



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: HB0051: Increase MUS-RP supplemental contribution to TRS

Primary Sponsor: Eric Matthews 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? **Yes**

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

#### Teachers Retirement Board

	July 1, 2024 Current System	July 1, 2024 With Changes	Increase/ (Decrease)
<b>Teachers</b>			
Present Value of Actuarial Accrued Liability	\$7,025,625,000	\$7,025,625,000	\$0
Present Value of Actuarial Assets	\$5,217,233,000	\$5,217,233,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,808,392,000	\$1,808,392,000	\$0
Amortization Period (years) of UAAL	21.00	19.00	-2.00
Change in normal costs	10.76%	10.76%	0.00%

### Pension Contribution Rates

	FY 2024 July 1, 2023	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026	FY 2027 July 1, 2028
<b>Teachers</b>					
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	9.47%	9.47%	9.47%	9.47%	9.47%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	20.11%	20.11%	20.11%	20.11%	20.11%

## **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)	\$13,843,960	\$14,293,889	\$14,758,440	\$15,238,089
Other	\$16,515,602	\$17,052,358	\$17,606,560	\$18,178,774

**Revenues**

General Fund (01)	\$0	\$0	\$0	\$0
Other	\$30,359,562	\$31,346,247	\$32,365,000	\$33,416,863

**Net Impact****General Fund Balance**

	<u>(\$13,843,960)</u>	<u>(\$14,293,889)</u>	<u>(\$14,758,440)</u>	<u>(\$15,238,089)</u>
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**Description of fiscal impact**

Pursuant to §19-20-621, MCA, the supplemental employer contribution rate made by the Montana University System (MUS) employers must increase from 4.72% to 14.21% in order to amortize their share of TRS unfunded liabilities following legislation to close TRS to new entrants in the university system. By law, MUS' obligation to TRS must be fully amortized by July 1, 2033. If this bill is passed and approved, the period to amortize the overall TRS unfunded liabilities will decrease from 21 to 19 years.

**FISCAL ANALYSIS****Assumptions****Teachers Retirement Board**

1. The university system supplemental contribution to TRS is based on the total compensations of employees participating in the Montana University System Retirement Program (MUS-RP).
2. Newly hired faculty and certain professional staff of the MUS must join the MUS-RP. When MUS staff members in TRS retire, they are replaced by staff that are required to enroll in the MUS-RP.
3. The MUS Current Unrestricted Fund (CUF) salary data is from the Montana Budgeting and Reporting System (IBARS). The balance of MUS salaries is paid from tuition and other sources.
4. Approximately 95% of MUS-RP academic salaries are funded by the CUF. The MUS CUF is funded at 48% state general fund with the remainder coming from tuition and other sources.

MUS Salary Data	2026	2027	2028	2029
CUF	\$303,915,525	\$313,792,780	\$323,991,045	\$334,520,754
Tuition and Other Sources	\$15,995,554	\$16,515,409	\$17,052,160	\$17,606,355
Total Salary Data	\$319,911,079	\$330,308,189	\$341,043,205	\$352,127,110

5. HB 51 increases the required university system supplemental employer contribution rate from 4.72% to 14.21% of salaries of all MUS employees participating in MUS-RP.
6. Salaries of MUS-RP members are assumed to increase by 3.25% per year.
7. The impact presented in the fiscal note assumes that this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.
8. All calculations are based on the July 1, 2024 actuarial valuation.
9. The actuarial valuations and experience studies are available on the TRS website:  
<https://trs.mt.gov/TrsInfo/NewsAnnualReports>

**Fiscal Analysis Table****Teachers Retirement Board**

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Benefits	\$30,359,562	\$31,346,247	\$32,365,000	\$33,416,863

Fiscal Note Request - As Introduced

(continued)

<b>TOTAL Expenditures</b>	<b>\$30,359,562</b>	<b>\$31,346,247</b>	<b>\$32,365,000</b>	<b>\$33,416,863</b>
<b>Funding of Expenditures</b>				
General Fund (01)	\$13,843,960	\$14,293,889	\$14,758,440	\$15,238,089
Other	\$16,515,602	\$17,052,358	\$17,606,560	\$18,178,774
<b>TOTAL Funding of Expenditures</b>	<b>\$30,359,562</b>	<b>\$31,346,247</b>	<b>\$32,365,000</b>	<b>\$33,416,863</b>
<b>Revenues</b>				
Other	\$30,359,562	\$31,346,247	\$32,365,000	\$33,416,863
<b>TOTAL Revenues</b>	<b>\$30,359,562</b>	<b>\$31,346,247</b>	<b>\$32,365,000</b>	<b>\$33,416,863</b>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b>				
General Fund (01)	(\$13,843,960)	(\$14,293,889)	(\$14,758,440)	(\$15,238,089)
Other	\$13,843,960	\$14,293,889	\$14,758,440	\$15,238,089

**Significant Long-Term Impacts**

1. The MUS supplemental employer contribution rate increase will amortize the past service liabilities of the TRS University System members by July 1, 2033, as required by 19-20-621, MCA.

 1/7/25  
Sponsor's Initials Date

 1/2/2025  
Budget Director's Initials Date