



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2021 Biennium

**Bill #** HB0337

**Title:** Increase university system supplemental contribution to TRS

**Primary Sponsor:** Lynch, Ryan

**Status:** As Introduced

**Retirement Systems Affected:**  Teachers       Public Employees       Highway Patrol       Police  
 Sheriffs       Firefighters       Volunteer Firefighters       Game Wardens       Judges

Check the box if "Yes".

- 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, 2018 Current System	July 1, 2018 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$6,004,434,000	\$6,004,434,000	\$0
Present Value of Actuarial Assets	\$4,094,393,000	\$4,094,393,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,910,042,000	\$1,910,042,000	\$0
Amortization Period (years) of UAAL	31.00	26.00	(5.00)
Change in normal costs	9.96%	9.96%	0.00%

	FY 2019 July 1, 2018	FY 2020 July 1, 2019	FY 2021 July 1, 2020	FY 2022 July 1, 2021	FY 2023 July 1, 2022
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	8.97%	9.07%	9.17%	9.27%	9.37%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
<b>TOTAL Contribution Rate</b>	<b>19.61%</b>	<b>19.71%</b>	<b>19.81%</b>	<b>19.91%</b>	<b>20.01%</b>

**FISCAL SUMMARY**

	<b>FY 2020 Difference</b>	<b>FY 2021 Difference</b>	<b>FY 2022 Difference</b>	<b>FY 2023 Difference</b>
<b>Expenditures:</b>				
General Fund	\$5,763,580	\$5,950,897	\$6,144,301	\$6,343,990
Other-MUS Tuition/Restricted	\$12,733,147	\$13,146,974	\$13,574,250	\$14,015,414
Other - TRS Pension Trust	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Other-MUS Tuition/Restricted	\$0	\$0	\$0	\$0
Other - TRS Pension Trust	\$18,496,727	\$19,097,871	\$19,718,551	\$20,359,404
<b>Net Impact-General Fund Balance:</b>	<b>(\$5,763,580)</b>	<b>(\$5,950,897)</b>	<b>(\$6,144,301)</b>	<b>(\$6,343,990)</b>

**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 11.89% in order to amortize their share of Teachers’ Retirement System (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 337 is passed and approved, the period to amortize the overall TRS unfunded liabilities will decrease from 31 to 26 years.

**FISCAL ANALYSIS**

**Assumptions:**

1. The university system supplemental contribution to TRS is based on the total compensations of employees participating in the Montana University System Retirement Program (MUS-RP).
2. 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 76% of MUS-RP academic salaries are funded by the CUF. The MUS CUF is funded at 41% state general fund with the remainder coming from tuition and other sources.


MUS Salary Data	2020	2021	2022	2023
CUF	\$196,060,147	\$202,432,102	\$209,011,145	\$215,804,008
Tuition and Other Sources	\$ 61,913,731	\$ 63,925,927	\$ 66,003,520	\$ 68,148,634
Total Salary Data	\$257,973,878	\$266,358,029	\$275,014,665	\$283,952,642

5. HB 337 increases the required university system supplemental employer contribution rate from 4.72% to 11.89% 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 3.25% per year.
7. 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.
8. All calculations are based on the July 1, 2018 actuarial valuation.
9. The actuarial valuations and experience studies are available on the TRS website: <https://trs.mt.gov/TrsInfo/NewsAnnualReports>

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Benefits - MUS	\$18,496,727	\$19,097,871	\$19,718,551	\$20,359,404
<b>TOTAL Expenditures</b>	<u>\$18,496,727</u>	<u>\$19,097,871</u>	<u>\$19,718,551</u>	<u>\$20,359,404</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$5,763,580	\$5,950,897	\$6,144,301	\$6,343,990
Other-MUS Tuition/Restrict	\$12,733,147	\$13,146,974	\$13,574,250	\$14,015,414
Other - TRS Pension Trust	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL Funding of Exp.</b>	<u>\$18,496,727</u>	<u>\$19,097,871</u>	<u>\$19,718,551</u>	<u>\$20,359,404</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other-MUS Tuition/Restrict	\$0	\$0	\$0	\$0
Other - TRS Pension Trust	<u>\$18,496,727</u>	<u>\$19,097,871</u>	<u>\$19,718,551</u>	<u>\$20,359,404</u>
<b>TOTAL Revenues</b>	<u>\$18,496,727</u>	<u>\$19,097,871</u>	<u>\$19,718,551</u>	<u>\$20,359,404</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	-\$5,763,580	-\$5,950,897	-\$6,144,301	-\$6,343,990
Other-MUS Tuition/Restrict	-\$12,733,147	-\$13,146,974	-\$13,574,250	-\$14,015,414
Other - TRS Pension Trust	\$18,496,727	\$19,097,871	\$19,718,551	\$20,359,404

**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.

 <hr/> Sponsor's Initials	2-4-19 <hr/> Date	TL <hr/> Budget Director's Initials	2/3/19 <hr/> Date
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