

HOUSE BILL 661

Introduced by J. Brown, et al.

2/07	Introduced
2/07	Referred to State Administration
2/07	First Reading
2/07	Fiscal Note Requested
2/12	Fiscal Note Received
2/13	Fiscal Note Printed
2/14	Hearing
3/06	Tabled in Committee
3/19	Taken from Table
3/20	Committee Report--Bill Passed as Amended
3/21	Rereferred to Appropriations
3/22	Hearing
3/23	Tabled in Committee

1 *HOUSE* BILL NO. *661*
 2 INTRODUCED BY *J. Brown Steelman*
 3 *Spencer Wipet* *Whalen* *Marked* *Rufe McCall*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A GUARANTEED
 5 ANNUAL INCREASE IN MONTHLY BENEFITS PAID BY THE PUBLIC
 6 EMPLOYEES' RETIREMENT SYSTEM; STATUTORILY APPROPRIATING
 7 MONEY FROM THE GENERAL FUND TO PAY FOR THE INCREASE;
 8 AMENDING SECTION 17-7-502, MCA; AND PROVIDING AN EFFECTIVE
 9 DATE."

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

11 NEW SECTION. **Section 1.** Guaranteed annual increase in
 12 benefits. (1) Except as provided in subsection (2),
 13 effective July 1 each year, the monthly benefit of an
 14 eligible recipient of a service, disability, or survivorship
 15 allowance must be increased by 2%.
 16

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

21 NEW SECTION. **Section 2.** Statutory appropriation to
 22 fund annual benefit increase. (1) At the end of each
 23 quarter, the public employees' retirement division shall
 24 certify to the state treasurer the total compensation paid
 25 to all members of the retirement system during that quarter.

1 (2) Within 30 days after receipt of the certification
 2 under subsection (1), the state treasurer shall contribute
 3 to the retirement system an amount equal to 2.91% of the
 4 total compensation certified for the purpose of funding the
 5 2% annual increase in benefits provided in [section 1].
 6 These payments are statutorily appropriated as provided in
 7 17-7-502.

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

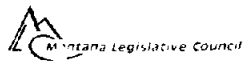
9 "17-7-502. Statutory appropriations -- definition --
 10 requisites for validity. (1) A statutory appropriation is an
 11 appropriation made by permanent law that authorizes spending
 12 by a state agency without the need for a biennial
 13 legislative appropriation or budget amendment.

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

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

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

22 (3) The following laws are the only laws containing
 23 statutory appropriations: 2-9-202; 2-17-105; 2-18-812;
 24 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-1-111;
 25 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-65-121;



1 15-70-101; 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404;
 2 17-5-424; 17-5-804; [section 2]; 19-8-504; 19-9-702;
 3 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512;
 4 19-11-513; 19-11-606; 19-12-301; 19-13-604; 20-6-406;
 5 20-8-111; 20-9-361; 23-5-306; 23-5-409; 23-5-610; 23-5-612;
 6 23-5-1016; 23-5-1027; 27-12-206; 37-51-501; 39-71-2504;
 7 53-6-150; 53-24-206; 61-2-406; 61-5-121; 67-3-205;
 8 75-1-1101; 75-5-1108; 75-11-313; 76-12-123; 80-2-103;
 9 82-11-136; 82-11-161; 90-3-301; 90-4-215; 90-4-613;
 10 90-6-331; 90-9-306; and section 13, House Bill No. 861, Laws
 11 of 1985.

12 (4) There is a statutory appropriation to pay the
 13 principal, interest, premiums, and costs of issuing, paying,
 14 and securing all bonds, notes, or other obligations, as due,
 15 that have been authorized and issued pursuant to the laws of
 16 Montana. Agencies that have entered into agreements
 17 authorized by the laws of Montana to pay the state
 18 treasurer, for deposit in accordance with 17-2-101 through
 19 17-2-107, as determined by the state treasurer, an amount
 20 sufficient to pay the principal and interest as due on the
 21 bonds or notes have statutory appropriation authority for
 22 such payments. (In subsection (3), pursuant to sec. 10, Ch.
 23 664, L. 1987, the inclusion of 39-71-2504 terminates June
 24 30, 1991.)"

25 NEW SECTION. Section 3. Codification instruction.

1 [Sections 1 and 2] are intended to be codified as an
 2 integral part of Title 19, chapter 3, part 11, and the
 3 provisions of Title 19, chapter 3, part 11, apply to
 4 [sections 1 and 2].

5 NEW SECTION. Section 5. Effective date. [This act] is
 6 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 HB0661, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:


An act providing a guaranteed annual increase in monthly benefits paid by the Public Employees' Retirement System (PERS); statutorily appropriating money from the general fund to pay for the increase; amending section 17-7-502, MCA; and providing an effective date.


ASSUMPTIONS:

1. The proposed legislation would provide a 2% annual increase to PERS retirees who have received retirement pensions for at least 36 months. The effective date of the first increase is July 1, 1991, with subsequent 2% increases occurring each succeeding July 1 for retirees receiving benefits for at least 36 months.
2. The actuarial cost of a 2% annual increase in benefits with a three year deferral would be 2.91% of each active member's compensation.
3. The proposed legislation statutorily appropriates from the general fund 2.91% of the total compensation certified by PERS for the purpose of funding the 2% annual increase.
4. Projected total annual compensation paid to all members of the retirement system is \$485,696,952 in FY92 and \$507,553,314 in FY93.
5. Computer programming and processing to select, calculate and pay retirement adjustments will be approximately \$10,000 each fiscal year of the 1993 biennium. PERS will need additional appropriation authority from the investment income on the PERS pension trust fund for the increased cost of computer programming and processing.
6. Current law is represented by the executive budget recommendation for the Public Employees' Retirement Division (PERD). Only revenues and/or funding sources impacted by the proposed legislation is represented on the fiscal note.

FISCAL IMPACT:

see next page


ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning


JAN BROWN, PRIMARY SPONSOR DATE
Fiscal Note for HB0661, as introduced. **HB 661**

Fiscal Note Request, HB0661, as introduced.

Form BD-15

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FISCAL IMPACT:

<u>PERD:</u>	<u>FY 92</u>			<u>FY 93</u>		
	<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>						
FTE	20.00	20.00	0.00	20.00	20.00	0.00
Personal Services	518,860	518,860	0	517,936	517,936	0
Operating Costs	322,764	332,764	10,000	301,472	311,472	10,000
Benefits and Claims	<u>59,261,140</u>	<u>60,125,141</u>	<u>864,001</u>	<u>65,061,814</u>	<u>66,902,401</u>	<u>1,840,587</u>
Total	60,102,764	60,976,765	874,001	65,881,222	67,731,809	1,850,587
<u>Funding:</u>						
PERS Trust	60,102,764	60,976,765	874,001	65,881,222	67,731,809	1,850,587
<u>Revenues:</u>						
General Fund Impact			(14,133,781)			(14,769,801)

TECHNICAL NOTES:

Only the title of the bill indicates that the funding for the proposed increase is general fund. Section 2 should specifically state the statutory appropriation is from the general fund.

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

1 HOUSE BILL NO. 661

2 INTRODUCED BY J. BROWN, HANSEN, SQUIRES, WYATT,

3 WHALEN, DARKO, O'KEEFE, MCCULLOCH, D. BROWN

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A GUARANTEED
6 ANNUAL INCREASE IN MONTHLY BENEFITS PAID BY THE PUBLIC
7 EMPLOYEES' RETIREMENT SYSTEM; STATUTORILY APPROPRIATING
8 MONEY FROM THE GENERAL FUND AND ADJUSTING EMPLOYER AND
9 EMPLOYEE CONTRIBUTIONS TO PAY FOR THE INCREASE; AMENDING
10 SECTION SECTIONS 17-7-502, 19-3-701, AND 19-3-801, MCA; AND
11 PROVIDING AN EFFECTIVE DATE."

12
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 NEW SECTION. Section 1. Guaranteed annual increase in
15 benefits. (1) Except as provided in subsection (2),
16 effective July 1 each year, the monthly benefit of an
17 eligible recipient of a service, disability, or survivorship
18 allowance must be increased by 2%.

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

23 NEW SECTION. Section 2. Statutory appropriation to
24 fund annual benefit increase. (1) At the end of each
25 quarter, the public employees' retirement division shall

1 certify to the state treasurer the total compensation paid
2 to all members of the retirement system during that quarter.

3 (2) Within 30 days after receipt of the certification
4 under subsection (1), the state treasurer shall contribute
5 FROM THE GENERAL FUND to the retirement system an amount
6 equal to ~~2-9%~~ 0.53% of the total compensation certified for
7 the purpose of funding the 2% annual increase in benefits
8 provided in [section 1]. These payments are statutorily
9 appropriated as provided in 17-7-502.

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

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

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17 effective, a statutory appropriation must comply with both
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20 listed in subsection (3).

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22 appropriation must specifically state that a statutory
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25 statutory appropriations: 2-9-202; 2-17-105; 2-18-812;

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 15 principal, interest, premiums, and costs of issuing, paying,
 16 and securing all bonds, notes, or other obligations, as due,
 17 that have been authorized and issued pursuant to the laws of
 18 Montana. Agencies that have entered into agreements
 19 authorized by the laws of Montana to pay the state
 20 treasurer, for deposit in accordance with 17-2-101 through
 21 17-2-107, as determined by the state treasurer, an amount
 22 sufficient to pay the principal and interest as due on the
 23 bonds or notes have statutory appropriation authority for
 24 such payments. (In subsection (3), pursuant to sec. 10, Ch.
 25 664, L. 1987, the inclusion of 39-71-2504 terminates June

1 30, 1991.)"

2 **SECTION 4. SECTION 19-3-701, MCA, IS AMENDED TO READ:**

3 "19-3-701. **Member's contribution to be deducted.** (1) On
 4 and before June 30, 1989, the normal contribution of each
 5 member is 6% of his compensation. The normal contribution of
 6 each member increases to:

- 7 (a) 6.15% of his compensation on July 1, 1989;
 8 (b) 6.30% of his compensation on July 1, 1990;
 9 (c) ~~6.41%~~ 7.607% of his compensation on July 1, 1991;
 10 (d) ~~6.55%~~ 7.74% of his compensation on July 1, 1992;
 11 and
 12 (e) ~~6.70%~~ 7.89% of his compensation on July 1, 1993.

13 (2) Payment of salaries or wages less the contribution
 14 shall be full and complete discharge and acquittance of all
 15 claims and demands whatsoever for the service rendered by
 16 members during the period covered by the payment, except
 17 their claims to the benefits to which they may be entitled
 18 under the provisions of this chapter.

19 (3) Each employer, pursuant to section 414(h)(2) of the
 20 federal Internal Revenue Code of 1954, as amended and
 21 applicable on July 1, 1985, shall pick up and pay the
 22 contributions which would be payable by the member under
 23 subsection (1) for service rendered after June 30, 1985.

24 (4) The member's contributions picked up by the
 25 employer must be designated for all purposes of the

1 retirement system as the member's contributions, except for
 2 the determination of a tax upon a distribution from the
 3 retirement system. These contributions must become part of
 4 the member's accumulated contributions but must be accounted
 5 for separately from those previously accumulated.

6 (5) The member's contributions picked up by the
 7 employer must be payable from the same source as is used to
 8 pay compensation to the member and must be included in the
 9 member's wages as defined in 19-1-102 and his compensation
 10 as defined in 19-3-104. The employer shall deduct from the
 11 member's compensation an amount equal to the amount of the
 12 member's contributions picked up by the employer and remit
 13 the total of the contributions to the board."

14 **SECTION 5. SECTION 19-3-801, MCA, IS AMENDED TO READ:**

15 "19-3-801. **Employer contribution rates -- actuarial**
 16 **determination.** (1) Each employer shall contribute to the
 17 cost of benefits under the system. The amount of the
 18 employer contributions shall be computed by applying to
 19 member's compensation the sum of the current service
 20 contribution rate and the unfunded liability contribution
 21 rate. The sum of these rates is ~~6-417%~~ 7.607% from July 1,
 22 1983, to June 30, 1992. The sum of the rates increases to
 23 ~~6-55%~~ 7.74% on July 1, 1992, and to ~~6-70%~~ 7.89% on July 1,
 24 1993.

25 (2) The actuary shall determine the current service

1 contribution rate to be that level percentage of the present
 2 value of the future compensation of the average new member
 3 entering the system which equals the then present value of
 4 the excess of all prospective benefits in respect of such
 5 member over the member's own normal contributions.

6 (3) The actuary shall determine the minimum unfunded
 7 liability contribution rate to be that level percentage of
 8 the present value of the prospective compensation of all
 9 members for the 40-year period following the date of the
 10 determination which is equal to the unfunded liability on
 11 that date. The unfunded liability at any time is the excess
 12 of the present value of all future benefits payable in
 13 respect of all persons then entitled to benefits under the
 14 system over the sum of the retirement fund and the present
 15 values of the future current service contributions and
 16 normal contributions payable in respect of all such
 17 persons."

18 **NEW SECTION. Section 6. Codification instruction.**

19 [Sections 1 and 2] are intended to be codified as an
 20 integral part of Title 19, chapter 3, part 11, and the
 21 provisions of Title 19, chapter 3, part 11, apply to
 22 [sections 1 and 2].

23 **NEW SECTION. Section 7. Effective date.** [This act] is

24 effective July 1, 1991.

-End-