



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0349: Revise TRS laws related to reemployment**

Primary Sponsor: **Melissa Nikolakakos**

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

Teachers Retirement Board

| | July 1, 2024 Current System | July 1, 2024 With Changes | Increase/ (Decrease) |
|--|--------------------------------|------------------------------|-------------------------|
| Teachers | | | |
| 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 | 21.00 | 0.00 |
| Change in normal costs | 10.76% | 10.76% | 0.00% |

Pension Contribution Rates

| | FY 2024 July 1, 2023 | FY2025 July1, 2024 | FY 2026 July 1, 2025 | FY 2027 July 1, 2026 | FY2027 July 1, 2028 |
|----------------------------|-------------------------|-----------------------|-------------------------|-------------------------|------------------------|
| Teachers | | | | | |
| 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 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenditures | | | | |
| Other | \$0 | \$0 | \$0 | \$0 |
| TRS Pension Fund | \$800 | \$0 | \$0 | \$0 |

Revenues

| | | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Other | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| General Fund Balance | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |

Description of fiscal impact

HB 349 would allow certain Teachers' Retirement System (TRS) retirees with 27.00 or more years of service at the time of retirement to return to work for the Office of Public Instruction (OPI) for up to 5 years during their lifetime with no limitation on the amount the retiree can earn without the loss or interruption of their TRS benefits. Based on past experience with a similar provision contained in 19-20-732, MCA, this provision is not expected to have a material impact on the state.

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

1. HB 349 creates a new exception to the 120-day break in service and the 49% allowable earnings limitation for certain TRS retirees that are employed by OPI for up to five years per individual.
2. OPI will be required to pay employer contributions equal to the sum of contribution rates provided in 19-20-602, 19-20-604, 19-20-605, 19-20-608, and 19-20-609 which currently totals 20.11% of the salaries paid to working retirees under this provision.
3. According to payroll data provided by the Office of Budget and Program Planning (OBPP), state agency employer contributions to TRS are funded with 70.2% general fund, 0.7% state special revenue and 29.1% federal special revenue.
4. Retirees working under this provision will not pay any portion of the required contributions and this proposal will not increase their benefits due to service or salary while working under this arrangement.
5. The programming cost to modify the TRS pension administration system would not exceed \$800 (8 hours at \$100 per hour) and the minimal cost to update TRS Forms and other documentation would be absorbed in our normal operating budget.
6. The actuarial analysis included in this fiscal note is based on the data, methods, assumptions and plan provisions contained in the actuarial valuation of the system performed as of July 1, 2024. This analysis assumed this is the only statutory amendment being considered. If other provisions are enacted, the actuarial impact associated with this proposal may be different.

Office of Public Instruction (OPI)

7. OPI must only consider filling positions with retirees who fit the requirements of HB 349 if OPI has been unable to fill the position with other qualified applicants.

Fiscal Analysis Table**Teachers 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> |
|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Operating Expenses | \$0 | \$0 | \$0 | \$0 |
| Operating Expense - TRS | <u>\$800</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| TOTAL Expenditures | <u><u>\$800</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |
| <u>Funding of Expenditures</u> | | | | |
| TRS Pension Fund | <u>\$800</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| TOTAL Funding of Expenditures | <u><u>\$800</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |

Fiscal Note Request - As Introduced*(continued)*

| | | | | |
|-------|-----|-----|-----|-----|
| Other | \$0 | \$0 | \$0 | \$0 |
|-------|-----|-----|-----|-----|

Revenues**Net Impact to Fund Balance (Revenue minus Funding of Expenditures)**

| | | | | |
|------------------|---------|-----|-----|-----|
| TRS Pension Fund | (\$800) | \$0 | \$0 | \$0 |
| Other | \$0 | \$0 | \$0 | \$0 |

Significant Long-Term Impacts**Teachers Retirement Board**

1. It is not possible to exactly determine the changes in future member behavior that might occur due to this proposal; therefore, the ultimate cost will be dependent on how the proposal changes active and retired member behavior.

_____
Sponsor's Initials_____
Date_____
Budget Director's Initials

2/3/2025

Date