

SJ 4: PROVIDE FOR INTERIM STUDY OF PERS AND TRS

STATE ADMINISTRATION AND VETERANS' AFFAIRS INTERIM COMMITTEE
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BACKGROUND

At the May 2023 Legislative Council meeting, the Council assigned [SJ 4: Provide for Interim Study of PERS and TRS](#) to the State Administration and Veterans' Affairs (SAVA) Interim Committee. The study resolution was requested by the 2021-2022 SAVA Interim Committee and is intended to build upon the findings of the HJ 8 (2021) study, with a specific focus on the Public Employee Retirement System Defined Benefit Plan (PERS-DB) and the Teachers' Retirement System.

During the September 2023 SAVA meeting, committee members voted to allocate 0.40 FTE to SJ 4 in the committee workplan. This includes multiple presentations from experts within the state and from around the country, staff papers and other materials on topics requested by the committee, and possible committee legislation to introduce during the 2025 Legislative Session.

SJ 4 calls for the SAVA Interim Committee to "form a joint committee with the Legislative Finance Committee (LFC) to conduct the study with all members having full voting power". The chairs of SAVA and LFC met and agreed that all members of the SAVA Interim Committee would participate in the study and that four members of the LFC would be appointed to participate in the study. Senator Tom McGillvray, Representative Jim Hamilton, Representative Eric Matthews, and Representative Terry Moore were appointed during the September 2023 LFC meeting as the LFC representatives.

TASKS LISTED IN SJ 4 STUDY RESOLUTION

The following tasks are included in the SJ 4 study resolution:

- Form a joint committee with the Legislative Finance Committee to conduct the study with all members having full voting power
- Study the financial stability of the Public Employees' Retirement System defined benefit plan and the Teachers' Retirement System
- Study the history of contributions from the general fund and other sources to the Public Employees' Retirement System defined benefit plan and the Teachers' Retirement System
- Investigate alternate approaches to funding and amortization policies and the actuarial impact of changes to the current plan policies
- Examine legislative education, oversight, and goals concerning the Public Employees' Retirement System defined benefit plan and the Teachers' Retirement System, including decision benchmarks or indicators for future action
- Develop recommendations for a long-term strategic approach to funding the Public Employees' Retirement System defined benefit plan and the Teachers' Retirement System that will ensure the financial strength of the systems while also recognizing the responsibility placed on the taxpayers and citizens of this state

- Conduct the study and develop the recommendations in consultation with all interested stakeholders, including but not limited to representatives of:
 - the state's taxpayers;
 - active and retired members of the retirement systems;
 - employers, including local governments, school districts, and state agencies;
 - key agencies, including the Governor's Office, the retirement boards, and the Board of Investments; and
 - other interested parties as considered appropriate.

PROPOSED TOPICS

The following topics have been suggested by committee members and staff to address during the study:

- Monitor the impact of [HB 569 \(2023\)](#) on the public safety retirement systems
- Revisit [SB 29 \(2023\)](#) and the continuation of the supplemental employer contribution to PERS-DB
- Review the history and impact of 2013 changes to PERS and TRS, including statutory appropriations to determine if any changes are needed, whether to continue as is, and model the impact of removing the changes
- Evaluate current employer and employee contribution rates and funding sources
- Study changing or eliminating GABA for new hires - [SB 348 \(2023\)](#)
- Study moving PERS-DB to a layered amortization model - [HB 226 \(2023\)](#)
- Study switching the PERS default plan from the defined benefit plan to the defined contribution plan - [HB 226 \(2023\)](#)
 - Determine the tipping point between DB participation and DC participation and evaluate the potential impact on investment returns
 - Study the structure of the current DC plan including investment management
 - Study hybrid plan models
- Study adding a defined contribution plan to the Teachers' Retirement System
- Study public employee sector trends

PROPOSED TIMELINE FOR STUDY

The proposed timeline includes the proposed topics from the previous section, SAVA's statutory duties related to pensions, and the annual actuarial valuation presentations.

MEETING	PRESENTATIONS, ACTION ITEMS, & DELIVERABLES
November 2023	<ul style="list-style-type: none"> • Introduction of LFC Members • Pensions 101 Presentation • FY23 Actuarial Valuation Presentations from TRS and MPERA • FY23 Green Sheets • DOA Presentation re. State Employee Benefits and Trends
January 2024	<ul style="list-style-type: none"> • Review the history and impact of 2013 changes to PERS and TRS • Evaluate current employer and employee contribution levels and funding sources • Revisit SB 29 (2023) and the continuation of the supplemental employer contribution to PERS-DB

<p>March 2024</p>	<ul style="list-style-type: none"> • Joint Meeting with full Legislative Finance Committee • Study changing or eliminating GABA for new hires - SB 348 (2023) • Study moving PERS-DB to a layered amortization model - HB 226 (2023)
<p>May 2024</p>	<ul style="list-style-type: none"> • Continue to study changing or eliminating GABA for new hires - SB 348 (2023) • Continue to study moving PERS-DB to a layered amortization model - HB 226 (2023)
<p>July 2024</p>	<ul style="list-style-type: none"> • Study switching the PERS default plan from the defined benefit plan to the defined contribution plan - HB 226 (2023) • Study adding a defined contribution plan to the Teachers' Retirement System • Discuss Pension-Related Committee Legislation Ideas • Discuss SJ 4 Report • Discuss updates to the 2024 Legislator's Guide to Montana's Public Employee Retirement Systems
<p>September 2024</p>	<ul style="list-style-type: none"> • Continue to study switching the PERS default plan from the defined benefit plan to the defined contribution plan - HB 226 (2023) • Continue to study adding a defined contribution plan to the Teachers' Retirement System • Review Draft Pension-Related Committee Legislation • Review Draft SJ 4 Report • Review draft of the 2024 Legislator's Guide to Montana's Public Employee Retirement Systems
<p>October 2024</p>	<ul style="list-style-type: none"> • FY24 Actuarial Valuation Presentations from TRS and MPERA <ul style="list-style-type: none"> ◦ Monitor the impact of HB 569 (2023) on the public safety retirement systems • FY24 Green Sheets • Finalize SJ 4 Report • Finalize and Adopt Pension-Related Committee Legislation • Finalize the 2024 Legislator's Guide to Montana's Public Employee Retirement Systems

DELIVERABLES

At the end of the 2023-2024 interim, the following documents will be prepared in addition to any staff papers requested throughout the course of the study:

- FY 2024 Green Sheets
- SJ 4 Final Report
- 2024 Legislator's Guide to Montana's Public Employee Retirement Systems
- Committee Legislation