



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2025 Biennium

Bill information:

SB0025 - Increase MUS-RP Supplemental Contribution to TRS (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, 2022 Current System	July 1, 2022 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$6,691,275,000	\$6,691,275,000 [▼]	\$0
Present Value of Actuarial Assets	\$4,724,449,000	\$4,724,449,000 [▼]	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,891,678,000	\$1,891,678,000 [▼]	\$0
Amortization Period (years) of UAAL	25.00	23.00	(2.00)
Change in normal costs	10.87%	10.87%	0.00%

	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	9.37%	9.47%	9.47%	9.47%	9.47%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	20.01%	20.11%	20.11%	20.11%	20.11%

	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:				
General Fund	\$9,202,248	\$9,501,321	\$9,810,114	\$10,128,943
Other-MUS Tuition/Restricted	\$15,682,143	\$16,191,813	\$16,718,047	\$17,261,384
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	\$24,884,391	\$25,693,134	\$26,528,161	\$27,390,327
Net Impact-General Fund Balance:	<u>(\$9,202,248)</u>	<u>(\$9,501,321)</u>	<u>(\$9,810,114)</u>	<u>(\$10,128,943)</u>

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 13.53% 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 SB 25 is passed and approved, the period to amortize the overall TRS unfunded liabilities will decrease from 25 to 22 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 86% of MUS-RP academic salaries are funded by the CUF. The MUS CUF is funded at 43% state general fund with the remainder coming from tuition and other sources.

MUS Salary Data	2024	2025	2026	2027
CUF	\$ 243,321,316	\$ 251,229,259	\$ 259,394,210	\$ 267,824,522
Tuition and Other Sources	\$ 39,134,886	\$ 40,406,769	\$ 41,719,989	\$ 43,075,889
Total Salary Data	\$ 282,456,202	\$ 291,636,029	\$ 301,114,200	\$ 310,900,411

5. SB 25 increases the required university system supplemental employer contribution rate from 4.72% to 13.53% of salaries of all MUS employees participating in MUS-RP.
6. Salaries of MUS-RP 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, 2022 actuarial valuation.

9. The actuarial valuations and experience studies are available on the TRS website:
<https://trs.mt.gov/TrsInfo/NewsAnnualReports>

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits - MUS	\$24,884,391	\$25,693,134	\$26,528,161	\$27,390,327
TOTAL Expenditures	<u>\$24,884,391</u>	<u>\$25,693,134</u>	<u>\$26,528,161</u>	<u>\$27,390,327</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$9,202,248	\$9,501,321	\$9,810,114	\$10,128,943
Other-MUS Tuition/Restrict	\$15,682,143	\$16,191,813	\$16,718,047	\$17,261,384
Other-TRS Pension Trust	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$24,884,391</u>	<u>\$25,693,134</u>	<u>\$26,528,161</u>	<u>\$27,390,327</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other-MUS Tuition/Restrict	\$0	\$0	\$0	\$0
Other-TRS Pension Trust	\$24,884,391	\$25,693,134	\$26,528,161	\$27,390,327
TOTAL Revenues	<u>\$24,884,391</u>	<u>\$25,693,134</u>	<u>\$26,528,161</u>	<u>\$27,390,327</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(9,202,248)	(9,501,321)	(9,810,114)	(10,128,943)
Other-MUS Tuition/Restrict	(15,682,143)	(16,191,813)	(16,718,047)	(17,261,384)
Other-TRS Pension Trust	\$24,884,391	\$25,693,134	\$26,528,161	\$27,390,327

	<u>1-4-23</u>		<u>12-29-22</u>
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>