

Date: May 21, 2007

To: State Agency TRS Employers
Montana University System TRS Employers

From: Dan Gaughan, Accounting & Fiscal Manager

Subject: 2007 Legislation

House Bill 63 actuarially funds the Teachers' Retirement System (TRS) through a \$50 million infusion of cash, various employer contribution rate increases, and by reducing potential increases in unfunded liabilities. The following employer contribution rate increases are effective with the July 2007 TRS monthly Wages and Contribution report:

- Employer contribution rate increases from 7.47% to 9.47% effective with each employer's July 2007 report. Effective July 1, 2009, the employer contribution rate will increase from 9.47% to 9.85%.
- The Optional Retirement Program (ORP) supplemental contribution rate will increase from 4.04% to 4.72% effective with employers' reports for July 2007.

Effective with terminations and retirements on or after July 1, 2007, the employer contribution rate for termination pay under option 2 will increase from 7.47% to 9.47%. A second rate increase to 9.85% will be effective with all terminations and retirements on or after July 1, 2009.

Effective with each employer's July 2007 report **all** wages and hours worked by TRS retirees working in a part-time position must be reported to the TRS on the employer's monthly TRS Wages and Contribution report. This legislation also clarifies what constitutes wages for the purpose of calculating the maximum amount a working retiree may earn without a loss of retirement benefits. This legislation includes in the 1/3 salary a working retiree may earn in a part-time position, all remuneration paid to the retiree excluding:

- Health insurance premiums paid by the employer
- The value of a house provided by the employer
- Reimbursements for employment-related travel expenses
- De minimis fringe benefits as defined in 26 U.S.C. 132(e) paid by the employer to or on behalf of the working retiree

Full-time service is defined as service that is at least 180 days in a fiscal year or at least 140 hours a month during 9 months in a fiscal year.

Part-time service is defined as service that is less than 180 days during the fiscal year and less than 140 hours per month. Part-time service must be credited in the proportion that the actual time worked compares to full-time service.

Retirees hired under “employee leasing arrangements”, “professional employer arrangements” or through a “temporary service contractor” would also be subject to the above earnings and time limitations. These employees must also be included on the employer’s monthly TRS Wages and Contribution report.

For audit purposes it is required that you provide the TRS with a copy of the TRS retiree’s contract, classified staff hire form, compensation agreement, letter of intent, etc.

Please call the TRS prior to hiring a retired TRS member to verify the maximum amount they are allowed to earn in a part-time position eligible to participate in the TRS.

Paraprofessionals who provide instructional support must be reported to the TRS. Paraprofessionals, includes those who provide one-on-one tutoring, assist with classroom management such as organizing instructional materials, provide instructional assistance in a computer laboratory, conduct parental involvement activities, act as a translator, or provide instructional support services under the direct supervision of a highly qualified teacher.

Employees of the University System who are participating in the ORP are ineligible to contribute to, or receive retirement benefits from the TRS. University System employees who are employed in part-time or summer positions by a K-12, community college or state employer are ineligible to contribute to the TRS. Any contributions remitted to the TRS on behalf of university employees who participates in the ORP will be returned to the employer.

Employer buyback contributions will be allocated for each member on the monthly report. Beginning July 2007, the additional employer contributions for an employee will be entered in the “Employer Additional” field of the Wages and Contribution detail screen. Also, an error message will generate if the employer share of additional contributions is not reported by individuals.

If the TRS withholds payroll insurance premiums on behalf of your district for TRS benefit recipients, you must now use the new on-line Payroll Insurance Deduction Reporting system to add, change, and/or delete insurance premium deductions. Since the busy time for changing insurance amounts is upon us, please download a copy of the User’s Manual now, print it, read through it carefully, and be prepared. The program is easy to use if you have read through the manual. The User’s Manual can be found at <http://www.trs.mt.gov/Employers/PayrollInsuranceReportingManual.PDF>.

If you have any questions please give us a call.

Thank you