

Proposed 2023 Session Legislation

Agency Name & No: Teachers' Retirement System 6105

Priority Number: 2 | Filename:

Short Title: Increase MUS supplemental contributions rate to TRS

Agency Contact Person/Phone: Shawn Graham 444-3376

1. Purpose:

Increase the Montana University supplement contribution rate to comply with section 19-20-621, MCA. The current rate of 4.72% is not sufficient to amortize the unfunded liabilities by July 1, 2033, as required by state law. Based on the July 1, 2020, Actuarial Valuation, the estimated rate increase required would be 9.18% (for a total of 13.90%); however, the actual rate required will not be known until after the July 1, 2022 valuation is completed in October 2022.

2. Background:

When the Optional Retirement Plan (now called MUS-RP) was created in 1987 for University System TRS eligible Members section 19-20-621, MCA, required each employer within the university system with employees participating in the optional retirement program to contribute to the Teachers' Retirement System a supplemental employer contribution sufficient to amortize, by July 1, 2033, the past service liability of the teachers' retirement system for the university system members who do participate in TRS. The law also requires that the supplement rate be periodically reviewed and updated.

3. Fiscal Impact by Fund Type:

This impact should be as specific as possible including dollar amounts, funding source, and FTE (if known).

Based on the July 1, 2020, actuarial valuation, the estimated rate increase required is 9.18%; however, the actual rate required will not be known until after the July 1, 2022 valuation is completed in early October 2022. An increase in the supplemental contribution rate to 13.90% would increase the MUS contributions to TRS by approximately \$46 million over the 2025 biennium.

4. Summary Checklist [Check & complete all that apply]--

- Housekeeping Only Federal Requirement Audit Recommendation (Audit No.)
- Anticipated to be Controversial Legislation Major Legislation
- Supports Submitted EPP Item No:
- Local Government Fiscal Impact
- Implements Red Tape Relief Initiative
- Leg. has been Submitted in Previous Legislative Sessions (list priority no, LC no, or bill no):
- Legislation would affect other state agencies (list):
- Special Interest Groups Affected (list):
- Other: