



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: SB0419.01: Revising pension laws related to service credit for legislative members

Primary Sponsor: Ellie Boldman Status: As Introduced

Retirement Systems Affected    ☐ Teachers    ☒ Public Employees    ☐ Highway Patrol    ☐ Police  
☐ Sheriffs    ☐ Firefighters    ☐ Volunteer Firefighters    ☐ Game Wardens    ☐ Judges

Has this legislation been reviewed by the legislative interim committee? **No**  
Has the cost of this legislation been calculated by the system's actuary? **Yes**  
Does this legislation include full funding for any benefit revisions? **No**

### **Pension Liability**

#### **Public Employees Retirement Board**

	July 1, 2024 Current System	July 1, 2024 With Changes	Increase/ (Decrease)
<b>Public Employees</b>			
Present Value of Actuarial Accrued Liability	\$9,695,548,065	\$9,707,248,065	\$11,700,000
Present Value of Actuarial Assets	\$7,341,304,639	\$7,341,304,639	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$7,341,304,639	\$7,353,004,639	\$11,700,000
Amortization Period (years) of UAAL	27.00	27.00	0.00
Change in normal costs	9.83%	9.83%	0.00%

### **Pension Contribution Rates**

	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026	FY 2028 July 1, 2027	FY 2029 July 1, 2028
<b>Public Employees</b>					
Employee Contribution Rate	7.90%	7.90%	7.90%	7.90%	7.90%
Employer Contribution Rate	9.17%	9.17%	9.17%	9.17%	9.17%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate	17.07%	17.07%	17.07%	17.07%	17.07%

## **FISCAL SUMMARY**

	FY 2026 <u>Difference</u>	FY 2027 <u>Difference</u>	FY 2028 <u>Difference</u>	FY 2029 <u>Difference</u>
<b>Expenditures</b>				
General Fund (01)	\$11,700,000	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0

**Revenues**

General Fund (01)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$11,700,000	\$0	\$0	\$0

**Net Impact**

	(\$11,700,000)	\$0	\$0	\$0
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**General Fund Balance****Description of fiscal impact**

SB 419 would allow anyone who has served in the legislature the opportunity to purchase previous retroactive service or refunded service in the Public Employees' Retirement System (PERS). In addition, anyone who has served in the legislature would be allowed to tie the service they purchase to the benefit they receive of the PERS plan provisions existing under Title 19, chapter 3, MCA as of the member's original hire date.

**FISCAL ANALYSIS****Assumptions****Public Employees Retirement Board**

- Currently, when a legislator purchases service, the purchase price is based on contributions and Short Term Investment Pool (STIP) rates. Under Title 19, chapter 3, MCA the service purchased by legislators cannot receive the enhanced benefit of PERS Plan provisions that existed as of the member's original hire date. As such, under current law, no actuarially sufficient funding mechanism exists to fund an enhanced PERS benefit for a legislator created by purchasing into an earlier benefit tier.
- The PERS plan provisions distinguish different benefit tiers for members hired prior to 7/1/2011 and on or after 7/1/2011.
  - For PERS members hired prior to 7/1/2011, the highest average compensation (HAC) is based on the average of the highest 36 months of salary, and to receive a full benefit a member has to be age 60 with at least 5 years of service or any age with 30 years of service.
  - For PERS members hired on or after 7/1/2011, the HAC is based on the average of the highest 60 months of salary, and to receive a full benefit a member has to be age 65 with at least 5 years of service or age 70 regardless of years of service.
  - For PERS members, the guaranteed annual benefit adjustment (GABA) is based on hire date: 3% for members hired before 7/1/2007; 1.5% for members hired on or after 7/1/2007 and prior to 7/1/2013; and 0.0% - 1.5% for members hired on or after 7/1/2013.
- A legislator purchasing service under the terms of this bill would have the plan provisions applied for the earliest period in which the member purchased service. This means a legislator could purchase service and receive a more valuable benefit without an actuarially sufficient funding mechanism being provided for this enhanced benefit.
- There are a total of 238 legislators with service at MPERA. The average service amount purchased by a legislator is 6.42 years, therefore, the actuary assumes each legislator would have an effective hire date 6 years earlier than their current hire date. The fiscal note assumes that 38 members would receive a more valuable benefit if service was purchased.
- SB 419 would increase the unfunded actuarial accrued liability of the PERS plan by \$11.7 million. In addition, the funded ratio would decline from 75.72% to 75.63%. The amortization period would remain unchanged at 27 years.
- This assumes all actuarial assumptions are met in the future to include a 7.30% assumed rate of return and a 3.25% payroll growth assumption.

## Fiscal Analysis Table

## Public Employees Retirement Board

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Transfers	\$11,700,000	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$11,700,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$11,700,000	\$0	\$0	\$0
<b>TOTAL Funding of Expenditures</b>	<b>\$11,700,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Revenues</u></b>				
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$11,700,000	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$11,700,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$11,700,000)	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$11,700,000	\$0	\$0	\$0

**Technical Concerns****Public Employees Retirement Board**

- SB 419 would explicitly violate § 19-3-109, MCA, the PERS statute put in place during the 68th Legislative Session which expressly provides, "It is the policy of the state that additional benefits may not be added to the public employees' retirement system unless the system amortizes in 30 years or less and the additional benefit is projected to be fully funded in perpetuity" as well as Section V.A.1. of the Public Employees' Retirement Board's Funding and Benefit Policy (Board Admin 01) which specifically holds "Proposals for increases or changes to retirement benefits must include an actuarially sufficient funding mechanism." More specifically, the benefit increases that would be given to a member under the terms of SB 419 are not funded with an actuarially sufficient funding mechanism or any source of additional revenue.

NO SPONSOR SIGNATURE

Sponsor's Initials

Date

2/28

Budget Director's Initials

2/28/2025

Date

