

Fiscal Note 2027 Biennium

Bill#/Title:	HB0700. 25 years	01: Changing the	amo	rtization perio	od for s	statewid	le DB retire	ment s	ystems to
Primary Sponsor:	Bill Merc	er		Sta	tus:	As Intr	roduced		
Retirement Systems	Affected	☐ Teachers	⊠P	ublic Employees		□ High	way Patrol	Police	•
☐ Sheriffs		☐ Firefighters	□v	olunteer Firefigh	ters	□ Game	Wardens [] Judge	S
Has the cost of this	legislation	wed by the legislativ been calculated by tall funding for any b	he sys	tem's actuary?			Y	lo es lo	
Pension Liability	,				Manager and a	I BOSAWA I			Restate on estate
Public Employee	s Retirem	ent Board							
ř.				July 1, 2 Current S			1, 2024 Changes		crease/ crease)
Public Employee Present Value of A Present Value of A Unfunded Actuar Amortization Peri Change in normal	Actuarial A Actuarial A fal Accrued od (years) of costs	ssets Liability (UAAL) of UAAL		\$9,695,5 \$7,341,3 \$2,354,2	304,639 243,426 27.00 9.83%	\$7,3 \$2,3	95,548,065 41,304,639 54,243,426 27.00 9.83%		\$0 \$0 \$0 0.00 0.00%
		FY 202 July 1, 2		FY 2026 July 1, 2025	FY 2 July 1	2027 , 2026	FY 2028 July 1, 2027		Y 2029 ly 1, 2028
Public Employee	<u>s</u>								
Employee Contrib Employer Contrib State Contribution TOTAL Contribut	ution Rate Rate	9. 0.	90% 17% 00% 07%	7.90% 9.17% 0.00% 17.07%	100 m	7.90% 9.17% 0.00% 17.07%	7.90% 9.17% 0.00% 17.07%	6 6	7.90% 9.17% 0.00% 17.07%
Pension Liability									
Pension Contribu	ıtion Rate	s							
		FIS	CAI	SUMMAR	X				
		FY 2 Differ		FY 202 Differen			2028 erence		2029 erence

Fiscal Note Request - As Introd	duced			(continued)
Expenditures				
General Fund (01)	\$202,000,000	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$202,000,000	\$0	\$0	\$0
Net Impact	(\$202,000,000)	<u>\$0</u>	\$0	\$0
General Fund Balance				

Description of fiscal impact

HB 700 would provide for a shorter amortization policy of 25 years for the statutory time period that must be adhered to by the Retirement Boards. The structured payments required to eliminate unfunded liabilities of each defined benefit plan, to ensure each plan is considered "actuarially sound", is required by Article VIII, Sec. 15 of the Montana Constitution.

FISCAL ANALYSIS

Assumptions

Public Employees Retirement Board

- 1. HB 700 would apply to all of MPERA's defined benefit plans. As of 06/30/2024, the amortization period for each plan below is:
 - a. Public Employees' Retirement System (PERS) 27 Years;
 - b. Judges' Retirement System (JRS) 0 Years;
 - c. Highway Patrol Officers' Retirement System (HPORS) 24 Years;
 - d. Sheriffs' Retirement System (SRS) 24 Years;
 - e. Game Wardens' and Peace Officers' Retirement System (GWPORS) 24 Years;
 - f. Municipal Police Officers' Retirement System (MPORS) 18 Years;
 - g. Firefighters' Unified Retirement System 8 Years;
 - h. Volunteer Firefighters' Compensation Act 0 Years; and
 - i. PERS DC Disability 0 Years.
- 2. HB 700 would provide for a shorter amortization policy, of 25 years as opposed to 30 years.
- 3. The effective date is July 1, 2025.
- 4. In order for the PERS to remain actuarially sound on July 1, 2025, the fiscal impact would be \$202 million as calculated by the system actuary.

Teachers Retirement Board

5. Based on the July 1, 2024 actuarial valuation, the Teachers' Retirement System (TRS) amortizes in 21 years. As a result, there is no fiscal impact on the TRS.

Fiscal Analysis Table

		·		
Public Employees Retirement B	Board			
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Transfers	\$202,000,000	\$0	\$0	\$0
TOTAL Expenditures	\$202,000,000	\$0	\$0	\$0
Funding of Expenditures		Vi.		
General Fund (01)	\$202,000,000	\$0	\$0	\$0

Fiscal Note Request - As Introduc	ced			(continued)
TOTAL Funding of Expenditures	\$202,000,000	\$0	\$0	\$0
Revenues				
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$202,000,000	\$0	\$0	\$0
TOTAL Revenues	\$202,000,000		<u>\$0</u>	\$0
Net Impact to Fund Balance (Re	venue minus Funding	g of Expenditures)		
General Fund (01)	(\$202,000,000)	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$202,000,000		\$0	\$0
Teachers Retirement Board				
	FY 2026	FY 2027	FY 2028	FY 2029
	Difference	Difference	Difference	Difference
Fiscal Impact				
Expenditures				
Funding of Expenditures				
Revenues				
Other	\$0	\$0	\$0	\$0
Net Impact to Fund Balance (Re			250000	
Other	\$0	\$0	\$0	\$0
The state of the s				
STATEWIDE SUMMARY				
STATEWIDE SUMMARY	EV 2026	EV 2027	EV 2029	EV 2020
STATEWIDE SUMMARY	FY 2026	FY 2027	FY 2028	FY 2029
ergeschammen gegen von der verschafte und der verschaften der verschafte und dazu der verschafte verschafte de	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact	Difference	Difference	<u>Difference</u>	Difference
ergeschammen gegen von der verschafte und der verschaften der verschafte und dazu der verschafte verschafte de				
Fiscal Impact TOTAL Fiscal Impact Expenditures	Difference 0.00	Difference 0.00	Difference 0.00	Difference 0.00
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers	0.00 = \$202,000,000	0.00 \$0	Difference 0.00 \$0	0.00
Fiscal Impact TOTAL Fiscal Impact Expenditures	Difference 0.00	Difference 0.00	Difference 0.00	Difference 0.00
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers	0.00 = \$202,000,000	0.00 \$0	Difference 0.00 \$0	0.00
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01)	0.00 = \$202,000,000	\$0 \$0 \$0 \$0	Difference	\$0 \$0 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01) TOTAL Funding of	\$202,000,000 \$202,000,000	0.00 \$0 \$0	0.00	0.00 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01)	\$202,000,000 \$202,000,000	\$0 \$0 \$0 \$0	Difference	\$0 \$0 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01) TOTAL Funding of Expenditures Revenues	\$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000	\$0 \$0 \$0 \$0 \$0 \$0	0.00	\$0 \$0 \$0 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01) TOTAL Funding of Expenditures Revenues Other	\$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000	\$0 \$0 \$0 \$0 \$0 \$0	\$0 0.00 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01) TOTAL Funding of Expenditures Revenues Other Pension Trust Fund	\$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000	\$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01) TOTAL Funding of Expenditures Revenues Other	\$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000	\$0 \$0 \$0 \$0 \$0 \$0	\$0 0.00 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01) TOTAL Funding of Expenditures Revenues Other Pension Trust Fund TOTAL Revenues Net Impact to Fund Balance (Rev	\$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01) TOTAL Funding of Expenditures Revenues Other Pension Trust Fund TOTAL Revenues Net Impact to Fund Balance (Revenue) General Fund (01)	\$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000	0.00	\$0 0.00 \$0 \$0 \$0 \$0 \$0 \$0	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0
Fiscal Impact TOTAL Fiscal Impact Expenditures Transfers TOTAL Expenditures Funding of Expenditures General Fund (01) TOTAL Funding of Expenditures Revenues Other Pension Trust Fund TOTAL Revenues Net Impact to Fund Balance (Revenues)	\$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000 \$202,000,000	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$	\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0

Significant Long-Term Impacts

Public Employees Retirement Board

- 1. For the PERS system which is currently at a 27 year amortization period, to pay down the unfunded actuarial accrued liability over 25 years the employer contribution rate would need to increase by 0.80%. Assuming a payroll growth assumption of 3.25%, the long term impact would be:
 - a. FY 2026 the employer contribution rate would need to be 9.97% with an overall increase of \$15.2 million;
 - b. FY 2027- the employer contribution rate would need to be 9.97% with an overall increase of \$15.6 million;
 - c. FY 2028 the employer contribution rate would need to be 9.97% with an overall increase of \$16.2 million; and
 - d. FY 2029 the employer contribution rate would need to be 9.97% with an overall increase of \$16.7 million.

Technical Concerns

1. As of the June 30, 2024 actuarial valuation, the PERS system would be considered actuarially unsound as it currently has a 27 year amortization period.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date

Budget Director's Initials

2/27/2025

Date