GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2017 Biennium

Bill #	SB0074

Title:	Revise PERS employer contribution laws for the Montana State University System

Primary Sponsor:	Moe, Mary Sheehy

Status:	As Introduced

Retirement Systems Affected: ☐ Teachers ☑ Public Employees ☐ Highway Patrol ☐ Police ☐ Sheriffs ☐ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ 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?

PERS	July 1, 2014 Current System	July 1, 2014 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	$6,177,504,549	$6,177,504,549	$0
Present Value of Actuarial Assets	$4,595,805,330	$4,595,805,330	$0
Unfunded Actuarial Accrued Liability (UAAL)	$1,581,699,219	$1,581,699,219	$0
Less: PCR-UAL	$5,903,188	$5,903,188	$0
Net Unfunded Liability	$1,575,796,031	$1,575,796,031	$0
Amortization Period (years) of UAAL	29.30	29.30	0.00
Change in normal costs	11.63%	11.63% *	0.00%

* Changes would only be realized in future years

PERS	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	7.90%	7.90%	7.90%	7.90%	7.90%
State & Univ. Contribution Rate	8.27%	8.37%	8.47%	8.57%	8.67%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Local Gov Contribution Rate	8.17%	8.27%	8.37%	8.47%	8.57%
State Contribution Rate	0.10%	0.10%	0.10%	0.10%	0.10%
State Contribution Rate	7.90%	8.00%	8.10%	8.20%	8.30%
State Contribution Rate	0.37%	0.37%	0.37%	0.37%	0.37%
TOTAL Contribution Rate	16.17%	16.27%	16.37%	16.47%	16.57%

FISCAL SUMMARY

	FY2016 Difference	FY2017 Difference	FY2018 Difference	FY2019 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact: Under current law, a contribution equal to 1% of the compensation of members of Public Employees' Retirement System Defined Contribution Retirement Plan (PERS-DC) is made to Public Employees' Retirement System Defined Benefit Plan (PERS-DB) for purposes of reducing the unfunded actuarial liability (UAL). These contributions to PERS-DB are temporary and will no longer be paid to PERS-DB when the elimination of these and other temporary contributions would result in an amortization period of the UAL of less than 25 years. With SB 74, these contribution rates also would apply to the compensation of Montana University System Optional Retirement Program (MUS-ORP) members.

Under current law the total contributions going to the Plan Choice Rate Unfunded Actuarial Liability (PCR-UAL) are 2.37% of PERS-DC and MUS-ORP compensation, plus temporary contributions of 0.27% of such compensation, which was to be increased by 0.1% of compensation each year starting at July 1, 2014 (until a total additional increase of 1.27% was reached) These contributions are temporary and will no longer be paid to PERS-DB when the elimination of these and other temporary contributions would result in an amortization period of the UAL of less than 25 years. Under current law, the annual increases of 0.1% apply only to PERS-DC and not to MUS-ORP. Under SB 74, the same contribution rates toward the PCR-UAL contributed from PERS-DC would also be contributed from MUS-ORP. SB 74 does not change the employer contribution rate but changes the allocation of the contribution rate.

FISCAL ANALYSIS

Assumptions:

1. The calculations are based upon the data, actuarial methods and assumptions as were used in the actuarial valuation as of June 30, 2014.
2. The actual results are dependent upon future experience conforming to the assumptions.
3. The number of active plan members will remain constant from the June 30, 2014 actuarial valuation.
4. Total payroll increased by 4%.
5. Plan assets will earn 7.75%.
6. The fiscal impact assumes this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.
7. There have been no adjustments for actuarial gains and losses or for changes in membership or financial data since the last valuation as of June 30, 2014.
8. SB 74 would cause an increase in the contributions being made to PERS-DB, however the amount is very small in comparison to the overall contributions currently being made to PERS-DB and would have no material impact on the projected funded status of PERS-DB or upon the amortization periods for the unfunded actuarial liability.
9. With regard to the PCR-UAL, the current contributions are expected to bring the PCR-UAL to zero just prior to the end of the fiscal year ending June 30, 2016.
10. SB 74 would cause the PCR-UAL to be paid off only marginally earlier within that fiscal year.
11. SB 74 does not change the amount of contributions to PERS-DC Disability.
12. SB 74 does not impact the contributions paid by employers.

Technical Notes:

1. The 2013 legislature increased PERS employer contribution by 1% starting July 1, 2013 and 0.1% each fiscal year thereafter through FY 2024. For PERS-DC members, that additional contribution is allocated to the DB-UAL. The allocation of the additional contributions was not addressed for MUS-ORP DC members. The Public Employees' Retirement Board (PERB) adopted ARM 2.43.3601 directing the MUS-ORP DC member contributions to the PERS-DB trust fund for the time being. However, starting July 1, 2014, the PERB would like the additional contributions to go into the DCRP member's account rather than funding the DB-UAL.

Mary S. Moe — *Sponsor's Initials*

1-6-2015 — *Date*

Budget Director's Initials

1/5/15 — *Date*