

MINUTES

MONTANA SENATE 54th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON HOUSE BILL 268

Call to Order: By CHAIRMAN GERRY DEVLIN, on April 12, 1995, at
11:40 a.m.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Rep. William Rehbein, Jr., Vice-Chairman (R)
Sen. Loren Jenkins (R)
Sen. Bill Wilson (D)
Rep. Dick Green (R)
Rep. Carolyn M. Squires (D)

Members Excused: none.

Members Absent: none.

Staff Present: Sheri Heffelfinger, Legislative Council
Tina Price, Secretary

Discussion: CHAIRMAN GERRY DEVLIN asked Sheri Heffelfinger to explain the problem with the judges' retirement fund as it related to HB 268 and explain to the committee the options available to address the problem. Sheri Heffelfinger stated one issue that had gotten overlooked in the Guaranteed Annual Benefit Adjustment Bill (GABA) was the issue of actuarial funding for the judges' retirement system. She explained the judges' retirement system would require about \$1 million over the next biennium to correct the funding shortfall which resulted from the shortfall in district court fees appropriated to the judges' retirement system. The district court fees have never been sufficient to fund the system. She elaborated when the bill was drafted provisions were added to provide for funding over the next several years to address the actuarial shortfall and to actuarially fund the debt. She added the provisions were somewhat tied to the GABA provisions. In Section 40 of HB 268 the district court fees were redirected from the retirement system to the General Fund. The General Fund would then be responsible for funding the judges' retirement system. Section 15 changed the state contribution rate from 6% to 29.39%. Ms. Heffelfinger reported there was currently no other vehicle which addressed the judges' retirement system. She added the Department of Administration had worked with the Retirement Division on the problem with the Judges' Retirement System.

There was concern regarding the \$1 million impact over the next 2 bienniums if the provisions of HB 268 were not adopted.

CHAIRMAN DEVLIN asked what time frame the legislature had to address the judges' retirement. **Ms. Heffelfinger** replied she was not sure.

REP. BILL REHBEIN reported the Montana Education Association, MEA, had informed him the teachers were discussing abandoning the program. He expressed concern the legislature was already seeing fractures in the initial proposal. **REP. REHBEIN** offered an amendment, **EXHIBIT 1**, and explained the amendment would provide for the proposal to be studied over the interim to attempt to formulate a solution to the apparent problems and bring all retirement programs into a unified program.

CHAIRMAN DEVLIN clarified the amendments proposed just to study the system. **REP. REHBEIN** stated that was correct. He added **REP. DICK SIMPKINS** had brought a bill off the table which allowed for the continued study of the retirement systems by an interim committee. He suggested that committee could be directed to study the GABA proposal.

REP. CAROLYN SQUIRES she had heard the rumor about the teachers abandoning the GABA proposal and informed the committee she had spoken to the Montana Federation of Teachers and the MEA and they had no intention of bailing off of the bill. She added the Montana Federation of Teachers and the MEA were not, however, interested in **REP. REHBEIN'S** proposal.

REP. REHBEIN reported **REP. SIMPKINS** had worked with Linda King from the Department of Administration and she had proposed the teachers be opted out and the Public Employees Retirement System, PERS, be phased in. He referred to **EXHIBIT 2**, prepared by Linda King, and explained the exhibit demonstrated the reduction in fiscal impact of opting the teachers out and phasing the PERS in.

Sheri Heffelfinger informed the committee she had drafted amendments HB026811.ASH at **REP. AHNER'S** request, **EXHIBIT 3**.

Linda King, Public Employees Retirement Division, Department of Administration, explained the amendments would decrease the PERS employer contribution rate in the first 2 years from .28% to .05%. The decrease, in conjunction with not appropriating any of the employer increasing contribution rates in HB 2, would reduce the General Fund impact of the GABA proposal for the next biennium to \$2.5 million. She added the decrease would also put the appropriations from the trust funds to the two retirement boards to administer the GABA proposal. She explained the amendment had been drafted after speaking with the Budget Office, Governor's Office and members of the leadership of both parties. The amendments would reduce the cost of HB 268 to fit the level of funding currently available in the bienniums budget.

CHAIRMAN DEVLIN asked what the cost would be with the amendment. **Ms. King** replied the total General Fund cost in the next biennium would be \$2.5 million. **CHAIRMAN DEVLIN** asked what it would advance to the in the next successive biennium? **Ms. King** replied it would return to the original amount of \$11 million. **CHAIRMAN DEVLIN** clarified just the first biennium's cost would be cut by 50% and thereafter the cost would return to the original amount. **Ms. King** reported the costs in the fourth year would reach the total amount of the cost and the amount of General Fund in the 4th year, 1999, would be approximately \$6.98 million. She explained the change was based on payroll inflation. She stressed the majority of the cost was driven by the historic inflation rates of the teachers' retirement system payrolls which were driven by an increase in additional staff. The fiscal note assumed the 5-3/4% increase per year would continue.

SEN. LOREN JENKINS referred to the amendments and asked why the amount was 0 on 1997. **Linda King** explained the appropriations were from the pension trust funds to the Retirement Board to administer the program. The amount in fiscal 1996 was the cost of computer programming required to change employer contribution rates and supply information to members. The amount included the cost of an additional full time employee, FTE. She stressed the money would not come from the General Fund; it was money which would come from the pension funds to the operating budgets of the Division.

SEN. JENKINS referred to the Teachers' Retirement System and noted the fund would be lowered by nearly \$¼ million to enact the program. **David Senn, Executive Director of the Teachers' Retirement System**, explained the cost of the Teachers' Retirement System entering the program included not only the necessary computer changes but created a two tiered system with one set of benefits for university members and another set for K-12. The separation would require expensive reprogramming and an additional FTE to track the additional information. The program required summer employment extra compensation, additional compensation areas and the calculation of retirement benefits under two different formulas for average final salary. **SEN. JENKINS** asked if the money would come out of the Teachers' Retirement Fund. **David Senn** stated the administrative expense of the retirement system was paid by the investment interest. He added the retirement system was funded through employee and employer contributions and investment interest.

CHAIRMAN DEVLIN referred to **EXHIBIT 1**, amendments HB026809.ASH, and noted the study resolution appeared to be straight forward. **REP. REHBEIN** referred to **REP. SIMPKINS'** move toward continuing the interim committee and wondered if there was a way to direct the committee to address the GABA proposal. He explained that would alleviate the need for additional funding for the study.

REP. SQUIRES informed the committee the initial study had started in 1981 and HB 268 was a culmination of the study. She reminded

the committee the legislature had been accused of studying issues too much. She insisted ordering another study would be the equivalent of reinstituting and reinventing the wheel. House Bill 268 represented a culmination of all of the concerned groups compromising. She stated she would not support another study of the same material.

REP. REHBEIN noted if HB 268 was such a carefully prepared document then why was the system already starting to fracture.

REP. SQUIRES reported the groups had come to some agreement regarding summer employment and other related issues. She argued it was wrong to destroy a compromise which represented 65,000 people coming together in some sort of consensus.

CHAIRMAN DEVLIN recessed the meeting at 12:05 p.m. to be reconvened upon adjournment of the Senate.

CHAIRMAN DEVLIN reconvened the hearing at 4:15 p.m. with all members present.

CHAIRMAN DEVLIN reported the Senate had passed HB 471, the continuation of the interim committee referred to in the earlier meeting.

CHAIRMAN DEVLIN asked **Sheri Heffelfinger** to expound on the judges' funding. **Ms. Heffelfinger** reiterated the actuarial funding problem with the Judges' Retirement System amounted to \$1 million for the biennium. She illuminated under the GABA proposal the cost of correcting the deficit would be \$85,000 per year as opposed to \$500,000 per year without it. She explained that was due to the swap for the GABA benefits. Newly elected judges would have to be covered by the GABA. That provision, in conjunction with adjustments of the average salary compensation and a 2% cap on post-retirement benefit adjustments, would reduce the cost to the General Fund to \$85,000 per year to correct the deficit.

REP. SQUIRES clarified the cost was \$500,000 per year for the biennium. The shortage to equalize the difference between the retirement benefits and the district court fees in the General Fund would be \$170,000 for the biennium, rather than \$1 million without HB 268. **Sheri Heffelfinger** stated that was correct.

REP. REHBEIN asked what would happen if the legislature chose not to do anything with the judges' fund. Was the state obligated to contribute the necessary million? Could there be a law suit?

Sheri Heffelfinger stated yes there was an obligation. Previously it had been statutory that the systems be actuarially funded but with the passage of CI-25 in the previous interim the obligation was currently required under the constitution. She was unsure if anyone would bring a lawsuit. She added in light

of the circumstances the Governor could call a Special Session to address the problems.

CHAIRMAN DEVLIN asked the committee if they were interested in making a motion on the bill or if they preferred to let it die.

REP. REHBEIN reminded the committee there were a variety of proposed amendments. He recounted one of the amendment would have created a study program; since the passage of HB 471 **REP. REHBEIN** no longer believed a study program was necessary. He referred to **REP. AHNER'S** amendment, **EXHIBIT 3**, which would cut the cost by 50% but would not address any of the problems materializing within the system and would not change the \$11 million impact on the following biennium. He commented the suggestion of opting the teachers out would erode all the work done to bring the retirements into consensus. He stated he favored letting the bill die and hoped the interim committee provided for in HB 471 could propose legislation which would address the problems within the system.

CHAIRMAN DEVLIN reported he understood one of the problems in the last interim committee was insufficient funding. He stated HB 471 carried \$13,800 for funding and provided for \$10,000 to be contributed by PERS. He hoped the additional funding would allow the committee to look at the situation in more detail than during the previous interim.

REP. SQUIRES asked **Sheri Heffelfinger** how the amount of money appropriated in HB 471 to the interim committee compared with the last interim. **Ms. Heffelfinger** stated the funding during the last interim had been \$7,200. The fiscal note for HB 471 assumed the committee would meet six times and the very minimum to fund six meetings would be \$13,800. **REP. SQUIRES** expressed concern for the committee being funded adequately to complete the job they had been charged with. **Sheri Heffelfinger** stated the reasoning for the additional \$10,000 was because the committee was authorized to accept contributions and there had been concern the \$13,800 would not be enough to do all the studying and actuarial analysis of any recommendations.

REP. REHBEIN informed the committee the funding for HB 268 had been removed by the Appropriations Committee leaving them nothing to work with.

Motion: **REP. REHBEIN MADE THE MOTION TO NOT CONCUR HB 268.**

Discussion: **REP. SQUIRES** expressed frustration because several groups had gotten together and came up with the proposal which took a lot of time and represented 65,000 retired people. She was disgusted they were considering ordering a restudy of the issues. She insisted killing the bill or ordering a restudy was a complete disservice to retired public employees and state employees in general. She noted money had been given for tax relief for business owners in the state and coming back and

slapping the state employees in the face one more time was one thing the legislature should not do.

CHAIRMAN DEVLIN asked how much input **REP. SQUIRES** had on HB 268. **REP. SQUIRES** stated her particular union was involved with the negotiation process. She added she had several friends who participated in the process through the Public Employees Association. She reiterated the work that had gone into HB 268 and stated she could not abide by dividing the groups or making them go back and study more.

CHAIRMAN DEVLIN stated one of the things which started HB 268 downhill was the Finance and Claims Committee's amendment requiring the university system employees to come in on their off season during Summer Session. **REP. SQUIRES** explained the adjustment counted the last three years and therefore the new teachers within the system were receiving the benefits of the change. She added the new teacher would be hurt by the system and teachers within 10 years of retirement would receive the benefits. Despite all that everyone was willing to compromise and now the legislature would be sending a message that they wasted their time. She insisted the people involved were good citizens and good employees and the legislature simply could not continue to treat them this way.

CHAIRMAN DEVLIN stated whether or not the people were good employees was not the question. He insisted there was no disagreement on the committee on that issue. **REP. DICK GREEN** reported he had sat on the State Administration Committee and an inordinate amount of time and effort went into the committee hearing on HB 268. He informed the committee he had been in touch with his constituents and the consensus was nobody liked HB 268 in the first place. He believed the bill was fatally flawed. He agreed the issued needed to be studied more extensively.

SEN. JENKINS stated HB 268 had been through several committees the last of which was Senate Finance and Claims. He claimed if the study group had been thorough there would not be 4 pages of amendments from the Finance and Claims Committee. He agreed the issue should be studied in order to produce a bill without so many problems.

REP. SQUIRES justified the purpose for the Finance and Claims amendments was originally HB 268 had been funded through local governments and entities. The School Boards had objected to the funding and other issues. The amendments had been drafted to address the School Boards' objections. The amendments simply showed the members of the retirement groups willingness to try to accommodate all involved parties.

Vote: The motion to NOT CONCUR CARRIED WITH SEN. WILSON AND REP. SQUIRES VOTING NO.

ADJOURNMENT

Adjournment: CHAIRMAN GERRY DEVLIN adjourned the meeting at 4:35
p.m.


CHAIRMAN GERRY DEVLIN, Chairman


TINA PRICE, Secretary

GD/tp

Amendments to House Bill No. 268
Reference (Salmon) Copy

Requested by Rep. Rehbein
For the Free Conference Committee on HB 268

Prepared by Sheri S. Heffelfinger
April 11, 1995, 2:55 p.m.

1. Title, lines 8 through 30.

Strike: "ESTABLISHING" on line 8 through "MCA;" on line 30

Insert: "PROVIDING FOR THE CONTINUED STUDY OF A GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR PUBLIC RETIREES; PROVIDING THAT THE INTERIM STUDY COMMITTEE PRESENT TO THE 55TH LEGISLATURE A REPORT AND PROPOSED LEGISLATION TO ENACT A GUARANTEED ANNUAL BENEFIT ADJUSTMENT; PROVIDING AN APPROPRIATION FOR THE STUDY;"

2. Page 2, line 1 through page 40, line 29.

Strike: everything after the enacting clause

Insert:

"WHEREAS, there appears to be disagreement between university faculty and the Teachers' Retirement System concerning summertime employment earnings being used in computing retirement benefits; and

WHEREAS, there appears to be disagreement with K-12 members of the Teachers' Retirement System concerning the inclusion of extra-duty pay in the computation of retirement benefits; and

WHEREAS, some retired members have expressed a concern that a 1.5% guaranteed annual benefit adjustment is too low; and

WHEREAS, many members of the Legislature have expressed disappointment that there have not been further reductions in the increased expenditures included in the General Appropriations Act (House Bill No. 2);

WHEREAS, because the Governor believes that the Montana University System and Managing Resources Montana require additional funding, appropriations for other programs with lesser priority need to be reduced or eliminated to balance the state budget; and

WHEREAS, the Legislature believes that the guaranteed annual benefit adjustment for retired public employees should be a priority consideration of the 55th Legislature; and

WHEREAS, an appropriate interim committee is being proposed that can thoroughly study the impact of the actions taken by this Legislature regarding the guaranteed annual benefit adjustment and report its findings and recommendations to the 55th Legislature.

NEW SECTION. Section 1. Guaranteed annual benefit adjustment study. The committee on public employee retirement systems provided for in Title 5, chapter 21, shall:

- (1) examine in detail the provisions of the guaranteed annual benefit adjustment proposed by the governor to the 54th legislature and developed in concert with the public employees' and teachers' retirement boards and public retiree organizations;
- (2) conduct appropriate public hearings and meetings;
- (3) consider any appropriate changes or revisions to the proposed guaranteed annual benefit adjustment; and
- (4) present to the 55th legislature a report of its activities, findings, and recommendations, including legislation to enact a guaranteed annual benefit adjustment for public retirees.

NEW SECTION. Section 2. Appropriation. There is appropriated from the general fund to the legislative council for the biennium ending July 1, 1997, \$13,800 to be used for the guaranteed annual benefit adjustment study provided for in [section 1].

NEW SECTION. Section 3. Coordination instruction. If House Bill No. 471 is not passed and approved or does not include a provision to extend or repeal the termination date provided for in Section 9, Chapter 549, Laws of 1993, which provides a June 30, 1995, termination of the committee on public employee retirement systems, then in [section 1 of this act], "The public employee retirement systems provided for in Title 5, chapter 21, shall" must be changed to read "An appropriate legislative interim study committee must be appointed to".

NEW SECTION. Section 4. {standard} Effective dates. (1) [Sections 1, 3, and this section] are effective on passage and approval.

- (2) [Section 2] is effective July 1, 1995."

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION

EXHIBIT NO. 2
DATE 4/12/95
BILL NO. HB 268



MARC RACICOT, GOVERNOR

STATE OF MONTANA

(406) 444-3154 TELEFAX (406) 444-5428

1712 9TH AVENUE
PO BOX 200131
HELENA, MONTANA 59620-0131

TO: Representative Dick Simpkins

FROM: Linda King, Administrator *Linda*
Public Employees Retirement Division

DATE: April 12, 1995

SUBJECT: Legislative Request

In response to your request, the following information is provided regarding the number of retired and active public employees and the relative costs of HB 268 (GABA).

As of June 30, 1994 there were 67,396 active and retired public employees in Montana. Of this total:

- 24,637 were members of the TRS (37%)
- 42,759 were members of PERS and the smaller systems (63%)

The administration's proposed amendments to HB 268 brought before the conference committee would reduce the General Fund impact of the bill during the next biennium to \$2.5 Million (down from just under \$5 million proposed in the Governor's original budget).

Of the \$2.5 Million cost, about \$1.8 Million is from TRS and about \$.7 Million is from PERS and the other 7 smaller systems.

In future biennia, the General Fund cost to the state would be projected at:

	FY 1998 & 1999	FY 2000 & 2001
TRS	\$ 9.27 M	\$12.32 M
PERS & Small Systems	2.65 M	2.83 M
Total	\$11.92 M	\$15.15 M

The cost in FY 2000-2001 is the fully-phased in cost (assuming continued 5.75% payroll growth in TRS) and should be considered the "worst case scenario."

Your continued support of this important piece of retirement legislation is sincerely appreciated.

PHASE IN PER

PROJECTED GF COST FOR SB226	\$4,681,759	\$5,043,808	\$5,433,877	\$5,854,137	\$6,306,927	\$6,794,777
GF (COST)/SAVINGS over SB 226	(\$4,243,540)	(\$2,981,823)	(\$509,538)	\$1,138,654	\$1,067,508	\$981,777
Anticipated payments by specific government entities/fund types						
State Government						
General Fund	\$438,219	\$2,061,985	\$4,924,339	\$6,992,791	\$7,374,435	\$7,776,744
Non-General Fund	158,160	161,791	491,958	500,527	509,262	518,446
Univ System/Off Budget	43,831	81,084	175,363	223,063	234,333	246,111
Local Governments						
	0	0	123,348	127,301	131,382	135,446
% of Total Local Govt Payrolls	0.00%	0.00%	0.05%	0.05%	0.05%	0.05%
School Districts (470 statewide)						
	(225)	(238)	110,615	174,511	183,502	192,777
% of Total School Dist. Payrolls	0.00%	0.00%	0.02%	0.03%	0.03%	0.03%
Total Gov't Cost	\$639,985	\$2,304,622	\$5,825,621	\$8,018,193	\$8,432,913	\$8,869,980
Total Employee Cost	\$1,161,263	\$3,350,234	\$5,626,737	\$7,616,237	\$7,985,412	\$8,374,111
Total Savings	\$5,476,232	\$5,761,417	\$6,647,851	\$6,984,790	\$7,339,697	\$7,713,446
TOTAL STATE GENERAL FUND						
for biennium						
		\$2,500,203		\$11,917,130		\$15,150,000

Anticipated ANNUAL NET COST (per employee) to local governments for GABA

Local Governments

Sheriffs, deputies	\$0	\$0	\$13	\$14	\$14	\$15
Police Officers	0	0	15	15	15	15
Firefighters	0	0	24	24	24	24
General government workers	0	0	11	11	12	12

School Districts (470 statewide)

Teachers	(0)	(0)	4	7	7	
Non-teaching staff	0	0	6	6	6	

W/ Proposed amendments

1. Reduce FE RS employee contribution to .05% in 97+98
2. No appropriations to State/Univ agencies during 97+98

SENATE

EXHIBIT NO. _____

DATE _____

SYSTEM						
TRS Total Cost of 1.5% GABA:		3.250%				
Direct General Fund Contributions will offsets school district contributions						
Increased Employer Contributions		1.320%	(phased in over 4 years)			
Increased Employee Contributions		1.330%	(phased in over 4 years)			
Extend Amortization Period		0.650%				
Definition of Compensation		0.280%				
	FY96	FY97	FY98	FY99	FY00	FY01
CURRENT LAW PAYROLL	\$491,407,994	\$519,663,954	\$549,544,631	\$581,143,447	\$614,559,195	\$649,896,349
Univ Payroll -- as amended	25,061,808	26,502,862	28,026,776	29,638,316	31,342,519	33,144,714
PROPOSED LAW PAYROLL	\$472,734,490	\$499,916,723	\$528,661,935	\$559,059,996	\$591,205,946	\$625,200,288
School Payrolls	442,006,748	467,422,136	494,298,909	522,721,097	552,777,560	584,562,269
State Payroll	6,879,712	7,275,295	7,693,625	8,136,008	8,603,829	9,098,549
Employee Contributions						
Current Law (7.044%)	\$34,614,779	\$36,605,129	\$38,709,924	\$40,935,744	\$43,289,550	\$45,778,699
Proposed Law (+.31%/yr thru 98)	\$34,764,894	\$38,313,618	\$42,155,503	\$46,312,530	\$48,975,501	\$51,791,592
Employee Cost/(Savings)	\$150,115	\$1,708,489	\$3,445,579	\$5,376,786	\$5,685,951	\$6,012,893
School ER Contributions						
Current Law (7.47%)	\$34,322,146	\$36,295,669	\$38,382,670	\$40,589,674	\$42,923,580	\$45,391,686
Proposed Law (+.33%/yr thru 98)	34,432,326	38,001,420	41,817,688	45,999,456	48,644,425	51,441,480
Employer Cost/(Savings)	\$110,180	\$1,705,751	\$3,435,018	\$5,409,783	\$5,720,846	\$6,049,794
Net ER Contribution rate increase over present law						
School Districts	110,180	1,705,751	3,435,018	5,409,783	5,720,846	6,049,794
Direct State Contribution	110,502	1,706,091	3,341,461	5,227,211	5,527,776	5,845,623
State Contribution: GTB	(96)	(102)	28,067	54,772	57,921	61,251
School District Costs	(225)	(238)	65,490	127,800	135,149	142,920
University System	82,704	174,919	277,465	391,226	413,721	437,510
State	22,703	48,017	76,167	107,395	113,571	120,101
TOTAL	\$215,587	\$1,928,687	\$3,788,650	\$5,908,404	\$6,248,137	\$6,607,405
GF COST OF TRS GABA	\$182,731	\$1,858,957	\$3,612,174	\$5,624,113	\$5,947,500	\$6,289,481
Savings: Extend Amortization	\$3,072,774	\$3,249,459	\$3,436,303	\$3,633,890	\$3,842,839	\$4,063,802
Savings: Definition of Comp	1,323,657	1,399,767	1,480,253	1,565,368	1,655,377	1,750,561
Total TRS Savings	\$4,396,431	\$4,649,226	\$4,916,556	\$5,199,258	\$5,498,215	\$5,814,363

EXHIBIT 2

DATE 4-12-95

HB 268

Amendments to House Bill No. 268
Reference (Salmon) Copy

For the Free Conference Committee on HB 268

Prepared by Sheri S. Heffelfinger
April 12, 1995

1. Title, line 26.

Strike: "EMPLOYEES;"

Insert: "PROVIDING AN APPROPRIATION;"

2. Page 6, line 10.

Strike: "0.28%"

Insert: "0.05%"

3. Page 9, line 28.

Following: "+"

Insert: ":"

4. Page 9, line 29.

Strike: "6.98%"

Insert: "(1) 6.75%"

5. Page 10, line 1.

Following: "1997"

Insert: "; and

(2) 6.98% beginning July 1, 1997"

6. Page 33.

Following: line 12

Insert: "NEW SECTION. **Section 41. Appropriation.** The following money for the indicated fiscal years is appropriated from pension trust funds to the listed agencies to implement the adjustments provided for in [this act].

	Fiscal 1996	Fiscal 1997
Public Employees' Retirement Board	\$ 76,500	\$ 0
Teachers' Retirement Board	184,481	41,975"

Renumber: subsequent sections

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0268, second reading

DESCRIPTION OF PROPOSED LEGISLATION:

An act establishing a guaranteed minimum and maximum annual postretirement benefit adjustment for certain retirees in each of the statewide public employee retirement systems; establishing the guaranteed adjustment as an alternative to certain existing benefits; increasing contribution rates and modifying certain benefits in each system to fund the guaranteed annual benefit adjustment.

ASSUMPTIONS:

1. Highly detailed information regarding the projected adequacy of contribution rates to fund the proposed guaranteed annual benefit adjustment (GABA), contributions by retirement system, fund source, and impact by fiscal year is available from the Department of Administration or Office of Budget and Program Planning. The assumptions outlined in this fiscal note will address major funding assumptions.
2. A statewide average of 30% of TRS/PRS employer contributions made by school districts are assumed funded by state GTB payments.
3. University-system employer contributions are assumed funded 60% general fund, 40% tuition and other non-budgeted sources.
4. State agency PERS employer contributions are assumed funded 40% general fund, 60% other funds. State agency TRS employer contributions are assumed funded 100% general fund.
5. The Teachers' Retirement and Public Employees Retirement Divisions will require one-time system modifications and miscellaneous expenditures for postage, printing, travel, and overtime.
6. The fiscal impact shown reflects technical amendments adopted by the House Appropriations Committee.
7. Because the contribution rates are phased in over a four-year period FY96-FY99, the fiscal impact for the 1997, 1999, and 2001 biennia are reflected.

FISCAL IMPACT:Administrative Expenditures:

	FY96 Difference	FY97 Difference
<u>Operating Expenses:</u>		
Public Empl. Retirement Div. (09)	76,500	0
Teachers' Retirement Div. (09)	60,070	3,500

The amounts reflected in the table on the following page represent the additional contributions made to the retirement systems from employees, state and local agencies, and direct state contributions. The additional contributions represent revenue for the retirement systems and additional expenditures for state and local government agencies. Direct state contributions from insurance premium tax revenues and court filing fees reduce general fund revenue. Direct state contributions from FWP fines and forfeitures reduce FWP state special revenue.

(continued)

Dave Lewis 3-15-95
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Chris Ahner
SPONSOR'S NAME, PRIMARY SPONSOR DATE

Fiscal Note for HB0268, second reading

HB 268 - #2

(continued)

FISCAL IMPACT: (continued)

(in \$ millions)

	<u>Biennium</u>		
	<u>1997</u>	<u>1999</u>	<u>2001</u>
Retirement System Contributions			
Employee Contributions	4.729	13.725	16.869
State Agency Contributions	1.424	1.562	1.644
Direct State Contributions	4.305	10.180	12.934
University Contributions	0.414	0.791	0.961
Guaranteed Tax Base	0.000	0.161	0.196
School Districts	0.000	0.377	0.458
Other Local Government	<u>0.000</u>	<u>0.283</u>	<u>0.301</u>
Total Retirement System Contributions	10.872	27.079	33.365

*excludes state GTB payments

State Impact by Fund Source

General Fund	4.962	11.338	14.276
Other Funds	<u>1.180</u>	<u>1.356</u>	<u>1.461</u>
Total	6.142	12.694	15.737

State agencies will require appropriations for additional employer contributions. For the 1997 biennium, state agencies and the University system will require a total appropriation of \$0.828 million general fund and \$0.844 million other funds.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

See above table for net impact to school districts and other local government entities. There would be no fiscal impact to local government entities in the 1997 biennium. In the 1999 biennium and beyond, the impact to any particular local government entity would be relatively insignificant. It is unlikely that HB268 would cause changes in local mill levies.

The fiscal impact to school districts is sensitive to assumptions regarding TRS payroll growth. For actuarial projection purposes, TRS payroll is assumed to grow by 5.75% per year based on historical growth. However, if annual growth is 2% per year or less, the impact to school districts would be net savings due to the change in the definition of TRS compensation.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

HB268 will result in increased unfunded liabilities for the PERS, TRS, and MPORS but is within PERS and TRS board standards. The period of time required to amortize unfunded liabilities will increase from 16 years to 29 years for PERS, from 16.5 years to 29 years for MPORS, and from 31.5 years to 35.2 years for TRS. The standard adopted by the PERS board is 30 years; the standard adopted by the TRS board is 40 years.

HB268 ameliorates growing unfunded liabilities for the Judges Retirement System (JRS), estimated at approximately \$1 million for the 1997 biennium. Voter approval of CI-25 now requires that all public pensions be actuarially funded. HB268, by reducing the actuarially required funding and increasing contributions to the JRS, will cause the JRS to meet this constitutional requirement. The unfunded liability in the JRS would be amortized within the PERS board standard of 30 years under HB268.

(continued)

TECHNICAL NOTES:

HB0268 contains provisions to coordinate with other legislation currently under consideration by the legislature. The net additional fiscal impact of HB268 with co-passage for each of these bills would be as follows:

(in \$ millions)	Biennium		
	1997	1999	2001
HB306 (20-yr retirement for SRS members)			
General Fund	0.001	0.001	0.001
Other Funds	0.001	0.001	0.001
Local Government	0.038	0.040	0.042
Employee	0.039	0.042	0.044
SB221 (ad hoc benefit adjustment for certain MPORS members)			
General Fund	0.064	0.068	0.072
SB357 (20-yr retirement for FURS members)			
General Fund	0.016	0.016	0.017
Local Government	0.016	0.016	0.017
Employee	0.016	0.017	0.018

SENATE STANDING COMMITTEE REPORT

Page 1 of 7
April 4, 1995

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration HB 268 (third reading copy -- blue), respectfully report that HB 268 be amended as follows and as so amended be concurred in.

Signed: 
Senator Gary Aklestad, Chair

That such amendments read:

1. Title, line 25.

Following: "SYSTEM"

Insert: "AND ALLOWING AN EXCEPTION FOR UNIVERSITY SYSTEM
EMPLOYEES"

2. Title, line 29.

Following: "PROVIDING"

Strike: "AN"

3. Title, line 30.

Strike: "DATE"

Insert: "DATES"

4. Page 3, line 2.

Following: "EMPLOYMENT"

Insert: "and other extra-duty service"

5. Page 3, line 4.

Following: "VESTED"

Insert: ", nonuniversity system"

6. Page 3, line 6.


Following: line 5


Insert: "and extra duty"

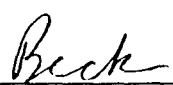
7. Page 3.

Following: line 8

Insert: "Because of the unique characteristics of summer employment under the university system, it is the intent of the legislature that the university system continue to report compensation received for the summer session and that summer earnings included in the calculation of the member's average final compensation be limited to the average percentage of base compensation reported over the member's career and that the teachers' retirement board adopt rules governing summer compensation reported."

 Amd. Coord.

 Sec. of Senate


Senator Carrying Bill

HB 268

SENATE

8. Page 6, line 2.

Strike: "0.3%"

Insert: "0.28%"

9. Page 6, line 4.

Strike: "0.25%"

Insert: "0.23%"

10. Page 6, line 10.

Strike: "0.1%"

Insert: "0.07%"

11. Page 6, line 12.

Strike: "0.05%"

Insert: "0.025%"

12. Page 6, line 19.

Strike: "0.015%"

Insert: "0.025%"

13. Page 6, line 20.

Strike: "0.325%"

Insert: "0.365%"

14. Page 6, line 21.

Strike: "0.6%"

Insert: "0.676%"

15. Page 6, line 22.

Strike: "0.9%"

Insert: "1.0%"

16. Page 6, line 26.

Following: "SUMMER"

Insert: " and extra-duty"

17. Page 6, line 27.

Following: "1995,"

Insert: "whose primary employer is not the university system,"

18. Page 6, line 28.

Following: "SESSION"

Insert: "and extra-duty"

19. Page 6, line 29.

Following: "FOR"

Insert: "all or a portion of"

Following: "1995"

Insert: ", "

20. Page 7, lines 1 and 2.

Following: "SUMMER" in two places

Insert: "and extra-duty"

21. Page 7, line 5.

Following: "YEAR"

Insert: "and that extra-duty compensation does not exceed the amounts allowed under 19-20-101(5)(b) had the member retired on July 1, 1995"

22. Page 7, lines 8, 12, 14, 19, 21, and 29.

Following: "SUMMER"

Insert: "and extra-duty"

23. Page 7.

Following: line 30.

Insert: "NEW SECTION. Section 8. Summer compensation benefit for university system employees. (1) Members employed by the university system under both an academic year and a summer session contract shall contribute, as required by 19-20-602, to the retirement system on the compensation received under both contracts. Summer session compensation reported each month during the summer session may not exceed one-ninth of the member's academic year contract. Summer session compensation must be identified or reported separately on the employer's regular monthly report.

(2) If a member has summer compensation reported during the period determined to be the member's highest 3 consecutive years, the board shall determine the amount of summer compensation that may be used in the calculation of average final compensation by:

(a) calculating the percentage of the member's base contract amount reported as summer compensation each fiscal year and determining the average percentage reported as summer compensation since July 1, 1990; and

(b) multiplying the average percentage since July 1, 1990, by the base contract amount that is included in the calculation of average final compensation."

Renumber: subsequent sections

24. Page 8, line 6.

Page 8, line 29.

Strike: "7%"

Insert: "6.98%"

25. Page 11, line 29.

Page 12, line 9.
Strike: "31.68%"
Insert: "29.39%"

26. Page 15, line 24.
Strike: "7.77%"
Insert: "7.74%"

27. Page 17, line 29.
Strike: "16.21%"
Insert: "15.76%"

28. Page 17, line 30.
Strike: "16.06%"
Insert: "15.71%"

29. Page 18, line 7.
Strike: "14.51%"
Insert: "14.41%"

30. Page 18, line 20 and line 26.
Strike: "12.25%"
Insert: "11.5%"

31. Page 18, line 23.
Strike: "9.55%"
Insert: "8.8%"

32. Page 18, line 24.
Strike: "10.75%"
Insert: "10%"

33. Page 20, line 20.
Strike: "24.01%"
Insert: "23.84%"

34. Page 20, line 21.
Strike: "23.935%"
Insert: "23.715%"

35. Page 25, line 5.
Strike: "SECTION"
Insert: "sections"
Following: "7"
Insert: "and 8"

36. Page 26, line 16.
Strike: "COMPENSATION"

Insert: "duty"

37. Page 27, line 2.

Following: "(10)"

Insert: "Extra-duty compensation" means any compensation in addition to amounts paid based on placement for experience and education level on the applicable salary matrix and in addition to the amount paid for the member's primary position.

(11)"

Renumber: subsequent subsections

38. Page 27, line 17.

Strike: "(20)"

Insert: "(21)"

39. Page 28, line 3.

Strike: "7.354%"

Insert: "7.374%"

40. Page 28, line 4.

Strike: "7.664%"

Insert: "7.704%"

41. Page 28, line 5.

Strike: "7.974%"

Insert: "8.034%"

42. Page 28, line 6.

Strike: "8.284%"

Insert: "8.374%"

43. Page 29, line 15.

Strike: "7.78%"

Insert: "7.80%"

44. Page 29, line 16.

Strike: "8.09%"

Insert: "8.13%"

45. Page 29, line 17.

Strike: "8.4%"

Insert: "8.46%"

46. Page 29, line 18.

Strike: "8.71%"

Insert: "8.8%"

47. Page 32, lines 22 and 23.

Strike: "AND 7"

Insert: "through 8"

48. Page 32, line 27.

Strike: "36(8)"

Insert: "37(8)"

49. Page 33, line 23.

Following: "BE"

Strike: "8.755%"

Insert: "8.752% "

50. Page 33, line 25.

Strike: "23"

Insert: "24"

51. Page 34, line 10.

Strike: "25"

Insert: "26"

52. Page 34, line 23.

Strike: "27"

Insert: "28"

53. Page 35, line 4.

Strike: "30"

Insert: "31"

54. Page 35, line 14.

Strike: "31"

Insert: "32"

55. Page 35, line 25.

Strike: "25.01%"

Insert: "24.84%"

56. Page 35, line 26.

Strike: "24.935%"

Insert: "24.715%"

57. Page 35, line 30.

Strike: "32"

Insert: "33"

58. Page 36, line 11.

Strike: "33"

Insert: "34"

59. Page 37, line 18.

Strike: "34"

Insert: "35"

60. Page 38, line 19.

Strike: "35"

Insert: "36"

61. Page 39, line 21.

Strike: "~~date~~"

Insert: "~~dates~~"

Strike: "[This act]"

Insert: "(1) Except as provided in subsection (2), [this act]"

Following: line 21

Insert: "(2) [Sections 11 through 13] are effective July 1, 1996."

-END-

HOUSE BILL NO. 268

INTRODUCED BY AHNER, SIMPKINS, EWER, HARPER, QUILICI, LYNCH, PIPINICH, MCGEE, GALVIN,
SOFT, L. SMITH, SWANSON, MASOLO, GRADY, BERGMAN, BECK, HIBBARD, HARDING, FORRESTER,
DENNY, BRAINARD, KITZENBERG, WILSON, VAN VALKENBURG, HAYNE, HALLIGAN, WATERMAN,
BARTLETT, HARRINGTON, MENAHAN, CAREY, TUSS, MOLNAR
BY REQUEST OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A GUARANTEED MINIMUM AND MAXIMUM
ANNUAL POSTRETIREMENT BENEFIT ADJUSTMENT FOR CERTAIN RETIREES IN EACH OF THE
STATEWIDE PUBLIC EMPLOYEE RETIREMENT SYSTEMS; ESTABLISHING THE GUARANTEED
ADJUSTMENT AS AN ALTERNATIVE TO CERTAIN EXISTING BENEFITS; INCREASING CONTRIBUTION
RATES AND MODIFYING CERTAIN BENEFITS IN EACH SYSTEM TO FUND THE GUARANTEED ANNUAL
BENEFIT ADJUSTMENTS; REQUIRING THAT MEMBERS OF THE PUBLIC EMPLOYEES' AND HIGHWAY
PATROL OFFICERS' RETIREMENT SYSTEMS PAY THE FULL COST OF PURCHASING CERTAIN SERVICE
CREDITS; PROVIDING THAT MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM WHO
BECAME MEMBERS ON OR AFTER JULY 1, 1989, MAY PURCHASE ADDITIONAL SERVICE FOR THE
PURPOSE OF CALCULATING RETIREMENT BENEFITS; REDEFINING THE AVERAGE SALARY USED WHEN
CALCULATING CERTAIN RETIREMENT BENEFITS UNDER THE JUDGES' RETIREMENT SYSTEM;
INCREASING THE STATE CONTRIBUTION TO THE JUDGES' RETIREMENT SYSTEM; PROVIDING THAT
CERTAIN DISTRICT COURT FEES USED TO FUND THE JUDGES' RETIREMENT SYSTEM BE PAID TO THE
GENERAL FUND; ADJUSTING CERTAIN DEATH BENEFITS PAID UNDER THE JUDGES', GAME WARDENS',
AND FIREFIGHTERS' UNIFIED RETIREMENT SYSTEMS; PROVIDING THAT THE DISABILITY BENEFIT OF
MEMBERS OF THE FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM ELECTING TO RECEIVE THE
GUARANTEED BENEFIT ADJUSTMENT BE CALCULATED BASED ON AN AVERAGE 36-MONTH SALARY;
CHANGING THE DEFINITION OF EARNED COMPENSATION IN THE TEACHERS' RETIREMENT SYSTEM
AND ALLOWING AN EXCEPTION FOR UNIVERSITY SYSTEM EMPLOYEES; AMENDING SECTIONS
19-3-315, 19-3-316, 19-3-503, 19-3-512, 19-3-513, 19-5-101, 19-5-404, 19-5-502, 19-5-601, 19-5-802,
19-6-402, 19-6-404, 19-6-801, 19-7-403, 19-7-404, 19-7-503, 19-8-502, 19-8-504, 19-8-1002,
19-9-702, 19-9-703, 19-9-710, 19-13-601, 19-13-604, 19-13-605, 19-13-704, 19-13-803, 19-13-902,
19-20-101, 19-20-602, 19-20-605, AND 25-1-201, MCA; AND PROVIDING AN EFFECTIVE DATE DATES."

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STATEMENT OF INTENT

A statement of intent is required for this bill because [sections 1, 2, and 3] give the public employees' retirement board and the teachers' retirement board authority to adopt rules to implement the provisions of the bill.

It is the intent of the legislature to guarantee a minimum level of annual benefit increases for retired members and their contingent annuitants or survivors under each of the statewide public employee retirement systems. The legislature also intends to fund this guaranteed annual benefit adjustment (GABA) in the most cost-effective manner possible.

Therefore, the GABA provided for in this bill is intended to provide both a "floor" and a "ceiling" so that, when it is combined with any other postretirement benefit adjustments available now or in the future, a benefit recipient will receive a total yearly benefit increase of at least ~~2%~~ 1.5% but no more than the rate of inflation in the previous fiscal year, which will be based on the percentage change in the consumer price index as compiled by the U.S. department of labor for urban wage earners and workers.

Because the GABA is intended to address the erosion of retirement benefits caused by inflation and to do so in the most cost-effective manner possible, it is also the intent of the legislature that the guaranteed annual ~~2%~~ 1.5% minimum adjustment not begin until after the original benefit has been paid for at least 36 months.

Because it is most cost-effective to reduce current unfunded liabilities as well as to avoid future unfunded liabilities and to fund new benefits as they accrue, the bill provides that the GABA be substituted for other benefits in cases in which the GABA is as valuable or more valuable to the members. The resultant actuarial savings will reduce the additional funding required for the GABA. In each retirement system, new members hired after [the effective date of this act] will automatically be covered by the GABA provided for in this bill. In the highway patrol officers', municipal police officers', firefighters' unified, and judges' retirement systems, in which the substitution of the GABA in place of other benefits is not a clear benefit enhancement for all current members, it is the intent of the legislature that the members be provided with a thorough analysis of the benefits to be substituted so that members may individually and irrevocably elect whether to be covered under the provisions of this bill. However, it is not the intent of the legislature that the retirement boards or their administrative staff be required to recommend a specific or best choice to individual members.

THE LEGISLATURE FINDS THAT IT IS MOST COST-EFFECTIVE TO HELP FUND THE GABA UNDER

1 THE TEACHERS' RETIREMENT SYSTEM WITH A REDEFINITION OF EARNED COMPENSATION. BECAUSE
2 SEVERAL CURRENT MEMBERS HAVE CONTRIBUTED ON SUMMER EMPLOYMENT AND OTHER
3 EXTRA-DUTY SERVICE, WHICH WILL NOT BE INCLUDED IN THE NEW DEFINITION OF EARNED
4 COMPENSATION, THE LEGISLATURE INTENDS THAT VESTED, NONUNIVERSITY SYSTEM MEMBERS OF
5 THE TEACHERS' RETIREMENT SYSTEM BE GIVEN A LIMITED OPTION TO INCLUDE IN THE CALCULATION
6 OF FUTURE BENEFITS THE ACTUARIAL VALUE OF SUMMER COMPENSATION AND EXTRA DUTY THAT
7 HAS BEEN REPORTED FOR THE 3 FISCAL YEARS PRIOR TO [THE EFFECTIVE DATE OF THIS ACT]. THE
8 LEGISLATURE FURTHER INTENDS THAT THE MEMBER OR THE MEMBER'S EMPLOYER, OR BOTH, PAY
9 THE ACTUARIAL COST OF ANY ADDITIONAL BENEFIT ENHANCEMENT. BECAUSE OF THE UNIQUE
10 CHARACTERISTICS OF SUMMER EMPLOYMENT UNDER THE UNIVERSITY SYSTEM, IT IS THE INTENT
11 OF THE LEGISLATURE THAT THE UNIVERSITY SYSTEM CONTINUE TO REPORT COMPENSATION
12 RECEIVED FOR THE SUMMER SESSION AND THAT SUMMER EARNINGS INCLUDED IN THE
13 CALCULATION OF THE MEMBER'S AVERAGE FINAL COMPENSATION BE LIMITED TO THE AVERAGE
14 PERCENTAGE OF BASE COMPENSATION REPORTED OVER THE MEMBER'S CAREER AND THAT THE
15 TEACHERS' RETIREMENT BOARD ADOPT RULES GOVERNING SUMMER COMPENSATION REPORTED.

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

18
19 NEW SECTION. Section 1. Guaranteed annual benefit adjustment. (1) Except as provided in
20 subsections (2) and (3), on January 1, 1996, and on January 1 of each following year, the permanent
21 monthly benefit payable to each recipient who is eligible under subsection (4) must be increased to an
22 amount that is ~~2%~~ 1.5% more than the permanent monthly benefit payable during the preceding January.
23 Subject to the provisions of subsections (2) and (3), if any other adjustments made since the preceding
24 January have increased an eligible recipient's benefit by less than a ~~2%~~ 1.5% annualized increase, the
25 eligible recipient's benefit must be adjusted by an amount that, when added to any other adjustments made
26 during the preceding year, will provide a total annualized increase of ~~2%~~ 1.5% in benefits paid since the
27 preceding January.

28 (2) In a case in which an eligible recipient is a contingent annuitant receiving an optional benefit
29 upon the death of the original payee that occurred since the preceding January, the new recipient's monthly
30 benefit must be increased to ~~2%~~ 1.5% more than the amount that the contingent annuitant would have

1 received had the contingent annuitant received a benefit during the preceding January.

2 (3) The combined total annual adjustment payable to an individual benefit recipient under this
3 chapter is limited to the total percentage increase for the previous fiscal year in the average consumer price
4 index for urban wage earners and workers, compiled by the bureau of labor statistics, United States
5 department of labor, or its successor agency, or to the ~~2%~~ 1.5% provided for in subsection (1), whichever
6 is greater.

7 (4) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment
8 provided for in this section if:

9 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
10 adjustment is to be made; and

11 (b) the benefit recipient is not an active member of a public retirement system covered by this title.

12 (5) The board shall adopt rules to administer the provisions of this section.

13
14 **NEW SECTION. Section 2. Guaranteed annual benefit adjustment.** (1) Except as provided in
15 subsections (2) and (3), on January 1, 1996, and on January 1 of each following year, the permanent
16 monthly benefit payable to each recipient who is eligible under subsection (4) must be increased to an
17 amount that is at least ~~2%~~ 1.5% more than the permanent monthly benefit payable during the preceding
18 January. Subject to the provisions of subsections (2) and (3), if any other adjustments made since the
19 preceding January have increased an eligible recipient's benefit by less than a ~~2%~~ 1.5% annualized
20 increase, the eligible recipient's benefit must be adjusted by an amount that, when added to any other
21 adjustments made during the preceding year, will provide a total annualized increase of ~~2%~~ 1.5% in
22 benefits paid since the preceding January.

23 (2) In a case in which an eligible recipient is a contingent annuitant receiving an optional benefit
24 upon the death of the original payee that occurred since the preceding January, the new recipient's monthly
25 benefit must be increased to ~~2%~~ 1.5% more than the amount that the contingent annuitant would have
26 received had the contingent annuitant received a benefit during the preceding January.

27 (3) The combined total annual adjustment payable to an individual benefit recipient under this
28 chapter is limited to the total percentage increase for the previous fiscal year in the average consumer price
29 index for urban wage earners and workers, compiled by the bureau of labor statistics, United States
30 department of labor, or its successor agency, or to the ~~2%~~ 1.5% provided for in subsection (1), whichever

1 is greater.

2 (4) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment
3 provided for in this section if:

4 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
5 adjustment is to be made;

6 (b) the benefit recipient is not an active member of a public retirement system covered by this title;
7 and

8 (c) the member or benefit recipient either:

9 (i) first became an active member on or after July 1, 1995; or

10 (ii) filed a voluntary, irrevocable election to be covered under this section. The election must be
11 filed with the board prior to January 1, 1996.

12 (5) The board shall adopt rules to administer the provisions of this section.
13

14 **NEW SECTION. Section 3. Guaranteed annual benefit adjustment.** (1) Except as provided in
15 subsection (2), on January 1, 1996, and on January 1 of each following year, the permanent monthly
16 benefit payable to each recipient who is eligible under subsection (3) must be increased to an amount that
17 is ~~2%~~ 1.5% more than the permanent monthly benefit payable during the preceding January. Subject to
18 the provisions of subsection (2), if any other adjustments made since the preceding January have increased
19 an eligible recipient's benefit by less than a ~~2%~~ 1.5% annualized increase, the eligible recipient's benefit
20 must be adjusted by an amount that, when added to the other adjustments made during the preceding year,
21 will provide a total annualized increase of ~~2%~~ 1.5% in benefits paid since the preceding January.

22 (2) The combined total annual adjustment payable under this chapter is limited to the total
23 percentage increase for the previous fiscal year in the average consumer price index for urban wage earners
24 and workers, compiled by the bureau of labor statistics, United States department of labor, or its successor
25 agency, or to the ~~2%~~ 1.5% provided for in subsection (1), whichever is greater.

26 (3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment
27 provided for in this section if:

28 (a) the benefit's initiation date is at least 36 months prior to January 1 of the year in which the
29 adjustment is to be made;

30 (b) the benefit recipient is not an active member of a public retirement system covered by this title;

1 and

2 (c) the member or other benefit recipient either:

3 (i) first became an active member on or after July 1, 1995; or

4 (ii) filed a voluntary, irrevocable election to be covered under this section. The election must be
5 filed with the board prior to January 1, 1996, and will require an active member to pay an increased
6 contribution rate from July 1, 1995, forward.

7 (4) The board shall adopt rules to administer the provisions of this section.

8
9 NEW SECTION. SECTION 4. STATE CONTRIBUTIONS. THE STATE SHALL CONTRIBUTE
10 MONTHLY TO THE PENSION TRUST FUND A SUM EQUAL TO ~~0.3%~~ 0.28% OF THE COMPENSATION OF
11 MEMBERS EMPLOYED BY LOCAL GOVERNMENTS AND SCHOOL DISTRICTS ON AND AFTER JULY 1,
12 1995, AND A SUM EQUAL TO ~~0.25%~~ 0.23% OF THE COMPENSATION OF MEMBERS EMPLOYED BY
13 LOCAL GOVERNMENTS AND SCHOOL DISTRICTS ON AND AFTER JULY 1, 1997. LOCAL GOVERNMENT
14 AND SCHOOL DISTRICT EMPLOYER CONTRIBUTIONS MUST BE THE TOTAL EMPLOYER CONTRIBUTION
15 RATE MINUS THE STATE CONTRIBUTION RATE.

16
17 NEW SECTION. SECTION 5. STATE CONTRIBUTIONS. THE STATE SHALL CONTRIBUTE
18 MONTHLY TO THE PENSION TRUST FUND A SUM EQUAL TO ~~0.1%~~ 0.07% OF THE COMPENSATION OF
19 MEMBERS EMPLOYED BY COUNTY SHERIFFS' DEPARTMENTS ON AND AFTER JULY 1, 1995, AND A
20 SUM EQUAL TO ~~0.05%~~ 0.025% OF THE COMPENSATION OF MEMBERS EMPLOYED BY COUNTY
21 SHERIFFS' DEPARTMENTS ON AND AFTER JULY 1, 1997. COUNTY EMPLOYER CONTRIBUTIONS MUST
22 BE THE TOTAL EMPLOYER CONTRIBUTION RATE MINUS THE STATE CONTRIBUTION RATE.

23
24 NEW SECTION. SECTION 6. STATE CONTRIBUTIONS. (1) THE STATE SHALL CONTRIBUTE
25 MONTHLY TO THE PENSION TRUST FUND SUMS EQUAL TO THE FOLLOWING PORTION OF THE
26 COMPENSATION OF MEMBERS EMPLOYED BY SCHOOL DISTRICTS:

27 (A) ~~0.015%~~ 0.025% ON AND AFTER JULY 1, 1995;

28 (B) ~~0.325%~~ 0.365% ON AND AFTER JULY 1, 1996;

29 (C) ~~0.6%~~ 0.676% ON AND AFTER JULY 1, 1997; AND

30 (D) ~~0.9%~~ 1.0% ON AND AFTER JULY 1, 1998.

1 (2) SCHOOL DISTRICT CONTRIBUTIONS MUST BE THE TOTAL EMPLOYER CONTRIBUTION RATE
2 MINUS THE STATE CONTRIBUTION RATE.

3
4 NEW SECTION. SECTION 7. SUMMER AND EXTRA-DUTY COMPENSATION BENEFIT
5 ADJUSTMENT FOR CERTAIN MEMBERS -- ANNUITY ACCOUNT OPTION. (1) A VESTED MEMBER AS OF
6 JULY 1, 1995, WHOSE PRIMARY EMPLOYER IS NOT THE UNIVERSITY SYSTEM, WHO IS EMPLOYED
7 UNDER AN ACADEMIC YEAR CONTRACT WITH SUMMER SESSION AND EXTRA-DUTY COMPENSATION
8 REPORTED TO THE RETIREMENT SYSTEM FOR ALL OR A PORTION OF FISCAL YEARS 1993, 1994, OR
9 AND 1995, AND WHO RETIRES ON OR BEFORE JULY 1, 2003, MAY ELECT TO INCLUDE IN THE
10 CALCULATION OF BENEFITS THE ACTUARIAL VALUE, AS OF JULY 1, 1995, OF THE REPORTED
11 SUMMER AND EXTRA-DUTY COMPENSATION REPORTED FOR FISCAL YEARS 1993, 1994, AND 1995
12 OR TO HAVE THE 3 YEARS OF SUMMER AND EXTRA-DUTY COMPENSATION INCLUDED IN THE
13 CALCULATION OF AVERAGE FINAL COMPENSATION PROVIDED THAT:

14 (A) EARNINGS FOR EACH MONTH DURING THE SUMMER SESSION DO NOT EXCEED ONE-NINTH
15 OF THE MEMBER'S BASE CONTRACT FOR THE ACADEMIC YEAR AND THAT EXTRA-DUTY
16 COMPENSATION DOES NOT EXCEED THE AMOUNTS ALLOWED UNDER 19-20-101(5)(B) HAD THE
17 MEMBER RETIRED ON JULY 1, 1995; AND

18 (B) THE MEMBER OR THE MEMBER'S EMPLOYER AS WELL AS THE MEMBER CONTRIBUTES TO
19 THE SYSTEM THE ACTUARIAL COST OF ANY BENEFIT ENHANCEMENT IN ADDITION TO THE ACTUARIAL
20 VALUE OF THE SUMMER AND EXTRA-DUTY COMPENSATION AS OF JULY 1, 1995.

21 (2) A MEMBER WHO RETIRES AFTER JULY 1, 2003, BUT ON OR BEFORE JULY 1, 2004, AND
22 WHO MEETS THE REQUIREMENTS OF SUBSECTIONS (1)(A) AND (1)(B) MAY ELECT TO INCLUDE
23 TWO-THIRDS OF THE AMOUNT AVAILABLE UNDER SUBSECTION (1) IN THE MEMBER'S CALCULATION
24 OF BENEFITS TWO-THIRDS OF THE ACTUARIAL VALUE OF THE SUMMER AND EXTRA-DUTY
25 COMPENSATION AVAILABLE UNDER THE PROVISIONS OF SUBSECTION (1) OR MAY ELECT TO INCLUDE
26 IN THE MEMBER'S AVERAGE FINAL COMPENSATION TWO-THIRDS OF THE SUMMER AND EXTRA-DUTY
27 COMPENSATION AVAILABLE UNDER THE PROVISIONS OF SUBSECTION (1).

28 (3) A MEMBER WHO RETIRES AFTER JULY 1, 2004, BUT ON OR BEFORE JULY 1, 2005, AND
29 WHO MEETS THE REQUIREMENTS OF SUBSECTIONS (1)(A) AND (1)(B) MAY INCLUDE ONE-THIRD OF
30 THE AMOUNT AVAILABLE UNDER SUBSECTION (1) MAY ELECT TO INCLUDE IN THE MEMBER'S

1 CALCULATION OF BENEFITS ONE-THIRD OF THE ACTUARIAL VALUE OF THE SUMMER AND
2 EXTRA-DUTY COMPENSATION AVAILABLE UNDER THE PROVISIONS OF SUBSECTION (1) OR MAY ELECT
3 TO INCLUDE IN THE MEMBER'S AVERAGE FINAL COMPENSATION ONE-THIRD OF THE SUMMER AND
4 EXTRA-DUTY COMPENSATION AVAILABLE UNDER THE PROVISIONS OF SUBSECTION (1).

5 (4) AN EMPLOYER MAY NEGOTIATE TO PAY UP TO ONE-HALF OF THE ACTUARIAL COST OF
6 THE ENHANCED BENEFIT PROVIDED FOR UNDER SUBSECTIONS (1) THROUGH (3). THE EMPLOYER
7 SHALL ESTABLISH A POLICY FOR THE PAYMENT OF THE ACTUARIAL COST UNDER SUBSECTIONS (1)
8 THROUGH (3) AND SHALL APPLY THE POLICY INDISCRIMINATELY FOR ALL EMPLOYEES.

9 (5) AN EMPLOYER MAY CONTRIBUTE, EXCEPT AS LIMITED BY THE INTERNAL REVENUE CODE,
10 TO AN ANNUITY ACCOUNT ON BEHALF OF AN EMPLOYEE A PERCENTAGE OF THE EMPLOYEE'S
11 SUMMER AND EXTRA-DUTY COMPENSATION THAT IS EQUIVALENT TO THE EMPLOYER'S
12 CONTRIBUTION RATE UNDER 19-20-605.

13
14 NEW SECTION. SECTION 8. SUMMER COMPENSATION BENEFIT FOR UNIVERSITY SYSTEM
15 EMPLOYEES. (1) MEMBERS EMPLOYED BY THE UNIVERSITY SYSTEM UNDER BOTH AN ACADEMIC
16 YEAR AND A SUMMER SESSION CONTRACT SHALL CONTRIBUTE, AS REQUIRED BY 19-20-602, TO THE
17 RETIREMENT SYSTEM ON THE COMPENSATION RECEIVED UNDER BOTH CONTRACTS. SUMMER
18 SESSION COMPENSATION REPORTED EACH MONTH DURING THE SUMMER SESSION MAY NOT EXCEED
19 ONE-NINTH OF THE MEMBER'S ACADEMIC YEAR CONTRACT. SUMMER SESSION COMPENSATION
20 MUST BE IDENTIFIED OR REPORTED SEPARATELY ON THE EMPLOYER'S REGULAR MONTHLY REPORT.

21 (2) IF A MEMBER HAS SUMMER COMPENSATION REPORTED DURING THE PERIOD DETERMINED
22 TO BE THE MEMBER'S HIGHEST 3 CONSECUTIVE YEARS, THE BOARD SHALL DETERMINE THE AMOUNT
23 OF SUMMER COMPENSATION THAT MAY BE USED IN THE CALCULATION OF AVERAGE FINAL
24 COMPENSATION BY:

25 (A) CALCULATING THE PERCENTAGE OF THE MEMBER'S BASE CONTRACT AMOUNT REPORTED
26 AS SUMMER COMPENSATION EACH FISCAL YEAR AND DETERMINING THE AVERAGE PERCENTAGE
27 REPORTED AS SUMMER COMPENSATION SINCE JULY 1, 1990; AND

28 (B) MULTIPLYING THE AVERAGE PERCENTAGE SINCE JULY 1, 1990, BY THE BASE CONTRACT
29 AMOUNT THAT IS INCLUDED IN THE CALCULATION OF AVERAGE FINAL COMPENSATION.

1 **Section 9.** Section 19-3-315, MCA, is amended to read:

2 **"19-3-315. Member's contribution to be deducted.** (1) ~~On and after Beginning July 1, 1993~~ 1995,
3 the regular contribution of each member is ~~6.70%~~ ~~6.935%~~ 6.8% of the member's compensation. Each
4 member's contribution as a percentage of the member's compensation will increase to:

5 (a) 7.17% 6.9% beginning July 1, 1996; AND

6 (b) 7.405% 7% 6.98% beginning July 1, 1997; and

7 (c) 7.64% beginning July 1, 1998.

8 (2) Payment of salaries or wages less the contribution is full and complete discharge and
9 acquittance of all claims and demands for the service rendered by members during the period covered by
10 the payment, except their claims to the benefits to which they may be entitled under the provisions of this
11 chapter.

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

15 (4) The member's contributions picked up by the employer must be designated for all purposes of
16 the retirement system as the member's contributions, except for the determination of a tax upon a
17 distribution from the retirement system. These contributions must become part of the member's
18 accumulated contributions but must be accounted for separately from those previously accumulated.

19 (5) The member's contributions picked up by the employer must be payable from the same source
20 as is used to pay compensation to the member and must be included in the member's wages, as defined
21 in 19-1-102, and compensation. The employer shall deduct from the member's compensation an amount
22 equal to the amount of the member's contributions picked up by the employer and remit the total of the
23 contributions to the board."

24
25 **Section 10.** Section 19-3-316, MCA, is amended to read:

26 **"19-3-316. Employer contribution rates.** Each employer shall contribute to the cost of benefits
27 under the system. ~~On and after July 1, 1993, the~~ The EXCEPT AS PROVIDED IN [SECTION 4], THE
28 amount of the employer contributions is 6.70% as a percentage of each employer's covered payroll is:

29 (1) 7.2% 7% 6.98% beginning July 1, 1995;

30 (2) 7.45% beginning July 1, 1996; and

1 ~~(3) 7.7% beginning July 1, 1997."~~

2
3 **Section 11.** Section 19-3-503, MCA, is amended to read:

4 **"19-3-503. Election to qualify military service.** (1) (a) A member with 10 years or more of service
5 credits may, at any time prior to retirement, make a written election with the board to purchase service
6 credits for all or any portion of the member's active service in the armed forces of the United States,
7 including the first special service force or the American merchant marine in oceangoing service during the
8 period of armed conflict, December 7, 1941, to August 15, 1945, up to a maximum of 5 years, if the
9 member is not otherwise eligible to receive service credit for this same service pursuant to 19-2-705.

10 (b) To qualify this service, the member shall contribute to the pension trust fund the amount
11 ~~determined by the board to be due based on the member's compensation and regular contribution rate as~~
12 ~~of the member's 11th year and as many succeeding years as are required to qualify this service, with~~
13 ~~regular interest from the date the member becomes eligible for this benefit to the date the member~~
14 ~~contributes~~ actuarial cost of the service credit based on the most recent actuarial valuation of the system.
15 The member may not purchase more of this service credit than the member has service credits in excess
16 of 10 years.

17 (2) If a member has retired from active duty in the armed forces of the United States, including the
18 first special service force or the American merchant marine in oceangoing service during the period of
19 armed conflict, December 7, 1941, to August 15, 1945, with a military service retirement benefit, the
20 member may not qualify the member's military service under subsection (1). However, a member who is
21 serving or has served in the military reserves with the expectation of receiving a military service pension
22 may qualify the member's active military service under subsection (1) if the member's active duty in the
23 armed forces of the United States, including the first special service force or the American merchant marine
24 in oceangoing service during the armed conflict, December 7, 1941, to August 15, 1945, is not more than
25 25% of the total sum of all years of military service including reserve and active duty time."

26
27 **Section 12.** Section 19-3-512, MCA, is amended to read:

28 **"19-3-512. Qualification of service from other public retirement systems.** (1) A member with 5
29 or more years of membership service in the public employees' retirement system may qualify:

30 (a) public service employment covered under a public retirement system other than a system

provided for in Title 19 for which the member received a refund of the member's membership contribution;
and

(b) public service employment that occurred before the public employer adopted a public retirement system.

(2) A member may not qualify more than 5 years of service under this section. To qualify this service, a member shall:

(a) at any time before retirement make a written election with the board to qualify the service; and

(b) contribute to the pension trust fund the actuarial cost of granting the service in the public employees' retirement system, as determined by the board, based on:

~~(i) the member's compensation in the sixth year of service covered under the public employees' retirement system; and~~

~~(ii) the most recent actuarial valuation of the system.~~

(3) Contributions to qualify service under this section may be made in a lump-sum payment or by making additional contributions in installments as agreed upon by the member and the board.

(4) Service qualified under this section may not be:

(a) credited in any other retirement system under Title 19; or

(b) used to qualify a member to purchase military service under 19-3-503.

(5) Service qualified under this section may not be used in calculating a member's retirement benefit unless the member's last 5 years of service credit were earned under the public employees' retirement system. If a member's qualified service may not be used in calculating the member's retirement benefit, the member may choose to receive a refund of the accumulated contributions made to qualify the service."

Section 13. Section 19-3-513, MCA, is amended to read:

"19-3-513. Election to purchase additional service. (1) At any time before retirement, ~~a person who became~~ a member of the retirement system ~~before July 1, 1989, and~~ who has 5 years or more of membership service may make a written election with the board to purchase additional service credit for the purpose of calculating the member's retirement benefit. Except as provided in subsection (3), the member may purchase 1 year of additional service credit for each 5 years of membership service that the member has qualified under the retirement system, up to a maximum of 5 years of additional service.

(2) For each year of service credit purchased under this section, a member shall contribute to the pension trust fund an amount equal to the member's compensation for the 12-month period immediately preceding the date the member elects to purchase the service multiplied by the combined employee and employer contribution rates contained in 19-3-315 and 19-3-316 the actuarial cost of the service credit based on the most recent actuarial valuation of the system. Contributions may be made in a lump-sum payment or by making additional contributions in installments as agreed upon by the member and the board.

(3) (a) Except as provided in subsection (3)(b), after January 1, 1990, a member may elect to qualify a combined total of 5 years of service under 19-3-503, 19-3-512, or this section.

(b) A member who has purchased service under 19-3-503 or 19-3-512 on or before January 1, 1990, and who elects to purchase service under this section ~~shall~~ must receive credit for the full months of service purchased on or before January 1, 1990.

(4) Service purchased under this section is not membership service and may not be used to qualify a member for service retirement."

Section 14. Section 19-5-101, MCA, is amended to read:

"19-5-101. Definitions. Unless a different meaning is plainly implied by the context, the following definitions apply in this chapter:

(1) "Compensation" means remuneration as defined in 2-16-404, 3-5-211, and 3-7-222 paid to a member.

(2) "Current salary" means the current compensation for the office retired from.

(3) "Final average salary" means the average of the member's highest monthly compensation during any 36 consecutive months of membership service in the retirement system.

(4) "Involuntary retirement" means a retirement not for cause and before retirement age.

~~(4)~~(5) "Retired judge" means any judge or justice in receipt of a retirement benefit under this chapter."

Section 15. Section 19-5-404, MCA, is amended to read:

"19-5-404. Contributions by state. (1) The state of Montana shall contribute monthly to the pension trust fund a sum equal to ~~6%~~ 28.77% ~~31.68%~~ 29.39% of the compensation of each member. In addition, the clerk of each district court shall transmit ~~68%~~ of certain filing fees as required under

~~25-1-201(2) and that portion of the fee for filing a petition for dissolution of marriage and a motion for substitution of a judge specified in 25-1-201(4) and (6) to the state, which shall first deposit in the pension trust fund an amount equal to 34.71% of the total compensation paid to district judges and supreme court justices who are covered by the judges' retirement system and then deposit the balance in the state general fund. The clerk of the supreme court shall pay one fourth of the fees collected under 3-2-403 to the division to be credited to the pension trust fund.~~

(2) The state of Montana shall contribute monthly from the renewable resource grant and loan program account in the state special revenue fund to the judges' pension trust fund an amount equal to 34.71% 28.77% 31.68% 29.39% of the compensation paid to the chief water court judge."

Section 16. Section 19-5-502, MCA, is amended to read:

"19-5-502. Service retirement benefit. Upon retirement from service, a member must receive a service retirement benefit equal to:

(1) 3 1/3% per year of the member's current salary for the first 15 years of credited service and 1.785% per year for each year of credited service after 15 years for a person who became a member prior to July 1, 1995, and who has not elected to receive a guaranteed annual benefit adjustment under [section 2];

(2) 3 1/3% per year of the member's final average salary for the first 15 years of credited service and 1.785% per year for each year of credited service after 15 years for a person who:

(a) first became a member on or after July 1, 1995; or

(b) has elected to receive a guaranteed annual benefit adjustment under [section 2]."

Section 17. Section 19-5-601, MCA, is amended to read:

"19-5-601. Disability retirement benefit. In case of the disability of a member, a disability retirement benefit must be granted the member in an amount actuarially equivalent to the service retirement benefit standing to the member's credit at the time of the member's disability retirement. If the disability is a direct result of any service to the Montana judiciary in the line of duty, the ~~member must receive a benefit equal to~~ member's disability benefit must be no less than:

(1) one-half of the member's final current salary or the benefit provided in 19-5-502, whichever is greater for a person who first became a member prior to July 1, 1995, and who has elected not to

1 receive the guaranteed annual benefit adjustment under [section 2]; or

2 (2) one-half of the member's final average salary for a person who first became a member on or
3 after July 1, 1995, or who has elected to receive the guaranteed annual benefit adjustment under [section
4 2]."

5
6 **Section 18.** Section 19-5-802, MCA, is amended to read:

7 **"19-5-802. Payments in case of death from other causes.** (1) If a retired member who became
8 a member prior to July 1, 1995, and who chose a regular retirement benefit dies before receiving payments
9 equal to the present value of the member's retirement benefit as it was at the time of the member's
10 retirement, the balance must be paid to the member's designated beneficiary in a lump sum. At the
11 designated beneficiary's request, the lump sum may be paid as an actuarially equivalent annuity that will
12 not be subject to increases for any purpose.

13 (2) Upon the death of a retiree who chose a regular retirement benefit and who either became a
14 member on or after July 1, 1995, or elected to receive the guaranteed annual benefit adjustment under
15 [section 2], the member's designated beneficiary must be paid the unpaid balance of the retiree's benefit.
16 The benefit must be calculated by subtracting the total benefits paid to the member during the member's
17 lifetime from the member's total amount of contributions and interest on account as that amount was on
18 the day the member retired.

19 (3) If a member dies before reaching retirement age, the member's designated beneficiary is entitled
20 to a monthly survivorship benefit that is the actuarial equivalent of the options as provided in 19-5-503."

21
22 **Section 19.** Section 19-6-402, MCA, is amended to read:

23 **"19-6-402. Member's contribution.** (1) (a) Each Except as provided in subsection (1)(b), a person
24 who became a member prior to July 1, 1995, shall contribute into the pension trust fund a sum equal to
25 9% of the member's monthly compensation, which must be deposited to the member's credit in the
26 pension trust fund.

27 (b) A person who became a member on or after July 1, 1995, or who has elected to receive a
28 guaranteed annual benefit adjustment under [section 3] shall contribute to the pension trust fund, from July
29 1, 1995, forward, a sum equal to ~~9.1%~~ 9.08% of the member's monthly compensation.

30 (2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954,

1 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
2 by the member under subsection (1) for service rendered after June 30, 1985.

3 (3) The member's contributions picked up by the employer must be designated for all purposes of
4 the retirement system as the member's contributions, except for the determination of a tax upon a
5 distribution from the retirement system. These contributions must become part of the member's
6 accumulated contributions but must be accounted for separately from those previously accumulated.

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

12
13 **Section 20.** Section 19-6-404, MCA, is amended to read:

14 **"19-6-404. State's contribution.** The state of Montana shall annually contribute to the pension
15 trust fund an amount equal to ~~36.28%~~ ~~36.39%~~ 36.36% of the total compensation paid to the members
16 from the following sources:

17 (1) an amount equal to ~~26.10%~~ ~~26.21%~~ 26.18% of the total compensation of the members is
18 payable from the same source that is used to pay compensation to the members; and

19 (2) an amount equal to 10.18% of the total compensation of the members is payable from a portion
20 of the fees from driver's licenses and duplicate driver's licenses as provided in 61-5-121."

21
22 **Section 21.** Section 19-6-801, MCA, is amended to read:

23 **"19-6-801. Election to qualify military service.** (1) A member with 15 years or more of service
24 credit with the Montana highway patrol may, at any time prior to retirement, make a written election with
25 the division to qualify all or any portion of the member's active service in the armed forces of the United
26 States for the purpose of calculating retirement benefits, up to a maximum of 5 years, if the member is not
27 otherwise eligible to receive service credit for this same service pursuant to 19-2-705.

28 (2) To qualify this service the member shall contribute to the account the amount determined by
29 ~~the division to be due based on the member's compensation and regular contribution rate as of the~~
30 ~~member's 16th year and as many succeeding years as are required to qualify this service, with interest from~~

1 ~~the date the member becomes eligible for this benefit to the date the member contributes~~ actuarial cost of
2 the service credit based on the most recent actuarial valuation of the system. The member may not qualify
3 more of this service than the member has service with the Montana highway patrol in excess of 15 years."
4

5 **Section 22.** Section 19-7-403, MCA, is amended to read:

6 **"19-7-403. Members' contributions deducted.** (1) Every member shall contribute into the pension
7 trust fund ~~7%~~ 7.62% 7.38% of the member's monthly compensation, which must be deposited to the
8 member's credit in the pension trust fund.

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

12 (3) The member's contributions picked up by the employer must be designated for all purposes of
13 the retirement system as the member's contributions, except for the determination of a tax upon a
14 distribution from the retirement system. These contributions must become part of the member's
15 accumulated contributions but must be accounted for separately from those previously accumulated.

16 (4) The member's contributions picked up by the employer must be payable from the same source
17 as is used to pay compensation to the member and must be included in the member's wages as defined
18 in 19-1-102 and salary as used to define the member's final average salary in 19-7-101. The employer
19 shall deduct from the member's compensation an amount equal to the amount of the member's
20 contributions picked up by the employer and remit the total of the contributions to the board."
21

22 **Section 23.** Section 19-7-404, MCA, is amended to read:

23 **"19-7-404. Employer contributions.** (1) ~~The~~ EXCEPT AS PROVIDED IN [SECTION 5], THE
24 employer shall pay monthly ~~7.67%~~ 8.28% 7.77% 7.74% of each member's gross compensation into the
25 pension trust fund created by this chapter.

26 (2) If the required contribution to the retirement system exceeds the funds available to a county
27 from general revenue sources, a county may budget, levy, and collect annually a special tax on the
28 assessable property within the county that is sufficient to raise the amount of revenue needed to meet the
29 county's obligation. This tax may be in addition to the annual rate of taxation allowed by law to be levied
30 by the county."

1 **Section 24.** Section 19-7-503, MCA, is amended to read:

2 **"19-7-503. Service retirement benefit.** (1) The amount of any service retirement benefit granted
3 to a member with 24 years or less of membership service is 2.0834% of the member's final average salary
4 for each year of service credit, up to a maximum of 50% of the member's final average salary, except as
5 provided under [section 1].

6 (2) The member's retirement benefit must be increased for any member who contributes after 24
7 years of service credit by 1.35% of the member's final average salary for each year of service credit in
8 excess of 24 years, up to a maximum of 60% of the member's final average salary, except as provided
9 under [section 1].

10 (3) If a member dies after retirement and had not elected an optional retirement benefit provided
11 for in 19-7-1001, the member's designated beneficiary must be paid the excess, if any, of the member's
12 accumulated contributions at the time of retirement less payments made to the retired member."

13
14 **Section 25.** Section 19-8-502, MCA, is amended to read:

15 **"19-8-502. Member's contribution.** (1) ~~Every~~ Each member is required to contribute into the
16 pension trust fund a sum equal to ~~7.9%~~ ~~8.5%~~ 8.2% of the member's monthly compensation, which ~~sum~~
17 must be deposited to the member's credit in the pension trust fund.

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

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

25 (4) The member's contributions picked up by the employer must be payable from the same source
26 as is used to pay compensation to the member and must be included in the member's wages as defined
27 in 19-1-102 and the member's compensation as used to define the member's final average salary in
28 19-8-101. The employer shall deduct from the member's compensation an amount equal to the amount
29 of the member's contributions picked up by the employer and remit the total of the contributions to the
30 board."

1 **Section 26.** Section 19-8-504, MCA, is amended to read:

2 **"19-8-504. State's contribution.** ~~(1) To fund the employer's portion of the normal cost of benefits~~
3 ~~under this chapter, each~~ Each month, the state treasurer shall pay to the pension trust fund:

4 ~~(a)(1)~~ out of the department of fish, wildlife, and parks funds, a sum equal to 7.15% of all
5 members' salaries; and

6 ~~(b)(2)~~ out of the funds collected as fines and forfeited bonds under the provisions of 87-1-601(1)
7 through (5) or funds distributed under 3-10-601(4), an amount equal to ~~1% 5.69%~~ 3.92% of all members'
8 salaries.

9 ~~(2) In addition to the contributions provided in subsection (1), the state treasurer shall pay to the~~
10 ~~pension trust fund the balance of the funds distributed to the fish and game account pursuant to 3-10-601~~
11 ~~until the unfunded liability in the pension trust fund is fully paid and a verification statement to that effect~~
12 ~~is given to the state treasurer by the board."~~

13
14 **Section 27.** Section 19-8-1002, MCA, is amended to read:

15 **"19-8-1002. Postretirement death payments.** If a ~~retired~~ member who retired on or after July 1,
16 1995, and who has not chosen an optional retirement benefit under 19-8-801 dies before receiving an
17 amount equal to the ~~present value of the member's service retirement benefit under 19-8-603~~ member's
18 total amount of contributions and interest on account as if that amount was at the time of the member's
19 retirement, the balance must be paid to the member's designated beneficiary in a lump-sum payment. ~~At~~
20 ~~the option of the designated beneficiary, the lump sum payment may be annuitized and paid over the~~
21 ~~beneficiary's lifetime; however, the payment is not a benefit subject to increases."~~

22
23 **Section 28.** Section 19-9-702, MCA, is amended to read:

24 **"19-9-702. State contribution.** The state of Montana shall make its contributions through the state
25 auditor out of the premium tax on motor vehicle property and casualty insurance policies. The payments
26 must be made annually after the end of each fiscal year but no later than November 1 from the gross
27 premium tax after deduction for cancellations and returned premiums. The division shall notify the auditor
28 by September 1 of each fiscal year of the annual compensation paid to all active members during the
29 preceding fiscal year. The state's contribution is ~~15.66%~~ 16.41% ~~15.86%~~ 16.21% 15.76% of
30 compensation paid to members ON AND AFTER JULY 1, 1995, AND ~~15.81%~~ 16.06% 15.71% OF

1 COMPENSATION PAID TO MEMBERS ON AND AFTER JULY 1, 1997."

2
3 **Section 29.** Section 19-9-703, MCA, is amended to read:

4 **"19-9-703. Employer contribution.** Each employer shall make its contribution through the city
5 treasurer or other appropriate official out of money available to the city for that purpose. The employer's
6 contribution, which must be paid monthly to the division, is ~~14.36% 16.58%~~ 14.36% of the compensation
7 paid to all active members ON AND AFTER JULY 1, 1995, AND 14.41% 14.51% 14.41% OF THE
8 COMPENSATION PAID TO ALL ACTIVE MEMBERS ON AND AFTER JULY 1, 1997."

9
10 **Section 30.** Section 19-9-710, MCA, is amended to read:

11 **"19-9-710. Member contributions.** (1) The Except as specified in subsection (2), the regular
12 contribution as a percentage of compensation of each active member first employed by an employer as a
13 police officer;

14 (a) on or before June 30, 1975, is 7.8% of the member's compensation. In the case of a member
15 first employed by an employer as a police officer;

16 (b) after June 30, 1975, the contribution but before July 1, 1979, is 9% of the member's
17 compensation. In the case of a member first employed by an employer as a police officer;

18 (c) after June 30, 1979, the contribution but before July 1, 1995, is 10.5% of the member's
19 compensation; and

20 (d) after June 30, 1995, is 12.65% 11.75% 12.25% 11.5%.

21 (2) A member who has elected to receive the guaranteed annual benefit adjustment provided for
22 in [section 3] shall pay the following contribution rates as a percentage of compensation:

23 (a) 9.95% 9.05% 9.55% 8.8% if first hired as a police officer on or before June 30, 1975;

24 (b) 11.15% 10.25% 10.75% 10% if first hired as a police officer after June 30, 1975 but before
25 July 1, 1979; and

26 (c) 12.65% 11.75% 12.25% 11.5% if first hired as a police officer after June 30, 1979.

27 (3) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954,
28 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
29 by the member under ~~subsection~~ subsections (1) and (2) for service rendered after June 30, 1985.

30 ~~(3)(4)~~ The member's contributions picked up by the employer must be designated for all purposes

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

4 ~~(4)~~(5) The member's contributions picked up by the employer must be payable from the same
5 source as is used to pay compensation to the member and must be included in the member's wages as
6 defined in 19-1-102 and in the member's compensation as defined in 19-9-104. The employer shall deduct
7 from the member's compensation an amount equal to the amount of the member's contributions picked up
8 by the employer and remit the total of the contributions to the board."

9
10 **Section 31.** Section 19-13-601, MCA, is amended to read:

11 **"19-13-601. Deduction remitted to firemen's association -- member's contributions.** (1) Each
12 employer shall retain from the compensation of each active member a sum equal to 1% of the member's
13 compensation for services as a firefighter and shall remit this amount on a monthly basis to the Montana
14 state firemen's association for the payment of premiums on a group life and accidental death and
15 dismemberment insurance policy for members and to defray expenses incurred by the association when
16 representing members of the retirement system.

17 (2) ~~The~~ Each member's contribution to the retirement system ~~is~~ as a percentage of the member's
18 compensation must be:

19 (a) 6% of the member's compensation for a firefighter who first became a member prior to July
20 1, 1995, and who has not elected to receive the guaranteed annual benefit adjustment under [section 3];
21 or

22 (b) after July 1, 1995, ~~7.8%~~ 7.6% for a firefighter who first became a member on or after July
23 1, 1995, or who has elected to receive a guaranteed annual benefit adjustment under [section 3].

24 (3) If a member receives compensation under the provisions of the Workers' Compensation Act,
25 Title 39, chapter 71, the amount received must be included as part of the member's compensation for
26 purposes of determining contributions and service credits under the retirement system. Contributions made
27 under 19-13-604, 19-13-605, and this section must be based on the total compensation received by the
28 member from the employer and from workers' compensation during the period of disability.

29 (4) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code, as amended
30 and applicable on July 1, 1987, shall pick up and pay the contributions that would be payable by the

1 member under subsection (2) for service rendered after June 30, 1987.

2 (5) The member's contributions picked up by the employer must be designated for all purposes of
3 the retirement system as the member's contributions, except for the determination of a tax upon a
4 distribution from the retirement system. These contributions must become part of the member's
5 accumulated contributions but must be accounted for separately from those previously accumulated.

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

11
12 **Section 32.** Section 19-13-604, MCA, is amended to read:

13 **"19-13-604. State contribution.** The state shall make its contributions through the state auditor
14 from the premium taxes on the insurance risks enumerated in 19-18-512. These payments must be made
15 annually to the pension trust fund after the end of each fiscal year but no later than November 1 from the
16 gross premium taxes after deduction for cancellations and returned premiums. The division shall notify the
17 auditor of the annual compensation, excluding overtime, holiday payments, shift differential payments,
18 compensatory time payments, and payments in lieu of sick leave, paid to all active members during the
19 preceding year. The state's contribution is 23.27% of this total compensation ~~effective~~ paid on and after
20 July 1, 1991, ~~and 24.02% 24.01% 23.84%~~ of the total compensation paid on and after July 1, 1995,
21 AND 23.935% 23.715% OF THE TOTAL COMPENSATION PAID ON AND AFTER JULY 1, 1997. As soon
22 as practicable after receipt of the state contribution, the division shall deposit it in the pension trust fund."

23
24 **Section 33.** Section 19-13-605, MCA, is amended to read:

25 **"19-13-605. Employer contribution.** Each employer shall make its contribution on behalf of
26 members through the city treasurer or other appropriate official from money available to the city for this
27 purpose. The employer's contribution is ~~13.02% 14.04%~~ 13.02% of the total compensation paid to
28 members ON AND AFTER JULY 1, 1995, AND 13.095% OF THE TOTAL COMPENSATION PAID TO
29 MEMBERS ON AND AFTER JULY 1, 1997. All contributions are payable monthly to the division, which
30 shall, as soon as practicable after their receipt, deposit them in the pension trust fund."

1 **Section 34.** Section 19-13-704, MCA, is amended to read:

2 **"19-13-704. Amount of service retirement benefit.** (1) Except as provided in subsection (2) (3),
3 the following retirement benefits apply:

4 (a) A member hired before July 1, 1981, who elects to retire after having reached both 20 years
5 of membership service and age 50 must receive a service retirement benefit equal to the sum of:

6 (i) 50% of the member's last monthly compensation for years of service credit up to and including
7 20 years; and

8 (ii) 1% of the member's last monthly compensation for each year of service credit after 20 years.

9 (b) A member hired before July 1, 1981, who elects to retire after having reached at least 10 years
10 of membership service but prior to reaching age 50 as an active member must receive a service retirement
11 benefit equal to 2% of the member's last monthly compensation for each year of service credit. Upon the
12 retired member's death, the benefit must be ~~made~~ paid to the surviving spouse. If there is no surviving
13 spouse or if the surviving spouse dies and if the member leaves one or more dependent children, the
14 children are entitled to receive the allowance as long as they remain dependent children as defined in
15 19-13-104.

16 (2) A member who was hired on or after July 1, 1981, ~~or who has elected to receive a guaranteed~~
17 annual benefit adjustment under [section 3], and who retires with at least 10 years of membership service
18 must receive a service retirement benefit equal to 2% of the member's final average compensation for each
19 year of service credit.

20 (3) FOR MEMBERS HIRED BEFORE JULY 1, 1981, WHO HAVE ELECTED THE GUARANTEED
21 ANNUAL BENEFIT ADJUSTMENT UNDER [SECTION 3], THE FOLLOWING RETIREMENT BENEFITS APPLY:

22 (A) A MEMBER WHO ELECTS TO RETIRE AFTER HAVING REACHED BOTH 20 YEARS OF
23 MEMBERSHIP SERVICE AND AGE 50 MUST RECEIVE A SERVICE RETIREMENT BENEFIT EQUAL TO THE
24 SUM OF:

25 (I) 50% OF THE MEMBER'S FINAL AVERAGE COMPENSATION FOR YEARS OF SERVICE CREDIT
26 UP TO AND INCLUDING 20 YEARS; AND

27 (II) 1% OF THE MEMBER'S FINAL AVERAGE COMPENSATION FOR EACH YEAR OF SERVICE
28 CREDIT AFTER 20 YEARS.

29 (B) A MEMBER WHO ELECTS TO RETIRE AFTER HAVING REACHED AT LEAST 10 YEARS OF
30 MEMBERSHIP SERVICE BUT PRIOR TO REACHING AGE 50 AS AN ACTIVE MEMBER MUST RECEIVE A

1 SERVICE RETIREMENT BENEFIT EQUAL TO 2% OF THE MEMBER'S FINAL AVERAGE COMPENSATION
2 FOR EACH YEAR OF SERVICE CREDIT. UPON THE RETIRED MEMBER'S DEATH, THE BENEFIT MUST BE
3 PAID TO THE SURVIVING SPOUSE. IF THERE IS NO SURVIVING SPOUSE OR IF THE SURVIVING SPOUSE
4 DIES AND IF THE MEMBER LEAVES ONE OR MORE DEPENDENT CHILDREN, THE CHILDREN ARE
5 ENTITLED TO RECEIVE THE ALLOWANCE AS LONG AS THEY REMAIN DEPENDENT CHILDREN AS
6 DEFINED IN 19-13-104.

7 (4) The Except as provided under [section 3], the maximum monthly benefit payable to any retiree
8 under subsection (1) may not exceed 60% of the member's last monthly compensation. The Except as
9 provided under [section 3], the maximum monthly benefit payable to any retiree under subsection (2) OR
10 (3) may not exceed 60% of the member's final average compensation."

11
12 **Section 35.** Section 19-13-803, MCA, is amended to read:

13 **"19-13-803. Amount of disability retirement benefit. (1) A Except as provided in subsection (3),**
14 **a member hired before July 1, 1981, who becomes disabled:**

15 (a) before completing 20 years of membership service must receive a disability retirement benefit
16 equal to one-half the member's last monthly compensation;

17 (b) after completing 20 years or more of membership service must receive the disability retirement
18 benefit provided in subsection (1)(a) increased at a rate of 1% of the member's last monthly compensation
19 for each year of service credit in excess of 20, up to a maximum benefit equal to 60% of the member's
20 last monthly compensation.

21 (2) A Except as provided in subsection (3), a member hired on or after July 1, 1981, who becomes
22 disabled:

23 (a) before completing 25 years of membership service must receive a disability retirement benefit
24 equal to one-half the member's last monthly compensation;

25 (b) after completing 25 years or more of membership service must receive the disability retirement
26 benefit provided in subsection (2)(a) increased at a rate of 2% of the member's last monthly compensation
27 for each year of service credit in excess of 25, up to a maximum benefit equal to 60% of the member's
28 last monthly compensation.

29 (3) A member who was hired on or after July 1, 1995, or who has elected to receive a guaranteed
30 annual benefit adjustment under [section 3] and who becomes disabled:

1 (a) before completing 25 years of membership service must receive a disability retirement benefit
2 equal to one-half the member's final average compensation;

3 (b) after completing 25 years or more of membership service must receive the disability retirement
4 benefit provided in subsection (3)(a), increased at a rate of 2 % of the member's final average compensation
5 for each year of service credit in excess of 25 years, up to a maximum benefit equal to 60% of the
6 member's final average compensation, except as provided under [section 3].

7 (4) A member's disability retirement benefit must be paid first to the member during the member's
8 lifetime and, upon the member's death, to the member's surviving spouse. If upon a member's death the
9 member leaves no surviving spouse or upon the death of the surviving spouse, the member's benefit must
10 be paid to the member's dependent children as long as they remain dependent children as defined in
11 19-13-104."

12
13 **Section 36.** Section 19-13-902, MCA, is amended to read:

14 **"19-13-902. Survivorship benefit.** (1) Except as provided in subsection ~~(2)~~ (3), the following
15 survivorship benefits apply:

16 (a) Upon the death before retirement of an active member hired before July 1, 1981, the member's
17 surviving spouse, if there is one, must receive a survivorship benefit equal to one-half the last monthly
18 compensation received by the member. If the member leaves one or more dependent children, then, upon
19 the member's death if the member leaves no surviving spouse or upon the death of the surviving spouse,
20 the member's dependent children must collectively receive the same benefit that a surviving spouse would
21 have received, as long as the children remain dependent children as defined in 19-13-104.

22 (b) If the deceased member completed over 20 years of membership service, the survivorship
23 benefit provided in subsection (1)(a) must be increased at a rate of 1 % of the last monthly compensation
24 for each year in excess of 20, up to a maximum of 60% of the last monthly compensation received by the
25 member, except as provided under [section 3].

26 (2) THE FOLLOWING SURVIVORSHIP BENEFITS APPLY TO MEMBERS HIRED BEFORE JULY 1,
27 1981, WHO HAVE ELECTED THE GUARANTEED ANNUAL BENEFIT ADJUSTMENTS PROVIDED IN
28 [SECTION 3]:

29 (A) UPON THE DEATH BEFORE RETIREMENT OF AN ACTIVE MEMBER, THE MEMBER'S
30 SURVIVING SPOUSE, IF THERE IS ONE, MUST RECEIVE A SURVIVORSHIP BENEFIT EQUAL TO ONE-HALF

1 THE FINAL AVERAGE COMPENSATION RECEIVED BY THE MEMBER. IF THE MEMBER LEAVES ONE OR
2 MORE DEPENDENT CHILDREN, THEN, UPON THE MEMBER'S DEATH IF THE MEMBER LEAVES NO
3 SURVIVING SPOUSE OR UPON THE DEATH OF THE SURVIVING SPOUSE, THE MEMBER'S DEPENDENT
4 CHILDREN MUST COLLECTIVELY RECEIVE THE SAME BENEFIT THAT A SURVIVING SPOUSE WOULD
5 HAVE RECEIVED AS LONG AS THE CHILDREN REMAIN DEPENDENT CHILDREN AS DEFINED IN
6 19-13-104.

7 (B) IF THE DECEASED MEMBER COMPLETED OVER 20 YEARS OF MEMBERSHIP SERVICE, THE
8 SURVIVORSHIP BENEFIT PROVIDED IN SUBSECTION (1)(A) MUST BE INCREASED AT A RATE OF 2% OF
9 THE FINAL AVERAGE COMPENSATION FOR EACH YEAR IN EXCESS OF 20 [, UP TO A MAXIMUM OF
10 60% OF THE FINAL AVERAGE COMPENSATION RECEIVED BY THE MEMBER, EXCEPT AS PROVIDED
11 UNDER [SECTION 3]].

12 (3) Upon the death before retirement of a member hired on or after July 1, 1981, ~~or of a member~~
13 ~~who has elected to receive the guaranteed annual benefit adjustment provided under [section 3],~~ the
14 member's surviving spouse, if there is one, must receive a survivorship benefit equal to one-half of the
15 member's final average compensation. If the member leaves one or more dependent children, then, upon
16 the member's death if the member leaves no surviving spouse or upon the death of the surviving spouse,
17 the member's dependent children must collectively receive the same benefit that a surviving spouse would
18 have received, as long as the children remain dependent children as defined in 19-13-104."

19
20 **Section 37.** Section 19-20-101, MCA, is amended to read:

21 **"19-20-101. Definitions.** As used in this chapter, unless the context clearly indicates otherwise,
22 the following definitions apply:

23 (1) "Accumulated contributions" means the sum of all the amounts deducted from the
24 compensation of a member or paid by a member and credited to ~~his~~ the member's individual account in the
25 annuity savings fund, together with interest. Regular interest ~~shall~~ must be computed and allowed to
26 provide a benefit at the time of retirement.

27 (2) "Actuarial equivalent" means a benefit of equal value when computed, with regular interest,
28 on the basis of the 1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate
29 of 8% compounded annually.

30 (3) "Annuity" means the payments made to a beneficiary for life ~~which~~ that are derived from a

1 member's accumulated contributions.

2 (4) "Annuity reserve" means the present value of all payments to be made on account of a
3 member's annuity computed, with regular interest, on the basis of the mortality tables adopted by the
4 retirement board.

5 (5) (a) "Average final compensation" means, EXCEPT AS PROVIDED IN [SECTION SECTIONS 7
6 AND 8], the average of the earned compensation of a member during the 3 consecutive years of full-time
7 service ~~which~~ that yield the highest average and on which contributions have been made as required by
8 19-20-602.

9 (b) In determining a member's retirement allowance under 19-20-802 or 19-20-804, the amount
10 of each year's earned compensation that may be used in the calculation of average final compensation may
11 not exceed the member's earned compensation from the preceding year by more than 10%, except as
12 provided by rule by the retirement board.

13 (c) Earned compensation in excess of the amount specified in subsection (5)(b) is considered
14 termination pay as provided in subsection (5)(d).

15 (d) If the ~~earned compensation includes~~ MEMBER RECEIVES any termination pay, the member shall
16 select one of the following options:

17 (i) use the total termination pay in the calculation of the average final compensation. The member
18 and the employer shall pay contributions to the retirement system as are determined by the board to
19 adequately compensate the system for the additional retirement benefit. The contributions must be made
20 at the time the termination pay is received.

21 (ii) use a yearly amount of termination pay added to each of the 3 consecutive years' salary used
22 in the calculation of the average final compensation, if the member has 4 or more years of service with the
23 employer from which the termination pay was received. The amount of compensation used in the
24 calculation of average final compensation must be divided by the total number of years of creditable service
25 to determine a yearly amount. The member and the employer ~~must~~ shall pay contributions on the
26 termination pay according to the rates provided for in 19-20-602~~44~~ and 19-20-605(1).

27 (iii) exclude the termination pay from the average final compensation. No contribution is required
28 of either the employer or member, and contributions made under 19-20-602 and 19-20-605 must be
29 refunded.

30 (e) For purposes of this subsection, termination pay includes any form of termination pay, ~~or~~ any

1 lump-sum payment for deferred compensation, sick leave, or accumulated vacation credit, or any other
2 payment for time not worked other than compensation received while on sick leave or authorized leave of
3 absence.

4 (6) "Beneficiary" means a person in receipt of a pension, annuity, retirement allowance, or other
5 benefit provided by the retirement system.

6 (7) "Creditable service" is that service defined by 19-20-401.

7 (8) "Earned compensation" means the ~~full compensation, pay, or salary actually paid to a member~~
8 ~~and reported to the retirement system, including amounts paid under a salary reduction agreement, a~~
9 ~~cafeteria plan, a tax sheltered annuity, or a deferred compensation program, and the value of any housing~~
10 ~~provided by the employer. The employer shall fix the value of any housing provided. The term does not~~
11 ~~include any other amounts paid in kind or fringe benefits not actually paid to a member~~ BASE CONTRACT
12 AMOUNT PAID OUT OF FUNDS CONTROLLED BY AN EMPLOYER AS DEFINED UNDER THIS CHAPTER.
13 THE BASE CONTRACT AMOUNT IS THE GROSS CONTRACT AMOUNT FOR THE ACADEMIC OR FISCAL
14 YEAR BEFORE ANY TAX-DEFERRED DEDUCTIONS ALLOWED UNDER THE INTERNAL REVENUE CODE
15 HAVE BEEN MADE AND INCLUDES ANY INCREASE OR AMOUNTS PAID BASED ON PLACEMENT ON THE
16 SALARY MATRIX FOR EXPERIENCE AND EDUCATION LEVEL. THE BASE CONTRACT AMOUNT DOES
17 NOT INCLUDE AMOUNTS PAID FOR EXTRA COMPENSATION DUTY, OVERTIME, SUMMER EMPLOYMENT,
18 RESEARCH, MAINTENANCE, ALLOWANCES, EXPENSES, OR BONUSES OR ANY PAYMENT FOR
19 ADDITIONAL DUTIES. The earned compensation is the ~~full compensation, pay, or salary~~ BASE CONTRACT
20 AMOUNT that would have been paid to a member for full-time service but that was not paid to the member
21 because of a reduction in compensation, ~~pay, or salary~~ due to a temporary absence, provided that the
22 retirement system receives the contribution required by 19-20-413. The earned compensation of a member
23 who had less than 3 consecutive years of full-time service during the 5 years preceding ~~his~~ retirement is
24 the compensation, ~~pay, or salary which he~~ that the member would have earned had ~~his~~ the member's
25 part-time service been full-time service. The earned compensation of a member who is awarded a disability
26 retirement allowance prior to the completion of a full year is the compensation, ~~pay, or salary which he~~ that
27 the member would have received had ~~he~~ the member completed the full year, except that any termination
28 pay, as defined in subsection (5)(e), received by the member is limited to the amount actually paid and is
29 not the amount ~~he~~ the member would have earned had ~~he~~ the member completed the full year.

30 (9) "Employer" means the state of Montana, the trustees of a district, or any other agency or

1 subdivision of the state ~~which that~~ employs a person who is designated as a member of the retirement
2 system.

3 (10) "EXTRA-DUTY COMPENSATION" MEANS ANY COMPENSATION IN ADDITION TO AMOUNTS
4 PAID BASED ON PLACEMENT FOR EXPERIENCE AND EDUCATION LEVEL ON THE APPLICABLE SALARY
5 MATRIX AND IN ADDITION TO THE AMOUNT PAID FOR THE MEMBER'S PRIMARY POSITION.

6 (11) "Full-time service" means service ~~which that~~ is full-time and ~~which that~~ extends over a normal
7 academic year of at least 9 months. With respect to those members employed by the office of the
8 superintendent of public instruction, any other state agency or institution, or the office of a county
9 superintendent, "full-time service" means service ~~which that~~ is full-time and ~~which that~~ totals at least 9
10 months in any ~~one~~ year.

11 ~~(11)(12)~~ "Member" means a person who has an individual account in the annuity savings fund. An
12 active member is a person included under the provisions of 19-20-302. An inactive member is a person
13 included under the provisions of 19-20-303.

14 ~~(12)(13)~~ "Part-time service" means service ~~which that~~ is less than full-time or ~~which that~~ totals less
15 than 9 months in any ~~one~~ year. Part-time service ~~shall~~ must be credited in the proportion that the actual
16 time worked bears to full-time service.

17 ~~(13)(14)~~ "Pension" means the payments made to a beneficiary for life ~~which that~~ are paid out of
18 the pension accumulation fund.

19 ~~(14)(15)~~ "Pension reserve" means the present value of all payments to be made on account of a
20 pension computed, with regular interest, on the basis of the mortality tables adopted by the retirement
21 board.

22 ~~(15)(16)~~ "Prior service" means employment of the same nature as service defined in subsection ~~(20)~~
23 ~~(21)~~ of this section but rendered before September 1, 1937.

24 ~~(16)(17)~~ "Regular interest" means interest at 4% ~~per annum~~ a year compounded annually or at such
25 other rate as may be set by the retirement board in accordance with 19-20-501(2).

26 ~~(17)(18)~~ "Retirement allowance" means the annuity plus the pension.

27 ~~(18)(19)~~ "Retirement board" means the retirement system's governing board provided for in
28 2-15-1010.

29 ~~(19)(20)~~ "Retirement system" means the teachers' retirement system of the state of Montana
30 provided for in 19-20-102.

1 ~~(20)~~(21) "Service" means the performance of ~~such~~ instructional duties or related activities ~~as that~~
2 would entitle the person to active membership in the retirement system under the provisions of 19-20-302."

3
4 **Section 38.** Section 19-20-602, MCA, is amended to read:

5 **"19-20-602. Annuity savings fund -- member's contribution.** (1) The annuity savings fund is a
6 fund in which the contributions for the members to provide for their annuities ~~shall be~~ is accumulated in
7 individual accounts for each member. The normal contribution of each member ~~is 7.044% of his~~ as a
8 percentage of the member's earned compensation is:

9 (a) ~~7.4% 7.354% 7.374%~~ beginning July 1, 1995;

10 (b) ~~7.75% 7.664% 7.704%~~ beginning July 1, 1996;

11 (c) ~~8.1% 7.974% 8.034%~~ beginning July 1, 1997; and

12 (d) ~~8.45% 8.284% 8.374%~~ beginning July 1, 1998.

13 (2) Contributions to and payments from the annuity savings fund ~~shall~~ must be made in the
14 following manner:

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

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

22 (c) The member's contributions picked up by the employer must be payable from the same source
23 as is used to pay compensation to the member and must be included in the member's wages as defined
24 in 19-1-102 and ~~his~~ the member's earned compensation as used to define ~~his~~ the member's average final
25 compensation in 19-20-101. The employer shall deduct from the member's compensation an amount equal
26 to the amount of the member's contributions picked up by the employer and remit the total of the
27 contributions to the retirement board.

28 (d) The deductions ~~shall~~ must be made notwithstanding that the minimum compensation provided
29 by law for a member may be reduced ~~thereby~~ by the deductions. ~~Every~~ Each member is considered to
30 consent to the deductions prescribed by this section, and payment of salary or compensation less the

1 deductions is a complete discharge of all claims ~~whatsoever~~ for the services rendered by the member during
2 the period covered by the payment, except as to the benefits provided by the retirement system.

3 ~~(2)(3)~~ In addition to the normal contributions and subject to the approval of the retirement board,
4 ~~any a~~ member may redeposit in the annuity savings fund, by a single payment or by an increased rate of
5 contribution, an amount equal to any accumulated contributions ~~which he~~ that the member has previously
6 withdrawn, plus interest in the amount the contributions would have earned had the contributions not been
7 withdrawn.

8 ~~(3)(4)~~ The member's accumulated contributions ~~of a member~~ withdrawn by ~~him~~ the member or paid
9 to ~~his~~ the member's estate or ~~to his~~ designated beneficiary in event of ~~his~~ death ~~shall~~ must be paid from
10 the annuity savings fund. Upon ~~the retirement of a member~~, his the member's accumulated contributions
11 ~~shall~~ must be transferred from the annuity savings fund to the pension accumulation fund."

12
13 **Section 39.** Section 19-20-605, MCA, is amended to read:

14 **"19-20-605. Pension accumulation fund -- employer's contribution.** The pension accumulation fund
15 is the fund in which the reserves for payment of pensions and annuities must be accumulated and from
16 which pensions, annuities, and benefits must be paid to or on account of beneficiaries credited with prior
17 service. Contributions to and payments from the pension accumulation fund must be made as follows:

18 (1) ~~Each~~ EXCEPT AS PROVIDED IN [SECTION 6], EACH employer shall pay into the pension
19 accumulation fund an amount equal to ~~7.47%~~ the following percentage of the earned compensation of each
20 member employed during the whole or part of the preceding payroll period:

21 (a) ~~8.04%~~ ~~7.78%~~ 7.80% beginning July 1, 1995;

22 (b) ~~8.62%~~ ~~8.09%~~ 8.13% beginning July 1, 1996;

23 (c) ~~9.19%~~ ~~8.4%~~ 8.46% beginning July 1, 1997; and

24 (d) ~~9.76%~~ ~~8.71%~~ 8.8% beginning July 1, 1998.

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

27 (3) If the employer is the superintendent of public instruction, a public institution of the state of
28 Montana, a unit of the Montana university system, or the Montana state school for the deaf and blind, the
29 legislature shall appropriate to the employer an adequate amount to allow the payment of the employer's
30 contribution.

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

(5) All interest and other earnings realized on the money of the retirement system ~~shall~~ must be credited to the pension accumulation fund, and the amount required to allow regular interest on the annuity savings fund ~~shall~~ must be transferred to that fund from the pension accumulation fund.

(6) All pensions, annuities, and benefits must be paid from the pension accumulation fund.

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

Section 40. Section 25-1-201, MCA, is amended to read:

"25-1-201. Fees of clerk of district court. (1) The clerk of the district court shall collect the following fees:

(a) at the commencement of each action or proceeding, except a petition for dissolution of marriage, from the plaintiff or petitioner, \$80; for filing a complaint in intervention, from the intervenor, \$80; for filing a petition for dissolution of marriage, a fee of \$120; and for filing a petition for legal separation, a fee of \$120;

(b) from each defendant or respondent, on appearance, \$60;

(c) on the entry of judgment, from the prevailing party, \$45;

(d) for preparing copies of papers on file in the clerk's office, 50 cents per page for the first five pages of each file, ~~per~~ for each request, and 25 cents ~~per~~ for each additional page;

(e) for each certificate, with seal, \$2;

(f) for each oath and jurat, with seal, \$1;

(g) for a search of court records, 50 cents for each year searched, not to exceed a total of \$25;

(h) for filing and docketing a transcript of judgment or transcript of the docket from all other courts, the fee for entry of judgment provided for in subsection (1)(c);

(i) for issuing an execution or order of sale on a foreclosure of a lien, \$5;

(j) for transmission of records or files or transfer of a case to another court, \$5;

(k) for filing and entering papers received by transfer from other courts, \$10;

(l) for issuing a marriage license, \$30;

1 (m) on the filing of an application for informal, formal, or supervised probate or for the appointment
2 of a personal representative or the filing of a petition for the appointment of a guardian or conservator, from
3 the applicant or petitioner, \$70, which includes the fee for filing a will for probate;

4 (n) on the filing of the items required in 72-4-303 by a domiciliary foreign personal representative
5 of the estate of a nonresident decedent, \$55;

6 (o) for filing a declaration of marriage without solemnization, \$30;

7 (p) for filing a motion for substitution of a judge, \$100.

8 (2) Except as provided in subsections (3) through (8), 32% of all fees collected by the clerk of the
9 district court must be deposited in and credited to the district court fund. If no district court fund exists,
10 that portion of the fees must be deposited in the general fund for district court operations. The remaining
11 portion of the fees must be remitted to the state to be deposited ~~as provided in 19-5-404~~ IN THE STATE
12 GENERAL FUND.

13 (3) In the case of a fee collected for issuing a marriage license or filing a declaration of marriage
14 without solemnization, ~~\$14~~ \$23.60 must be deposited in and credited to the state general fund, and \$6.40
15 must be deposited in and credited to the county general fund, ~~and \$9.60 must be remitted to the state to~~
16 ~~be deposited as provided in 19-5-404.~~

17 (4) Of the fee for filing a petition for dissolution of marriage or legal separation, ~~\$40~~ \$75 must be
18 deposited in the state general fund, ~~\$35 must be remitted to the state to be deposited as provided in~~
19 ~~19-5-404~~, \$5 must be deposited in the children's trust fund account established by 41-3-702, and \$20
20 must be deposited in and credited to the district court fund. If no district court fund exists, the \$20 must
21 be deposited in the general fund for district court operations.

22 (5) (a) Before the percentages contained in subsection (2) are applied and the fees are deposited
23 in the district court fund or the county general fund or remitted to the state, the clerk of the district court
24 shall deduct from the following fees the amounts indicated:

25 (i) at the commencement of each action or proceeding and for filing a complaint in intervention as
26 provided in subsection (1)(a), \$35;

27 (ii) from each defendant or respondent, on appearance, as provided in subsection (1)(b), \$25;

28 (iii) on the entry of judgment as provided in subsection (1)(c), \$15; and

29 (iv) from the applicant or petitioner, on the filing of an application for probate or for the appointment
30 of a personal representative or on the filing of a petition for appointment of a guardian or conservator, as

provided in subsection (1)(m), \$15.

(b) The clerk of the district court shall deposit the money deducted in subsection (5)(a) in the county general fund for district court operations unless the county has a district court fund. If the county has a district court fund, the money must be deposited in that fund.

(6) The fee for filing a motion for substitution of a judge as provided in subsection (1)(p) must be remitted to the state to be deposited ~~as provided in 19-5-404~~ in the state general fund.

(7) Fees collected under subsections (1)(d) through (1)(i) must be deposited in the district court fund. If no district court fund exists, fees must be deposited in the general fund for district court operations.

(8) The clerk of the district court shall remit to the credit of the state general fund \$20 of each fee collected under the provisions of subsections (1)(a) through (1)(c), (1)(m), and (1)(n) to fund a portion of judicial salaries."

NEW SECTION. Section 41. Code commissioner instruction. When [section 1] is codified in Title 19, chapter 20, the code commissioner shall substitute "retirement board" for "board".

NEW SECTION. Section 42. Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title 19, chapters 3, 7, 8, and 20, and the provisions of Title 19, chapters 3, 7, 8, and 20, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 19, chapter 5, and the provisions of Title 19, chapter 5, apply to [section 2].

(3) [Section 3] is intended to be codified as an integral part of Title 19, chapters 6, 9, and 13, and the provisions of Title 19, chapters 6, 9, and 13, apply to [section 3].

(4) [SECTION 4] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 19, CHAPTER 3, AND THE PROVISIONS OF TITLE 19, CHAPTER 3, APPLY TO [SECTION 4].

(5) [SECTION 5] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 19, CHAPTER 7, AND THE PROVISIONS OF TITLE 19, CHAPTER 7, APPLY TO [SECTION 5].

(6) [SECTIONS 6 AND 7 THROUGH 8] ARE INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 19, CHAPTER 20, AND THE PROVISIONS OF TITLE 19, CHAPTER 20, APPLY TO [SECTIONS 6 AND 7 THROUGH 8].

1 NEW SECTION. SECTION 43. COORDINATION INSTRUCTION. (1) IF HOUSE BILL NO. 205 IS
2 PASSED AND APPROVED AND IF IT AMENDS 19-20-101(8), THEN [SECTION 2(8) OF HOUSE BILL NO.
3 205], AMENDING 19-20-101, IS VOID AND [SECTION 36(8) 37(8) OF THIS ACT], AMENDING 19-20-101,
4 MUST READ:

5 "(8) "EARNED COMPENSATION" MEANS, EXCEPT AS PROVIDED IN [SECTION 7 OF THIS ACT]
6 AND [SECTION 8 OF HOUSE BILL NO. 205], THE BASE CONTRACT AMOUNT PAID OUT OF FUNDS
7 CONTROLLED BY AN EMPLOYER AS DEFINED UNDER THIS CHAPTER. THE BASE CONTRACT AMOUNT
8 IS THE GROSS CONTRACT AMOUNT FOR THE ACADEMIC OR FISCAL YEAR BEFORE ANY
9 TAX-DEFERRED DEDUCTIONS ALLOWED UNDER THE INTERNAL REVENUE CODE HAVE BEEN MADE AND
10 INCLUDES ANY INCREASE OR AMOUNTS PAID BASED ON PLACEMENT ON THE SALARY MATRIX FOR
11 EXPERIENCE AND EDUCATION LEVEL. THE BASE CONTRACT AMOUNT DOES NOT INCLUDE AMOUNTS
12 PAID FOR EXTRA COMPENSATION, OVERTIME, SUMMER EMPLOYMENT, RESEARCH, MAINTENANCE,
13 ALLOWANCES, EXPENSES, OR BONUSES OR ANY PAYMENT FOR ADDITIONAL DUTIES. THE EARNED
14 COMPENSATION IS THE BASE CONTRACT AMOUNT THAT WOULD HAVE BEEN PAID TO A MEMBER FOR
15 FULL-TIME SERVICE BUT THAT WAS NOT PAID TO THE MEMBER BECAUSE OF A REDUCTION IN
16 COMPENSATION DUE TO A TEMPORARY ABSENCE, PROVIDED THAT THE RETIREMENT SYSTEM
17 RECEIVES THE CONTRIBUTION REQUIRED BY 19-20-413. THE EARNED COMPENSATION OF A MEMBER
18 WHO HAD LESS THAN 3 CONSECUTIVE YEARS OF FULL-TIME SERVICE DURING THE 5 YEARS
19 PRECEDING RETIREMENT IS THE COMPENSATION THAT THE MEMBER WOULD HAVE EARNED HAD THE
20 MEMBER'S PART-TIME SERVICE BEEN FULL-TIME SERVICE. THE EARNED COMPENSATION OF A MEMBER
21 WHO IS AWARDED A DISABILITY RETIREMENT ALLOWANCE PRIOR TO THE COMPLETION OF A FULL
22 YEAR IS THE COMPENSATION THAT THE MEMBER WOULD HAVE RECEIVED HAD THE MEMBER
23 COMPLETED THE FULL YEAR, EXCEPT THAT ANY TERMINATION PAY, AS DEFINED IN SUBSECTION
24 (5)(E), RECEIVED BY THE MEMBER IS LIMITED TO THE AMOUNT ACTUALLY PAID AND IS NOT THE
25 AMOUNT THE MEMBER WOULD HAVE EARNED HAD THE MEMBER COMPLETED THE FULL YEAR."

26 (2) IF HOUSE BILL NO. 306 IS PASSED AND APPROVED AND IF IT AMENDS 19-7-403, THEN THE
27 MEMBER'S CONTRIBUTION RATE PROVIDED FOR IN 19-7-403(1) MUST BE 8.365%.

28 (3) IF HOUSE BILL NO. 306 IS PASSED AND APPROVED AND IF IT AMENDS 19-7-404, THEN THE
29 EMPLOYER'S CONTRIBUTION RATE PROVIDED FOR IN 19-7-404(1) MUST BE 8.755% 8.752%.

30 (4) IF HOUSE BILL NO. 306 IS PASSED AND APPROVED AND IF IT AMENDS 19-7-503, THEN

1 [SECTION 5 OF HOUSE BILL NO. 306], AMENDING 19-7-503, IS VOID AND [SECTION 23 24 OF THIS
2 ACT], AMENDING 19-7-503, MUST READ:

3 "19-7-503. **Service retirement benefit.** (1) The amount of any service retirement benefit granted
4 to a member with 24 years or less of membership service is 2.0834% of the member's final average salary
5 for each year of service credit, up to a maximum of 50% of final average salary.

6 ~~(2) The member's retirement benefit must be increased for any member who contributes after 24~~
7 ~~years of service credit by 1.35% of the member's final average salary for each year of service credit in~~
8 ~~excess of 24 years, up to a maximum of 60% of the member's final average salary.~~

9 ~~(3)(2)~~ If a member dies after retirement and had not elected an optional retirement benefit provided
10 for in 19-7-1001, the member's designated beneficiary must be paid the excess, if any, of the member's
11 accumulated contributions at the time of retirement less payments made to the retired member."

12 (5) IF HOUSE BILL NO. 306 IS PASSED AND APPROVED AND IF IT PROVIDES A COORDINATION
13 INSTRUCTION WITH [THIS ACT], THEN [SECTION 8] OF HOUSE BILL NO. 306, PROVIDING THE
14 COORDINATION INSTRUCTION WITH [THIS ACT], IS VOID.

15 ~~(5)(6)~~ IF SENATE BILL NO. 83 IS PASSED AND APPROVED AND IF IT AMENDS 19-8-504, THEN
16 [SECTION 23 OF SENATE BILL NO. 83], AMENDING 19-8-504, IS VOID AND [SECTION 25 26 OF THIS
17 ACT], AMENDING 19-8-504 MUST READ:

18 "19-8-504. **State's contribution.** ~~(1) To fund the employer's portion of the normal cost of benefits~~
19 ~~under this chapter, each~~ Each month, the state treasurer shall pay to the pension trust fund:

20 ~~(a) out of the department of fish, wildlife, and parks funds, a sum equal to 7.15% 11.07% of all~~
21 ~~members' salaries; and~~

22 ~~(b) out of the funds collected as fines and forfeited bonds under the provisions of 87-1-601(1)~~
23 ~~through (5) or funds distributed under 3-10-601(4), an amount equal to 1% of all members' salaries.~~

24 ~~(2) In addition to the contributions provided in subsection (1), the state treasurer shall pay to the~~
25 ~~pension trust fund the balance of the funds distributed to the fish and game account pursuant to 3-10-601~~
26 ~~until the unfunded liability in the pension trust fund is fully paid and a verification statement to that effect~~
27 ~~is given to the state treasurer by the board."~~

28 ~~(6)(7)~~ IF SENATE BILL NO. 221 IS PASSED AND APPROVED AND IF IT AMENDS 19-9-702, THEN
29 [SECTION 2 OF SENATE BILL NO. 221], AMENDING 19-9-702, IS VOID AND [SECTION 27 28 OF THIS
30 ACT], AMENDING 19-9-702, MUST READ:

1 **"19-9-702. State contribution.** The state of Montana shall make its contributions through the state
2 auditor out of the premium tax on motor vehicle property and casualty insurance policies. The payments
3 must be made annually after the end of each fiscal year but no later than November 1 from the gross
4 premium tax after deduction for cancellations and returned premiums. The division shall notify the auditor
5 by September 1 of each fiscal year of the annual compensation paid to all active members during the
6 preceding fiscal year. The state's contribution is ~~15.66%~~ ~~17.95%~~ 18.3% of compensation paid to
7 members on and after July 1, 1995, and ~~17.9%~~ 18.15% of compensation paid to members on and after
8 July 1, 1997."

9 ~~(7)(8)~~ IF SENATE BILL NO. 357 IS PASSED AND APPROVED AND IF IT AMENDS 19-13-601(2),
10 THEN [SECTION 1 OF SENATE BILL NO. 357], AMENDING 19-13-601(2) IS VOID AND [SECTION 30 31
11 OF THIS ACT], AMENDING 19-13-601(2), MUST READ:

12 "(2) The member's contribution to the retirement system as a percentage of the member's
13 compensation is:

14 (a) ~~6%~~ 7.8% of the member's compensation for a firefighter who first became a member prior to
15 July 1, 1995, and who has not elected to receive the guaranteed annual benefit adjustment under [section
16 3]; or

17 (b) 9.46% for a firefighter who first became a member on or after July 1, 1995, or who has elected
18 to receive a guaranteed annual benefit adjustment under [section 3]."

19 ~~(8)(9)~~ IF SENATE BILL NO. 357 IS PASSED AND APPROVED AND IF IT AMENDS 19-13-604, THEN
20 [SECTION 2 OF SENATE BILL NO. 357], AMENDING 19-13-604, IS VOID AND [SECTION 31 32 OF THIS
21 ACT], AMENDING 19-13-604, MUST READ:

22 **"19-13-604. State contribution.** (1) The state shall make its contributions through the state
23 auditor from the premium taxes on the insurance risks enumerated in 19-18-512. These payments must
24 be made annually to the pension trust fund after the end of each fiscal year but no later than November
25 1 from the gross premium taxes after deduction for cancellations and returned premiums. The division shall
26 notify the auditor of the annual compensation, excluding overtime, holiday payments, shift differential
27 payments, compensatory time payments, and payments in lieu of sick leave, paid to all active members
28 during the preceding year.

29 (2) The state's contribution is:

30 (a) 23.27% of this total compensation effective paid on and after July 1, 1991;

(b) ~~25.01%~~ 24.84% of total compensation paid on and after July 1, 1995; and

(c) ~~24.935%~~ 24.715% of total compensation paid on and after July 1, 1997.

(3) As soon as practicable after receipt of the state contribution, the division shall deposit it in the pension trust fund."

~~(9)~~(10) IF SENATE BILL NO. 357 IS PASSED AND APPROVED AND IF IT AMENDS 19-13-605, THEN [SECTION 3 OF SENATE BILL NO. 357], AMENDING 19-13-605, IS VOID AND [SECTION ~~32~~ 33 OF THIS ACT], AMENDING 19-13-605, MUST READ:

"19-13-605. Employer contribution. (1) Each employer shall make its contribution on behalf of members through the city treasurer or other appropriate official from money available to the city for this purpose.

(2) The employer's contribution is:

(a) ~~13.02%~~ 14.42% of the total compensation paid to members on and after July 1, 1995; and

(b) 14.495% of the total compensation paid to members on and after July 1, 1997.

(3) All contributions are payable monthly to the division, which shall, as soon as practicable after their receipt, deposit them in the pension trust fund."

~~(10)~~(11) IF SENATE BILL NO. 357 IS PASSED AND APPROVED AND IF IT AMENDS 19-13-704, THEN [SECTION 5 OF SENATE BILL NO. 357], AMENDING 19-13-704, IS VOID AND [SECTION ~~33~~ 34 OF THIS ACT], AMENDING 19-13-704, MUST READ:

"19-13-704. Amount of service retirement benefit. (1) Except as provided in subsection (3), the following retirement benefits apply:

(a) A member hired before July 1, 1981, who elects to retire after having reached both 20 years of membership service and ~~age 50~~ must receive a service retirement benefit equal to the sum of:

(i) 50% of the member's last monthly compensation for years of service credit up to and including 20 years; and

(ii) ~~1%~~ 2% of the member's last monthly compensation for each year of service credit after 20 years.

(b) A member hired before July 1, 1981, who elects to retire after having reached at least 10 years but less than 20 years of membership service but prior to reaching ~~age 50~~ as an active member must receive a service retirement benefit equal to 2% of the member's last monthly compensation for each year of service credit. Upon the retired member's death, the benefit must be ~~made~~ paid to the surviving spouse.

1 If there is no surviving spouse or if the surviving spouse dies and if the member leaves one or more
2 dependent children, the children are entitled to receive the allowance as long as they remain dependent
3 children as defined in 19-13-104.

4 (2) A member who was hired on or after July 1, 1981, who retires with at least 10 years of
5 membership service must receive a service retirement benefit equal to 2% of the member's final average
6 compensation for each year of service credit.

7 (3) ~~The maximum monthly benefit payable to any retiree under subsection (1) may not exceed 60%~~
8 ~~of the member's last monthly compensation. The maximum monthly benefit payable to any retiree under~~
9 ~~subsection (2) may not exceed 60% of the member's final average compensation~~ For members hired before
10 July 1, 1981, who have elected the guaranteed annual benefit adjustment under [section 3], the following
11 retirement benefits apply:

12 (a) A member who elects to retire after having reached 20 years of membership service must
13 receive a service retirement benefit equal to the sum of:

14 (i) 50% of the member's final average compensation for years of service credit up to and including
15 20 years; and

16 (ii) 2% of the member's final average compensation for each year of service credit after 20 years.

17 (b) A member who elects to retire after having reached at least 10 years but less than 20 years
18 of membership service as an active member must receive a service retirement benefit equal to 2% of the
19 member's final average compensation for each year of service credit. Upon the retired member's death,
20 the benefit must be paid to the surviving spouse. If there is no surviving spouse or if the surviving spouse
21 dies and if the member leaves one or more dependent children, the children are entitled to receive the
22 allowance as long as they remain dependent children as defined in 19-13-104."

23 ~~(11)(12) IF SENATE BILL NO. 357 IS PASSED AND APPROVED AND IF IT AMENDS 19-13-803,~~
24 ~~THEN [SECTION 6 OF SENATE BILL NO. 357], AMENDING 19-13-803 IS VOID AND [SECTION 34 35 OF~~
25 ~~THIS ACT], AMENDING 19-13-803, MUST READ:~~

26 "19-13-803. Amount of disability retirement benefit. (1) A Except as provided in subsection (3),
27 a member hired before July 1, 1981, who becomes disabled:

28 (a) before completing 20 years of membership service must receive a disability retirement benefit
29 equal to one-half the member's last monthly compensation;

30 (b) after completing 20 years or more of membership service must receive the disability retirement

benefit provided in subsection (1)(a) increased at a rate of ~~4%~~ 2% of the member's last monthly compensation for each year of service credit in excess of 20, ~~up to a maximum benefit equal to 60% of the member's last monthly compensation.~~

(2) ~~A~~ Except as provided in subsection (3), a member hired on or after July 1, 1981, who becomes disabled:

(a) before completing 25 years of membership service must receive a disability retirement benefit equal to one-half the member's last monthly compensation;

(b) after completing 25 years or more of membership service must receive the disability retirement benefit provided in subsection (2)(a) increased at a rate of 2% of the member's last monthly compensation for each year of service credit in excess of 25, ~~up to a maximum benefit equal to 60% of the member's last monthly compensation.~~

(3) A member who was hired on or after July 1, 1995, or who has elected to receive a guaranteed annual benefit adjustment under [section 3] and who becomes disabled:

(a) before completing 25 years of membership service must receive a disability retirement benefit equal to one-half the member's final average compensation;

(b) after completing 25 years or more of membership service must receive the disability retirement benefit provided in subsection (3)(a), increased at a rate of 2% of the member's final average compensation for each year of service credit in excess of 25 years.

(4) A member's disability retirement benefit must be paid first to the member during the member's lifetime and, upon the member's death, to the member's surviving spouse. If upon a member's death the member leaves no surviving spouse or upon the death of the surviving spouse, the member's benefit must be paid to the member's dependent children as long as they remain dependent children as defined in 19-13-104."

~~(12)(13)~~ IF SENATE BILL NO. 357 IS PASSED AND APPROVED AND IF IT AMENDS 19-13-902, THEN [SECTION 7 OF SENATE BILL NO. 357], AMENDING 19-13-902, IS VOID AND [SECTION 35 36 OF THIS ACT], AMENDING 19-13-902, MUST READ:

"19-13-902. Survivorship benefit. (1) Except as provided in subsection (2), the following survivorship benefits apply to members hired before July 1, 1981:

(a) Upon the death before retirement of an active member ~~hired before July 1, 1981~~, the member's surviving spouse, if there is one, must receive a survivorship benefit equal to one-half the last monthly

1 compensation received by the member. If the member leaves one or more dependent children, then, upon
2 the member's death if the member leaves no surviving spouse or upon the death of the surviving spouse,
3 the member's dependent children must collectively receive the same benefit that a surviving spouse would
4 have received, as long as the children remain dependent children as defined in 19-13-104.

5 (b) If the deceased member completed over 20 years of membership service, the survivorship
6 benefit provided in subsection (1)(a) must be increased at a rate of ~~1%~~ 2% of the last monthly
7 compensation for each year in excess of 20, ~~up to a maximum of 60% of the last monthly compensation~~
8 ~~received by the member.~~

9 (2) The following survivorship benefits apply to members hired before July 1, 1981, who have
10 elected the guaranteed annual benefit adjustments provided under [section 3]:

11 (a) Upon the death before retirement of a ~~an active~~ member hired on or after July 1, 1981, the
12 member's surviving spouse, if there is one, must receive a survivorship benefit equal to one-half of the
13 member's final average compensation. If the member leaves one or more dependent children, then, upon
14 the member's death if the member leaves no surviving spouse or upon the death of the surviving spouse,
15 the member's dependent children must collectively receive the same benefit that a surviving spouse would
16 have received, as long as the children remain dependent children as defined in 19-13-104.

17 (b) If the deceased member completed over 20 years of membership service, the survivorship
18 benefit provided in subsection (1)(a) must be increased at a rate of 2% of the final average compensation
19 for each year in excess of 20 years.

20 (3) Upon the death before retirement of a member hired on or after July 1, 1981, the member's
21 surviving spouse, if there is one, must receive a survivorship benefit equal to one-half the last monthly
22 compensation received by the member. If the member leaves one or more dependent children, then, upon
23 the member's death if the member leaves no surviving spouse or upon the death of the surviving spouse,
24 the member's dependent children must collectively receive the same benefit that a surviving spouse would
25 have received as long as the children remain dependent children as defined in 19-13-104."

26
27 NEW SECTION. Section 44. Effective date DATES. ~~[This act]~~ (1) EXCEPT AS PROVIDED IN
28 SUBSECTION (2), [THIS ACT] is effective July 1, 1995.

29 (2) [SECTIONS 11 THROUGH 13] ARE EFFECTIVE JULY 1, 1996.

30 -END-



The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

April 11, 1995

The Honorable Bob Brown
President of the Senate
State Capitol
Helena, MT 59620

Mr. President:

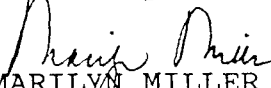
I am directed by the House of Representatives to inform the Senate that the House, on April 11, 1995, failed to concur with the Senate amendments to House Bill 268, "PROVIDE A GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR PUBLIC RETIREES", and by motion, the Speaker was authorized to appoint a Free Conference Committee.

The Speaker appointed the following members:

Representative William Rehbein, Chairman
Representative Dick Green
Representative Carolyn Squires

The House requests that the Senate appoint a like committee to confer on House Bill 268.

Sincerely,


MARILYN MILLER
Chief Clerk

hfcc



MONTANA STATE SENATE

April 11, 1995

The Honorable John Mercer
Speaker of the House of Representatives
State Capitol
Helena, MT 59620

Mr. Speaker:

I am directed by the Senate to inform the House of Representatives that the Senate, on April 11, 1995 by motion, acceded to the request of the House of Representatives and the President was authorized to appoint a Free Conference Committee to meet with a like committee of the House of Representatives to confer on Senate Amendments to House Bill No. 268, "PROVIDE A GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR PUBLIC RETIREES".

The President appointed the following members:

Senator Gerry Devlin, Chairman
Senator Loren Jenkins
Senator Bill Wilson

Respectfully,

Rosana Skelton

ROSANA SKELTON
Secretary of the Senate

MONTANA HOUSE OF REPRESENTATIVES
54TH LEGISLATURE
1995 REGULAR SESSION
VOTE TABULATION

DATE: MARCH 20, 1995
TIME: 3:11 PM

SEQ. NO: 17.0
BILL NO: HB 268
BILL SP: AHNER

YES	NO	EXC	ABS
78	21	0	1

ORDER OF BUSINESS 8 3RD READING
3RD READING D/PASS

Y	AHNER	Y	HARPER	N	PECK
Y	ANDERSON	Y	HARRINGTON	Y	QUILICI
Y	ARNOTT	Y	HAYNE	Y	RANEY
Y	BARNETT	Y	HEAVY RUNNER	Y	REAM
Y	BARNHART	Y	HERRON	N	REHBEIN
Y	BERGMAN	Y	HIBBARD	Y	ROSE
N	BERGSAGEL	Y	HOLLAND	Y	RYAN
N	BOHARSKI	Y	HURDLE	Y	SCHWINDEN
Y	BOHLINGER	Y	JOHNSON, J	Y	SHEA
Y	BRAINARD	Y	JOHNSON, R	Y	SIMON
Y	CAREY	N	JOE	Y	SIMPKINS
Y	CLARK	Y	KADAS	Y	SLITER
Y	COBB	N	KASTEN	Y	SMITH, L
Y	COCCHIARELLA	Y	KEENAN	N	SMITH, S
N	CURTISS	Y	KITZENBERG	Y	SOFT
N	DeBRUYCKER	Y	KNOX	Y	SOMERVILLE
Y	DENNY	Y	KOTTEL	Y	SQUIRES
N	DEVANEY	Y	LARSON	N	STORY
Y	ELLINGSON	N	MARSHALL	Y	STOVALL
Y	ELLIOTT	N	MARTINEZ	Y	SWANSON
Y	ELLIS	Y	MASOLO	Y	TASH
Y	EWER	N	McCANN	N	TAYLOR
N	FELAND	Y	McCULLOCH	Y	TREXLER
Y	FISHER	Y	McGEE	Y	TROPILA
Y	FORBES	Y	McKEE	Y	TUSS
Y	FUCHS	Y	MENAHAN	N	VICK
Y	GALVIN	Y	MILLS	A	WAGNER
Y	GRADY	Y	MOLNAR	Y	WELLS
N	GREEN	Y	MURDOCK	Y	WENNEMAR
Y	GRIMES	N	NELSON	Y	WISEMAN
Y	GRINDE	Y	OHS	Y	WYATT
Y	HAGENER	Y	ORR	N	ZOOK
Y	HANSON, HS	Y	PAVLOVICH	Y	MR. SPEAKER
N	HANSON, M				

VOTED ABSENTEE: NONE.

NO. 1436
VISION 0

APR 7 1995
1:50 PM

MONTANA SENATE
54th LEGISLATURE
1995 REGULAR SESSION

HB 268
AHNER
ORDER OF BUSINESS:9
BE CONCURRED IN

PRESIDING: BROWN

42 YEAS 8 NAYS 0 NOT VOTING 0 EXCUSED 0 PAIRED

N	AKLESTAD	Y	HARP
N	BAER	Y	HERTEL
Y	BARTLETT	Y	HOLDEN
Y	BECK	Y	JABS
Y	BENEDICT	Y	JACOBSON
N	BISHOP	N	JENKINS
Y	BROOKE	Y	JERGESON
Y	BURNETT	N	KEATING
Y	CHRISTIAENS	Y	KLAMPE
Y	COLE	Y	LYNCH
Y	CRIPPEN	Y	MESAROS
Y	CRISMORE	N	MILLER
Y	DEVLIN	Y	MOHL
Y	DOHERTY	Y	NELSON
Y	ECK	Y	PIPINICH
Y	EMERSON	Y	SPRAGUE
N	ESTRADA	Y	STANG
Y	FORRESTER	Y	SWYSGOOD
Y	FOSTER	Y	TOEWS
Y	FRANKLIN	Y	TVEIT
N	GAGE	Y	VANVALKENBURG
Y	GROSFIELD	Y	WATERMAN
Y	HALLIGAN	Y	WELDON
Y	HARDING	Y	WILSON
Y	HARGROVE	Y	BROWN

Y=YEA N=NAY E=EXCUSED -=ABENT OR NOT VOTING
YP=PAIRED YEA NP=PAIRED NAY Y*=CENTRAL YEA N*=CENTRAL NAY