



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0158: Revise working retiree provisions under TRS**

Primary Sponsor: Melissa Nikolakakos Status: As Introduced

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

Has this legislation been reviewed by the legislative interim committee? **No**
 Has the cost of this legislation been calculated by the system's actuary? **Yes**
 Does this legislation include full funding for any benefit revisions? **No**

Pension Liability

Teachers Retirement Board

	July 1, 2024 Current System	July 1, 2024 With Changes	Increase/ (Decrease)
Teachers			
Present Value of Actuarial Accrued Liability	\$7,025,625,000	\$7,025,625,000	\$0
Present Value of Actuarial Assets	\$5,217,233,000	\$5,217,233,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,808,392,000	\$1,808,392,000	\$0
Amortization Period (years) of UAAL	21.00	21.00	0.00
Change in normal costs	10.76%	10.76%	0.00%

Pension Contribution Rates

	FY 2024 July 1, 2023	FY2025 July1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026	FY2027 July 1, 2028
Teachers					
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	9.47%	9.47%	9.47%	9.47%	9.47%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	20.11%	20.11%	20.11%	20.11%	20.11%

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
Other	\$0	\$0	\$0	\$0
School Districts/Local Govt	\$33,182	\$33,182	\$33,182	\$33,182

Fiscal Note Request - As Introduced

(continued)

TRs Pension Fund	\$800	\$0	\$0	\$0
Revenues				
Other	\$0	\$0	\$0	\$0
TRs Pension Fund	\$33,182	\$33,182	\$33,182	\$33,182
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact

This bill increases the number of years a retiree is eligible to work under §19-20-732, MCA, from 3 years to 5 years during their lifetime with no limitation on the amount the retiree can earn without the loss or interruption of their Teachers' Retirement System (TRS) benefits. Based on past experience under current law, this provision is not expected to have a material impact on the system.

FISCAL ANALYSIS

Assumptions

1. HB 158 increases the number of years a TRS retiree can work under §19-20-732, MCA, from three years to five years during their lifetime.
2. It is assumed that three retirees each year will work their fourth or fifth year under this provision with an average salary of \$55,000 per year.
3. TRS will continue to collect the employer contributions required under §19-20-732, MCA, (currently 20.11% of the salaries of working retirees under this provision).
4. Retirees working under this provision will not pay any portion of the required contributions and this proposal will not increase their benefits due to service or salary while working under this arrangement.
5. The programming cost to modify the TRS pension administration system would not exceed \$800 (8 hours at \$100 per hour) and the minimal cost to update TRS forms and other documentation would be absorbed in our normal operating budget.
6. The actuarial analysis included in this fiscal note is based on the data, methods, assumptions and plan provisions contained in the actuarial valuation of the system performed as of July 1, 2024. This analysis assumed this is the only statutory amendment being considered. If other provisions are enacted, the actuarial impact associated with this proposal may be different

Fiscal Analysis Table

Teachers Retirement Board

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$800	\$0	\$0	\$0
Benefits	\$33,182	\$33,182	\$33,182	\$33,182
TOTAL Expenditures	<u><u>\$33,982</u></u>	<u><u>\$33,182</u></u>	<u><u>\$33,182</u></u>	<u><u>\$33,182</u></u>
<u>Funding of Expenditures</u>				
Other	\$0	\$0	\$0	\$0
TRs Pension Fund	\$800	\$0	\$0	\$0
School Districts/Local Govt	\$33,182	\$33,182	\$33,182	\$33,182
TOTAL Funding of Expenditures	<u><u>\$33,982</u></u>	<u><u>\$33,182</u></u>	<u><u>\$33,182</u></u>	<u><u>\$33,182</u></u>
<u>Revenues</u>				
Other	\$0	\$0	\$0	\$0

Fiscal Note Request - As Introduced

(continued)


TRs Pension Fund	\$33,182	\$33,182	\$33,182	\$33,182
TOTAL Revenues	\$33,182	\$33,182	\$33,182	\$33,182
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
Other	\$0	\$0	\$0	\$0
TRs Pension Fund	\$32,382	\$33,182	\$33,182	\$33,182
School Districts/Local Govt	(\$33,182)	(\$33,182)	(\$33,182)	(\$33,182)

Effect on County or Other Local Revenues or Expenditures

1. The school district contribution rate for an active member of TRS is 9.47% of earned compensation while the employer contribution rate required under §19-20-732, MCA, is 20.11% of earned compensation. To the extent an employer utilizes this provision to hire working retirees instead of hiring active members of the system, the employer contribution rate is 10.64% higher and therefore costs the employer more.

Significant Long-Term Impacts

1. It is not possible to exactly determine the changes in future member behavior that might occur due to this proposal; therefore, the ultimate cost will be dependent on how the proposal changes active and retired members' utilization.



 Sponsor's Initials

1/15/25

 Date



 Budget Director's Initials

1/14/2025

 Date