

Summary of LCsa06 (TRS)
 prepared by Sheri Scurr, Legislative Services Division
 September 11, 2012

Creates Two-tiered System

	Tier One (current members)	Tier Two - (new members)
Employee (EE) contribution	7.15% - no change	8.15% - new
EE supplemental contribution - <i>decreased if 90% funded and amortization is less than 15 yrs</i> - <i>increased if 80% or less funded and amortization is more than 20 years</i>	1% - new - may be adjusted by board - not to exceed 1%	On or after Jan. 1, 2023: new - board may impose - board may adjust - may not exceed 0.5% - must be matched by ER or state
Employer (ER) contribution	9.85% - no change	9.85% - no change
Benefit multiplier	1.67% - no change	2% with 30 yrs or more of service - new
Average final compensation	3 highest consecutive years - no change	5 highest consecutive years - new
Normal retirement eligibility	5 yrs and age 60 or 25 yrs service regardless of age - no change	5 yrs and age 60 or 30 yrs of service and age 60 - new
Early retirement eligibility	5 yrs and age 50 - no change	5 yr and age 55 - new
Disability retirement eligibility - benefit is greater of: - 1.67% x AFC x yrs of service - 1/4th AFC	Eligible if determined disabled - no change	Eligible if determined disabled and only if not eligible for early or normal retirement - new (lower benefit, cost-saving)
Death benefit	Beneficiary may receive normal retirement benefit - no change	Beneficiary may receive normal retirement or early retirement benefit - new (lower benefit, cost saving)

Provides Additional Funding

1. School district retirement fund reserves cap decreased from 35% to 20% with excess paid to TRS - Sections 16 and 18 of the bill
2. Up to \$25 each fiscal year from public school fund guarantee account - amounts to be transferred monthly prior to distribution to the school districts through school equalization aid - amounts are statutorily appropriated - Section 19 of the bill

Staff Legal Note

The bill increases current member contributions, thus raising the following questions related to a potential contract impairment challenge:¹

1. Is the proposed benefit reduction or contribution increase both "reasonable and necessary to serve an important public purpose"?
2. Have non-impairing alternatives been enacted and/or seriously analyzed and considered, but proven to be insufficient?
3. Have less-impairing alternatives been seriously analyzed and considered, but proven to be insufficient?

Staff Administrative Notes

1. Preamble - yes or no?
2. Internal references not final checked

¹ David Niss, Legal Memorandums dated May 21, 2012, January 5, 2012, August 14, 2009, August 28, 2009 (Addendum), and February 27, 1998, Montana Legislative Services Division, (406) 444-3064, or visit www.leg.mt.us and contact staff for the State Administration and Veterans' Affairs Interim Committee. See also [U.S. Trust Company of New York v. New Jersey, 431 U.S. 1 \(1977\).](#)