

Summary of MPERA and TRS Legislative Concepts, 2010*

for SAVA's August 2010 meeting

| Proposal Description | Proposer | Affected Systems | Estimated Cost/Source of Funding** | Estimated Savings** | 2009 Legislation | Relevant SAVA Principles/Guidelines |
|---|----------|--|--|---|--|---|
| <p><u>8. General revisions/housekeeping bill:</u> The revisions reflect Board and court decisions interpreting state and federal law; eliminate out-dated statutory provisions; address new areas of concern; replace incorrect or changed terminology; and clarify the intent of the statute for the reader.</p> | PERB | All systems governed by PERB and administered by MPERA | According to the proposer, the proposal shouldn't affect funding of the system. | According to the proposer, the proposal shouldn't affect funding of the system. | HB109 | <p>Principles:</p> <p>Guidelines: P</p> <p>Other applicable Principles or Guidelines?</p> |
| <p><u>9. Rewrite of VCFA:</u> Bring the system up-to-date with current processes and changes to fire company organizations. It will also streamline procedures for determining eligibility.</p> | PERB | VCFA | According to the proposer, the proposal shouldn't affect funding of the system. | According to the proposer, the proposal shouldn't affect funding of the system. | None similar to this proposal. | <p>Principles:</p> <p>Guidelines: N</p> <p>Other applicable Principles or Guidelines?</p> |
| <p><u>10. Working retirees:</u> Require employer contributions on compensation paid to working retirees in PERS, FURS, and SRS</p> | PERB | PERS, FURS, SRS | Employers would be required to pay contributions for these employees, while currently they do not have to. The rate will be the same as if the employer had hired a new employee instead of a working retiree. | <p>According to the proposer, the proposal should partially address the unsoundness of PERS and SRS by adding to the money paid into the systems.</p> <p>FN09 estimated that the proposal would reduce the amortization period for the unfunded liability in PERS by 0.2 percent. The effect on the other two systems was too small to be calculated. FN09 estimated no net impact to the General Fund and an increase of about \$168,000 to the PERS Trust Fund.</p> | HB12 - Failed 23-27 on 3rd reading in the Senate | <p>Principles:</p> <p>Guidelines: W</p> <p>Other applicable Principles or Guidelines?</p> |

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| 11. <u>Benefit and funding changes to PERS</u> : Increase HAC time period from 3 to 5 years; increase retirement age from 60 with 5 years to 65 with 5 years; phase in new multiplier for different years of service (1.5%/year with 5-10 years; 1.7857%/year with at least 10 years but less than 30 years; 2%/year with 30 or more years. The higher multiplier would apply to all years of service.). Increase ER and new EE contributions 1%/year for up to 6 years | PERB | PERS | ER and EE rates could go up 6% each over 6 years, if all rate increases were implemented. ER increases would affect all agencies with employees in the PERS, including local governments, school districts, and universities. | Normal cost savings estimated by PERB in 11/9/09 presentation for design changes only: new entrant normal cost would be 9.72% of salary compared to the current 11.59% (or 83.9% of current). Presumably the 1.87% savings would be applied towards the current unfunded liabilities, thus not reducing the ER or EE rates. | None similar to this proposal | Principles: II Guidelines: B, E Other applicable Principles or Guidelines? |
| 12. <u>Benefit and funding changes to SRS</u> : Increase HAC time period from 3 to 5 years; increase funding from General Fund; provide a state contribution, similar to other public safety plans | PERB | SRS | Costs would depend on the size of the ER increase proposed and the amount of the state contribution. Proposer suggests that both elements of additional funding would come from General Fund. | Some savings would be garnered from HAC shift, though actual figures are not available at this time. | None similar to this proposal. | Principles: II Guidelines: E, U Other applicable Principles or Guidelines? |
| 13. <u>Benefit and funding changes to GWPORS</u> : Increase HAC time period from 3 to 5 years; increase ER contributions | PERB | GWPORS | Cost would depend on the size of the ER increase proposed and the savings generated from the HAC shift. System employers include MUS, FWP, Transportation, Livestock, and Corrections. | Some savings would be garnered from HAC shift, though actual figures are not available at this time. | None similar to this proposal. | Principles: II Guidelines: E, U Other applicable Principles or Guidelines? |

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| 14. <u>TRS funding proposal</u> : Increase ER rate; change statutes governing working retirees; change statutes governing 10% cap exemptions; apply full actuarial reduction for early retirement; change actuarial interest rate for buy backs. | TRB | TRS | Cost would depend on the size of the ER increase proposed and the savings generated from the various other changes. | Some savings would be generated from the working retiree, 10% cap exemptions, early retirement, and interest rate change, though the actual effects are not known at this time. | None similar to this proposal. | Principles: II Guidelines: E, V, W Other applicable Principles or Guidelines? |
| 15. <u>General revisions/housekeeping</u> : A housekeeping proposal will be necessary to address any possible IRS rule changes or changes related to our request for a determination letter, clarifications to the amendments to the Family Law Order provisions, definitions, and other statutory clarifications. | TRB | TRS | According to the proposer, the proposal shouldn't affect funding of the system. The 2009 housekeeping measure did not affect system's funding. | According to the proposer, the proposal shouldn't affect funding of the system. The 2009 housekeeping measure did not affect system's funding. | HB59 | Principles: Guidelines: P Other applicable Principles or Guidelines? |
| 16. <u>Increase University supplemental rate</u> : ER rate increase to amortize past service liability left over from creation of ORP. Liability must amortize by July 1, 2033. | TRB | TRS | The cost to each MUS employer will depend on the size of the rate increase, which cannot be determined until the 2010 actuarial valuation is complete. The 2009 valuation reflected a 3.8% increase in the ER rate (from 4.72% to 8.52%), which equates to around \$7.7 million per year. | None anticipated. | | Principles: II Guidelines: E Other applicable Principles or Guidelines? |

* Detailed information about the problem or issue that the proposer would like to solve with the legislation is available in the documents submitted for SAVA's June 24-25, 2010 meeting. Documents were distributed to SAVA before the meeting and are available at http://leg.mt.gov/css/Committees/interim/2009_2010/State_Administration_and_Veterans_Affairs/Meeting_Documents/meetings.asp#june24

** At its June 24-25, 2010, meeting SAVA did not request actuarial cost analysis of any proposal. Estimated costs/savings of each proposal are based on information provided in the proposal and any fiscal notes for similar legislation in previous legislative sessions.

List of Retirement System Acronyms

FURS = Firefighters' United Retirement System

GWPORS = Game Wardens' and Peace Officers' Retirement System

HPORS = Highway Patrol Officers' Retirement System

JRS = Judges' Retirement System

MPORS = Municipal Police Officers' Retirement System

MUS ORP = Optional Retirement Program (Montana University System)

PERS = Public Employees' Retirement System

PERS-DB = Public Employees' Retirement System-Defined Benefit

PERS-DC = Public Employees' Retirement System-Defined Contribution

SRS = Sheriffs' Retirement System

TRS = Teachers' Retirement System

VFCA = Volunteer Firefighters' Compensation Act

Other Abbreviations

EE = Employee contributions

ER = Employer contributions

FN09 = Fiscal note for similar legislation in 2009 session

FWP = Fish, Wildlife and Parks

HAC = Highest average compensation

MUS = Montana University System

PERB = Public Employees' Retirement Board

TRB = Teachers' Retirement Board

Notes

The number of each proposal corresponds to the number on SAVA's List of Retirement Plan Legislative Concepts received from both stakeholders and agencies. It is posted on the Internet and referred to as the "hot pink sheet."

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