

2011 Legislative News
Teachers' Retirement system
April 25, 2011

- [House Bill 86 - TRS Board housekeeping Proposal](#)

Sponsor – Rep. Franke Wilmer

TRS Board Position - Support

STATUS – Signed by the Governor

HB 86 is the housekeeping bill for the Teachers' Retirement System (TRS). The proposed amendments are intended, in general, to more uniformly use defined terms where applicable, to move substantive law from the definitions section to the substantive provisions of Title 19, chapter 20, and to clarify how current substantive provisions are applied by the retirement system.

- [House Bill 113 - TRS Board Proposal to Increase University Supplemental Contributions](#)

Sponsor – Rep. Jesse O'Hara

TRS Board Position - Support

STATUS - Tabled in Committee

When the Montana University System (MUS) Optional Retirement Plan (ORP) was created in 1987, the MUS agreed to make a supplemental contribution to the TRS, which was required to replace the funding TRS lost when MUS faculty and administrators were no longer required to participate in TRS. Legislation in 1993, required all new MUS employees hired after July 1, 1993 to join the ORP (no longer optional), and also established a deadline of July 1, 2033 for payment of past service liabilities of the MUS. The TRS board was charged with periodically verifying that the liabilities would be paid by July 1, 2033; based on the July 1, 2010 actuarial valuation, the MUS supplemental contribution rate needs to increase by 3.82%, from 4.72% to 8.54%, to amortize the MUS past service liability by July 1, 2033. The Board recognized that such a large increase would be problematic; therefore, HB 113 proposes to phase in the required increase, 0.50% per year through July 1, 2019, unless the rate as of the most recent valuation is sufficient to maintain the amortization of the past service liability by July 1, 2033.

- [House Bill 116 - TRS Board Funding Proposal](#)

Sponsor – Rep. Pat Ingraham

TRS Board Position - Support

STATUS – Signed by the Governor

The House State Administration Committee amended HB 116 to remove the proposed additional funding from the state to address the \$1.5 billion unfunded liabilities of the retirement system. HB 116, as amended, provides additional fiscal controls and updates actuarial factors necessary to improve the actuarial soundness of the retirement system, including requiring payment of the actuarial interest rate for purchases of service and using current actuarial factors for reductions to early

retirement benefits. If passed, HB 116 will reduce the unfunded liabilities of the TRS by \$6.8 million and the amortization period to fund the unfunded liabilities by 2.3 years.

- [House Bill 189 - Professional Retirement Option \(PRO\) for New Hires](#)

Sponsor – Rep. Dick Barrett

TRS Board Position - Support

STATUS – Failed to pass Second Reading 3-16-2011

The House State Administration Committee amended HB 189 to remove proposed additional state funding necessary to address the \$1.5 billion unfunded liabilities of the retirement system. As amended, HB 189 creates a second tier of benefits within the TRS for new members hired after July 1, 2011 as follows;

- The general structure of existing TRS would remain.
- The number of years used to calculate a member's average final compensation would remain at 3 years.
- The time to vest would remain at 5 years.
- The benefit multiplier would be 1.667% for retirement before 30 years of service or age 60 and vested (no change), but would increase to 2.0% for all years of service if a new member retired with 30 or more years of service performed after July 1, 2011.
- New members' contribution rate would increase by 0.54% to pay for the higher multiplier to 7.69% from 7.15% of compensation.
- Eligibility for normal retirement would remain unchanged at age 60 with 5 years of service, but would increase to age 55 (up from any age) with service in 25 or more years.
- Eligibility for early retirement would increase from age 50 and vested to age 55 and vested.

- [House Bill 192 – Adjust Exempt Retirement Amounts for Individual Income Tax](#)

Sponsor – Rep. Jerry O’Neil

TRS Board Position - None

STATUS – Tabled in Committee

As amended, HB 192 would increase the amount of the individual income tax exemption of pension income from \$3,600 to \$4,000, and increases the phase-out amount of the pension income exemption from \$30,000 to \$35,000.

[House Bill 197 – Constitutional Amendment](#)

Sponsor – Rep. Brain Hoven

TRS Board Position - Oppose

STATUS - Tabled in Committee

HB 197 would amend the State Constitution to allow the legislature to modify retirement plans and contracts (including benefits and/or contribution rates) if actuarially necessary to fund the retirement system.

- [HB 597 - Anti-Double Dipping & 1.0% Employee Contribution Rate Increase](#)

Sponsor – Rep. Scott Reichner

TRS Board Position - Oppose

STATUS – Tabled in Committee

Prohibits employees who are receiving retirement benefits from another state retirement system from becoming members of TRS, and increases the employee contribution rate for all current and future members of TRS by an additional 1.0% of compensation, from 7.15% to 8.15%.

- [HB 608 Close retirement systems and provide for annuity benefit program](#)

Sponsor – Rep. Wayne Stahl

TRS Board Position - Oppose

STATUS – Tabled in committee

This bill creates a new annuity benefit program for state employees hired on or after July 1, 2012. The bill excludes these newly hired employees from participating in the existing defined benefit or defined contribution retirement system options currently available to public employees.

- [Senate Bill 54 – Choice of two Hybrid Pension Plans for New Hires](#)

Sponsor – Senator Joe Balyeat

TRS Board Position - Oppose

STATUS – Vetoed by the Governor

SB 54 creates a second tier benefit structure for new hires that is a hybrid DB plan for members hired on or after the effective date of the plan. The effective date of the hybrid plan is contingent on review and approval by the Internal Revenue Service. The tier two hybrid plan contains the following provisions:

- Benefit Vesting Schedule pending a ruling from the IRS – a tier two member has a right to a retirement system match of the member’s accumulated contributions according to the following schedule:
 - After five years of service , the member receives a 25% match;
 - For 6 through 10 years of service, the member receives an additional 5% match after each full year of service; and
 - For 11 through 15 years of service, the member must receive an additional 10% match for each full year of service
 - A member with 15 or more years of creditable service must receive a 100% retirement system match of the member’s accumulated contributions.
- (Alternate vesting schedule – if the graded 15-year vesting schedule is not approved by IRS, a tier two member will have a right to a retirement system match of the member’s accumulated contributions after the member has earned at last 10 years of creditable service)

- Interest Credit - the rate of interest determined by the Board and credited to a tier two member's annuity savings account. The rate may not be lower than 4% nor greater than 9%
- The board may not set a interest credit rate higher than 4% if the retirement system was judged to be actuarially unsound as of the most recent actuarial valuation.
- Member Contribution Rate – 7.15%, with an option to contribute an additional 0.50%
- Service retirement – Age 60 and 5 years of service
- Retirement Benefit – Monthly annuity, which is actuarial equivalent to the member's accumulated contributions; plus a retirement system match of the member's accumulated contributions, subject to the benefit vesting schedule.
- Disability Benefits – Vested members who become disabled before eligibility for retirement will receive the maximum of the following:
 - Monthly annuity, which is actuarial equivalent to the sum of the member's accumulated contributions and a retirement system match of the member's accumulated contributions, subject to the benefit vesting schedule regardless of their age at the time of disability.
 - If the member has 15 or fewer years of creditable service, 25% of the member's average final compensation.
- Death Benefits – Vested members who die before eligibility for retirement will receive the maximum of the following:
 - Monthly annuity, which is actuarial equivalent to the sum of the member's accumulated contributions and a retirement system match of the member's accumulated contributions, subject to the benefit vesting schedule regardless of their age at the time of death.
 - 1-2/3% for each year of creditable service multiplied by the member's average final compensation.
- Withdrawal Benefit - Members who terminate prior to eligibility for a retirement allowance are only entitled to a withdrawal of their contributions plus interest.

The new benefit tier for members hired after the effective date of this act is expected to reduce the normal cost of future members of the plan by 0.69%, which means that employer contributions equal to approximately 0.69% of new members' salaries will be available to amortize unfunded liabilities of the current System.

- [Senate Bill 56 – Professional Retirement Option \(PRO\) for New Hires](#)

Sponsor – Senator Larry Jent

TRS Board Position - Oppose

STATUS - Tabled in Committee

Similar to HB 189, SB 56 creates a second tier within the TRS for new hires with an enhanced benefit after 30 or more years of service.

- The general structure of existing TRS would remain unchanged.
- The number of years used to calculate a member's average final compensation would increase from 3 to 5 years.

- The time required to vest in the employer contributions would be revised from a 5-year cliff vesting to 15-year graded vesting. (The member would be 25% vested after 5 years, increasing 5% each year for years 6 through 10, and increasing 10% each year for years 11 through 15 until the member is fully vested after 15 years.)
- The benefit multiplier would be 1.667% for retirement before 30 years of service or age 60 and vested and would increase to 2.0% for all years of service if a future member retired with 30 or more years of service performed after July 1, 2011.
- New employees' contribution rate would increase by 0.54% to pay for the higher multiplier.
- Eligibility for early retirement would increase from age 50 and vested to age 55 and vested, with a full actuarial reduction taken for early retirement.

- [Senate Bill 113 – Transfer Excess District Retirement Reserves](#)

Sponsor – Senator Larry Jent

TRS Board Position - Support

STATUS – Tabled in Committee

Reduces the cap on district's retirement fund reserves from 35% to 20% and transfers the excess to TRS and PERS. It would result in a one-time contribution to TRS of approximately \$13 million (and to PERS of approximately \$2 million), which would help meet the annual required contributions to TRS for the 2012 fiscal year.