



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2025 Biennium

**Bill information:**

SB0348 - Revise pension laws to eliminate GABA for new hires (McGillvray, Tom )

**Status:** As Introduced

**Retirement Systems Affected:**  Teachers                       Public Employees                       Highway Patrol                       Police  
 Sheriffs                                       Firefighters                       Volunteer Firefighters                       Game Wardens                       Judges

Check the box if "Yes".

- Has this legislation been reviewed by the legislative interim committee?
- Has the cost of this legislation been calculated by the system's actuary?
- Does this legislation include full funding for any benefit revisions?

For all Systems - PERS, JRS, HPORS, GWPORS, SRS, MPORS, FURS  
 There is no immediate change to Assets, Liabilities or UAAL

	July 1, 2022 Current System	July 1, 2022 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$6,691,275,000	\$6,691,275,000	\$0
Present Value of Actuarial Assets	\$4,724,449,000	\$4,724,449,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,891,678,000	\$1,891,678,000	\$0
Amortization Period (years) of UAAL	25.00	25.00	0.00
Change in normal costs	10.87%	10.87%	0.00%

	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026
Employee Contribution Rate	8.15%	8.15%	8.15%	8.15%	8.15%
Employer Contribution Rate	9.37%	9.47%	9.47%	9.47%	9.47%
State Contribution Rate	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL Contribution Rate	20.01%	20.11%	20.11%	20.11%	20.11%

**FISCAL SUMMARY**

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
TRS Pension Trust	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
TRS Pension Trust	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** SB 348 creates a new tier which removes the guaranteed annual benefit adjustment (GABA) for all new employees in all defined benefit retirement systems (PERS, JRS, HPORS, SRS, GWPORS, MPORS, FURS), effective July 1, 2023. In the Teachers Retirement System (TRS) SB 348 eliminates the post-retirement guaranteed benefit adjustment (GABA) for new members hired on or after July 1, 2023.

**FISCAL ANALYSIS**

**Assumptions:**

**Teachers’ Retirement System**

1. SB 348 is not expected to have an immediate impact on the liabilities or funding of TRS.
2. TRS Tier 3 members, hired on or after July 1, 2023, will have the exact same benefit provisions as Tier 2 members except they are not eligible for post-retirement GABA.
3. If SB 348 were to become law, the normal cost rate of the plan would begin to decrease as the ratio of Tier 3 members to all active members grows.
4. Eventually when the active membership of all TRS members is composed entirely of Tier 3 members (approximately 40 years in the future), the employer’s normal cost rate would be expected to be 0.35% lower than the current employer normal cost rate.
5. Over time, members hired on or after July 1, 2023, will have a lower normal cost rate which will increase the portion of the employer’s contribution used toward amortization of the unfunded liability of TRS.
6. SB 348 will gradually reduce the long term cost of the plan as current members retire and are replaced by new entrants.

**Montana Public Employee Retirement Administration**

7. SB 348 is not expected to have an immediate impact on the liabilities or funding of the defined benefit systems administered by MPERA.
8. This bill would impact all MPERA administered defined benefit plans:
  - a. Public Employees Retirement System (PERS)
  - b. Judges’ Retirement System (JRS)
  - c. Sheriffs’ Retirement System (SRS)
  - d. Municipal Police Officers’ Retirement System (MPORS)
  - e. Highway Patrol Officers’ Retirement System (HPORS)
  - f. Game Wardens’ and Peace Officers’ Retirement System (GWPORS)
  - g. Firefighters’ Unified Retirement System (FURS)
9. If SB 348 were to become law, the normal cost rate of each system above would begin to decrease as the ratio of new members hired on or after July 1, 2023, to all active members grows.
10. For PERS, GWPORS and SRS the current normal cost rate in the table below is for active members hired on or after July 1, 2011.

11. For HPORS, the current normal cost rate in the table below is for active members hired on or after July 1, 2013.
12. For JRS, MPORS and FURS the current normal cost rate in the table below is for all active members.
13. Eventually when the active membership of PERS, JRS, SRS, MPORS, HPORS, GWPORS, and FURS is composed entirely of members hired after July 1, 2023 (approx. 30+ years for PERS and 20-30 years for the safety systems), the employer’s current normal cost rate would be expected to decrease by the following percentages for each system in the table below:

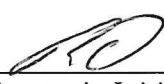
<u>System</u>	<u>Current Employees</u>	<u>Future Employees</u>	<u>Change</u>
PERS	0.90%	(0.01%)	(0.89%)
JRS	20.24%	13.93%	(6.31%)
SRS	4.94%	2.95%	(1.99%)
MPORS	21.19%	11.68%	(9.51%)
HPORS	15.69%	8.25%	(7.44%)
GWPORS	6.59%	4.42%	(2.17%)
FURS	21.51%	11.34%	(10.17%)

14. SB 348 will gradually reduce the long-term cost of each system as current members retire and are replaced by new entrants.

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
TRS Pension Trust	\$0	\$0	\$0	\$0

**Long-Term Impacts:**

1. Eventually when the active membership of all TRS members is composed entirely of Tier 3 members (approximately 40 years in the future), the employer’s normal cost rate would be expected to be 0.35% lower than the current employer normal cost rate.
2. Over time, members hired on or after July 1, 2023, will have a lower normal cost rate which will increase the portion of the employer’s contribution used toward amortization of the unfunded liability of TRS, PERS, SRS, MPORS, HPORS, GWPORS, and FURS.

NO SPONSOR SIGNATURE \_\_\_\_\_ 2/21/23 \_\_\_\_\_  \_\_\_\_\_ 2-2-23 \_\_\_\_\_  
 Sponsor’s Initials Date Budget Director’s Initials Date