



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2017 Biennium

Bill # HB0059

Title: Increase university system supplemental contribution to TRS

Primary Sponsor: Lynch, Ryan

Status: As Introduced

Retirement Systems Affected:

<input checked="" type="checkbox"/> Teachers	<input type="checkbox"/> Public Employees	<input type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input type="checkbox"/> Sheriffs	<input type="checkbox"/> Firefighters	<input type="checkbox"/> Volunteer Firefighters	<input type="checkbox"/> Game Wardens
			<input type="checkbox"/> Judges

- 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, 2014 Current System	July 1, 2014 With Changes	Increase/ (Decrease)
Dollar Amounts in Thousands			
Present Value of Actuarial Accrued Liability	\$5,191,069	\$5,191,069	\$0
Present Value of Actuarial Assets	\$3,397,436	\$3,397,436	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,793,633	\$1,793,633	\$0
Amortization Period (years) of UAAL	28.00	24.00	(4.00)
Change in normal costs	9.13%	9.13%	0.00%

	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016	FY 2018 July 1, 2017	FY 2019 July 1, 2018
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	8.57%	8.67%	8.77%	8.87%	8.97%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	19.21%	19.31%	19.41%	19.51%	19.61%
MUS Supplemental Employer Ra	4.72%	9.75%	9.75%	9.75%	9.75%

FISCAL SUMMARY

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Expenditures:				
General Fund - MUS	\$6,811,488	\$7,083,948	\$7,367,306	\$7,661,998
Other - MUS Tuition/Restricted	\$4,552,356	\$4,734,450	\$4,923,828	\$5,120,782
Other - TRS Pension Trust	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other - MUS Tuition/Restricted	\$0	\$0	\$0	\$0
Other - TRS Pension Trust	\$11,363,845	\$11,818,398	\$12,291,134	\$12,782,780
Net Impact-General Fund Balance:	(\$6,811,488)	(\$7,083,948)	(\$7,367,306)	(\$7,661,998)

Description of fiscal impact:

Pursuant to §19-20-621, MCA, the supplemental employer contribution rate made by the Montana University System (MUS) employers must increase from 4.72% to 9.75% in order to amortize their share of TRS unfunded liabilities following legislation to close TRS to new entrants in the university system. By law, MUS' obligation to TRS must be fully amortized by July 1, 2033. If HB 59 is passed and approved, the period to amortize the overall TRS unfunded liabilities will decrease from 28 to 24 years.

FISCAL ANALYSIS

Assumptions:

1. The university system supplemental contribution to TRS is based on the total compensation of employees participating in the Montana University System Retirement Program (MUS-RP).
2. The MUS-RP grows at a higher rate than the normal growth in salaries due to the requirement that all newly hired faculty and certain professional staff of the MUS must join the MUS-RP. When MUS staff members in TRS retire, they are replaced by staff that are required to enroll in the MUS-RP.
3. The MUS Current Unrestricted Fund (CUF) salary data is from the Montana Budgeting and Reporting System (IBARS). The balance of MUS salaries is paid from tuition and other sources.
4. Approximately 74% of MUS academic salaries are funded by the CUF. The MUS CUF is funded at 81% state general fund, with the remainder coming from tuition and other sources.

MUS Salary Data	2016	2017	2018	2019
CUF	\$167,181,809	\$173,869,081	\$180,823,844	\$188,056,798
Tuition and Other Sources	\$ 58,739,554	\$ 61,089,137	\$ 63,532,702	\$ 66,074,010
Total Salary Data	\$225,921,363	\$234,958,218	\$244,356,546	\$254,130,808

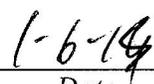
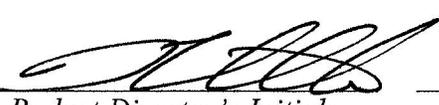
5. HB 59 increases the required university system supplemental employer contribution rate from 4.72% to 9.75% of salaries of all MUS employees participating in Montana University System Retirement Program (MUS-RP).
6. Salaries of MUS TIAA-CREF members are assumed to increase by 4% per year.
7. The increase in the required contribution rate is primarily attributed to failure to adopt prior recommended supplemental employer contribution rate increases.

8. The impact presented in the fiscal note assumes that this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.
9. All calculations are based on the July 1, 2014 actuarial valuation.
10. The actuarial valuations and experience studies are available on the TRS website: <https://trs.mt.gov/TrsInfo/NewsAnnualReports>

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits - MUS	\$11,363,845	\$11,818,398	\$12,291,134	\$12,782,780
TOTAL Expenditures	<u>\$11,363,845</u>	<u>\$11,818,398</u>	<u>\$12,291,134</u>	<u>\$12,782,780</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$6,811,488	\$7,083,948	\$7,367,306	\$7,661,998
Other - MUS Tuition/Restrict	\$4,552,356	\$4,734,450	\$4,923,828	\$5,120,782
Other - TRS Pension Trust	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$11,363,844</u>	<u>\$11,818,398</u>	<u>\$12,291,134</u>	<u>\$12,782,780</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - MUS Tuition/Restrict	\$0	\$0	\$0	\$0
Other - TRS Pension Trust	\$11,363,844	\$11,818,398	\$12,291,134	\$12,782,780
TOTAL Revenues	<u>\$11,363,844</u>	<u>\$11,818,398</u>	<u>\$12,291,134</u>	<u>\$12,782,780</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(6,811,488)	(7,083,948)	(7,367,306)	(7,661,998)
Other - MUS Tuition/Restrict	(4,552,356)	(4,734,450)	(4,923,828)	(5,120,782)
Other - TRS Pension Trust	11,363,844	11,818,398	12,291,134	12,782,780

Long-Term Impacts:

1. The MUS supplemental employer contribution rate increase will amortize the past service liabilities of the TRS University System members by July 1, 2033, as required by 19-20-621, MCA.

			
_____ Sponsor's Initials	_____ Date	_____ Budget Director's Initials	_____ Date