

Montana Teachers' Retirement System



Agency Profile

The Montana Teachers' Retirement System serves active and retired teachers and educators in the State of Montana. Its primary purpose is to administer their pension plan, which includes (but is not limited to) payment of retirement benefits, collection of member contributions and enrollment of new members.

TRS was established by state law in 1937. The system has grown from its initial enrollment of 3,367 members to more than 18,400 active members, and now has assets in excess of \$3.1 billion. Approximately 13,500 members and beneficiaries receive retirement, disability, survivor, or minor child benefits in excess of \$265 million each year.

TRS is a *Defined Benefit Plan* qualified under Internal Revenue Code (IRC) 401(a). Membership in the TRS is compulsory for all K-12 public educators, except for persons teaching fewer than thirty days in each fiscal year.

An actuarial valuation of the retirement system is performed annually, as of July 1st of each year. The purpose of the valuation is to determine the financial position of the fund, the normal cost, and the unfunded actuarial accrued liability based upon present and prospective assets and liabilities of the system.

Mission Statement

To promote long-term financial security for our membership while maintaining the stability of the fund.

Guiding Principles:

To earn the respect and trust of our members, we adhere to the following values:

- High ethical standards
- Honesty, integrity, and impartiality
- Dignity, respect and mutual support
- Service excellence

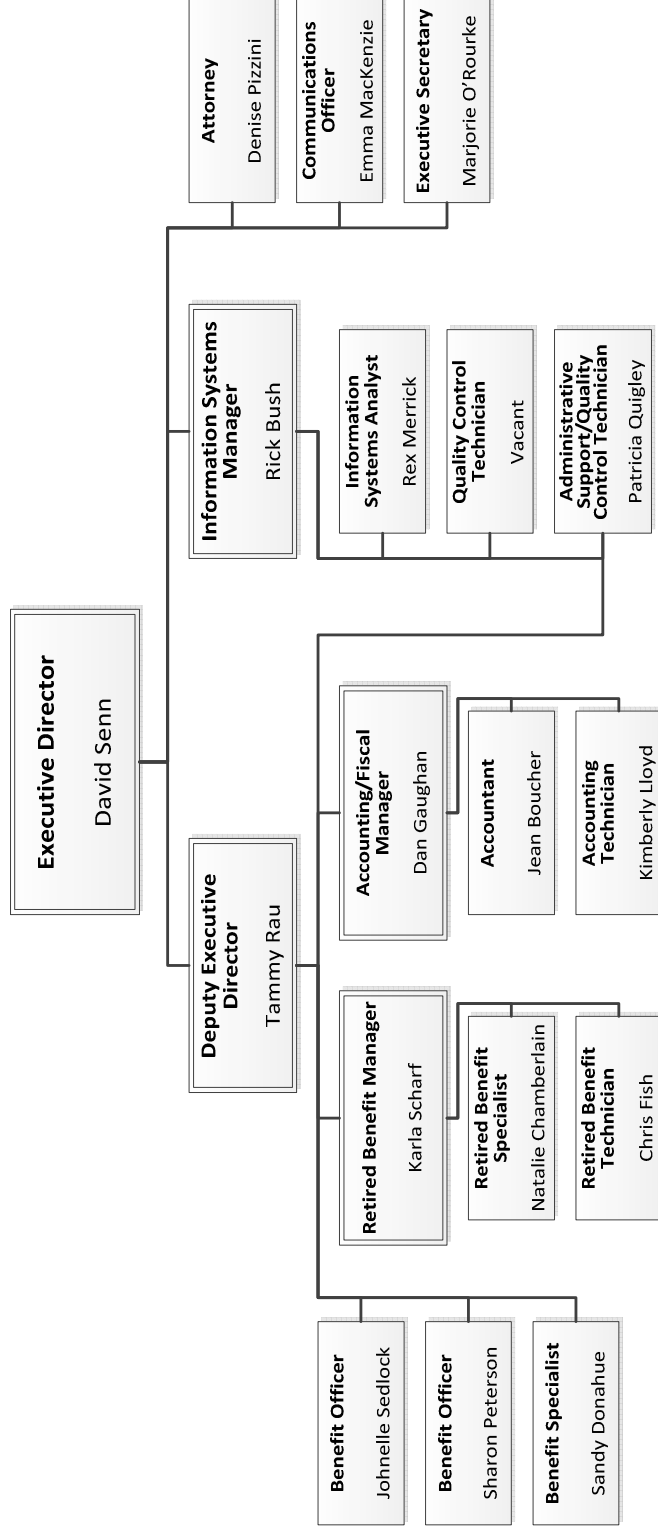
Teachers' Retirement Board:

- TRS is Governed by a six-member Board appointed by the Governor
- Four members are appointed from the teaching profession
 - One must be an active classroom teacher
 - One a retired member
- Two members are appointed as representatives of the public
- The Board is responsible for the administration of the system and hires a staff of 17 to carry out these duties on a daily basis. The Board Of Investments (BOI) is responsible for investing the assets of the Teachers' Retirement System

<u>Board Members</u>	<u>Term Expires</u>	<u>Contact Info</u>
Robert Pancich - Public Member Great Falls, MT	July 1, 2014	rpancich@mt.gov
Lisa Cordingley- Public Member Helena, MT	July 1, 2015	lcordingley@mt.gov
Marilyn Ryan - Retired Teacher Missoula, MT (Also a member of BOI)	July 1, 2016	dlayman@mt.gov
Janice Muller- Active Member Hamilton, MT	July 1, 2016	jmuller@mt.gov
Kari Peiffer - Active Classroom Teacher Kalispell, MT	July 1, 2017	kpeiffer@mt.gov
Scott Dubbs - Active Member Lewistown, MT	July 1, 2018	sdubbs@mt.gov



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Legislative Update

During the 2013 Legislative Session, three bills were passed that create significant changes to the Teachers' Retirement System: HB 377, HB 78, and HB 54. In addition, HB 34 was passed in 2009 with a four-year delay. The primary consequences of each of these bills are outlined below.

HB 377

Sponsor: Rep. Tom Woods
Title: Increase Contributions and Funding for TRS, Revise GABA
Effective: July 1, 2013

The primary goal of HB 377 was to return the system to a position of actuarially sound funding without raising contract impairment issues for current members.

Membership in TRS is now divided into two tiers. A Tier One member is a person who (a) became a member before July 1, 2013 *and* (b) has not withdrawn their member's account balance. A Tier Two member is a person who (a) first becomes a member on or after July 1, 2013 *or* (b) after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

Tier One Member Changes

- *Annual Contribution Rate*: 7.15% of the member's earned compensation.
- *Supplemental Contribution Rate*: 1%.
 - The TRS Board may decrease the supplemental rate when certain criteria are met for improving the actuarial valuation of the system.
 - Any changes to the supplemental contribution rate are effective the first day of July following the TRS Board's determination.
- *Average Final Compensation*: calculation is the average of the earned compensation paid in 3 consecutive years of full-time service that yields the highest average.
- *Guaranteed Annual Benefit Adjustment*:
 - may be decreased to 0.5% if the most recent actuarial valuation shows that retirement system liabilities are less than 90% funded.
 - If the most recent actuarial valuation shows that retirement system liabilities are at least 90% funded and the provision of the increase is not projected to cause the system's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the retirement board.

- *Service Retirement*: eligible to receive if:
 - the member has been credited with at least 5 full years of creditable service and has attained the age of 60; *or*
 - has been credited with full-time or part-time creditable service of 25 or more years.
- *Early Retirement*: if the member is not eligible for service retirement but has (a) been credited with 5 years of creditable service *and* (b) attained the age of 50 they are eligible for an early retirement allowance.

Tier Two Member Changes

- *Annual Contribution Rate*: 8.15% of the member's earned compensation.
- *Supplemental Contribution Rate*: On or after January 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
 - The average funded ratio of the system based on the last three annual actuarial valuations is equal to or less than 80%; and
 - The period necessary to amortize all liabilities of the system based on the latest annual actuarial valuation is greater than 20 years; and
 - A state or employer contribution rate increase or a flat dollar contribution to the retirement system trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.
- *Average Final Compensation*: calculation is the average of the earned compensation paid in 5 consecutive years of full-time service that yields the highest average.
- *Guaranteed Annual Benefit Adjustment*:
 - may be decreased to 0.5% if the most recent actuarial valuation shows that retirement system liabilities are less than 90% funded.
 - If the most recent actuarial valuation shows that retirement system liabilities are at least 90% funded and the provision of the increase is not projected to cause the system's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the retirement board.
- *Service Retirement*: eligible to receive if:
 - member has been credited with at least 5 full years of creditable service and has attained the age of 60; *or*
 - has been credited with full-time or part-time creditable service in 30 or more years and has attained the age of 55.
- *Professional Retirement Option*: if the member has been credited with 30 or more years of creditable service *and* has attained the age of 60 they are eligible for an enhanced allowance.
- *Early Retirement*: if the member is not eligible for service retirement but has (a) at least 5 years of creditable service and (b) attained the age of 55 is eligible for an early retirement allowance.
- *Disability Retirement*: if the member is or will be eligible for service retirement on or before the member's date of termination, they are not eligible disability retirement. A disability retirement application filed by a member who is ineligible for disability retirement will be processed as an application for a service retirement allowance.

Employer Supplemental Contributions

In addition to the normal employer contribution rate, HB 377 requires each employer to contribute a supplemental amount to TRS equal to a specified percentage of total earned compensation of each member.

- FY 2014: 1%
- FY 2014-2024: increases by 0.1% each year
- FY 2025 and forward: 2%
- The TRS Board may increase or decrease the employer supplemental contribution rate if the certain conditions are met.

Supplemental Contribution Rate Triggers

The supplemental contribution rates may increase or decrease when the following criteria are met:

- The Board may decrease the employee and/or employer* supplemental rates if TRS is 90% funded and amortization is less than 15 years.
- Once the supplemental rate has decreased, the Board may increase the supplemental rates not to exceed 1.0%, if TRS is 80% or less funded and amortization is more than 20 years.

**The employer supplemental rate may be decreased only after GABA has been returned to 1.5%.*

All changes to the supplemental employee and/or employer contribution rates are effective on the first day of July following the TRS Board's determination.

State Supplemental Contributions

In addition to contributions currently made by the state to fund TRS, HB 377 requires the state contribute \$25 million annually to TRS.

Operating Reserve Limit (20%) for School District Retirement Funds

HB 377 lowers the retirement fund operating reserve for school districts. The previous limit was 35% and the new limit is 20%. In a one-time payment, no later than October 1, 2013, each school district is required to pay TRS the greater of:

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

State Transportation Reimbursement

HB 377 amends the schedule for disbursement of state transportation reimbursements by the Office of Public Instruction (OPI) to include three payments per year:

- By September 1, OPI will pay school districts an amount equal to 50% of the state transportation reimbursement paid to the district in the previous school year.
- By March 31, OPI will pay school districts an amount equal to the approved amount of state reimbursement for first semester transportation claims minus the September 1 distribution.
- By June 30, OPI will pay school districts the balance of the approved amount due to the district for first and second semester transportation.

Appropriations

HB 377 appropriates the following amounts to OPI for distribution to school districts. These funds will be used as K-12 BASE aid to cover the increase in employer contributions associated with HB 377:

- FY 2014 \$2,061,932
- FY 2015 \$2,370,191

OPI will also receive funding from the Office of Budget and Program Planning to cover the increased employer contributions that OPI will be required to make for agency employees who are in positions that are covered by TRS.

HB 78

Sponsor: Rep. Keith Regier
Title: Working Retiree: Break in Service
Effective: January 1, 2014

The primary goal of HB 78 was to implement an unmistakable interval of time between a member's retirement date and their return to work as a retired member in compliance with IRS public pension plan qualification requirements.

- A TRS member may not be employed in a TRS reportable position until after 150 calendar days following the member's date of termination of employment.
 - The exception to this break in service is if the retired member is employed as a substitute for a certified classroom teacher for no more than 45 days during the 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. Retirement benefits will be terminated and must be repaid with interest.
 - Both the member and their employer must contribute to TRS on all wages earned during the break in service period, with interest.

HB 54

Sponsor: Rep. Pat Ingraham
Title: Pre-Arranged Agreements: Return to Work
Effective: January 1, 2014

In addition to general housecleaning efforts, the primary goal of HB 54 was to clarify retirement age and prearranged employment agreements between employers and retiring TRS members.

- If a member is less than age 60 and has a prearranged agreement to return to work, that member will not be eligible for TRS retirement benefits. This is changed from previous legislation where normal retirement age was 55 and eligible for unreduced benefits.
- A pre-arranged agreement to return to work includes any agreement by the member to provide services to the employer as an employee, an independent contractor, a volunteer, a leased employee, an employee of a third-party, or under any other designation or in any other capacity, regardless of the timeframe in which the services are to be performed.

HB 34 (Passed in 2009 legislative session)

Sponsor: Rep. Frankie Wilmer
Title: Contributions on Working Retiree Wages
Effective: July 1, 2013

The primary goal of HB 34 was to help address the unfunded liabilities of TRS impacted by retirees returning to work in a TRS covered position, the recalculation of benefits upon return to active status, and clarifying the retirement effective date. The requirement that employer contribute on wages paid to working retirees was the only part of HB 34 with a delayed effective date.

- Each employer must remit 9.85% of the total compensation paid to all retired TRS members employed in a TRS reportable position.
 - This is an employer contribution only; working retirees do not contribute to TRS.
- This applies to all reemployed TRS retirees, including an independent contractor, employed in a position reportable to TRS. For example:
 - classroom teachers, coaches, County Superintendents, curriculum specialists, Dean of students, district superintendents, guidance counselors, librarians, paraprofessionals, principals, school nurses, school psychologists, speech therapists, study hall monitors, teacher's aides, vice principals