Policy Number: 703.2
Policy: Retirement Costs Revolving Fund
Effective Date: November 1, 1999
Revision Date: May 14, 2019
Responsible Party: University Budget Director

PROCEDURE:

I. An annual business plan outlining the procedures for calculation and use of a retirement costs revolving fund will be submitted to the Commissioner's Office for approval.

II. The following procedures shall be included in the annual business plan.

A. Funds will be transferred from the General Operating fund to a designated fund in an amount calculated per the instructions in item C. The designated fund will be used exclusively for the deposit of the general operating transfers. The funds will be transferred back to the general operating fund before fiscal year end to be used exclusively to cover the actual costs of retirement payouts.

B. Transfers of funds from the general operating fund to the designated fund may be made beginning in April after revenue collections are substantially complete for the fiscal year and determined to be sufficient to permit the transfers.

C. The steps given below detail the procedure to be used by MSU-Billings.

1. Extract names of faculty and staff who will have at least 25 years of service and who will be at least 62 years of age by June 30 of the current year. Add the names of staff with at least 25 years of service who are eligible for early retirement.

2. Extract the total hours of accrued leave for each person and project the leave balances at June 30 of the current year.

3. Calculate the current hourly rate of pay for each person.

4. Calculate the estimated leave pay due at June 30 by multiplying the hourly rate of pay times the total leave hours (sick leave @ 25%) times the FTE associated with the general operating fund.

5. For each TRS retirement plan participant identified in step 1 above, find the employer rate corresponding to that person's age. Calculate the employer contribution for each participant by multiplying the years of service at the institution times the employer's contribution rate times the value of the leave pay due.

6. Calculate the total institutional obligation for each person by adding benefits to the leave pay due and to the employer contribution.

7. Compare the total calculated institutional obligation to the balance in the designated reserve fund. (The balance used for this comparison is the balance remaining after the current year transfer back to the General Operating fund has been made.) If the obligation is greater than the balance, available funds may be transferred from the General Operating fund to the Designated Reserve.

III. Annual transfers into and out of the retirement revolving fund along with the fiscal year beginning and ending balance will be included in the annual budget submission to the Board of Regents.

REFERENCES: