

SENATE BILL NO. 264

INTRODUCED BY FRITZ, THOMAS, DRISCOLL,
SQUIRES, NATHE, VAN VALKENBURG

IN THE SENATE

FEBRUARY 2, 1991 INTRODUCED AND REFERRED TO COMMITTEE
ON STATE ADMINISTRATION.

FEBRUARY 4, 1991 FIRST READING.

FEBRUARY 15, 1991 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

FEBRUARY 16, 1991 PRINTING REPORT.

 SECOND READING, DO PASS.

FEBRUARY 18, 1991 ENGROSSING REPORT.

 THIRD READING, PASSED.
AYES, 49; NOES, 0.

 TRANSMITTED TO HOUSE.

IN THE HOUSE

MARCH 4, 1991 INTRODUCED AND REFERRED TO COMMITTEE
ON STATE ADMINISTRATION.

 FIRST READING.

MARCH 19, 1991 COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

MARCH 23, 1991 SECOND READING, CONCURRED IN.

MARCH 25, 1991 THIRD READING, CONCURRED IN.
AYES, 71; NOES, 25.

 RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

MARCH 28, 1991 RECEIVED FROM HOUSE.

 SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 1, 1991

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senate* BILL NO. *264*
 2 INTRODUCED BY *John Thomas*
 3 *James NACA*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT A MEMBER
 5 OF THE UNIVERSITY SYSTEM OPTIONAL RETIREMENT PROGRAM MUST
 6 RECEIVE THE FULL EMPLOYER CONTRIBUTION TO THE RETIREMENT
 7 PROGRAM; REPEALING THE REQUIREMENT FOR AN ACTUARIAL
 8 INVESTIGATION TO DETERMINE UNFUNDED LIABILITIES; AMENDING
 9 SECTION 19-21-203, MCA; REPEALING SECTION 19-21-111, MCA;
 10 AND PROVIDING AN EFFECTIVE DATE."

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

12 **Section 1.** Section 19-21-203, MCA, is amended to read:

13 "19-21-203. Contributions. (1) Each optional retirement
 14 program participant shall contribute an amount equal to the
 15 member's contribution required under 19-4-602. The board of
 16 regents shall contribute an amount equal to the employer
 17 contribution required under 19-4-605.

18 (2) ~~The board of regents' contribution must be~~
 19 ~~apportioned and paid as follows:~~

20 (a) ~~to the designated company or companies, an amount~~
 21 ~~equal to the greater of:~~

22 (i) ~~the employer contribution to the teachers'~~
 23 ~~retirement system not used to amortize past service unfund~~
 24 ~~ed liability; or~~ (ii) ~~the unfunded liability is limited by~~
 25

1 19-21-111, or
 2 (ii) an amount that, when added to the participant's
 3 contribution, is equal to 10% of the participant's earned
 4 compensation; and

5 (b) ~~to the teachers' retirement system, the balance of~~
 6 ~~the board of regents' contribution;~~

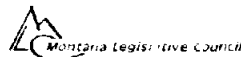
7 (3)(2) The board of regents shall determine whether the
 8 participant's contribution is to be made by salary reduction
 9 under section 403(b) of the Internal Revenue Code of 1954 or
 10 by employer pick-up under section 414(h)(2) of that code.

11 (4)(3) The disbursing officer of the employer or other
 12 official designated by the board of regents shall pay both
 13 the participant's contribution and the appropriate portion
 14 of the regents' contribution to the designated company or
 15 companies for the benefit of the participant."

16 NEW SECTION. **Section 2.** Repealer. Section 19-21-111,
 17 MCA, is repealed.

18 NEW SECTION. **Section 3.** Effective date. [This act] is
 19 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 SB0264, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

"An act providing that a member of the University System optional retirement program must receive the full employer contribution to the retirement program; repealing the requirement for an actuarial investigation to determine unfunded liabilities; amending Section 19-21-203, MCA; repealing Section 19-21-111, MCA; and providing an effective date."


ASSUMPTIONS:

1. The contribution rate of 4.503% contributed to the Teachers' Retirement System on the compensation of the members participating in the optional retirement system will terminate effective July 1, 1991.
2. Termination of the 4.503% contribution to the Teachers' Retirement System will reduce revenues available to fund the system's unfunded liability and extend the amortization of the unfunded liability from 36.13 years to 42.49 years. The unfunded liability of the Teachers' Retirement System as of July 1, 1990, was \$647,673,266.
3. The elimination of the 4.503% contribution to the Teachers' Retirement System will reduce future revenues available to fund the unfunded past service liability extending the amortization period 6.18 years.
4. The cost to fund the 6.18 years added to the amortization period of the system's unfunded liability would be \$52,691,346.
5. Current members and new hires that elect the optional retirement plan will cause a 4.503% decrease in contributions to the Teachers' Retirement System during the 1992-93 biennium. Approximately 85%-90% of all new hires will elect the optional retirement program.
6. Section I deletes the requirement for continuing contributions to the Teachers' Retirement System and at the same time provides for additional contributions to be made to the optional retirement program, the additional contribution would be funded from the Teachers' Retirement System.

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>Revenue:</u>						
Employer Contributions	31,328,546	30,199,684	(1,128,862)	33,208,214	31,682,901	(1,525,313)



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



HARRY FRITZ, PRIMARY SPONSOR DATE

Fiscal Note for SB0264, as introduced

SB 264

Fiscal Note Request, SBO264, as introduced

Form BD-15

Page 2

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Senate Bill 264, if enacted, will add 6.18 years to the amortization of the Teachers' Retirement System's unfunded liability. There are many employers in the Teachers' Retirement System, the majority of which are school districts, which will be required to make contributions for an additional 6.18 years to amortize the unfunded liability in the Teachers' Retirement System.

TECHNICAL NOTE:

Senate Bill 0264 provides for an enhancement in the benefits of the optional retirement program but does not provide for additional funding to pay for the benefit.

SB 264

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

SENATE BILL NO. 264

INTRODUCED BY FRITZ, THOMAS, DRISCOLL,

SQUIRES, NATHE, VAN VALKENBURG

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT A MEMBER OF THE UNIVERSITY SYSTEM OPTIONAL RETIREMENT PROGRAM MUST RECEIVE THE PUBE EMPLOYER CONTRIBUTION TO THE RETIREMENT PROGRAM, REPEALING THE REQUIREMENT FOR AN ACTUARIAL INVESTIGATION TO DETERMINE UNFUNDED LIABILITIES DIRECTING THE LEGISLATIVE AUDITOR TO DETERMINE THE VALUE OF PAST SERVICE LIABILITY OF TEACHERS' RETIREMENT SYSTEM MEMBERS OF THE MONTANA UNIVERSITY SYSTEM; AMENDING SECTION 19-21-203, MCA; REPEALING SECTION 19-21-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

Section 1. Section 19-21-111, MCA, is amended to read:

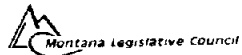
"19-21-111. Actuarial investigation to determine unfunded past service liability compared to contributions required. (1) On June 30, 1990, the teachers' retirement board shall make an actuarial investigation of the teachers' retirement system to determine the past service unfunded liability of active, inactive, and retired members of the

Montana university system. The valuation must determine the effect on the amortization of the unfunded liability of the teachers' retirement system caused by persons electing to participate in the optional retirement program. The legislative auditor shall, using independent actuarial assistance as necessary and in cooperation with the teachers' retirement board and the board of regents, determine the dollar value of past service liability of active, inactive and retired teachers' retirement system members of the Montana university system as compared to contributions required of the Montana university system on behalf of teachers' retirement system members pursuant to 19-4-605. The board legislative auditor shall report its findings to the 52nd 53rd legislature.

(2) If the valuation determines that the percentage contribution established in 19-21-203(2)(b) has an adverse effect on the amortization of the unfunded liability, then the board of regents shall pay an additional sum over a period of 40 years to rectify the adverse effect.

(3) Changes in the teachers' retirement system occurring after July 1, 1987, that create additional unfunded liabilities may not be considered in the valuation, and the board of regents may not be required to pay any additional sum on that account except to the extent that those changes benefit members of the teachers' retirement

SECOND READING



1 system who are employees of the Montana university system.

2 (4) If the valuation determines that the board of
3 regents is paying an amount in excess of that needed to
4 amortize the unfunded liability, the teachers' retirement
5 board shall credit the board of regents for the excess
6 payments. The board of regents shall credit the active
7 participants in the optional retirement program with the
8 excess payments."

9 NEW SECTION. **Section 2. Effective date.** [This act] is
10 effective on passage and approval.

-End-

SENATE BILL NO. 264

INTRODUCED BY FRITZ, THOMAS, DRISCOLL,
SQUIRES, NATHE, VAN VALKENBURG

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT A MEMBER OF THE UNIVERSITY SYSTEM OPTIONAL RETIREMENT PROGRAM MUST RECEIVE THE PUBLIC EMPLOYER CONTRIBUTION TO THE RETIREMENT PROGRAM, REPEALING THE REQUIREMENT FOR AN ACTUARIAL INVESTIGATION TO DETERMINE UNFUNDED LIABILITIES DIRECTING THE LEGISLATIVE AUDITOR TO DETERMINE THE VALUE OF PAST SERVICE LIABILITY OF TEACHERS' RETIREMENT SYSTEM MEMBERS OF THE MONTANA UNIVERSITY SYSTEM; AMENDING SECTION 19-21-203, MCA; REPEALING SECTION 19-21-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

Section 1. Section 19-21-111, MCA, is amended to read:

"19-21-111. Actuarial investigation to determine unfunded past service liability compared to contributions required. (1) On June 30, 1990, the teachers' retirement board shall make an actuarial investigation of the teachers' retirement system to determine the past service unfunded liability of active, inactive, and retired members of the

Montana university system. The valuation must determine the effect on the amortization of the unfunded liability of the teachers' retirement system caused by persons electing to participate in the optional retirement program. The legislative auditor shall, using independent actuarial assistance as necessary and in cooperation with the teachers' retirement board and the board of regents, determine the dollar value of past service liability of active, inactive and retired teachers' retirement system members of the Montana university system as compared to contributions required of the Montana university system on behalf of teachers' retirement system members pursuant to 19-4-605. The board legislative auditor shall report its his findings to the 52nd 53rd legislature.

(2) If the valuation determines that the percentage contribution established in 19-21-203(2)(b) has an adverse effect on the amortization of the unfunded liability, then the board of regents shall pay an additional sum over a period of 40 years to rectify the adverse effect.

(3) Changes in the teachers' retirement system occurring after July 1, 1987, that create additional unfunded liabilities may not be considered in the valuation, and the board of regents may not be required to pay any additional sum on that account except to the extent that those changes benefit members of the teachers' retirement

THIRD READING



1 system who are employees of the Montana university system.

2 (4) If the valuation determines that the board of
3 regents is paying an amount in excess of that needed to
4 amortize the unfunded liability, the teachers' retirement
5 board shall credit the board of regents for the excess
6 payments. The board of regents shall credit the active
7 participants in the optional retirement program with the
8 excess payments."

9 NEW SECTION. **Section 2.** Effective date. [This act] is
10 effective on passage and approval.


-End-

HOUSE STANDING COMMITTEE REPORT

March 19, 1991

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that Senate Bill 264 (third reading copy -- blue) be concurred in as amended .

Signed: 
Jan Brown, Chairman

Carried by: Rep. Cocchiarella

And, that such amendments read:

1. Page 2, line 14.

Following: "."

Insert: "The office of the commissioner of higher education shall pay for the determination, required by this section, of past service liability of teachers' retirement system members compared to contributions required of the Montana university system."

HOUSE
SB 264

1 SENATE BILL NO. 264

2 INTRODUCED BY FRITZ, THOMAS, DRISCOLL,

3 SQUIRES, NATHE, VAN VALKENBURG

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT A MEMBER
 6 OF THE UNIVERSITY SYSTEM OPTIONAL RETIREMENT PROGRAM MUST
 7 RECEIVE THE FULL EMPLOYER CONTRIBUTION TO THE RETIREMENT
 8 PROGRAM; REPEALING THE REQUIREMENT FOR AN ACTUARIAL
 9 INVESTIGATION TO DETERMINE UNFUNDED LIABILITIES DIRECTING
 10 THE LEGISLATIVE AUDITOR TO DETERMINE THE VALUE OF PAST
 11 SERVICE LIABILITY OF TEACHERS' RETIREMENT SYSTEM MEMBERS OF
 12 THE MONTANA UNIVERSITY SYSTEM; AMENDING SECTION 19-21-203,
 13 MCA; REPEALING SECTION 19-21-111, MCA; AND PROVIDING AN
 14 IMMEDIATE EFFECTIVE DATE."

15
16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

17 (Refer to Introduced Bill)

18 Strike everything after the enacting clause and insert:

19 Section 1. Section 19-21-111, MCA, is amended to read:

20 "19-21-111. Actuarial investigation to determine
 21 unfunded past service liability compared to contributions
 22 required. (1) On June 30, 1997, the teachers' retirement
 23 board shall make an actuarial investigation of the teachers'
 24 retirement system to determine the past service unfunded
 25 liability of active, inactive, and retired members of the

1 Montana university system. The valuation must determine the
 2 effect on the amortization of the unfunded liability of the
 3 teachers' retirement system caused by persons electing to
 4 participate in the optional retirement program. The
 5 legislative auditor shall, using independent actuarial
 6 assistance as necessary and in cooperation with the
 7 teachers' retirement board and the board of regents,
 8 determine the dollar value of past service liability of
 9 active, inactive and retired teachers' retirement system
 10 members of the Montana university system as compared to
 11 contributions required of the Montana university system on
 12 behalf of teachers' retirement system members pursuant to
 13 19-4-605. The board legislative auditor shall report its his
 14 findings to the 52nd 53rd legislature. THE OFFICE OF THE
 15 COMMISSIONER OF HIGHER EDUCATION SHALL PAY FOR THE
 16 DETERMINATION, REQUIRED BY THIS SECTION, OF PAST SERVICE
 17 LIABILITY OF TEACHERS' RETIREMENT SYSTEM MEMBERS COMPARED TO
 18 CONTRIBUTIONS REQUIRED OF THE MONTANA UNIVERSITY SYSTEM.

19 (2) If the valuation determines that the percentage
 20 contribution established in 19-21-203(2)(b) has an adverse
 21 effect on the amortization of the unfunded liability, then
 22 the board of regents shall pay an additional sum over a
 23 period of 40 years to rectify the adverse effect.

24 (3) Changes in the teachers' retirement system
 25 occurring after July 1, 1987, that create additional

1 unfunded liabilities may not be considered in the valuation,
2 and the board of regents may not be required to pay any
3 additional sum on that account except to the extent that
4 those changes benefit members of the teachers' retirement
5 system who are employees of the Montana university system.

6 (4) If the valuation determines that the board of
7 regents is paying an amount in excess of that needed to
8 amortize the unfunded liability, the teachers' retirement
9 board shall credit the board of regents for the excess
10 payments. The board of regents shall credit the active
11 participants in the optional retirement program with the
12 excess payments."

13 NEW SECTION. **Section 2.** Effective date. [This act] is
14 effective on passage and approval.

-End-