

# TRS Horizons

## Legislation 2013: Final Outcome

If you followed the journey of Teachers' Retirement System (TRS) funding bills on our Facebook page or our website, then you know exactly how volatile the session was for us. In addition to the bills that were introduced by TRS, there were other competing bills that attempted to change the system from defined benefit to either defined contribution or cash balance plans, and even to transfer the responsibility for making the decisions for TRS funding from our elected legislators and governor to the voters in the next general election.

The TRS board and staff are deeply grateful to:

- Legislators who worked hard to ensure a stable fund and a secure retirement for our members
- Legislative staff who worked countless hours drafting and amending legislation
- TRS members who sent emails, wrote letters, and made phone calls to their legislators in support of the TRS bills
- Allies who worked together to create collaborative solutions that will ensure long-term stability of TRS

Our goals during this legislative session were to support bills that would address the following issues:

- Provide funding toward the \$870 million shortfall
- Increase contributions from employees and employers
- Modify the pension plan design for new hires
- Empower the TRS board to accommodate changing financial conditions in the future
- Ensure the viability of the Guaranteed Annual Benefit Adjustment (GABA) for current and future retirees
- Fulfill the requirement of the Montana Constitution to fund TRS in an actuarially sound manner, including paying off the shortfall over no more than 30 years

While we did not bat 1000, we did come close. The legislation passed this session will bring us to a 22 year amortization period through temporary supplemental employee and employer contributions, modifying the plan design for new hires, and temporary, incremental reductions in the GABA. The TRS Board has been empowered to act in case of future market downturns. Members, retirees, employers, and the State all share in lifting the load. We can all be proud of the work we've done.

This newsletter will give everyone a brief overview of the changes in store for retirees and other benefit recipients, current members, new members, and employers. A complete picture of the impact of legislative changes will be provided in handbooks for members, benefit recipients, and employers. You can expect the handbooks to be available on the TRS website around the end of August.

### In This Issue

- ◆ *Legislation 2013*
- ◆ *Retirees*
- ◆ *Tier One Members*
- ◆ *TRS Board Members*
- ◆ *Tier Two Members*
- ◆ *Employers*
- ◆ *Reminders & Notices*

### E-Newsletter

Have you signed up for TRS Horizons e-newsletter?

If you would prefer to receive an electronic version rather than a printed one, please send an email to:

[trsoutreach@mt.gov](mailto:trsoutreach@mt.gov)  
and we'll send you instructions on how to sign up.

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Stay up-to-date  
with TRS

Events, workshops, and training dates as well as news that might interest you. Look for us at :

Montana Teachers  
Retirement System



## Current Retirees

While we did not support reduction in benefits for current retirees, HB 377 was amended to include a GABA adjustment for everyone - including current retirees.

Currently, GABA is set at 1.5% and is paid on January 1 of each year to all retirees who have received at least 36 payments. Now, GABA will be an adjustable rate set by the TRS board and will range between 0.5% and 1.5%, depending on the funding status of the system:

- If TRS is less than 90% funded, GABA will be reduced to 0.5%
- If TRS is more than 90% funded and increasing GABA will not reduce TRS to less than 85% funded, the Board can increase GABA to between 0.5% and 1.5%

Depending on future experience, it may take 15 to 20 years before the GABA is restored in full.

### SURVEY

Please visit the TRS homepage or Facebook page to participate in a survey about the best way to get information to you and what kind of information you are interested in.

If you prefer a paper survey, please call and we'll be happy to mail one out to you.



## Tier One: Became a Member before July 1, 2013

In the future, TRS members who became members before July 1, 2013 will be referred to as "Tier One" members. Tier One members will see the following changes:

**Supplemental contribution rate:** an additional 1% of compensation will be added to the normal contribution for a total of 8.15%.

- The supplemental rate will be decreased if TRS is 90% funded and the amortization period is less than 15 years
- Once decreased, the supplemental rate can again be increased if TRS is 80% or less funded and the amortization period is more than 20 years
- This supplemental rate can be adjusted by the TRS board, but cannot exceed 1.0%

**GABA:** The Guaranteed Annual Benefit Adjustment will be the same as described in the Current Retirees section

of this newsletter.

**Break in service:** As of January 1, 2014 a Tier One member, including university system members, who retires:

- May not be employed in a TRS reportable position until 150 calendar days following the members date of termination of employment.
  - The exception to this break in service is if the retired member is employed as a substitute classroom teacher for no more than 45 days during 150 day break in service period.

If the member violates the break in service:

- They will be returned to active member status as of the retirement date and retirement benefits will be terminated and must be repaid with interest.
- Both member and employer must pay TRS all contributions for work during the break in service with interest.

## TRS Board Members



Member and Seat	Term Expires	Email Address
Jeff Greenfield, Chair Active Member, Billings	July 1, 2016	JGreenfield@mt.gov
Robert Pancich, Vice Chair Public Member, Great Falls	July 1, 2014	RPancich@mt.gov
Kari Peiffer, Active Member, Kalispell	July 1, 2017	KPeiffer@mt.gov
Marilyn Ryan Retired Member, Missoula	July 1, 2016	MRyan2@mt.gov
Scott Dubbs Active Member, Lewistown	July 1, 2013	SDubbs@mt.gov

## Tier Two: Became a Member on or after July 1, 2013

TRS members who first become members (or become members again after having withdrawn from TRS) on or after July 1, 2013 will be "Tier Two" members. The following changes from our current plan will apply:

**Member contribution rate:** the normal employee contribution rate will be 8.15% .

**Supplemental contribution rate (cannot take effect until July 1, 2023):** The board may require a supplemental contribution in 0.5% increments, which cannot exceed 1.0% in total. The triggers discussed in the Tier One section of this newsletter will apply. If a supplemental contribution is required,

it must be matched by either an employer or state contribution increase.

**Benefit formula:** the formula for determining retirement benefits is *years of service x average final compensation x a multiplier*. The following changes have been made for Tier Two members:

- *average final compensation:* the average of the highest 5 consecutive years (rather than 3).
- *benefit multiplier:* 1.67% with less than 30 years of service; 1.85% with at least 30 years of service and at least 60 years of age.
- *normal retirement eligibility:* 5 years of service and age 60, or 30

years of service and at least age 55.

**Early retirement eligibility:** members must have 5 years of service and be at least age 55 to qualify.

**Death benefit:** the beneficiary may elect monthly retirement benefits only if the member dies within one year of active membership.

**Disability retirement:** members will be eligible for disability benefits only if they are not eligible for normal service retirement benefits.

**GABA:** The Guaranteed Annual Benefit Adjustment will be the same as described in the Current Retirees section of this newsletter.

## Employers

Employers will also see changes in their responsibilities for reporting, withholding, and maintaining accurate retirement information for TRS members. We recommend that you review the sections in this newsletter on retirees, Tier One members, and Tier Two members. TRS will be communicating with employees and employers over the summer and early fall. We will also be providing new employer manuals.

**Employer contribution rate:** in addition to the current 7.47% normal contribution, employers will also pay an additional 1% supplemental contribution beginning on July 1, 2013. This supplemental contribution will increase by an additional 0.1% in each fiscal year 2015 through 2024 (beginning July 1, 2014). Beginning July 1, 2024 the employer supplemental contribution will be 2%. The supplemental contribution rate may be decreased by the TRS board based on the funded ratio of the system, the amortization period, and following full reinstatement of GABA.

**Post-retirement Employment and Break in service requirements ~ Effective for termination dates on or after January 1, 2014:** A retired member may not be employed in a position reportable to TRS until the member has had a break in service of 150 calendar days commencing on the first day following the termination

date, except that a retired member may be employed as a substitute classroom teacher for no more than 45 days during the 150 day break in service period.

**\*\* Important Note:** *The requirements and limitations applicable to post-retirement employment must be strictly applied by employers. It is imperative that members and employers understand the requirements, including definitions of terms such as "position reportable to the retirement system," "termination," "retired member," and "pre-arranged agreement."*

**Insurance withholding:** It is the employer's responsibility to verify monthly that deductions for health insurance premiums are correct and to accurately report those deductions to TRS. Employers must also communicate changes in deduction amounts to the affected benefit recipients. TRS will process deductions as reported by the employer and will not make future adjustments to correct errors.

**Excess retirement fund reserves:** On October 1, 2013 each school district with retirement fund operating reserves greater than 20% must transfer to TRS the greater of:

- The amount earmarked as an operating reserve on the adopted retirement fund budget for

Continued on page 4



**Employers**  
*(cont. from page 3)*

fiscal year 2013 minus 20% of the adopted retirement fund budget for fiscal year 2013; or

- the retirement fund balance for fiscal year 2013 minus the allowable retirement fund operating reserve for fiscal year 2014..

***Employer contributions on working retiree wages:*** Effective with the employer's July 2013 report to TRS, each employer must remit 9.85% of the total compensation paid to all retired TRS members employed. This is an employer contribution.

**Please Note:**

Both Tier One and Tier Two members *must* meet all criteria - including age - to return to work in a TRS reportable position after retirement.

If you are:

- retired or retiring and
- plan to return to work at in any capacity after retirement

we highly recommend that you contact TRS to verify your eligibility for post-retirement employment.

**In compliance with the Americans with disabilities act of 1992, alternative accessible formats of this newsletter will be provided upon request.**

**Please contact:**  
**trsoutreach@mt.gov**

**or call us at**  
**406-444-3134**

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