

HOUSE BILL 553

Introduced by Harrington, et al.

2/01	Introduced
2/01	Referred to State Administration
2/02	First Reading
2/02	Fiscal Note Requested
2/06	Fiscal Note Received
2/07	Fiscal Note Printed
2/14	Hearing
2/15	Sponsor Fiscal Note Printed
3/07	Committee Report--Bill Passed as Amended
3/09	2nd Reading Passed
3/09	Taken from Engrossing and Referred to Appropriations
3/22	Hearing
3/23	Tabled in Committee

1 *House* BILL NO. *553*  
 2 INTRODUCED BY *James H. ...*  
 3 *Robert ...*  
 4 A BILL FOR AN ACT ENTITLED "AN ACT PROVIDING A GUARANTEED  
 5 ANNUAL INCREASE IN MONTHLY BENEFITS PAID BY THE TEACHERS'

6 RETIREMENT SYSTEM; PROVIDING A STATUTORY APPROPRIATION;  
 7 AMENDING SECTION 17-7-502, MCA; AND PROVIDING AN EFFECTIVE  
 8 DATE."

9  
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 NEW SECTION. **Section 1. Annual benefits increase.** (1)  
 12 Except as provided in subsection (2), the monthly benefit of  
 13 an eligible recipient of a service, disability, or  
 14 survivorship allowance must be increased 2% on July 1 of  
 15 each year.

16 (2) To be eligible for the annual benefit increase  
 17 provided for in subsection (1), the monthly allowance must  
 18 have been in effect for at least 36 months on or before July  
 19 1 of that year.

20 NEW SECTION. **Section 2. Quarterly payment to teachers'**  
 21 **retirement system.** (1) After the end of each quarter, the  
 22 teachers' retirement division shall certify to the state  
 23 treasurer the total compensation paid to all members of the  
 24 retirement system during that quarter.

25 (2) Within 30 days of receipt of the certification, the

1 state treasurer shall contribute an amount equal to 2.96% of  
 2 the total members' compensation to the teachers' retirement  
 3 system to fund the 2% annual increase in benefits provided  
 4 for in [section 1]. Payments are statutorily appropriated,  
 5 as provided in 17-7-502.

6 **Section 3.** Section 17-7-502, MCA, is amended to read:

7 "17-7-502. Statutory appropriations -- definition --  
 8 requisites for validity. (1) A statutory appropriation is an  
 9 appropriation made by permanent law that authorizes spending  
 10 by a state agency without the need for a biennial  
 11 legislative appropriation or budget amendment.

12 (2) Except as provided in subsection (4), to be  
 13 effective, a statutory appropriation must comply with both  
 14 of the following provisions:

15 (a) The law containing the statutory authority must be  
 16 listed in subsection (3).

17 (b) The law or portion of the law making a statutory  
 18 appropriation must specifically state that a statutory  
 19 appropriation is made as provided in this section.

20 (3) The following laws are the only laws containing  
 21 statutory appropriations: 2-9-202; 2-17-105; 2-18-812;  
 22 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-1-111;  
 23 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-65-121;  
 24 15-70-101; 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404;  
 25 17-5-424; 17-5-804; [section 2]; 19-8-504; 19-9-702;



1 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512;  
 2 19-11-513; 19-11-606; 19-12-301; 19-13-604; 20-6-406;  
 3 20-8-111; 20-9-361; 23-5-306; 23-5-409; 23-5-610; 23-5-612;  
 4 23-5-1016; 23-5-1027; 27-12-206; 37-51-501; 39-71-2504;  
 5 53-6-150; 53-24-206; 61-2-406; 61-5-121; 67-3-205;  
 6 75-1-1101; 75-5-1108; 75-11-313; 76-12-123; 80-2-103;  
 7 82-11-136; 82-11-161; 90-3-301; 90-4-215; 90-4-613;  
 8 90-6-331; 90-9-306; and section 13, House Bill No. 861, Laws  
 9 of 1985.

10 (4) There is a statutory appropriation to pay the  
 11 principal, interest, premiums, and costs of issuing, paying,  
 12 and securing all bonds, notes, or other obligations, as due,  
 13 that have been authorized and issued pursuant to the laws of  
 14 Montana. Agencies that have entered into agreements  
 15 authorized by the laws of Montana to pay the state  
 16 treasurer, for deposit in accordance with 17-2-101 through  
 17 17-2-107, as determined by the state treasurer, an amount  
 18 sufficient to pay the principal and interest as due on the  
 19 bonds or notes have statutory appropriation authority for  
 20 such payments. (In subsection (3), pursuant to sec. 10, Ch.  
 21 664, L. 1987, the inclusion of 39-71-2504 terminates June  
 22 30, 1991.)"

23 NEW SECTION. Section 4. Codification instruction.  
 24 [Sections 1 and 2] are intended to be codified as an  
 25 integral part of Title 19, chapter 4, part 7, and the

1 provisions of Title 19, chapter 4, part 7, apply to  
 2 [sections 1 and 2].

3 NEW SECTION. Section 5. Effective date. [This act] is  
 4 effective July 1, 1991.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0553, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing a guaranteed annual increase in monthly benefits paid by the Teachers' Retirement System; providing a statutory appropriation; amending section 17-7-502, MCA; and providing an effective date.

ASSUMPTIONS:


1. Annual compensation reported to the Teachers' Retirement System (TRS) is \$420,010,000 in FY92 and \$445,210,000 in FY93.
2. TRS can **not** afford the proposed increase within its current rates. The proposed legislation does not authorize TRS to increase its contribution rates.
3. The state treasurer must contribute an amount equal to 2.96% of the total members' compensation to TRS to fund the proposed increase. The source of the funds transferred to TRS will be the general fund.
4. Benefits paid to retirees eligible for the proposed annual increase as of June 30, 1990, was \$42.115 million and will increase 2% in each fiscal year.
5. Data processing enhancements required for TRS to make the proposed annual adjustment will be \$12,500 in one-time FY92 costs.


FISCAL IMPACT:Teachers' Retirement System

	FY 92			FY 93		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Expenditures:</u>						
Operating Costs	0	12,500	12,500	0	0	0
Benefits	0	862,300	862,300	0	1,767,973	1,767,973
Total	0	874,800	874,800	0	1,767,973	1,767,973
<u>Funding:</u>						
General Fund	0	874,800	874,800	0	1,767,973	1,767,973

TECHNICAL NOTE:

Section 2(2) does not designate the funding source from which the state treasurer will make the transfer.

  
 \_\_\_\_\_ 2-6-91  
 ROD SUNDSTED, BUDGET DIRECTOR                      DATE  
 Office of Budget and Program Planning

  
 \_\_\_\_\_ 2-7-91  
 DAN W. HARRINGTON, PRIMARY SPONSOR                      DATE  
 Fiscal Note for HB0553, as introduced.                      **HB553**

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Revised Fiscal Note for HB0553, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing a guaranteed annual increase in monthly benefits paid by the Teachers' Retirement System; providing a statutory appropriation; amending section 17-7-502, MCA; and providing an effective date.

ASSUMPTIONS:

1. Annual compensation reported to the Teachers' Retirement System (TRS) is \$420,010,000 in FY92 and \$445,210,000 in FY93.
2. TRS can not afford the proposed increase within its current rates. The proposed legislation does not authorize TRS to increase its contribution rates.
3. The state treasurer must contribute an amount equal to 2.96% of the total members' compensation to TRS to fund the proposed increase. The source of the funds transferred to TRS will be the general fund.
4. Benefits paid to retirees eligible for the proposed annual increase as of June 30, 1990, was \$42.115 million and will increase 2% in each fiscal year.
5. Data processing enhancements required for TRS to make the proposed annual adjustment will be \$12,500 in one-time FY92 costs.

FISCAL IMPACT:

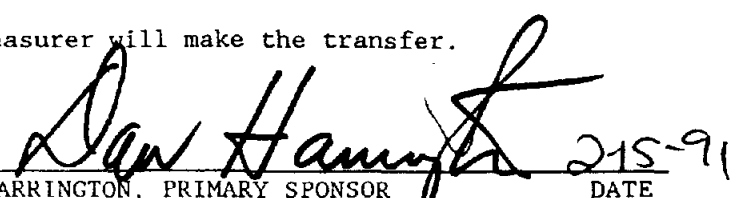
Teachers' Retirement System

	FY 92			FY 93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Expenditures:</u>						
Operating Costs	0	12,500	12,500	0	0	0
Benefits	0	862,300	862,300	0	1,767,973	1,767,973
Total	0	874,800	874,800	0	1,767,973	1,767,973
<u>Funding:</u>						
General Fund	0	874,800	874,800	0	1,767,973	1,767,973
<u>Pension Trust Funding:</u>						
General Fund	0	(12,432,296)	(12,432,296)	0	(13,178,216)	(13,178,216)
Pension Trust	0	12,432,296	12,432,296	0	13,178,216	13,178,216

TECHNICAL NOTE:

Section 2-2) does not designate the funding source from which the state treasurer will make the transfer.

  
 ROD SUNDSTED, BUDGET DIRECTOR      DATE 2-13-91  
 Office of Budget and Program Planning

  
 DAN W. HARRINGTON, PRIMARY SPONSOR      DATE 2-15-91  
 Revised Fiscal Note for HB0553, as introduced.  
**HB553**  
**Rev.**

APPROVED BY COMMITTEE  
ON STATE ADMINISTRATION

HOUSE BILL NO. 553

INTRODUCED BY HARRINGTON, MENAHAN, MCCARTHY, LYNCH, NISBET,  
SCHYE, QUILICI, DARKO, D. BROWN, DAILY, KILPATRICK, O'KEEFE,  
J. JOHNSON, MCCULLOCH, PETERSON, REAM, DRISCOLL, JACOBSON

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A GUARANTEED  
ANNUAL INCREASE IN MONTHLY BENEFITS PAID BY THE TEACHERS'  
RETIREMENT SYSTEM; PROVIDING A STATUTORY APPROPRIATION FROM  
THE GENERAL FUND TO PAY THE INCREASE IN BENEFITS TO  
EMPLOYEES WHO RETIRE PRIOR TO JULY 1, 1991; INCREASING THE  
EMPLOYEE AND EMPLOYER CONTRIBUTIONS; AMENDING SECTION  
SECTIONS 17-7-502, 19-4-602, AND 19-4-605, MCA; AND  
PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1.** Annual benefits increase. (1)

Except as provided in subsection (2), the monthly benefit of  
an eligible recipient of a service, disability, or  
survivorship allowance must be increased 2% on July 1 of  
each year.

(2) To be eligible for the annual benefit increase  
provided for in subsection (1), the monthly allowance must  
have been in effect for at least 36 months on or before July  
1 of that year.

NEW SECTION. **Section 2.** Quarterly payment to teachers'

retirement system. (1) After the end of each quarter, the  
teachers' retirement division shall certify to the state  
treasurer the total compensation paid to all members of the  
retirement system during that quarter.

(2) Within 30 days of receipt of the certification, the  
state treasurer shall contribute FROM THE GENERAL FUND an  
amount equal to ~~2.96%~~ 0.695% of the total members' EARNED  
compensation REPORTED to the teachers' retirement system to  
fund the 2% annual increase in benefits provided for in  
[section 1] FOR EMPLOYEES WHO RETIRED PRIOR TO JULY 1, 1991.  
Payments are statutorily appropriated, as provided in  
17-7-502.

**Section 3.** Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition --  
requisites for validity. (1) A statutory appropriation is an  
appropriation made by permanent law that authorizes spending  
by a state agency without the need for a biennial  
legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be  
effective, a statutory appropriation must comply with both  
of the following provisions:

(a) The law containing the statutory authority must be  
listed in subsection (3).

(b) The law or portion of the law making a statutory  
appropriation must specifically state that a statutory

**SECOND READING**

HB 553

1 appropriation is made as provided in this section.

2 (3) The following laws are the only laws containing  
3 statutory appropriations: 2-9-202; 2-17-105; 2-18-812;  
4 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-1-111;  
5 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-65-121;  
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7 17-5-424; 17-5-804; [section 2]; 19-8-504; 19-9-702;  
8 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512;  
9 19-11-513; 19-11-606; 19-12-301; 19-13-604; 20-6-406;  
10 20-8-111; 20-9-361; 23-5-306; 23-5-409; 23-5-610; 23-5-612;  
11 23-5-1016; 23-5-1027; 27-12-206; 37-51-501; 39-71-2504;  
12 53-6-150; 53-24-206; 61-2-406; 61-5-121; 67-3-205;  
13 75-1-1101; 75-5-1108; 75-11-313; 76-12-123; 80-2-103;  
14 82-11-136; 82-11-161; 90-3-301; 90-4-215; 90-4-613;  
15 90-6-331; 90-9-306; and section 13, House Bill No. 861, Laws  
16 of 1985.

17 (4) There is a statutory appropriation to pay the  
18 principal, interest, premiums, and costs of issuing, paying,  
19 and securing all bonds, notes, or other obligations, as due,  
20 that have been authorized and issued pursuant to the laws of  
21 Montana. Agencies that have entered into agreements  
22 authorized by the laws of Montana to pay the state  
23 treasurer, for deposit in accordance with 17-2-101 through  
24 17-2-107, as determined by the state treasurer, an amount  
25 sufficient to pay the principal and interest as due on the

1 bonds or notes have statutory appropriation authority for  
2 such payments. (In subsection (3), pursuant to sec. 10, Ch.  
3 664, L. 1987, the inclusion of 39-71-2504 terminates June  
4 30, 1991.)"

5 **SECTION 4. SECTION 19-4-602, MCA, IS AMENDED TO READ:**

6 "19-4-602. Annuity savings fund -- member's  
7 contribution. The annuity savings fund is a fund in which  
8 the contributions for the members to provide for their  
9 annuities shall be accumulated in individual accounts for  
10 each member. The normal contribution of each member is  
11 ~~7.044%~~ 8.176% of his earned compensation. Contributions to  
12 and payments from the annuity savings fund shall be made in  
13 the following manner:

14 (1) (a) Each employer, pursuant to section 414(h)(2) of  
15 the federal Internal Revenue Code of 1954, as amended and  
16 applicable on July 1, 1985, shall pick up and pay the  
17 contributions which would be payable by the member under  
18 this section for service rendered after June 30, 1985.

19 (b) The member's contributions picked up by the  
20 employer must be designated for all purposes of the  
21 retirement system as the member's contributions, except for  
22 the determination of a tax upon a distribution from the  
23 retirement system. These contributions must become part of  
24 the member's accumulated contributions but must be accounted  
25 for separately from those previously accumulated.

1 (c) The member's contributions picked up by the  
 2 employer must be payable from the same source as is used to  
 3 pay compensation to the member and must be included in the  
 4 member's wages as defined in 19-1-102 and his earned  
 5 compensation as used to define his average final  
 6 compensation in 19-4-101. The employer shall deduct from the  
 7 member's compensation an amount equal to the amount of the  
 8 member's contributions picked up by the employer and remit  
 9 the total of the contributions to the retirement board.

10 (d) The deductions shall be made notwithstanding that  
 11 the minimum compensation provided by law for a member may be  
 12 reduced thereby. Every member is considered to consent to  
 13 the deductions prescribed by this section, and payment of  
 14 salary or compensation less the deductions is a complete  
 15 discharge of all claims whatsoever for the services rendered  
 16 by the member during the period covered by the payment,  
 17 except as to the benefits provided by the retirement system.

18 (2) In addition to the normal contributions and subject  
 19 to the approval of the retirement board, any member may  
 20 redeposit in the annuity savings fund, by a single payment  
 21 or by an increased rate of contribution, an amount equal to  
 22 any accumulated contributions which he has previously  
 23 withdrawn, plus interest in the amount the contributions  
 24 would have earned had the contributions not been withdrawn.

25 (3) The accumulated contributions of a member withdrawn

1 by him or paid to his estate or to his designated  
 2 beneficiary in event of his death shall be paid from the  
 3 annuity savings fund. Upon the retirement of a member, his  
 4 accumulated contributions shall be transferred from the  
 5 annuity savings fund to the pension accumulation fund."

6 **SECTION 5. SECTION 19-4-605, MCA, IS AMENDED TO READ:**

7 "19-4-605. Pension accumulation fund -- employer's  
 8 contribution. The pension accumulation fund is the fund in  
 9 which the reserves for payment of pensions and annuities  
 10 shall be accumulated and from which pensions, annuities, and  
 11 benefits in lieu thereof shall be paid to or on account of  
 12 beneficiaries credited with prior service. Contributions to  
 13 and payments from the pension accumulation fund shall be  
 14 made as follows:

15 (1) Each employer shall pay into the pension  
 16 accumulation fund an amount equal to ~~7-459%~~ 8.591% of the  
 17 earned compensation of each member employed during the whole  
 18 or part of the preceding payroll period.

19 (2) If the employer is a district or community college  
 20 district, the trustees shall budget and pay for the  
 21 employer's contribution under the provisions of 20-9-501.

22 (3) If the employer is the superintendent of public  
 23 instruction, a public institution of the state of Montana, a  
 24 unit of the Montana university system, or the Montana state  
 25 school for the deaf and blind, the legislature shall



1 appropriate to the employer an adequate amount to allow the  
2 payment of the employer's contribution.

3 (4) If the employer is a county, the county  
4 commissioners shall budget and pay for the employer's  
5 contribution in the manner provided by law for the adoption  
6 of a county budget and for payments under the budget.

7 (5) All interest and other earnings realized on the  
8 moneys of the retirement system shall be credited to the  
9 pension accumulation fund, and the amount required to allow  
10 regular interest on the annuity savings fund shall be  
11 transferred to that fund from the pension accumulation fund.

12 (6) All pensions, annuities, and benefits in lieu  
13 thereof shall be paid from the pension accumulation fund.

14 (7) The retirement board may, in its discretion,  
15 transfer from the pension accumulation fund an amount  
16 necessary to cover expenses of administration."

17 NEW SECTION. Section 6. Codification instruction.  
18 [Sections 1 and 2] are intended to be codified as an  
19 integral part of Title 19, chapter 4, part 7, and the  
20 provisions of Title 19, chapter 4, part 7, apply to  
21 [sections 1 and 2].

22 NEW SECTION. Section 7. Effective date. [This act] is  
23 effective July 1, 1991.

-End-