

# MODIFIED PROFESSIONAL RETIREMENT OPTION (PRO) FOR TRS

## A SAVA COMMITTEE REVIEW OUTLINE

MEA-MFT (March 2010) for SAVA

The “modified PRO” proposal is designed as a long-term re-structure of TRS benefits directly reflecting various study and legislative proposals put forward since the later 1990s by Governor Racicot’s Commission on Teaching and others. The proposal is only applicable to “new hires” – those hired after July 1, 2011, addresses long-term retention by issues by offering a 2% formula for new hires that continue in the TRS for 30+ years and retire at age 60 or older. The proposed PRO is also intended to be fully funded by additional employee and employer contributions and may provide some additional funding which would be applied toward the current unfunded liabilities. The proposed modified PRO further provides for an additional 2% employer contribution on behalf of all payrolls in the TRS system. We will thus make significant progress toward adequate funding of the TRS system while protecting new hire’s long-term interest in a TRS defined benefit sufficient to meet income replacement upon retirement.

New hires in TRS would continue to be enrolled in the DB-TRS system. “Normal retirement” and unreduced retirement would, however, be set at age 60 with at least 5 years of services. The existing 1.67% per year benefit formula would be applied for all new hires retiring with less than 30 years of service. Those new hires retiring with 30 or more years of service and with three or more years of active membership service immediately preceding retirement, would be afforded a 2% benefit formula for ALL years of service. All new hires following July 2011, would contribute an additional 2% (increase from 7.15% to 9.15%) of salary for the entire term of their TRS covered employment. On behalf of ALL active employees, TRS employers through the GTB supported county retirement levy, or by direct state general fund contribution to TRS, would contribute an additional 2% of salary (roughly \$14m per year.)

MEA-MFT requests that the SAVA committee and TRS study this proposal within the narrow range of TRS re-structure proposals that will be reviewed by the benefit design consultant and SAVA beginning during 2010.

MODIFIED "PRO" PROPOSAL FOR RETIREMENT SYSTEM LEGISLATION  
(March 30, 2010 -- for the 2011 Legislative Session)

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PROPOSER'S NAME/TITLE: Senator or Representative TBD

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1. Which retirement systems would be covered by the legislation? If the proposal is limited to certain systems, please indicate the reason(s).

TRS only. Addresses long-standing and acknowledged recruitment and retention issues associated with 25 year TRS/any age retirement structure AND the inadequacy of retirement replacement income based on 1.67% annual formula factor and Montana's nearly 20% wage/salary deficit compared to peers among the western states.

2. What is the problem or issue?

- a) Pre-mature (mid-career) retirement and exit from MT teaching (or administrative) workforce based on sub-par wage/salary coupled to 1.67% pension formula and 25 year/any age 'normal retirement.'
- b) Inadequacy of TRS retirement benefit for income replacement purposes.
- c) Adequacy of TRS DB funding.

3. What do you want the legislation to do?

In respect to new hires only, (those initially hired and enrolled in TRS after July 2011), "normal retirement" would, be set at age 60 with 5+ years of service. The existing 1.67% per year benefit formula would be applied for all new hires retiring with less than 30 years of service. Those new hires retiring with more than 30 years service and with three or more years of service immediately preceding retirement, would be afforded a 2% benefit formula for ALL years of service.

4. If possible, please list the Montana Code Annotated (MCA) sections that would need to be amended.

17-7-502 MCA (if statutory appropriations are chosen for funding)

19-20-801 MCA (eligibility for TRS service retirement)

19-20-802 MCA (eligibility for TRS early retirement)

19-20-804 MCA (addition of PRO 2% option)

5. If the proposed change requires additional funding, what funding sources do you propose (i.e., an increase in employer contributions, employee contributions, both, other?)

a) All new hires following July 2011, would contribute an additional 2% of salary for the entire term of their TRS covered employment. On behalf of these same new hires, either the employer through the GTB supported county retirement levy or by direct state general fund contribution to TRS, would also contribute an additional 2% of salary.

b) Additionally, for TRS funding adequacy purposes, employers would on behalf of all current actives employers contribute an additional 2% of salary. This contribution would be paid from the GTB support county school retirement fund, or directly from the state general fund to TRS.

6. Has similar legislation been requested in the past, been considered in another state, or provided as a model act? If so, please provide a citation, reference, or point of contact.

2%/30 year PRO legislation has been presented 4 times to the Montana legislature by Senator Jent, Rep Erickson, Representative Facey and most recently (2009 legislature/HB83) by Representative Sue Dickinson. However, all previous legislation included both current actives and 'new hires' under PRO. This "modified PRO" ONLY applies to 'new hires.'

7. If you are a holdover senator or legislative candidate running unopposed, do you want the Legislative Services Division to consider this a bill draft request?

TBD.

PLEASE RETURN THIS FORM BY MARCH 31, 2010

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