



Montana Teachers' Retirement System

July 1, 2013 Valuation Results

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Benefit Financing Actuarial Valuations



$$C + I = B + E$$

B depends on

- Plan Provisions
- Experience

C depends on

- Short Term: Actuarial Assumptions
Actuarial Cost Method
- Long Term: I, B, E

1



Legislative Changes



- HB 377
 - Additional Funding
 - Supplemental Contributions
 - Both members and the employers must contribute a supplemental contribution beginning July 1, 2013
 - Member supplemental contribution rate is equal to an additional 1.00%.
 - Employers supplemental contribution rate is equal to an additional 1.0% and will increase 0.1% per year until it reaches 2.0%
 - State will contribute \$25 million annually to TRS
 - One time cash infusion from trustees of local school districts that maintain a separate retirement fund (fiscal note estimate was \$14.7 million on October 1, 2013, actual is \$22 million)
 - Changes in benefit structure
 - Suspend up to 1% of the TRS 1.5% GABA
 - TRS Board is required to suspend up to 1.0% of the 1.5% GABA if TRS is less than 90% funded

2



Legislative Changes



- HB 377
 - Created a Tier Two benefit structure for new hires who join the System on or after July 1, 2013.
 - 8.15% Employee Contribution Rate
 - Effective July 1, 2023, an additional supplement contribution of up to 1.0% is possible if the TRS is less than 80% funded and amortization period is greater than 20 years
 - Normal Retirement
 - » Age 55 and 30 Years of Service
 - » Age 60 and 5 Years of Service
 - Early Retirement
 - » Age 55 and 5 Years of Service
 - Professional Retirement Option
 - » A member age 60 with at least 30 years of service will receive a retirement allowance equal to 1.85% of compensation times years of service. Otherwise the multiplier will be equal to 1.67%

3



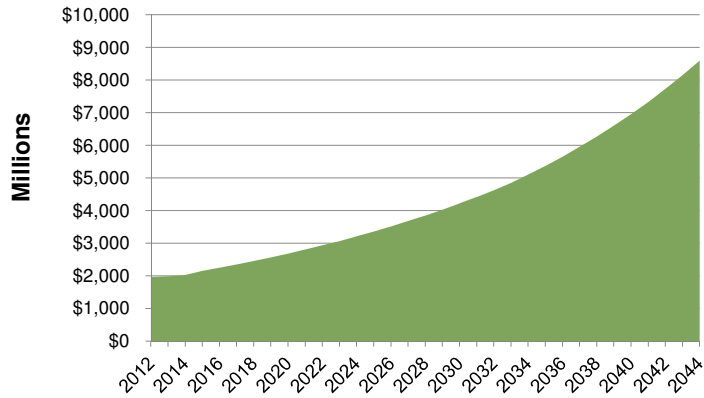
Legislative Changes



- HB 377
 - Financial Impact
 - Reduced Unfunded Liability by \$371.1 million
 - Additional funding and temporary reduction in GABA primarily responsible for the reduction in the amortization period of the unfunded actuarial accrued liability from infinite to 20 years.
 - Contributions on Working Retiree Wages (HB 34 2009 Legislative Session)
 - Each employer must remit 9.85% of total compensation paid to all retired TRS members who are employed in a TRS reportable position.

4

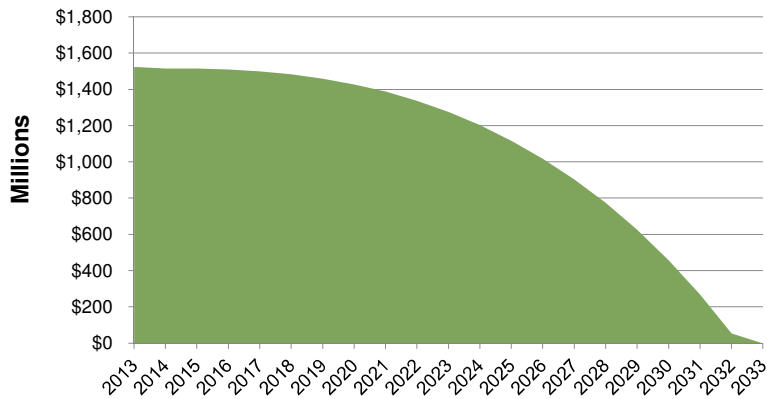
2012 Projected TRS unfunded liability (If funding continued at 2012 levels)



5



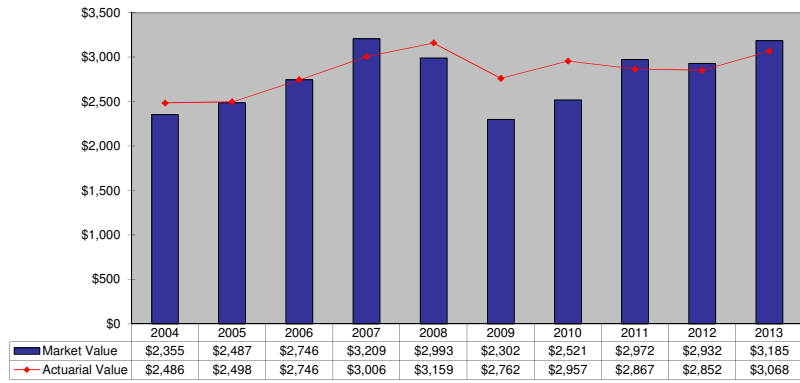
Progress toward 100% Funding HB 377 Changes



6



Assets (\$ Millions)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Market Return	13.3%	8.0%	8.9%	17.6%	(4.9)%	(20.8)%	12.9%	21.7%	2.2%	12.9%
Actuarial Return	2.1%	2.7%	8.5%	10.2%	7.2%	(10.3)%	9.8%	(0.1)%	3.2%	12.0%

7

8



Funding Results – July 1, 2013



	July 1, 2013 Valuation	July 1, 2012 Valuation
Total Normal Cost Rate	9.20%	9.65%
Less Member Rate	<u>8.15%</u>	<u>7.15%</u>
Employer Normal Cost Rate	1.05%	2.50%
Rate to Amortize UAL	<u>9.91%</u>	<u>7.46%</u>
Total Employer Statutory Rate	10.96%	9.96%
Actuarial Accrued Liability	\$4,592.7 million	\$4,814.7 million
Actuarial Value of Assets	\$3,067.9 million	\$2,852.0 million
Unfunded Accrued Liability	\$1,524.8 million	\$1,962.7 million
Amortization Period	20 Years	Infinite
Contribution Rate Shortfall	0.0%	4.89%

9

Sensitivity Analysis (GABA Provision of HB 377)



	New GABA Provision July 1, 2013 Valuation	Prior GABA Provision July 1, 2013 Valuation
Actuarial Accrued Liability	\$4,592.7 million	\$4,963.8 million
Actuarial Value of Assets	\$3,067.9 million	\$3,067.9 million
Unfunded accrued Liability	\$1,524.8 million	\$1,895.9 million
Amortization Period	20 Years	29 Years
Funded Ratio	66.80%	61.81%
Annual Cost of TRS Benefits		
Total Normal Cost	9.20%	9.62%
N C Paid by Members	8.15%	8.15%
N C paid by Employers	1.05%	1.47%
Amortize Unfunded Liability	9.91%	9.49%

10