FUNDING ANALYSIS OF PENSION SYSTEMS

The following details the costs and allocation by fund type for two scenarios:
The majority of this section focuses on scenarios 1 and 2 due to the complexity of government funding.

1) Meet the actuarial required contribution[1] (ARC) funding with employer contributions; and
2) Provide one-half the required ARC funding with employer contributions.

The complexity associated with addressing the ARC through employer contributions varies for the different levels of government. The impacts on four levels of government are summarized in this section. The four levels are:

- State agencies
- Local governments, including the community colleges
- School districts
- The Montana University System (MUS)

Funding Requirements

Note that the analysis in this section is based on the assumption that the ARC as shown in the actuarial valuations is based only on the defined benefit members of each system. This assumption appears valid based on how the actuarial valuation tables are presented. Under this assumption, the FY 2014 ARC costs in the following tables have been uniformly reduced to eliminate the impacts of participants in the deferred compensation retirement system. This methodology results in small inaccuracies in the allocation of cost increases among the various funding sources for state agencies. Discussion with the actuaries is needed to confirm the accuracy of this assumption.

The following figure shows the projected increases in employer contributions for each of the impacted retirement plans that would be required to fully fund the ARC shortfall, as discussed in the December 2011 LFC Pension report.

Estimated Required Additional funding meet the ARC gap
By Retirement Plan
FY 2014

Plan	Increase	Source of Estimate
Teachers Retirement System (TRS)	4.63%	Actuarially Estimated
Public Employees Retirement System (PERS)	5.45%	FY 2011 Actuarial Valuation
Sheriffs Retirement System (SRS)	4.33%	FY 2011 Actuarial Valuation
Game Wardens Retirement System	2.82%	FY 2011 Actuarial Valuation
Highway Patrol Retirement System	2.38%	FY 2011 Actuarial Valuation
MUS Optional Retirement Plan (ORP)	3.82%	TRS Estimate

[1] Annual required contribution (ARC) as discussed in this report represents the amount needed on an annual basis stated in term of a percent of payroll to fund estimated benefit accrual for current employees/retirees and pay down the unfunded liabilities over 30 years. The shortfall or gap in the ARC is the difference between current contribution levels and the amount needed to meet the ARC. Note that this ARC definition is based on current GASB guidelines as adopted by the pension boards. The GASB definitions are changing, but do not necessarily impact pension board funding policy.

The breakdown of the funding requirements is estimated, based on covered payroll, as the following:

Total Allocation of Costs to Fund ARC Shortfall in FY 2014
Entire or One-Half Employer Contribution
In Millions

Entitiy	General Fund	SSR	Federal	Local/Other*	Proprietary	Current Unrestricted	Total
Entire Employer							
State Agencies	$13.9	$10.9	$6.9	$0.0	$1.4	$0.0	$33.1
Local Governments/Community Colleges**	0.0	0.0	0.0	26.0	0.0	0.0	26.0
School Districts	11.1	0.0	5.3	28.5	0.0	0.0	44.9
Montana University System*	5.7	0.0	0.0	0.0	0.0	6.2	11.9
Total	$30.7	$10.9	$12.2	$54.5	$1.4	$6.2	$115.9

Entitiy	General Fund	SSR	Federal	Local/Other	Proprietary	Current Unrestricted	Total
One-Half Employer							
State Agencies	$7.0	$5.5	$3.5	$0.0	$0.7	$0.0	$16.6
Local Governments/Community Colleges	0.0	0.0	0.0	13.0	0.0	0.0	13.0
School Districts	5.6	0.0	2.7	14.3	0.0	0.0	22.5
Montana University System*	2.9	0.0	0.0	0.0	0.0	3.1	6.0
Total	$15.4	$5.5	$6.1	$27.2	$0.7	$3.1	$58.0

*Does not include funding from non-current unrestricted funds such as research grants and auxilliary funds totaling $5.2 million for entire employer contributoin and $2.6 million for half.
**Community colleges include $11,641 in general fund for the state's PERS and TRS subsidy.
Note: The FY 2014 ARCshortfall costs have been uniformly reduced to eliminate the impacts of participants in the deferred compensation retirement system. The methodology results in small inaccuracies in the cost increases in the allocation of costs among the various funding sources for state government agencies.

State Agencies

The figure to the right shows the approximate breakdown of costs to state government agencies to fund all or one-half of the ARC with employer contributions.

State Agencies Allocation of Costs
Funding ARC gap with Employer Contributions
FY 2014 In Millions

Source	Entire Employer	One-Half Employer
General Fund	$13.90	$6.95
State Special Revenue	10.90	5.45
Federal Revenue	6.90	3.45
Proprietary	1.40	0.70
Other*	0.00	0.00
Total	$33.1	$16.6

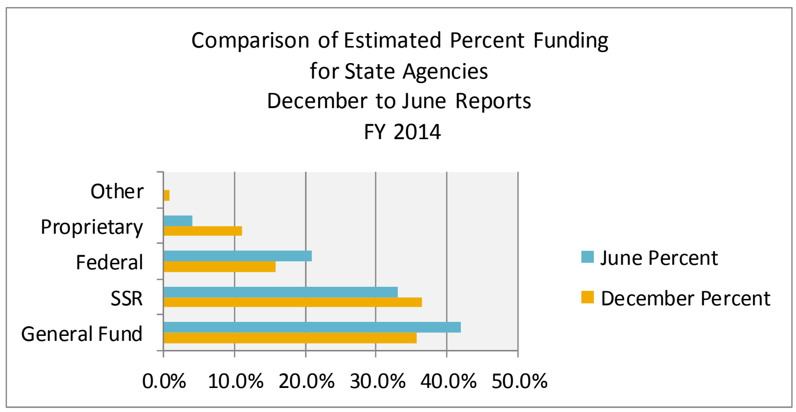
*Includes a small amount of current unrestricted funds in the Commissioner of Higher Education.
Note: The FY 2014 ARC costs have been uniformly reduced to eliminate the impacts of participants in the deferred compensation retirement system. The methodology results in small inaccuracies in the cost increases in the allocation of costs among the various funding sources.

The breakdown of costs in the December 2011 report, which was based on expenditures in FY 2011, differs from this analysis for a number of reasons.

- Some state special revenue and/or proprietary funds automatically interact with general fund. Therefore, the increase in funding is shown as coming directly from the general fund. Among the funds in this category are:
  - Lottery proceeds – fund balance reverts to the general fund
  - Liquor revenues – fund balance reverts to the general fund
  - Trust Lands Management Division in the Department of Natural Resources and Conservation – funds deposited to this account are distributable revenue derived from state trust lands, the remainder of which is used in large part to offset general fund in K-12 education and certain state institutions, as well as debt service in the MUS, as directed by statute

- Insurance and security fee accounts in the Office of the State Auditor – fund balance reverts to the general fund
- Earmarked alcohol funds – funds are a direct replacement of general fund in several programs
- Certain types of proprietary funds are funded through assessments on other sources of funding either within a single agency or across state government. Therefore, these costs were allocated among those sources, since any increase in those proprietary funds would be funded through additional charges to the other funding sources

The graphic illustrates the approximate change in funding percentages from the December 2011 LFC pension report[2] to the new estimated allocations. In this more detailed analysis, general fund absorbs the additional costs of those funds listed above that interact directly with general fund, and general fund, state special revenue, and federal funds absorb the additional costs of certain proprietary funds.



State Special Revenue (SSR)

The next figure shows the largest state special revenue sources for pension costs. Please note that there are over 250 SSR funds that funded pension contributions in FY 2011. This analysis did not examine each one. However, numerous functions of state government depend in whole or in large part on SSRs for funding, and the actual impact of an increase in employer contribution would vary significantly from function to function.

In determining the final result of the increase in costs to state agencies, an SSR fund may not be able to absorb the entire increase within current expenditures and/or revenue sources. Consequently, additional costs would result in either:

1) Increases in charges to current payers;
2) Reductions in some aspect of operations; and/or
3) Replacement of all or a portion with some other revenue source, including general fund.

In addition, while other funds may be able to absorb this increase within current revenues, there would be an impact on either operations or some other factor.

Major State Special Revenue Sources of Pension Funding
Estimated FY 2014 Costs with Additional Employer Contribution
In Millions**

Source	Entire Employer	One-Half Employer
Highways Special Revenue	$4.77	$2.38
General License (FWP)	1.08	0.54
Trust Lands Management Division* (DNRC)	0.46	0.23
Employment Security Account (DOLI)	0.39	0.20
Workers' Comp Regulation (DOLI)	0.18	0.09
Insurance Fee Account	0.17	0.09
State Parks Miscellaneous (FWP)	0.17	0.08
Building Codes	0.15	0.08
Air Quality Operating Fees (DEQ)	0.14	0.07
Earmarked Alcohol Funds*	0.14	0.07
Natural Resouces Operations	0.14	0.07
Public Service Commission	0.13	0.06
Water Adjudication (DNRC)	0.12	0.06
Livestock Per Capita (DOLI)	0.12	0.06

*Direct general fund impact.
**Includes contributions for defined contribution plans.

The following figure shows the largest state special revenue sources. The following highlights the largest.

- Highways special revenue, which is used both for direct expenditures on maintenance and limited construction and as match for federal funds, could absorb the cost and allow the fund to remain within current revenues. However, any additional costs would mean less available for matching federal funds
- The general license account would also be able to absorb the increase. The Department of Fish, Wildlife and Parks (FWP) times its fee adjustments to collect more revenue than expended in the first several years and then draw

[2] http://leg.mt.gov/css/fiscal/LFC-Pensions.asp

down the resulting fund balance before requesting a fee increase from the legislature. This increase would hasten the time period for an adjustment in fees but it is not known by how much, as many other factors would influence that decision

- Trust Lands Management Division funding could absorb the increase. However, because funds not used for this purpose primarily offset general fund in K-12 education (with additional offsets in certain state institutions and the MUS), there would be a direct impact on general fund
- The employment security account funds a number of functions in the Department of Labor and Industry. The fund could likely absorb the increase, but would possibly impact the timing of a planned large information system replacement

Federal Revenue

In FY 2011, federal funds provided almost 14% of total non-MUS pension contributions of state agencies[3]. The following figure shows the largest funding sources.

Major Federal Sources of Pension Funding
Estimated FY 2014 Costs with Additional Employer Contribution
In Millions*

Source	Entire Employer	One-Half Employer
Highway Trust Fund	$1.71	$0.86
DPPHS Indirect Activity Program 2	0.39	0.20
Federal Fish and Wildlife Grants	0.41	0.20
Unemployment Administration	0.67	0.34
DPHHS Indirect Activity Program 3	0.35	0.18
DPHHS Child Support	0.26	0.13
Public Instruction (K-12 Education)	0.28	0.14
National Guard	0.25	0.13
Wagner Peyser (Labor and Industry)	0.21	0.10
EPA	0.17	0.09
Medicaid Administration	0.17	0.08
Miscellaneous Federal Funds FWP	0.18	0.09
Employment Training Grants	0.15	0.08

*Includes contributions for defined contribution plans.

Key issues in examining federal funds for potential impact are:

1) Is the amount received by the state a set grant amount, or is the amount based upon some other factor such as a percent of total expenditures that will automatically change as state costs change?
2) Have federal funds been sufficient to fund current operations, and have the federal funds been keeping up with other program cost increases?
3) What is the short and long-term outlook for receipt of the funds?

This analysis does not analyze each federal funding source to determine whether there are serious issues as to availability of funds to absorb an additional pension cost. However, there are several general issue points that will impact numerous agencies. The issue that must be examined on a case-by-case basis is whether, and to what degree, there will be pressure to either reduce service levels or to replace federal funds with general fund or some other state source to maintain service levels.

- The federal highways funding is essentially a set amount. As costs of each project rise due to any increases in personal services, it leaves less money for other projects. The amount of the increase for pensions would be extremely small compared to the total
- DPHHS indirect activity is a charge made to various funding sources within the department. For those charges to Medicaid administration, the funding source will keep up with increased costs as the amount provided is based on a set percentage of allowed expenditures. However, many grants and other federal funding sources in DPHHS are set grant amounts
- Many other federal funding sources are fixed amounts, and therefore the question of whether they can absorb additional personal services costs is questionable and would have to be examined on a case by case basis. In addition, deficit reduction actions on the federal level mean that many federal funds will in fact be reduced from previously anticipated levels, giving rise to further doubt whether the sources would be sufficient and the potential impact on operations

[3] The reason for the large discrepancy from total federal funding of state government (about 41% in the 2013 biennium) is because most federal funding is for Medicaid benefits that have no direct personal services funding and for transportation funding, which is primarily expended through contracts.

Local Governments

ARC Increase and Costs		
	ARC Increase	FY 2014 ARC Cost
City/Town PERS	5.45%	$7,159,487
County PERS	5.45%	12,650,897
County SRS	4.30%	2,642,628
Political Subdivisions	5.45%	2,507,641
Total		$24,960,654

Note: The FY 2014 ARC costs have been uniformly reduced to eliminate the impacts of participants in the deffered compensation retirement system.

The ARC shortfall rates applicable to local governments and total associated costs are in the figure on the right. This analysis separates political subdivisions from the county data as provided in the December pension report to provide a more accurate cost related to county governments. The cost increases for FY 2014 are based on FY 2011 PERS wage data (excluding participant wages for the defined contribution plan) and are increased by wage growth of 4.25%. Cost increases attributable to political subdivisions will be discussed following the city/town and county analysis.

The figure on the following page illustrates the impact to city/town and county governments of increased employer contributions to fund the ARC shortfall for PERS and the Sheriff's Retirement System (SRS). Extrapolating the cost of the ARC to each of these entities based on the 2011 wages, the costs to cities/towns in FY 2014 would be about $7.2 million and the new costs to counties, including the increased costs related to the SRS, would be about $15.3 million in FY 2014. If the costs of the ARC were funded partially (50%) with increased employee contributions, costs to the local governments would amount to approximately $3.6 million for city/towns and the $7.7 million for county governments.

Local governments would have the option of financing the increase with some combination of increased service fees, property tax levies, and/or absorbing the additional cost within existing resources.

- Increased service costs – While there is variation among local governments, as much as 50% of public employee personal service costs in city/town and county governments are funded through service fees, such as water, sewer, and solid waste fees. Such fees may need to be increased to accommodate the increased costs of funding the ARC.
- Property tax increases - If the ARC shortfall was entirely funded with property taxes, by FY 2014 the property taxes for cities/towns would increase by 5.12% and counties by 4.76% when compared to property taxes levied in FY 2011. This analysis is based on averages, so the costs to each community will be different. However, local governments are limited to property tax increases of one-half of the average prior three years' rate of inflation without a vote of the people per 15-10-420, MCA. In FY 2013, local governments will be limited to property tax increases of 1.2%. Under this provision, local governments might need to take property tax increases to the voters for any pension cost increases in excess of the limit.
- Local governments may be able to absorb some increased cost

If the cities and counties were unable to absorb the increased costs of meeting the ARC[4] and property taxes are not approved to offset the cost increase, then it is likely that local governments would reduce the public employee workforce.

[4] Annual required contribution (ARC) as discussed in this report represents the amount needed on an annual basis stated in term of a percent of payroll to fund estimated benefit accrual for current employees/retirees and pay down the unfunded liabilities over 30 years. The shortfall or gap in the ARC is the difference between current contribution levels and the amount needed to meet the ARC. Note that this ARC definition is based on current GASB guidelines as adopted by the pension boards. The GASB definitions are changing, but do not necessarily impact pension board funding policy.

Local Government Costs to Fund the ARC

Estimated Cost Increase for FY 2014 Compared to Property Taxes Levied in FY 2011

	Total Change in Contributions				FY 2011 Property Tax Increase to Fund Entire ARC	
County Name	City	County	Sheriffs	Total County	City	Total County
Beaverhead	$37,514	$127,543	$22,834	$150,377	4.75%	5.45%
Big Horn	60,556	206,390	37,308	243,698	17.12%	13.02%
Blaine	43,769	129,679	19,739	149,418	9.07%	6.64%
Broadwater	16,160	75,023	32,895	107,918	12.94%	5.24%
Carbon	55,818	141,353	22,280	163,633	5.76%	4.07%
Carter	2,798	37,093	7,099	44,192	4.14%	3.20%
Cascade	933,559	721,995	194,484	916,478	7.00%	5.38%
Chouteau	28,964	109,543	22,159	131,702	5.34%	4.19%
Custer	118,045	123,259	22,882	146,141	8.69%	4.95%
Daniels	11,254	45,120	6,533	51,654	*	3.76%
Dawson	77,907	179,058	80,036	259,094	6.76%	8.25%
Deer Lodge	0	160,740	8,342	169,082	0.00%	7.46%
Fallon	28,562	144,419	14,425	158,844	6.83%	4.24%
Fergus	80,019	137,320	26,486	163,805	5.62%	5.15%
Flathead	640,151	914,718	230,760	1,145,478	6.40%	3.70%
Gallatin	793,920	781,660	217,587	999,247	4.77%	4.25%
Garfield	0	49,035	3,395	52,430	0.00%	3.96%
Glacier	63,069	140,570	34,025	174,595	11.62%	3.40%
Golden Valley	1,208	12,876	3,025	15,900	4.40%	2.57%
Granite	14,351	57,843	12,340	70,182	7.08%	3.38%
Hill	128,711	180,981	39,580	220,560	8.05%	4.48%
Jefferson	14,559	172,481	42,994	215,475	5.32%	5.18%
Judith Basin	2,518	42,135	7,695	49,830	4.96%	3.87%
Lake	8,277	259,025	87,921	346,946	0.52%	3.25%
Lewis & Clark	591,016	822,494	176,837	999,330	6.51%	4.64%
Liberty	12,872	59,255	9,591	68,846	12.11%	4.27%
Lincoln	82,980	254,880	66,404	321,284	13.33%	7.75%
Madison	27,336	303,242	30,284	333,526	6.32%	4.43%
McCone	5,841	50,602	7,470	58,071	3.94%	3.65%
Meagher	7,587	44,283	8,505	52,789	5.62%	3.54%
Mineral	12,117	68,680	15,138	83,818	5.70%	5.22%
Missoula	612,721	1,460,714	294,270	1,754,984	2.49%	5.85%
Musselshell	20,571	67,102	18,133	85,235	9.36%	4.26%
Park	138,805	160,858	48,359	209,217	6.06%	5.16%
Petroleum	2,650	11,230	1,834	13,064	10.49%	6.46%
Phillips	27,384	93,099	17,271	110,370	9.32%	9.56%
Pondera	47,725	75,132	24,211	99,343	12.64%	3.96%
Powder River	8,159	119,532	7,116	126,648	14.84%	9.08%
Powell	26,351	79,078	19,520	98,598	7.54%	4.96%
Prairie	5,551	36,872	5,108	41,980	6.69%	4.76%
Ravalli	97,232	352,088	104,527	456,616	4.63%	4.68%
Richland	78,206	279,564	45,896	325,461	12.75%	6.98%
Roosevelt	68,177	170,947	25,840	196,787	13.32%	4.55%
Rosebud	96,629	145,120	40,404	185,523	0.83%	6.44%
Sanders	35,867	151,930	29,192	181,122	6.73%	5.25%
Sheridan	20,196	127,642	15,547	143,189	4.94%	9.68%
Silver Bow	0	926,337	42,114	968,451	0.00%	4.91%
Stillwater	32,289	129,385	16,237	145,623	4.20%	3.94%
Sweet Grass	15,648	199,061	13,400	212,461	5.53%	7.59%
Teton	26,004	142,842	18,846	161,688	6.77%	7.33%
Toole	47,566	337,293	34,486	371,779	5.69%	13.97%
Treasure	0	23,338	2,454	25,792	0.00%	4.21%
Valley	52,188	124,938	22,970	147,907	5.91%	4.68%
Wheatland	9,706	33,297	14,608	47,905	7.92%	2.70%
Wibaux	5,178	49,072	5,544	54,615	10.26%	9.49%
Yellowstone	1,783,246	801,134	263,688	1,064,822	6.05%	2.78%
Grand Total	$7,159,487	$12,650,897	$2,642,628	$15,293,525	5.12%	4.76%

NOTE: Property Tax Increase is based on dollar changes resulting from the total change in contributions.

*Property tax values for the city/towns in Daniels County were not available at the time of this report.

Political Subdivisions

As defined in Title 2, Chapter 7, part 501, MCA, local governments are allowed to form political subdivisions for special activities. In FY 2011, 110 political subdivisions from 36 counties participated in PERS and have ownership in the unfunded liability. These entities include airport authorities, water/sewer/irrigation districts, and conservation districts, just to name a few. In the figure to the left, political subdivisions are presented by county, but the unfunded liability associated with these entities is not a direct obligation of the county. By FY 2014, the ARC costs are expected to be approximately $2.5 million. Fee based political subdivisions (airports, water, sewer, solid waste) may increase fees and service charges to cover pension costs and with the approval of county commissioners and the voters the entities could levy mills to fund the increased cost. However, if mills are levied, the increases would fall under the property tax increase limitation provisions of 15-10-420, MCA. If the entities are not able to absorb increased costs, service reductions would be required.

FY 2014 Political Subdivision Costs to Fund the Arc Based on FY 2011 Wages

County Name	Amount
Blaine	$1,664
Cascade	124,460
Chouteau	651
Custer	1,726
Dawson	9,328
Deer Lodge	18,560
Fallon	17,814
Fergus	1,324
Flathead	249,574
Gallatin	134,635
Glacier	2,034
Granite	108,859
Hill	4,128
Judith Basin	687
Lake	14,894
Lewis & Clark	173,738
Liberty	1,537
Lincoln	4,034
Madison	852
Missoula	304,031
Musselshell	583
Park	17,837
Petroleum	3,851
Phillips	21,500
Pondera	35,972
Powell	26,387
Prairie	48,277
Ravalli	24,857
Richland	27,616
Roosevelt	16,770
Sanders	1,704
Sheridan	649
Silver Bow	144,087
Teton	56,819
Treasure	1,361
Valley	13,921
Wheatland	640
Yellowstone	890,278
Grand Total	$2,507,641

Community Colleges

The estimated cost to fund the entire ARC shortfall for the three community colleges located at Glendive, Miles City, and Kalispell is $1.0 million for FY 2014. With the exception of a statutory general fund subsidy of 0.10% for PERS and 2.49% for TRS of covered payroll, each of the community colleges has a mandatory retirement levy that pays for the employer contributions from the current unrestricted portion. The analysis assumes no change in the state subsidy, although the legislature could choose to increase it. The figure below shows the impact on the community college levy if the entire shortfall was funded from that source.

Estimated Mills to Fund 100% Employer Contribution Community Colleges FY 2014

Function	Dawson	Flathead	Miles City
ARC Amount	$148,944	$713,750	$166,048
Community College District 2011 Mill Values	16,229	238,940	16,009
Estimated Mills to Fund ARC Shortfall	9.700	3.195	10.711

School Districts

As shown in the next figure, the estimated increase in costs to school districts of an increase in PERS and TRS is $44.9 million in FY 2014. Retirement costs in school districts are funded from three main sources:

1) Federal funds (about 11.9% of the total)
2) County mill levies with guaranteed tax base (GTB) from the state
3) Direct statutory appropriation of 0.37% and 2.49% of covered payroll for PERS and TRS, respectively

Costs to School Districts to Fund the ARC Shortfall Employer Contributions, Only In Millions

Fund Source	FY 2014	FY 2015
General Fund	$11.1	$11.6
Federal Fund	5.3	5.6
County Levies	28.5	29.7
Total	$44.9	$46.9

For purposes of this report, no increase in the statutory appropriation was assumed. However, the legislature could change the statutory appropriation to provide more direct general fund for this purpose.

If school levies are used to fund the entirety of the increase in employer contributions, with a continuation of the statutory state GTB payment, the allocation of the total would be the following:

By County Impact on Property Tax Mils of Increasing
Employer Contributions to TRS and School-Based PERS
Based on FY 2011 Property Tax Data & FY 2011 Contributions

County	Local TRS Contrib.	Local PERS Contrib.	Totals Mils	Net Taxable Value	Inc. Emp. Contrib.	Mils Req.	% Total Mils
Beaverhead	$310,283	$50,241	$538	$18,194,007	$231,723	12.74	2.37%
Big Horn	537,506	121,499	383	24,579,364	399,580	16.26	4.24%
Blaine	307,836	63,073	500	13,115,420	229,271	17.48	3.50%
Broadwater	123,603	16,366	478	12,557,866	86,408	6.88	1.44%
Carbon	494,446	88,803	481	33,864,106	365,523	10.79	2.25%
Carter	51,748	16,857	359	8,515,285	44,786	5.26	1.47%
Cascade	2,149,969	388,156	597	127,613,147	1,567,644	12.28	2.06%
Chouteau	233,518	65,617	560	20,978,920	193,222	9.21	1.64%
Custer	304,664	32,101	719	15,303,726	207,024	13.53	1.88%
Daniels	86,801	23,266	612	5,601,821	72,447	12.93	2.11%
Dawson	390,387	53,594	664	17,257,428	265,312	15.37	2.32%
Deer Lodge	165,393	25,791	582	11,579,290	123,183	10.64	1.83%
Fallon	246,267	50,156	269	25,673,421	190,441	7.42	2.75%
Fergus	479,892	110,644	570	26,006,159	372,167	14.31	2.51%
Flathead	3,892,748	475,426	548	222,869,620	2,746,252	12.32	2.25%
Gallatin	3,568,344	624,967	537	231,512,819	2,547,196	11.00	2.05%
Garfield	57,785	29,099	519	5,367,368	59,138	11.02	2.12%
Glacier	468,616	109,409	630	22,191,765	359,720	16.21	2.57%
Golden Valley	75,245	13,305	460	5,240,410	54,783	10.45	2.27%
Granite	165,596	21,779	528	10,179,643	109,392	10.75	2.04%
Hill	582,117	192,496	524	30,155,927	491,498	16.30	3.11%
Jefferson	408,436	63,126	559	22,630,865	285,518	12.62	2.26%
Judith Basin	127,591	31,055	427	11,304,039	103,972	9.20	2.15%
Lake	1,133,122	189,080	443	67,643,519	805,034	11.90	2.69%
Lewis & Clark	2,290,919	280,758	685	113,247,370	1,429,416	12.62	1.84%
Liberty	88,779	15,403	499	6,958,282	73,601	10.58	2.12%
Lincoln	438,203	54,895	491	31,148,168	267,613	8.59	1.75%
Madison	344,288	78,885	370	71,238,795	259,567	3.64	0.99%
McCone	99,068	14,011	530	7,260,327	75,036	10.34	1.95%
Meagher	85,793	16,159	474	7,728,304	69,581	9.00	1.90%
Mineral	110,675	13,942	621	9,069,452	71,568	7.89	1.27%
Missoula	3,620,549	510,379	696	191,906,342	2,311,706	12.05	1.73%
Musselshell	170,978	42,706	557	10,487,935	136,238	12.99	2.33%
Park	727,301	123,385	516	37,514,573	482,727	12.87	2.50%
Petroleum	28,626	5,004	505	1,635,744	14,867	9.09	1.80%
Phillips	271,236	56,768	392	16,814,958	217,684	12.95	3.31%
Pondera	270,224	39,829	617	13,238,270	173,308	13.09	2.12%
Powder River	222,695	11,494	608	4,677,281	122,751	26.24	4.32%
Powell	148,715	47,678	464	13,298,377	125,197	9.41	2.03%
Prairie	51,790	12,401	581	3,500,480	41,098	11.74	2.02%
Ravalli	973,854	141,247	485	76,673,023	657,630	8.58	1.77%
Richland	540,200	122,415	360	32,003,105	455,355	14.23	3.95%
Roosevelt	497,957	109,279	538	23,725,702	388,881	16.39	3.05%
Rosebud	802,402	189,925	247	95,326,442	610,598	6.41	2.59%
Sanders	530,541	87,320	419	33,293,690	357,594	10.74	2.56%
Sheridan	227,939	57,624	509	10,360,611	185,271	17.88	3.51%
Silver Bow	813,922	146,146	735	49,086,272	537,503	10.95	1.49%
Stillwater	534,633	241,754	448	27,648,945	513,394	18.57	4.15%
Sweet Grass	267,698	31,958	463	13,484,226	142,866	10.60	2.29%
Teton	292,420	45,056	562	15,732,534	211,309	13.43	2.39%
Toole	274,345	59,252	480	18,911,919	218,994	11.58	2.41%
Treasure	47,229	0	459	3,945,047	26,296	6.67	1.45%
Valley	453,470	110,252	522	23,743,249	348,493	14.68	2.81%
Wheatland	141,004	18,611	419	13,341,396	92,388	6.92	1.65%
Wibaux	64,792	11,744	411	3,692,447	50,199	13.60	3.31%
Yellowstone	6,198,830.56	749,586.20	600.57	283,362,738.00	3,587,014.12	12.66	0.02
Total/Average	$37,992,984	$6,301,768	513.39	$2,253,991,939	$26,166,978	11.61	2.26%

Montana University System

The total additional pension contribution for the Montana University System is approximately $36.2 million for the 2015 biennium.

This total is approximately $2.0 million less than the December 2011 estimate. The December 2011 estimate assumed higher compensation growth in FY 2012 and FY 2013 than what the MUS has estimated will actually occur. This resulted in higher estimated salaries, and therefore higher estimated retirement contribution costs.

Of the additional $36.2 million, approximately 70% of the cost, or $25.5 million, is in the current unrestricted fund, which is the fund in the university system where the state general fund, tuition revenue, and six mill levy are deposited and expended.

- Funding this additional cost would likely be from either the state general fund or tuition rate increases, as the six mill levy is entirely determined by the collections
- If the general fund were to contribute 47% of the total current unrestricted fund, which is the percentage used by the 2011 Legislature, the general fund total would be $12.1 million over the biennium
- If tuition rates were to fund the entire current unrestricted portion of the increase, rates at the university units would need to increase approximately 4.0% each year of the 2015 biennium to generate sufficient additional revenue to cover the potential cost increase. The increase if tuition funded 53% of the total would require a 2.1% increase each year

Section 19-21-101, MCA authorizes the Board of Regents to establish a defined contribution plan for faculty and professional staff hired under a Board of Regents contract. This plan is known as the MUS Optional Retirement Plan (ORP). All new faculty and professional staff hired are now required to belong to the defined contribution plan. However, at the time the plan was implemented in the late 1980's, employees in these positions were allowed to choose to stay in the defined benefit retirement systems (originally just TRS) or switch to the ORP plan. In order to compensate TRS and later PERS for those employees that switched to ORP, the MUS pays a "supplemental contribution" to TRS and PERS of 4.72% and 2.68%, respectively. These employer contribution rates are assumed to increase for the ARC shortfall discussed in this report.