



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **HB0700.01: Changing the amortization period for statewide DB retirement systems to 25 years**

Primary Sponsor: Bill Mercer 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	\$9,695,548,065	\$0
Present Value of Actuarial Assets	\$7,341,304,639	\$7,341,304,639	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$2,354,243,426	\$2,354,243,426	\$0
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%

### Pension Liability

### Pension Contribution Rates

## FISCAL SUMMARY

FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
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**Fiscal Note Request - As Introduced***(continued)***Expenditures**

General Fund (01)	\$202,000,000	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0

**Revenues**

General Fund (01)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$202,000,000	\$0	\$0	\$0

**Net Impact**

<u>(\$202,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**General Fund Balance****Description of fiscal impact**

HB 700 would provide for a shorter amortization policy of 25 years for the statutory time period that must be adhered to by the Retirement Boards. The structured payments required to eliminate unfunded liabilities of each defined benefit plan, to ensure each plan is considered "actuarially sound", is required by Article VIII, Sec. 15 of the Montana Constitution.

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

1. HB 700 would apply to all of MPERA's defined benefit plans. As of 06/30/2024, the amortization period for each plan below is:
  - a. Public Employees' Retirement System (PERS) - 27 Years;
  - b. Judges' Retirement System (JRS) - 0 Years;
  - c. Highway Patrol Officers' Retirement System (HPORS) - 24 Years;
  - d. Sheriffs' Retirement System (SRS) - 24 Years;
  - e. Game Wardens' and Peace Officers' Retirement System (GWPORS) - 24 Years;
  - f. Municipal Police Officers' Retirement System (MPORS) - 18 Years;
  - g. Firefighters' Unified Retirement System - 8 Years;
  - h. Volunteer Firefighters' Compensation Act - 0 Years; and
  - i. PERS DC Disability - 0 Years.
2. HB 700 would provide for a shorter amortization policy, of 25 years as opposed to 30 years.
3. The effective date is July 1, 2025.
4. In order for the PERS to remain actuarially sound on July 1, 2025, the fiscal impact would be \$202 million as calculated by the system actuary.

**Teachers Retirement Board**

5. Based on the July 1, 2024 actuarial valuation, the Teachers' Retirement System (TRS) amortizes in 21 years. As a result, there is no fiscal impact on the TRS.

**Fiscal Analysis Table****Public Employees Retirement Board**

	<b><u>FY 2026 Difference</u></b>	<b><u>FY 2027 Difference</u></b>	<b><u>FY 2028 Difference</u></b>	<b><u>FY 2029 Difference</u></b>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Transfers	\$202,000,000	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b><u>\$202,000,000</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**Funding of Expenditures**

General Fund (01)	\$202,000,000	\$0	\$0	\$0
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## Fiscal Note Request - As Introduced

(continued)

<b>TOTAL Funding of Expenditures</b>	<b>\$202,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Revenues</b>				
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$202,000,000	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$202,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b>				
General Fund (01)	(\$202,000,000)	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$202,000,000	\$0	\$0	\$0

## Teachers Retirement Board

	<b>FY 2026 Difference</b>	<b>FY 2027 Difference</b>	<b>FY 2028 Difference</b>	<b>FY 2029 Difference</b>
<b>Fiscal Impact</b>				
<b>Expenditures</b>				
<b>Funding of Expenditures</b>				
<b>Revenues</b>				
Other	\$0	\$0	\$0	\$0
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b>				
Other	\$0	\$0	\$0	\$0

## STATEWIDE SUMMARY

	<b>FY 2026 Difference</b>	<b>FY 2027 Difference</b>	<b>FY 2028 Difference</b>	<b>FY 2029 Difference</b>
<b>Fiscal Impact</b>				
<b>TOTAL Fiscal Impact</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Expenditures</b>				
Transfers	\$202,000,000	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$202,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Funding of Expenditures</b>				
General Fund (01)	\$202,000,000	\$0	\$0	\$0
<b>TOTAL Funding of Expenditures</b>	<b>\$202,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Revenues</b>				
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$202,000,000	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$202,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b>				
General Fund (01)	(\$202,000,000)	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Pension Trust Fund	\$202,000,000	\$0	\$0	\$0

**Significant Long-Term Impacts****Public Employees Retirement Board**

1. For the PERS system which is currently at a 27 year amortization period, to pay down the unfunded actuarial accrued liability over 25 years the employer contribution rate would need to increase by 0.80%. Assuming a payroll growth assumption of 3.25%, the long term impact would be:
  - a. FY 2026 - the employer contribution rate would need to be 9.97% with an overall increase of \$15.2 million;
  - b. FY 2027- the employer contribution rate would need to be 9.97% with an overall increase of \$15.6 million;
  - c. FY 2028 - the employer contribution rate would need to be 9.97% with an overall increase of \$16.2 million; and
  - d. FY 2029 - the employer contribution rate would need to be 9.97% with an overall increase of \$16.7 million.

**Technical Concerns**

1. As of the June 30, 2024 actuarial valuation, the PERS system would be considered actuarially unsound as it currently has a 27 year amortization period.

**NOT SIGNED BY SPONSOR**

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Sponsor's Initials\_\_\_\_\_  
Date\_\_\_\_\_  
Budget Director's Initials\_\_\_\_\_  
2/27/2025\_\_\_\_\_  
Date