Montana Teachers' Retirement System

Teachers' Retirement System 2027 Legislative Proposals

I. **Working Retiree Bill – Remove the Sunset on the 49% Allowable Earnings Limitation in 19-20-731** – Current law (19-20-731, MCA) allows a TRS working retiree to earn up to the greater of 49% of the sum of their average final compensation at the time of retirement or 49% of the median of the average final compensation for members that retired the preceding fiscal year. For the current year, this means that the minimum amount a working retiree can earn in a TRS reportable position without impacting their monthly retirement benefit is $33,497.99 versus $22,787 under the previous 1/3 limitation.

The 49% allowable earnings limitation will sunset on June 30, 2027 and will revert back to the one-third allowable earnings limitation that was in effect prior to the 2023 legislative session. The TRS Board proposed this change during the 2023 session based on feedback we received from School Administrators of Montana, Montana School Boards Association and Montana Association of School Superintendents about the difficulty they are having hiring non-retired teachers to fully staff their schools. The legislature placed a four year sunset on the provision so we could monitor retirement patterns to ensure it did not harm the system. The TRS Board has determined that the 49% allowable earnings limitation has not harmed the system and does not violate IRS tax code so we are recommending removal of the sunset on the 49% allowable earnings limitation.

II. **MUS-RP Supplemental Contribution Rate Bill** – When the Optional Retirement Plan was created in 1987 for university system TRS-eligible members, section 19-20-621, MCA, required each employer within the university system with employees participating in the optional retirement program to contribute to TRS a supplemental employer contribution sufficient to amortize, by July 1, 2033, the past service liability of the teachers' retirement system for the university system members who do not participate in TRS. The law also requires that the supplemental rate be periodically reviewed and updated. Based on the 2024 valuation of the university supplemental rate, the current rate needs to be increased from 4.72% to 14.21%; however, the actual rate required will not be known until after the July 1, 2026 valuation has been completed.