

The following is language taken directly from SAVA's RFP for a consultant. When the consultant refers to 3.4 alternatives or 3.5 requirements, they will be referring to the plan design alternatives suggested by SAVA and the requirements in HB659 for a redesign of TRS.

### 3.4 SAVA POTENTIAL DESIGN ALTERNATIVES

SAVA has identified the following potential design alternatives for both PERS and TRS and expects the successful Offeror to identify other potential design alternatives for consideration.

1. Apply the reduced early retirement benefit for an employee retiring before the age of 60, regardless of years of service.
2. Apply the reduced early retirement benefit for an employee retiring with less than 15 full-time years of service in the system.
3. Increase the state's contribution rate.
4. Change the timeframe used in PERS-DB to calculate the highest average compensation (HAC) from the three highest consecutive years of service to up to 15 consecutive years of service.
5. Change the timeframe used in TRS to calculate the average final compensation (AFC) from the three highest consecutive years of full-time service to up to 15 consecutive years of service.
6. Create a mechanism that would automatically adjust the full-benefit retirement age for members based on changes in life expectancy.
7. Alter the Guaranteed Annual Benefit Adjustment (GABA) to reduce costs (including but not limited to creating a GABA that would fluctuate based on investment returns) for:
  - A. New employees only; or
  - B. Potentially, new employees, current employees, and current retirees.
8. Create a money purchase plan in which:
  - A. All assets are invested by the Montana Board of Investments.
  - B. Fixed employee and employer contribution rates are set by the Legislature.
  - C. Employee contributions earn a guaranteed interest rate set by the Legislature.
  - D. The minimum age to start drawing the annuity is set by the Legislature.
  - E. At the time of retirement, an annuity is calculated based on the employee's account balance, which is then doubled to determine the benefit payable for the employee's lifetime.
  - F. A larger annuity is earned by a member who waits longer to apply for benefits.
  - G. Member account earnings continue to accrue if a member leaves covered employment and does not withdraw the account.

H. A refund in lieu of an annuity would include only the employee's contributions plus earnings on those contributions.

I. A COLA provision is included. (The design could range from a fixed adjustment similar to the current 1.5% GABA to a COLA that fluctuates with investment returns).

9. For current TRS members only, create a professional retirement option (PRO) increasing benefits for members who wish to extend their careers to 30 years.
10. For PERS only, change the current multiplier for PERS members with 25 or more years of service from 1/50 to 1/56 for each year of service.

### 3.5 TRS DESIGN REQUIREMENTS

With respect to TRS, HB659 directs SAVA to compare and contrast various options for redesigning the system including money purchase, hybrid options, and/or other alternative designs which best meet redesign objectives. SAVA is charged with developing legislation to implement these redesign recommendations for TRS that must:

1. Ensure members have a guaranteed benefit in retirement;
2. Establish a shared employer and employee contribution component designed to provide a level of shared risk due to actuarial gains and losses;
3. Allow for adjustment to employer and employee contributions resulting from actuarial gains and losses;
4. Be sustainable and funded on an actuarially sound basis;
5. Provide benefits designed to attract and retain qualified and competent employees in a competitive labor market and facilitate effective workforce management;
6. Comply with the federal Internal Revenue Code governing tax-qualified public pension plans;
7. Ensure the TRS Board continues to administer TRS and the Board of Investments continues to invest system assets; and
8. Provide a foundation for financial security in retirement recognizing:
  - A. A retirement plan is only one part of an employee's compensation package that also includes salary, health insurance, and other benefits;
  - B. An employer-sponsored public retirement plan is not intended to be the sole provider of income to an employee in retirement; and
  - C. Deferred compensation, personal savings, investments, and Social Security should be a part of an employee's planning for retirement.