 2.38% total, phased in, 2 bienniums
 - July 1, 2007: 2.0% increase
 - July 1, 2009: 0.38% increase

*Note: Supplemental state contribution rate would offset increased costs for school district and community colleges
- Reduce risk of future increases in normal costs (i.e., improve funded ratio)
 - Add a policy statement to the intent statement in section 19-20-102, MCA
 - Change definition of "full-time" and "part-time" service (effective immediately)
 - Clarify maximum compensation for retiree still working (effective immediately)
- Appropriations:
 - \$100 million cash from GF to Pension Fund (immediate effective date)
 - About \$14 million to implement state contribution and employer rate increase
- Other
 - Allow TRS board to establish a regular interest rate that is less than 4%
 - Remove TRS board's ability to raise GABA to maximum of 3% (currently 1.5%)
 - Increase MUS supplemental contribution rate for ORP to TRS by 0.68%

Technical notes:

*Sponsor amendment (**HB006301.ash**) provides additional language to clarify the proposed changes to the maximum compensation that may be earned by a retiree continuing to work

Appropriation amounts in HB 63 need to be amended to conform with #2 Fiscal Note (see **HB006302.ash)

- end -

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