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*D. McFadden* *Seiberk*  
*House* BILL NO. *41* *MUIAR - Gelligan*  
INTRODUCED BY *Joseph L. Lupton* *Hunneken*  
*Member* *Murray* *C. P. Anderson*  
*A. B. Bucher* *Holmes* *Bengtson* *Stall*  
A BILL FOR AN ACT ENTITLED: *Stayer* *Hundman* *Nelson* *Kelly* *Scott*  
CAN ACT TO GENERALLY REVISE THE  
LAWS RELATING TO THE TEACHERS' RETIREMENT SYSTEM, AMENDING

SECTIONS 75-6201, 75-6207, 75-6208, AND 75-6213, R.C.M.  
1947." *Lisa Ellis* *Long* *Kandrud*

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

10 Section 1. Section 75-6201, R.C.M. 1947, is amended to  
11 read as follows:

12 "75-6201. Definitions. As used in this title, unless  
13 the context clearly indicates otherwise:

14 (1) "Retirement system" means the teachers' retirement  
15 system of the state of Montana provided for in section  
16 75-6202.

17 (2) "Retirement board" means the retirement system's  
18 governing board provided by section 82A-212.

19 (3) "Employer" means the state of Montana, trustees of  
20 any district, or other agency or subdivision of the state  
21 which employs a person who is designated a member of the  
22 retirement system.

23 (4) "Member" means any person who has an individual  
24 account in the annuity savings fund; an active member is any  
25 person included under the provisions of section 75-6209; an

1 inactive member is any person included under the provisions  
2 of section 75-6210.

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

6 (6) "Service" means the performance of such  
7 instructional duties or related activities as would entitle  
8 the person to active membership in the retirement system  
99 under the provisions of section 75-6209.

10 (7) "Prior service" means employment of the same  
11 nature as service defined in subsection (6) of this section  
12 but rendered before September 1, 1937.

13 (8) "Creditable service" is that service defined by  
14 section 75-6212.

15 (9) "Regular interest" means interest at four per cent  
16 (4%) per annum compounded annually, or at such other rate as  
17 may be set by the retirement board in accordance with  
18 subsection (2) of section 75-6206.

19 (10) "Accumulated contributions" means the sum of all  
20 the amounts deducted from the compensation of a member or  
21 paid by a member and credited to his individual account in  
22 the annuity savings fund, together with interest. Regular  
23 interest shall be computed and allowed to provide a benefit  
24 at the time of retirement.

25 (11) "Earnable compensation" means the full rate of the

1 compensation, pay or salary that would be payable to a  
2 member if he worked the full normal working time. In cases  
3 where compensation includes maintenance, the retirement  
4 board shall fix the value of that part of the compensation  
5 not paid in money.

6 (12) "Average final compensation" means the average of  
7 the earnable compensation of any three (3) consecutive years  
8 on which ~~the five per cent (5%) contribution has~~  
9 contributions have been made by the member.

10 (13) "Annuity" means the payments made to a beneficiary  
11 for life which are derived from a member's accumulated  
12 contributions. All annuities shall be paid in equal monthly  
13 installments. The retirement board may make an annual  
14 payment to the beneficiaries of the difference between the  
15 rate of interest used in calculating the benefit from the  
16 annuity reserve fund and the interest earned on investments.

17 (14) "Pension" means the payments made to a beneficiary  
18 for life which are paid into the pension fund derived from  
19 money accumulated by employers. All pensions shall be paid  
20 in equal monthly installments.

21 (15) "Retirement allowance" means the annuity plus the  
22 pension.

23 (16) "Annuity reserve" means the present value of all  
24 payments to be made on account of a member's annuity and  
25 computed upon the basis of such mortality tables as shall be

1 adopted by the retirement board with regular interest.

2 (17) "Pension reserve" means the present value of all  
3 payments to be made on account of a pension and computed on  
4 the basis of such mortality tables as shall be adopted by  
5 the retirement board with regular interest.

6 (18) "Actuarial equivalent" means a benefit of equal  
7 value when computed upon the basis of such mortality tables  
8 as shall be adopted by the retirement board with regular  
9 interest.

10 (19) "Former retirement system" means the retirement  
11 system established under sections 1113 to 1132 inclusive, of  
12 the Revised Codes of Montana, 1935."

13 Section 2. Section 75-6207, R.C.M. 1947, is amended to  
14 read as follows:

15 "75-6207. Method of financing. The retirement board  
16 shall establish and maintain the following funds in which  
17 all of the assets of the retirement system shall be credited  
18 according to the purpose for which the assets are held.

19 (1) Annuity savings fund. The annuity savings fund  
20 shall be a fund in which the contributions from the members  
21 to provide for their annuities shall be accumulated in  
22 individual accounts for each member. Contributions to and  
23 payments from the annuity savings fund shall be made in the  
24 following manner.

25 (a) Each employer shall deduct from the compensation of

1 each active member on each and every payroll of such member  
 2 for each and every payroll period subsequent to the date on  
 3 which such member became a member an amount equal to five  
 4 and one-eighth percent (5 1/8%) of such member's earnable  
 5 compensation, but no employer shall make any deductions for  
 6 annuity purposes from the compensation of a member who has  
 7 attained the age of sixty (60) and rendered ~~thirty-five (35)~~  
 8 thirty (30) years of creditable service if such member  
 9 elects not to contribute.

10 ~~(b) In determining the amount earnable by an active~~  
 11 ~~member in a payroll period, the retirement board may~~  
 12 ~~consider the rate of compensation payable to such member on~~  
 13 ~~the first day of the payroll period as continuing throughout~~  
 14 ~~such payroll period, and it may omit deductions from~~  
 15 ~~compensation for any period less than a full payroll period~~  
 16 ~~if a teacher was not an active member on the first day of~~  
 17 ~~the payroll period, and to facilitate the making of~~  
 18 ~~deductions, it may modify the deduction required of any~~  
 19 ~~member by such an amount as shall not exceed one-tenth~~  
 20 ~~(1/10) of one per cent (1%) of the annual compensation upon~~  
 21 ~~the basis of which said deduction is to be made.~~

22 (c) (b) Such deductions shall be made notwithstanding  
 23 that the minimum compensation provided by law for a member  
 24 may be reduced thereby. Every member shall be deemed to  
 25 consent and agree to the deductions prescribed by this

1 section; and payment of salary or compensation less the  
 2 deductions shall be a full and complete discharge of all  
 3 claims whatsoever for the services rendered by such person  
 4 during the period covered by such payment except as to the  
 5 benefits provided by the retirement system.

6 ~~(d) (c)~~ In addition to the contributions deducted from  
 7 compensation and subject to the approval of the retirement  
 8 board, any member may redeposit in the annuity savings fund  
 9 by a single payment or by an increased rate of contribution  
 10 an amount equal to the accumulated contributions plus  
 11 interest in the amount the contributions would have earned  
 12 had the contributions not been withdrawn, or any part  
 13 thereof, which he had previously withdrawn, or any member  
 14 may deposit therein by a single payment or by an increased  
 15 rate of contribution amounts for the purchase of an  
 16 additional annuity. Such additional amounts so deposited  
 17 shall become a part of his accumulated contributions. In  
 18 the case of disability retirement, they shall be treated as  
 19 excess contributions returnable to the member in cash or as  
 20 an annuity of equivalent actuarial value and shall not be  
 21 considered in computing his retirement allowance. The  
 22 accumulated contributions of a member withdrawn by him, or  
 23 paid to his estate or to his designated beneficiary in event  
 24 of his death shall be paid from the annuity savings fund,  
 25 and an amount equivalent to the difference between the

1 accumulated contributions calculated at regular interest and  
 2 the amount paid shall be transferred to the pension  
 3 accumulation fund. Upon the retirement of a member his  
 4 accumulated contributions shall be transferred from the  
 5 annuity savings fund to the annuity reserve fund.

6 (2) Annuity reserve fund. The annuity reserve fund  
 7 shall be the fund in which shall be held the reserves on all  
 8 annuities in force and from which shall be paid all  
 9 annuities and all benefits in lieu of annuities. Should a  
 10 beneficiary retired on account of disability be restored to  
 11 active service with a compensation not less than his average  
 12 final compensation at the time of his last retirement, his  
 13 annuity reserve shall be transferred from the annuity  
 14 reserve fund to the annuity savings fund and credited to his  
 15 individual account therein.

16 (3) Pension accumulation fund. The pension  
 17 accumulation fund shall be the fund in which shall be  
 18 accumulated all reserves for the payment of all pensions and  
 19 from which pensions and benefits in lieu thereof shall be  
 20 paid to or on account of beneficiaries credited with prior  
 21 service. Contributions to and payments from the pension  
 22 accumulation fund shall be made as follows:

23 (a) Each employer shall pay into the pension  
 24 accumulation fund an amount equal to ~~five~~ seven and  
 25 one-fourth percent ~~(5--1/4%)~~ (7 1/4%) of the earnable

1 compensation of each member employed during the whole or  
 2 part of the preceding payroll period.

3 (b) If the employer is a district or community college  
 4 district, the trustees shall budget and pay for the  
 5 employer's contribution under the provisions of section  
 6 75-7204.

7 (c) If the employer is the superintendent of public  
 8 instruction, a public institution of the state of Montana, a  
 9 unit of the Montana university system or the Montana state  
 10 deaf and blind school, the legislative assembly shall  
 11 appropriate to each employer an adequate amount to allow the  
 12 payment of the employer's contribution.

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

17 (e) All interest and other earnings realized on the  
 18 moneys of the retirement system shall be credited to the  
 19 pension accumulation fund and the amounts required to allow  
 20 regular interest on the annuity savings fund, and the  
 21 annuity reserve fund shall be transferred to the respective  
 22 funds from the pension accumulation fund.

23 (f) All pensions and benefits in lieu thereof,  
 24 including pensions payable under section 75-6218, shall be  
 25 paid from the pension accumulation fund.

1 (g) The retirement board may in its discretion transfer  
2 to and from the pension accumulation fund the amount of any  
3 surplus or deficit which may develop in the reserve  
4 creditable to the annuity reserve fund, as shown by  
5 actuarial valuation, and also such expenses as hereinafter  
6 provided.

7 (4) Expense fund. The expense fund shall be the fund  
8 to which shall be credited all moneys for the administrative  
9 expenses of the retirement system and from which the  
10 expenses of administration of the retirement system shall be  
11 paid exclusive of amounts payable as retirement allowances  
12 or other benefits. The retirement board shall determine  
13 annually the amount required for the expense fund to defray  
14 the administrative expense in the ensuing fiscal year and  
15 shall credit such an amount to the expense fund from  
16 interest and other earnings realized on the moneys of the  
17 retirement system."

18 Section 3. Section 75-6208, R.C.M. 1947, is amended to  
19 read as follows:

20 "75-6208. Benefits. The retirement, disability and  
21 other benefits of the retirement system shall be granted on  
22 the basis of the following provisions:

23 (1) Superannuation member retirement:

24 (a) Any member ~~who has completed~~ with five (5) years of  
25 creditable service the last five (5) years of which shall

1 have been in this state, and who has attained the age of  
2 sixty (60), or who has completed thirty-five (35) years of  
3 creditable service, may retire from service, if he files  
4 with the retirement board his written application setting  
5 forth the fact of his retirement.

6 (b) Any member in service who has attained the age of  
7 seventy (70) years during any school year shall be retired  
8 on the first day of September following his seventieth  
9 birthday, except that this provision shall not apply to  
10 teachers in the Montana university system who may be  
11 employed beyond the age of seventy (70) upon the  
12 recommendation of the president of the employing unit to the  
13 board of regents. Members over seventy (70) years of age  
14 shall not: (1) be allowed creditable service for services  
15 rendered after the end of the school year in which the age  
16 of seventy (70) is attained, (2) contribute to the  
17 retirement system after the end of such school year, and (3)  
18 have the compensation received after the end of such school  
19 year used in computing average final salary. Initial  
20 employment of teachers in the Montana university system  
21 beyond the age of seventy (70) may be made upon the  
22 recommendation of the president of the employing unit and  
23 the approval of the board of regents but such employees  
24 shall be denied membership in the retirement system.

25 (c) Any retired member may be employed as a part-time

1 or substitute teacher in Montana and may earn an amount not  
2 to exceed one-fourth (1/4) of his average final compensation  
3 without loss of retirement benefits.

4 (2) Allowance for superannuation retirement. Upon  
5 superannuation retirement a member shall receive a  
6 retirement allowance which shall consist of:

7 (a) A pension which, together with an annuity, shall  
8 provide a retirement allowance equal to one-half (1/2) of  
9 his average final compensation provided his creditable  
10 service is at least ~~thirty-five--(35)~~ thirty (30) years,  
11 otherwise a pension together with his annuity of  
12 ~~one-seventieth-(1/70)~~ one sixtieth (1/60) of his average  
13 final compensation multiplied by the number of years of  
14 creditable service.

15 (b) The minimum annual retirement allowance for a  
16 member who has completed ~~thirty-five-(35)~~ thirty (30) or  
17 more years of service shall be twenty-four hundred dollars  
18 (\$2,400) and the minimum retirement allowance for a member  
19 whose service is less than ~~thirty-five--(35)~~ thirty (30)  
20 years shall be based on the proportionate amount of  
21 twenty-four hundred dollars (\$2,400) that his service bears  
22 to ~~thirty-five-(35)~~ thirty (30) years of service.

23 ~~(c)--Every-beneficiary-receiving-a-retirement-allowance~~  
24 ~~on-July-1,1971-shall-be-entitled--to--an--increase--in--his~~  
25 ~~monthly--retirement--allowance--of--one-dollar-(1)--for--each~~

1 ~~year-of-creditable-service-at-the-time-of-retirement-up-to-a~~  
2 ~~maximum-of-thirty-five-dollars-(35),-or-an-increase-in-his~~  
3 ~~retirement--allowance--of--ten--percent--(10%),-whichever-is~~  
4 ~~larger,-beginning-July-1,1973,~~

5 ~~(d)--Every-beneficiary-receiving-a-retirement-allowance~~  
6 ~~shall-be-entitled-to-an-increase-in-his--monthly--retirement~~  
7 ~~allowance--on--July--1,--1973--of--one-fourth-of-one-percent~~  
8 ~~(.25%)-multiplied-by--the--number--of--months--he--has--been~~  
9 ~~retired--since--July--1,--1971,--but-if-he-is-eligible-under~~  
10 ~~subsections-(2)-(a),-(2)-(b)--or--(2)-(c)--above,--and--the~~  
11 ~~benefit--thereunder--is-larger-than-the-increased-retirement~~  
12 ~~allowance-prescribed-herein,-this-provision-shall-not-apply.~~

13 ~~(e)-(c)~~ On ~~July-1,1974~~ and on July 1, 1975, and July  
14 1, 1976, every beneficiary receiving a retirement allowance,  
15 shall be entitled to an increase in his monthly retirement  
16 allowance of one-fourth of one percent (.25%) multiplied by  
17 the number of months he has been retired during the  
18 preceding fiscal year.

19 ~~(f)-(d)~~ Any member who has completed five (5) years of  
20 creditable service,~~the-last-five-years-of-which-shall-have~~  
21 ~~been-in--this--state,~~ and who has attained the age of  
22 fifty-five (55) may retire from service and be eligible to  
23 an early retirement allowance if he files with the  
24 retirement board his written application setting forth the  
25 fact of his retirement. The early retirement allowance

1 shall be determined as prescribed in subsections (a) through  
 2 (f) above, with the further provision that such allowance  
 3 will be reduced by one half of one percent (.5%) multiplied  
 4 by the number of months which the retirement date precedes  
 5 the date on which he would have retired had he attained  
 6 sixty (60) years of age or had he completed ~~thirty-five (35)~~  
 7 thirty (30) years of creditable service.

8 ~~(g)~~ (e) In the event of death of a member after  
 9 retirement, a death benefit of five hundred dollars (\$500)  
 10 will be payable to his designated beneficiary.

11 ~~(h)~~ (f) In the event payments made to an annuitant do not  
 12 equal the amount of the member's accumulated contributions  
 13 prior to the annuitant's death, the difference between the  
 14 total retirement allowance paid and the amount of the  
 15 accumulated contributions shall be paid to the beneficiary.

16 (3) Disability member retirement:

17 (a) Upon the application of an active member or of his  
 18 employer, any active member who has five (5) or more years  
 19 of creditable service may be retired by the retirement board  
 20 the month immediately following the month in which his  
 21 disability caused his retirement upon not less than thirty  
 22 ~~(30) and not more than (90) days after the date of~~ filing  
 23 such an application on for a disability retirement  
 24 allowance. Before any member shall be eligible for a  
 25 disability retirement, the ~~medical~~ board of the retirement

1 system shall certify that he is mentally or physically  
 2 incapacitated for the further performance of his duties,  
 3 that such incapacity is likely to be permanent and that he  
 4 should be retired.

5 ~~(b) If the applicant for disability retirement was~~  
 6 ~~prevented because of the disability from making application~~  
 7 ~~at the time of the commencement of his disability, the~~  
 8 ~~retirement board shall grant the disability retirement upon~~  
 9 ~~the proper application for disability retirement allowance~~  
 10 ~~and make payments retroactive to the thirtieth day after the~~  
 11 ~~date of commencement of his disability.~~

12 ~~(c)~~ (b) Re-examination of beneficiaries retired on  
 13 account of disability. Once each year during the first five  
 14 (5) years following the retirement of a member on disability  
 15 retirement allowance, and once in every three (3) year  
 16 period thereafter the retirement board may, and upon his  
 17 application shall, require a disability beneficiary who has  
 18 not yet attained the age of sixty (60) to undergo a medical  
 19 examination by the medical board or a physician or  
 20 physicians designated by the medical board. The examination  
 21 shall be made at the place of residence of the beneficiary  
 22 or other place mutually agreed upon. Should any disability  
 23 beneficiary who has not yet attained the age of sixty (60)  
 24 refuse to submit to at least one (1) medical examination in  
 25 any year by the medical board or its representative, his

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1 allowance may be discontinued until his withdrawal of such  
 2 refusal, and should his refusal continue for one (1) year,  
 3 all his rights in and to his disability pension may be  
 4 revoked by the retirement board.

5 ~~(d)~~ (c) Should the medical board report and certify to  
 6 the retirement board that any disability beneficiary is  
 7 engaged in or is able to engage in a gainful occupation  
 8 paying more than the difference between his retirement  
 9 allowance and his average final compensation and should the  
 10 retirement board concur in such report, then the amount of  
 11 his pension shall be reduced to an amount which, together  
 12 with his annuity and the amount earnable by him, shall equal  
 13 the amount of his average final compensation. Should his  
 14 earning capacity be changed later, the amount of his pension  
 15 may be further modified but the new pension shall not exceed  
 16 the amount of the pension originally granted, nor an amount  
 17 which when added to the amount earnable by the beneficiary,  
 18 together with his annuity, equals the amount of his average  
 19 final compensation. A beneficiary restored to active  
 20 service at a salary less than the average final compensation  
 21 upon the basis of which he was retired shall not become a  
 22 member of the retirement system while receiving a reduced  
 23 benefit.

24 ~~(e)~~ (d) Should a disability beneficiary under age sixty  
 25 (60) be restored to active service at a compensation not

1 less than his average final compensation, his retirement  
 2 allowance shall cease, and he shall again become an active  
 3 member of the retirement system. Any prior service  
 4 certificate on the basis of which his service was computed  
 5 at the time of his disability retirement shall be restored  
 6 to full force and effect an addition upon his subsequent  
 7 retirement, and he shall be credited with all his subsequent  
 8 service as a member. Should he be restored to active  
 9 service on or after the attainment of the age of fifty-five  
 10 (55) years, his pension upon subsequent retirement shall not  
 11 exceed the pension that he would have received had he  
 12 remained in service during the period of his previous  
 13 retirement nor the sum of the pension which he was receiving  
 14 immediately prior to his last restoration to service and the  
 15 pension that he would have received on account of his  
 16 service since his last restoration had he entered service at  
 17 that time as a new member.

18 (4) Allowance for disability retirement. Upon  
 19 retirement for disability, a member shall receive a  
 20 superannuation allowance prescribed under subsection (2)  
 21 above if he is eligible; otherwise he shall receive a  
 22 disability retirement allowance which shall consist of:

23 (a) An annuity which shall be the actuarial equivalent  
 24 of his accumulated contributions at the time of retirement.

25 (b) A pension which together with his annuity, shall



1 provide a total retirement allowance equal to ~~one-seventieth~~  
 2 ~~(1/70)~~ one sixtieth (1/60) of his average final compensation  
 3 multiplied by the number of years of his creditable service,  
 4 if such retirement allowance exceeds one-quarter (1/4) of  
 5 his average final compensation; otherwise, a pension which,  
 6 together with his annuity, shall provide a total retirement  
 7 allowance equal to one-quarter (1/4) of his average final  
 8 compensation, provided, however, that no such allowance  
 9 shall exceed ~~one-seventieth--(1/70)~~ one sixtieth (1/60) of  
 10 his average final compensation multiplied by the number of  
 11 years which would be creditable to him were his service to  
 12 continue until the attainment of the minimum age for  
 13 superannuation retirement.

14 (c) In the event payments made to a person retired  
 15 because of disability do not equal the amount of his  
 16 accumulated contributions prior to his death, the difference  
 17 between the total retirement allowance paid and the amount  
 18 of the accumulated contributions of the member shall be paid  
 19 to the beneficiary.

20 (5) Withdrawal of accumulated contributions. Any  
 21 inactive member electing to do so or any person whose  
 22 membership terminates may withdraw his accumulated  
 23 contributions to his annuity account in the retirement  
 24 system in accordance with the following provisions:

25 (a) An inactive member under the provisions of

1 subsections (1) or (3) of section 75-6210 may elect, without  
 2 right of revocation to withdraw his accumulated  
 3 contributions, and if he does not withdraw his accumulated  
 4 contributions he shall thereafter remain an inactive member  
 5 of the retirement system with the right to qualify for the  
 6 benefits of the retirement system;

7 (b) Upon recovery from a disabling illness or  
 8 separation from the armed forces, any person qualifying as  
 9 an inactive member under the provisions of subsection (2) of  
 10 section 75-6210 may withdraw his accumulated contributions  
 11 unless he returns to active membership.

12 (c) Any person whose membership terminates under the  
 13 provisions of subsection (4) of section 75-6211 may withdraw  
 14 his accumulated contributions.

15 (6) Allowances for death of member.

16 (a) Should a member die before retirement the amount of  
 17 the member's accumulated contributions shall be paid to his  
 18 estate or such person as he may have designated in the  
 19 manner prescribed by the retirement board which shall be  
 20 filed with the board prior to the member's death.

21 (b) In lieu of benefits provided in (a) above, if the  
 22 deceased member had qualified by reason of service for a  
 23 retirement benefit, the beneficiary nominated by the  
 24 deceased member may elect to receive a monthly life annuity.  
 25 The monthly life annuity shall be determined as prescribed

1 in subsections (2) (a) through (2) (h) assuming the member  
 2 had elected option A as prescribed in subsection (7) (a)  
 3 below. In addition, if the deceased member had five (5) or  
 4 more years of creditable service and was an active member in  
 5 the state of Montana within one (1) year prior to his death,  
 6 a lump sum death benefit of \$500 will be payable to his  
 7 designated beneficiary.

8 (c) If the deceased member had five (5) or more years  
 9 of creditable service and was an active member in the state  
 10 of Montana within one (1) year prior to his death, the sum  
 11 of ~~fifty-dollars-(\$50)~~ one hundred dollars (\$100) per month  
 12 shall be paid to each minor child of the deceased member  
 13 until such child reaches his eighteenth (18th) birthday.

14 (7) Optional allowances. With the provision that no  
 15 optional selection shall be effective in case a beneficiary  
 16 dies within thirty (30) days after retirement, and that such  
 17 a beneficiary shall be considered as an active member at the  
 18 time of his death; until the first payment on account of any  
 19 benefit becomes normally due, any member may elect to  
 20 receive his benefit in a retirement or disability allowance  
 21 payable throughout life as hereinabove provided. This  
 22 benefit shall be referred to as the normal form of  
 23 retirement allowance. In lieu of normal form of retirement  
 24 allowance, the member may elect an optional allowance which  
 25 would be the actuarial equivalent at the time of his

1 retirement or disability allowance and would provide an  
 2 allowance payable throughout his lifetime and upon his death  
 3 continue to such person as he shall nominate by written  
 4 designation duly acknowledged and filed with the retirement  
 5 board at the time of his retirement with the provision that:

6 (a) Option A. The optional allowance will continue to  
 7 the member during his lifetime and upon his death, continue  
 8 throughout the lifetime of his designated beneficiary; or

9 (b) Option B. The optional allowance will continue  
 10 throughout his lifetime and upon his death, one-half (1/2)  
 11 of his optional allowance will be continued throughout the  
 12 lifetime of his designated beneficiary; or

13 (c) Option C. The optional benefit will continue  
 14 throughout his lifetime and upon his death, two-thirds (2/3)  
 15 of the optional allowance shall be continued throughout the  
 16 lifetime of his designated beneficiary; or

17 (d) Option D. The optional allowance shall continue  
 18 while both the member and his designated beneficiary are  
 19 living and upon the death of either, one-half (1/2) of the  
 20 optional allowance shall be continued throughout the  
 21 lifetime of the survivor; or

22 (e) Option E. The optional allowance will be payable  
 23 while both the member and his designated beneficiary are  
 24 living and upon the death of either, two-thirds (2/3) of the  
 25 optional allowance shall be continued throughout the

1 lifetime of the survivor; or

2 (f) Option F. Some other benefit or benefits shall be  
3 paid either to the member or his surviving designated  
4 beneficiary. The provisions of this retirement allowance  
5 shall be approved by the retirement board."

6 Section 4. Section 75-6213, R.C.M. 1947, is amended to  
7 read as follows:

8 "75-6213. Creditable service for out-of-state  
9 employment, employment while on leave, for active service in  
10 the armed forces of the United States and the American red  
11 cross or merchant marine, and before September, 1937. Any  
12 person applying for membership also may apply for creditable  
13 service in the retirement system for out-of-state employment  
14 service that would have been acceptable under the provisions  
15 of this title if such service were performed in the state of  
16 Montana. The person shall be awarded creditable service,  
17 conditional upon his completing five (5) years of active  
18 membership in Montana, for the number of years the  
19 retirement board determines to be creditable service but for  
20 not more than five (5) years, if he contributes to the  
21 retirement system an amount equal to ~~five-per-cent--(5%)--of~~  
22 the employee contribution for his first full year's teaching  
23 salary earned in Montana after his out-of-state service for  
24 each year of creditable service plus interest at the rate  
25 the contribution would have earned had the contribution been

1 in his account upon the completion of five (5) years of  
2 membership service in Montana. The contribution rate shall  
3 be that rate in effect at the time he is eligible for  
4 service. The contributions may be a lump-sum payment or in  
5 installments as agreed between the person and the retirement  
6 board; and

7 (1) Any person applying for membership also may apply  
8 for creditable service in the retirement system for  
9 employment while on leave. The person shall be awarded  
10 creditable service, conditional upon his having been a  
11 member prior to his leave and upon completing five (5) years  
12 of active membership in Montana subsequent to his return,  
13 provided his employment while on leave enhanced his teaching  
14 experience as determined by the board. The person shall be  
15 awarded creditable service as determined by the board but  
16 for not more than two (2) years, if he contributes to the  
17 retirement system an amount equal to ~~ten-and-three-eighths~~  
18 ~~per-cent-(10-3/8%)--of~~ the combined employer and employee  
19 contributions for his first full year's teaching salary  
20 earned in Montana after his return from leave for each year  
21 of creditable service plus interest at the rate the  
22 contribution would have earned had the contribution been in  
23 his account upon the completion of five (5) years of  
24 membership service in Montana. The contribution rate shall  
25 be that rate in effect at the time he is eligible for such

1 service. The contribution may be a lump-sum payment or in  
2 installments as agreed between the person and the retirement  
3 board; and

4 (2) Any person applying for membership also may apply  
5 for creditable service in the retirement system for active  
6 service in the armed forces of the United States which  
7 includes the army, navy, marine corps, air force and coast  
8 guard or in the American red cross or merchant marine. The  
9 person shall be awarded creditable service, conditional upon  
10 his completing five (5) years of active membership in  
11 Montana, for the number of years the retirement board  
12 determines to be creditable service but for not more than  
13 two (2) years, if he contributes to the retirement system an  
14 amount equal to ~~ten-and-three-eighths-percent-(10-3/8%)~~ of  
15 the combined employer and employee contributions for his  
16 first full year's teaching salary earned in Montana  
17 following the active service in the armed forces of the  
18 United States or in the American red cross or merchant  
19 marine for each year of creditable service plus interest at  
20 the rate the contribution would have earned had the  
21 contribution been in his account upon completion of five (5)  
22 years of membership service in Montana. The contribution  
23 rate shall be that rate in effect at the time he is eligible  
24 for such service. The contribution may be a lump-sum  
25 payment or in installments as agreed between the person and

1 the retirement board; however

2 (3) In no event will the total creditable service for  
3 out-of-state teaching, employment while on leave, or while  
4 on active service in the armed forces of the United States  
5 or the American red cross or merchant marine exceed five (5)  
6 years.

7 Whenever a member is retiring with at least five (5)  
8 years of creditable service and he has been an active member  
9 for at least five (5) consecutive school fiscal years, he  
10 may request creditable service for any employment service he  
11 rendered prior to the first day of September, nineteen  
12 hundred and thirty-seven (1937) for which he has not  
13 received a prior service certificate. In order to receive  
14 such creditable service, he shall apply for it and provide  
15 certification of such service. The retirement board shall  
16 determine the amount of creditable service to be awarded, if  
17 any, and issue a prior service certificate."

-End-

## FISCAL NOTE

Form BD 15

In compliance with a written request received January 16, 19 75, there is hereby submitted a Fiscal Note for House Bill 41 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

## DESCRIPTION OF PROPOSED LEGISLATION:

An act to revise the laws relating to the Teacher's Retirement System. The major revisions would reduce the required years of service from 35 to 30 and increase employer contribution from 5¼% to 7¼%.

## ASSUMPTIONS:

1. The 2% increase in employer contribution will increase revenues by 38.1%.
2. An actuarial study indicates that expenditures required under all amendments proposed by House Bill 41 would be an estimated \$9.769 million in FY 76 and \$10.257 million in FY 77.
3. The increase in revenue will cover the increase in expenditures.

## FISCAL IMPACT:

	FY 76			FY 77		
	Current Law	Proposed Law	Increase	Current Law	Proposed Law	Increase
Revenues for teacher benefits						
Local	\$5,738,000	\$7,924,000	\$2,186,000	\$6,025,000	\$8,320,000	\$2,295,000
State	1,336,000	1,845,000	509,000	1,403,000	1,937,000	534,000
Total Revenues	<u>7,074,000</u>	<u>9,769,000</u>	<u>2,695,000</u>	<u>7,428,000</u>	<u>10,257,000</u>	<u>2,829,000</u>
Benefits and Claims	<u>7,074,000</u>	<u>9,769,000</u>	<u>2,695,000</u>	<u>7,426,000</u>	<u>10,257,000</u>	<u>2,829,000</u>
Net effect	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: January 21, 1975

Approved by Committee  
on Education

HOUSE BILL NO. 41

INTRODUCED BY LYNCH, QUILICI, HUENNEKENS, MENAHAN,

MURPHY, C. R. ANDERSON, BARRETT, GUTHRIE, HOLMES, BENGTON,  
STOLTZ, HARPER, GUNDERSON, MELOY, KELLY, SOUTH, LIEN, ELLIS,  
LORY, KANDUCH, TROPILA, MCFADDEN, LUEBECK, MULAR, GILLIGAN

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE  
LAWS RELATING TO THE TEACHERS' RETIREMENT SYSTEM; AMENDING  
SECTIONS 75-6201, 75-6207, 75-6208, AND 75-6213, R.C.M.  
1947."

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

Section 1. Section 75-6201, R.C.M. 1947, is amended to  
read as follows:

"75-6201. Definitions. As used in this title, unless  
the context clearly indicates otherwise:

(1) "Retirement system" means the teachers' retirement  
system of the state of Montana provided for in section  
75-6202.

(2) "Retirement board" means the retirement system's  
governing board provided by section 82A-212.

(3) "Employer" means the state of Montana, trustees of  
any district, or other agency or subdivision of the state  
which employs a person who is designated a member of the  
retirement system.

(4) "Member" means any person who has an individual  
account in the annuity savings fund; an active member is any  
person included under the provisions of section 75-6209; an  
inactive member is any person included under the provisions  
of section 75-6210.

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

(6) "Service" means the performance of such  
instructional duties or related activities as would entitle  
the person to active membership in the retirement system  
under the provisions of section 75-6209.

(7) "Prior service" means employment of the same  
nature as service defined in subsection (6) of this section  
but rendered before September 1, 1937.

(8) "Creditable service" is that service defined by  
section 75-6212.

(9) "Regular interest" means interest at four per cent  
(4%) per annum compounded annually, or at such other rate as  
may be set by the retirement board in accordance with  
subsection (2) of section 75-6206.

(10) "Accumulated contributions" means the sum of all  
the amounts deducted from the compensation of a member or  
paid by a member and credited to his individual account in  
the annuity savings fund, together with interest. Regular

1 interest shall be computed and allowed to provide a benefit  
2 at the time of retirement.

3 (11) "Earnable compensation" means the full rate of the  
4 compensation, pay or salary that would be payable to a  
5 member if he worked the full normal working time. In cases  
6 where compensation includes maintenance, the retirement  
7 board shall fix the value of that part of the compensation  
8 not paid in money.

9 (12) "Average final compensation" means the average of  
10 the earnable compensation of any three (3) consecutive years  
11 on which ~~the---five---per---cent---(5%)---contribution---has~~  
12 contributions have been made by the member.

13 (13) "Annuity" means the payments made to a beneficiary  
14 for life which are derived from a member's accumulated  
15 contributions. All annuities shall be paid in equal monthly  
16 installments. The retirement board may make an annual  
17 payment to the beneficiaries of the difference between the  
18 rate of interest used in calculating the benefit from the  
19 annuity reserve fund and the interest earned on investments.

20 (14) "Pension" means the payments made to a beneficiary  
21 for life which are paid into the pension fund derived from  
22 money accumulated by employers. All pensions shall be paid  
23 in equal monthly installments.

24 (15) "Retirement allowance" means the annuity plus the  
25 pension.

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

5 (17) "Pension reserve" means the present value of all  
6 payments to be made on account of a pension and computed on  
7 the basis of such mortality tables as shall be adopted by  
8 the retirement board with regular interest.

9 (18) "Actuarial equivalent" means a benefit of equal  
10 value when computed upon the basis of such mortality tables  
11 as shall be adopted by the retirement board with regular  
12 interest.

13 (19) "Former retirement system" means the retirement  
14 system established under sections 1113 to 1132 inclusive, of  
15 the Revised Codes of Montana, 1935."

16 Section 2. Section 75-6207, R.C.M. 1947, is amended to  
17 read as follows:

18 "75-6207. Method of financing. The retirement board  
19 shall establish and maintain the following funds in which  
20 all of the assets of the retirement system shall be credited  
21 according to the purpose for which the assets are held.

22 (1) Annuity savings fund. The annuity savings fund  
23 shall be a fund in which the contributions from the members  
24 to provide for their annuities shall be accumulated in  
25 individual accounts for each member. Contributions to and

1 payments from the annuity savings fund shall be made in the  
2 following manner.

3 (a) Each employer shall deduct from the compensation  
4 of each active member on each and every payroll of such  
5 member for each and every payroll period subsequent to the  
6 date on which such member became a member an amount equal to  
7 five and one-eighth percent (5 1/8%) of such member's  
8 earnable compensation, but no employer shall make any  
9 deductions for annuity purposes from the compensation of a  
10 member who has attained the age of sixty (60) and rendered  
11 ~~thirty-five (35)~~ thirty (30) years of creditable service if  
12 such member elects not to contribute.

13 ~~(b) In determining the amount earnable by an active~~  
14 ~~member in a payroll period, the retirement board may~~  
15 ~~consider the rate of compensation payable to such member on~~  
16 ~~the first day of the payroll period as continuing throughout~~  
17 ~~such payroll period, and it may omit deductions from~~  
18 ~~compensation for any period less than a full payroll period~~  
19 ~~if a teacher was not an active member on the first day of~~  
20 ~~the payroll period, and to facilitate the making of~~  
21 ~~deductions, it may modify the deduction required of any~~  
22 ~~member by such an amount as shall not exceed one-tenth~~  
23 ~~(1/10) of one percent (1%) of the annual compensation upon~~  
24 ~~the basis of which said deduction is to be made.~~

25 ~~(c)~~ (b) Such deductions shall be made notwithstanding

1 that the minimum compensation provided by law for a member  
2 may be reduced thereby. Every member shall be deemed to  
3 consent and agree to the deductions prescribed by this  
4 section; and payment of salary or compensation less the  
5 deductions shall be a full and complete discharge of all  
6 claims whatsoever for the services rendered by such person  
7 during the period covered by such payment except as to the  
8 benefits provided by the retirement system.

9 ~~(d)~~ (c) In addition to the contributions deducted  
10 from compensation and subject to the approval of the  
11 retirement board, any member may redeposit in the annuity  
12 savings fund by a single payment or by an increased rate of  
13 contribution an amount equal to the accumulated  
14 contributions plus interest in the amount the contributions  
15 would have earned had the contributions not been withdrawn,  
16 or any part thereof, which he had previously withdrawn, or  
17 any member may deposit therein by a single payment or by an  
18 increased rate of contribution amounts for the purchase of  
19 an additional annuity. Such additional amounts so deposited  
20 shall become a part of his accumulated contributions. In  
21 the case of disability retirement, they shall be treated as  
22 excess contributions returnable to the member in cash or as  
23 an annuity of equivalent actuarial value and shall not be  
24 considered in computing his retirement allowance. The  
25 accumulated contributions of a member withdrawn by him, or



1 paid to his estate or to his designated beneficiary in event  
 2 of his death shall be paid from the annuity savings fund,  
 3 and an amount equivalent to the difference between the  
 4 accumulated contributions calculated at regular interest and  
 5 the amount paid shall be transferred to the pension  
 6 accumulation fund. Upon the retirement of a member his  
 7 accumulated contributions shall be transferred from the  
 8 annuity savings fund to the annuity reserve fund.

9 (2) Annuity reserve fund. The annuity reserve fund  
 10 shall be the fund in which shall be held the reserves on all  
 11 annuities in force and from which shall be paid all  
 12 annuities and all benefits in lieu of annuities. Should a  
 13 beneficiary retired on account of disability be restored to  
 14 active service with a compensation not less than his average  
 15 final compensation at the time of his last retirement, his  
 16 annuity reserve shall be transferred from the annuity  
 17 reserve fund to the annuity savings fund and credited to his  
 18 individual account therein.

19 (3) Pension accumulation fund. The pension  
 20 accumulation fund shall be the fund in which shall be  
 21 accumulated all reserves for the payment of all pensions and  
 22 from which pensions and benefits in lieu thereof shall be  
 23 paid to or on account of beneficiaries credited with prior  
 24 service. Contributions to and payments from the pension  
 25 accumulation fund shall be made as follows:

1 (a) Each employer shall pay into the pension  
 2 accumulation fund an amount equal to five seven and  
 3 one-fourth percent ~~(5--1/4%)~~ (7 1/4%) of the earnable  
 4 compensation of each member employed during the whole or  
 5 part of the preceding payroll period.

6 (b) If the employer is a district or community college  
 7 district, the trustees shall budget and pay for the  
 8 employer's contribution under the provisions of section  
 9 75-7204.

10 (c) If the employer is the superintendent of public  
 11 instruction, a public institution of the state of Montana, a  
 12 unit of the Montana university system or the Montana state  
 13 deaf and blind school, the legislative assembly shall  
 14 appropriate to each employer an adequate amount to allow the  
 15 payment of the employer's contribution.

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

20 (e) All interest and other earnings realized on the  
 21 moneys of the retirement system shall be credited to the  
 22 pension accumulation fund and the amounts required to allow  
 23 regular interest on the annuity savings fund, and the  
 24 annuity reserve fund shall be transferred to the respective  
 25 funds from the pension accumulation fund.

1 (f) All pensions and benefits in lieu thereof,  
2 including pensions payable under section 75-6218, shall be  
3 paid from the pension accumulation fund.

4 (g) The retirement board may in its discretion  
5 transfer to and from the pension accumulation fund the  
6 amount of any surplus or deficit which may develop in the  
7 reserve creditable to the annuity reserve fund, as shown by  
8 actuarial valuation, and also such expenses as hereinafter  
9 provided.

10 (4) Expense fund. The expense fund shall be the fund  
11 to which shall be credited all moneys for the administrative  
12 expenses of the retirement system and from which the  
13 expenses of administration of the retirement system shall be  
14 paid exclusive of amounts payable as retirement allowances  
15 or other benefits. The retirement board shall determine  
16 annually the amount required for the expense fund to defray  
17 the administrative expense in the ensuing fiscal year and  
18 shall credit such an amount to the expense fund from  
19 interest and other earnings realized on the moneys of the  
20 retirement system."

21 Section 3. Section 75-6208, R.C.M. 1947, is amended to  
22 read as follows:

23 "75-6208. Benefits. The retirement, disability and  
24 other benefits of the retirement system shall be granted on  
25 the basis of the following provisions:

1 (1) Superannuation member retirement:

2 (a) Any member ~~who has completed~~ with five (5) years  
3 of creditable service the last five (5) years of which shall  
4 have been in this state, and who has attained the age of  
5 sixty (60), or who has completed ~~thirty-five--(35)~~ THIRTY  
6 (30) years of creditable service, may retire from service,  
7 if he files with the retirement board his written  
8 application setting forth the fact of his retirement.

9 (b) Any member in service who has attained the age of  
10 seventy (70) years during any school year shall be retired  
11 on the first day of September following his seventieth  
12 birthday, except that this provision shall not apply to  
13 teachers in the Montana university system who may be  
14 employed beyond the age of seventy (70) upon the  
15 recommendation of the president of the employing unit to the  
16 board of regents. Members over seventy (70) years of age  
17 shall not: (1) be allowed creditable service for services  
18 rendered after the end of the school year in which the age  
19 of seventy (70) is attained, (2) contribute to the  
20 retirement system after the end of such school year, and (3)  
21 have the compensation received after the end of such school  
22 year used in computing average final salary. Initial  
23 employment of teachers in the Montana university system  
24 beyond the age of seventy (70) may be made upon the  
25 recommendation of the president of the employing unit and

1 the approval of the board of regents but such employees  
2 shall be denied membership in the retirement system.

3 (c) Any retired member may be employed as a part-time  
4 or substitute teacher in Montana and may earn an amount not  
5 to exceed one-fourth (1/4) of his average final compensation  
6 without loss of retirement benefits.

7 (2) Allowance for superannuation retirement. Upon  
8 superannuation retirement a member shall receive a  
9 retirement allowance which shall consist of:

10 (a) A pension which, together with an annuity, shall  
11 provide a retirement allowance equal to one-half (1/2) of  
12 his average final compensation provided his creditable  
13 service is at least ~~thirty-five--(35)~~ thirty (30) years,  
14 otherwise a pension together with his annuity of  
15 ~~one-seventieth--(1/70)~~ one sixtieth (1/60) of his average  
16 final compensation multiplied by the number of years of  
17 creditable service.

18 (b) The minimum annual retirement allowance for a  
19 member who has completed ~~thirty-five--(35)~~ thirty (30) or  
20 more years of service shall be twenty-four hundred dollars  
21 (\$2,400) and the minimum retirement allowance for a member  
22 whose service is less than ~~thirty-five--(35)~~ thirty (30)  
23 years shall be based on the proportionate amount of  
24 twenty-four hundred dollars (\$2,400) that his service bears  
25 to ~~thirty-five--(35)~~ thirty (30) years of service.

1 ~~(c) Every beneficiary receiving a retirement allowance~~  
2 ~~on July 1, 1971, shall be entitled to an increase in his~~  
3 ~~monthly retirement allowance of one dollar (61) for each~~  
4 ~~year of creditable service at the time of retirement up to a~~  
5 ~~maximum of thirty-five dollars (\$35), or an increase in his~~  
6 ~~retirement allowance of ten percent (10%), whichever is~~  
7 ~~larger, beginning July 1, 1973.~~

8 ~~(d) Every beneficiary receiving a retirement allowance~~  
9 ~~shall be entitled to an increase in his monthly retirement~~  
10 ~~allowance on July 1, 1973, of one-fourth of one percent~~  
11 ~~(.25%) multiplied by the number of months he has been~~  
12 ~~retired since July 1, 1971, but if he is eligible under~~  
13 ~~subsections (2) (a), (2) (b), or (2) (c) above, and the~~  
14 ~~benefit thereunder is larger than the increased retirement~~  
15 ~~allowance prescribed herein, this provision shall not apply.~~

16 ~~(e) (c) On July 1, 1974 and on July 1, 1975, and July~~  
17 ~~1, 1976, every beneficiary receiving a retirement allowance~~  
18 ~~shall be entitled to an increase in his monthly retirement~~  
19 ~~allowance of one-fourth of one percent (.25%) multiplied by~~  
20 ~~the number of months he has been retired during the~~  
21 ~~preceding fiscal year.~~

22 ~~(f) (d) Any member who has completed five (5) years of~~  
23 ~~creditable service, the last five years of which shall have~~  
24 ~~been in this state, THE LAST FIVE YEARS OF WHICH SHALL HAVE~~  
25 ~~BEEN IN THIS STATE, and who has attained the age of~~

1 fifty-five (55) may retire from service and be eligible to  
 2 an early retirement allowance if he files with the  
 3 retirement board his written application setting forth the  
 4 fact of his retirement. The early retirement allowance  
 5 shall be determined as prescribed in subsections (a) through  
 6 (f) above, with the further provision that such allowance  
 7 will be reduced by one half of one percent (.5%) multiplied  
 8 by the number of months which the retirement date precedes  
 9 the date on which he would have retired had he attained  
 10 sixty (60) years of age or had he completed ~~thirty-five (35)~~  
 11 thirty (30) years of creditable service.

12 ~~(g)~~-(e) In the event of death of a member after  
 13 retirement, a death benefit of five hundred dollars (\$500)  
 14 will be payable to his designated beneficiary.

15 ~~(h)~~-(f) In the event payments made to an annuitant do  
 16 not equal the amount of the member's accumulated  
 17 contributions prior to the annuitant's death, the difference  
 18 between the total retirement allowance paid and the amount  
 19 of the accumulated contributions shall be paid to the  
 20 beneficiary.

21 (3) Disability member retirement:

22 (a) Upon the application of an active member or of his  
 23 employer, any active member who has five (5) or more years  
 24 of creditable service may be retired by the retirement board  
 25 the month immediately following the month in which his

1 disability caused his retirement upon not-less--than--thirty  
 2 ~~(30)~~--and--not--more--than--(90)--days--after--the--date--of filing  
 3 such an application on for a disability retirement  
 4 allowance. Before any member shall be eligible for a  
 5 disability retirement, the ~~medical~~ board of the retirement  
 6 system shall certify that he is mentally or physically  
 7 incapacitated for the further performance of his duties,  
 8 that such incapacity is likely to be permanent and that he  
 9 should be retired.

10 ~~(b)~~--If--the--applicant--for--disability--retirement--was  
 11 prevented--because--of--the--disability--from--making--application  
 12 at--the--time--of--the--commencement--of--his--disability,--the  
 13 retirement--board--shall--grant--the--disability--retirement--upon  
 14 the--proper--application--for--disability--retirement--allowance  
 15 and--make--payments--retroactive--to--the--thirtieth--day--after--the  
 16 date--of--commencement--of--his--disability.

17 ~~(c)~~--(d) Re-examination of beneficiaries retired on  
 18 account of disability. Once each year during the first five  
 19 (5) years following the retirement of a member on disability  
 20 retirement allowance, and once in every three (3) year  
 21 period thereafter the retirement board may, and upon his  
 22 application shall, require a disability beneficiary who has  
 23 not yet attained the age of sixty (60) to undergo a medical  
 24 examination by the medical board or a physician or  
 25 physicians designated by the medical board. The examination

1 shall be made at the place of residence of the beneficiary  
 2 or other place mutually agreed upon. Should any disability  
 3 beneficiary who has not yet attained the age of sixty (60)  
 4 refuse to submit to at least one (1) medical examination in  
 5 any year by the medical board or its representative, his  
 6 allowance may be discontinued until his withdrawal of such  
 7 refusal, and should his refusal continue for one (1) year,  
 8 all his rights in and to his disability pension may be  
 9 revoked by the retirement board.

10 ~~(e)~~--(c) Should the medical board report and certify  
 11 to the retirement board that any disability beneficiary is  
 12 engaged in or is able to engage in a gainful occupation  
 13 paying more than the difference between his retirement  
 14 allowance and his average final compensation and should the  
 15 retirement board concur in such report, then the amount of  
 16 his pension shall be reduced to an amount which, together  
 17 with his annuity and the amount earnable by him, shall equal  
 18 the amount of his average final compensation. Should his  
 19 earning capacity be changed later, the amount of his pension  
 20 may be further modified but the new pension shall not exceed  
 21 the amount of the pension originally granted, nor an amount  
 22 which when added to the amount earnable by the beneficiary,  
 23 together with his annuity, equals the amount of his average  
 24 final compensation. A beneficiary restored to active  
 25 service at a salary less than the average final compensation

1 upon the basis of which he was retired shall not become a  
 2 member of the retirement system while receiving a reduced  
 3 benefit.

4 ~~(e)~~--(d) Should a disability beneficiary under age  
 5 sixty (60) be restored to active service at a compensation  
 6 not less than his average final compensation, his retirement  
 7 allowance shall cease, and he shall again become an active  
 8 member of the retirement system. Any prior service  
 9 certificate on the basis of which his service was computed  
 10 at the time of his disability retirement shall be restored  
 11 to full force and effect an addition upon his subsequent  
 12 retirement, and he shall be credited with all his subsequent  
 13 service as a member. Should he be restored to active  
 14 service on or after the attainment of the age of fifty-five  
 15 (55) years, his pension upon subsequent retirement shall not  
 16 exceed the pension that he would have received had he  
 17 remained in service during the period of his previous  
 18 retirement nor the sum of the pension which he was receiving  
 19 immediately prior to his last restoration to service and the  
 20 pension that he would have received on account of his  
 21 service since his last restoration had he entered service at  
 22 that time as a new member.

23 (4) Allowance for disability retirement. Upon  
 24 retirement for disability, a member shall receive a  
 25 superannuation allowance prescribed under subsection (2)

1 above if he is eligible; otherwise he shall receive a  
2 disability retirement allowance which shall consist of:

3 (a) An annuity which shall be the actuarial equivalent  
4 of his accumulated contributions at the time of retirement.

5 (b) A pension which together with his annuity, shall  
6 provide a total retirement allowance equal to ~~one-seventieth~~  
7  ~~$\frac{1}{70}$~~  one sixtieth (1/60) of his average final compensation  
8 multiplied by the number of years of his creditable service,  
9 if such retirement allowance exceeds one-quarter (1/4) of  
10 his average final compensation; otherwise, a pension which,  
11 together with his annuity, shall provide a total retirement  
12 allowance equal to one-quarter (1/4) of his average final  
13 compensation, provided, however, that no such allowance  
14 shall exceed ~~one-seventieth~~  ~~$\frac{1}{70}$~~  one sixtieth (1/60) of  
15 his average final compensation multiplied by the number of  
16 years which would be creditable to him were his service to  
17 continue until the attainment of the minimum age for  
18 superannuation retirement.

19 (c) In the event payments made to a person retired  
20 because of disability do not equal the amount of his  
21 accumulated contributions prior to his death, the difference  
22 between the total retirement allowance paid and the amount  
23 of the accumulated contributions of the member shall be paid  
24 to the beneficiary.

25 (5) Withdrawal of accumulated contributions Any

1 inactive member electing to do so or any person whose  
2 membership terminates may withdraw his accumulated  
3 contributions to his annuity account in the retirement  
4 system in accordance with the following provisions:

5 (a) An inactive member under the provisions of  
6 subsections (1) or (3) of section 75-6210 may elect, without  
7 right of revocation to withdraw his accumulated  
8 contributions, and if he does not withdraw his accumulated  
9 contributions he shall thereafter remain an inactive member  
10 of the retirement system with the right to qualify for the  
11 benefits of the retirement system;

12 (b) Upon recovery from a disabling illness or  
13 separation from the armed forces, any person qualifying as  
14 an inactive member under the provisions of subsection (2) of  
15 section 75-6210 may withdraw his accumulated contributions  
16 unless he returns to active membership.

17 (c) Any person whose membership terminates under the  
18 provisions of subsection (4) of section 75-6211 may withdraw  
19 his accumulated contributions.

20 (6) Allowances for death of member.

21 (a) Should a member die before retirement the amount  
22 of the member's accumulated contributions shall be paid to  
23 his estate or such person as he may have designated in the  
24 manner prescribed by the retirement board which shall be  
25 filed with the board prior to the member's death.

1 (b) In lieu of benefits provided in (a) above, if the  
 2 deceased member had qualified by reason of service for a  
 3 retirement benefit, the beneficiary nominated by the  
 4 deceased member may elect to receive a monthly life annuity.  
 5 The monthly life annuity shall be determined as prescribed  
 6 in subsections (2) (a) through (2) (h) assuming the member  
 7 had elected option A as prescribed in subsection (7) (a)  
 8 below. In addition, if the deceased member had five (5) or  
 9 more years of creditable service and was an active member in  
 10 the state of Montana within one (1) year prior to his death,  
 11 a lump sum death benefit of \$500 will be payable to his  
 12 designated beneficiary.

13 (c) If the deceased member had five (5) or more years  
 14 of creditable service and was an active member in the state  
 15 of Montana within one (1) year prior to his death, the sum  
 16 of ~~fifty-dollars-(\$50)~~ one hundred dollars (\$100) per month  
 17 shall be paid to each minor child of the deceased member  
 18 until such child reaches his eighteenth (18th) birthday.

19 (7) Optional allowances. With the provision that no  
 20 optional selection shall be effective in case a beneficiary  
 21 dies within thirty (30) days after retirement, and that such  
 22 a beneficiary shall be considered as an active member at the  
 23 time of his death; until the first payment on account of any  
 24 benefit becomes normally due, any member may elect to  
 25 receive his benefit in a retirement or disability allowance

1 payable throughout life as hereinabove provided. This  
 2 benefit shall be referred to as the normal form of  
 3 retirement allowance. In lieu of normal form of retirement  
 4 allowance, the member may elect an optional allowance which  
 5 would be the actuarial equivalent at the time of his  
 6 retirement or disability allowance and would provide an  
 7 allowance payable throughout his lifetime and upon his death  
 8 continue to such person as he shall nominate by written  
 9 designation duly acknowledged and filed with the retirement  
 10 board at the time of his retirement with the provision that:

11 (a) Option A. The optional allowance will continue to  
 12 the member during his lifetime and upon his death, continue  
 13 throughout the lifetime of his designated beneficiary; or

14 (b) Option B. The optional allowance will continue  
 15 throughout his lifetime and upon his death, one-half (1/2)  
 16 of his optional allowance will be continued throughout the  
 17 lifetime of his designated beneficiary; or

18 (c) Option C. The optional benefit will continue  
 19 throughout his lifetime and upon his death, two-thirds (2/3)  
 20 of the optional allowance shall be continued throughout the  
 21 lifetime of his designated beneficiary; or

22 (d) Option D. The optional allowance shall continue  
 23 while both the member and his designated beneficiary are  
 24 living and upon the death of either, one-half (1/2) of the  
 25 optional allowance shall be continued throughout the

1 lifetime of the survivor; or

2 (e) Option E. The optional allowance will be payable  
3 while both the member and his designated beneficiary are  
4 living and upon the death of either, two-thirds (2/3) of the  
5 optional allowance shall be continued throughout the  
6 lifetime of the survivor; or

7 (f) Option F. Some other benefit or benefits shall be  
8 paid either to the member or his surviving designated  
9 beneficiary. The provisions of this retirement allowance  
10 shall be approved by the retirement board."

11 Section 4. Section 75-6213, R.C.M. 1947, is amended to  
12 read as follows:

13 "75-6213. Creditable service for out-of-state  
14 employment, employment while on leave, for active service in  
15 the armed forces of the United States and the American red  
16 cross or merchant marine, and before September, 1937. Any  
17 person applying for membership also may apply for creditable  
18 service in the retirement system for out-of-state employment  
19 service that would have been acceptable under the provisions  
20 of this title if such service were performed in the state of  
21 Montana. The person shall be awarded creditable service,  
22 conditional upon his completing five (5) years of active  
23 membership in Montana, for the number of years the  
24 retirement board determines to be creditable service but for  
25 not more than five (5) years, if he contributes to the

1 retirement system an amount equal to ~~five-per-cent--(5%)--of~~  
2 the employee contribution for his first full year's teaching  
3 salary earned in Montana after his out-of-state service for  
4 each year of creditable service plus interest at the rate  
5 the contribution would have earned had the contribution been  
6 in his account upon the completion of five (5) years of  
7 membership service in Montana. The contribution rate shall  
8 be that rate in effect at the time he is eligible for  
9 service. The contributions may be a lump-sum payment or in  
10 installments as agreed between the person and the retirement  
11 board; and

12 (1) Any person applying for membership also may apply  
13 for creditable service in the retirement system for  
14 employment while on leave. The person shall be awarded  
15 creditable service, conditional upon his having been a  
16 member prior to his leave and upon completing five (5) years  
17 of active membership in Montana subsequent to his return,  
18 provided his employment while on leave enhanced his teaching  
19 experience as determined by the board. The person shall be  
20 awarded creditable service as determined by the board but  
21 for not more than two (2) years, if he contributes to the  
22 retirement system an amount equal to ~~ten-and-three-eighths~~  
23 per-cent--(10-3/8%)--of the combined employer and employee  
24 contributions for his first full year's teaching salary  
25 earned in Montana after his return from leave for each year



1 of creditable service plus interest at the rate the  
 2 contribution would have earned had the contribution been in  
 3 his account upon the completion of five (5) years of  
 4 membership service in Montana. The contribution rate shall  
 5 be that rate in effect at the time he is eligible for such  
 6 service. The contribution may be a lump-sum payment or in  
 7 installments as agreed between the person and the retirement  
 8 board; and

9 (2) Any person applying for membership also may apply  
 10 for creditable service in the retirement system for active  
 11 service in the armed forces of the United States which  
 12 includes the army, navy, marine corps, air force and coast  
 13 guard or in the American red cross or merchant marine. The  
 14 person shall be awarded creditable service, conditional upon  
 15 his completing five (5) years of active membership in  
 16 Montana, for the number of years the retirement board  
 17 determines to be creditable service but for not more than  
 18 two (2) years, if he contributes to the retirement system an  
 19 amount equal to ~~ten-and-three-eighths-percent-(10-3/8%)~~ of  
 20 the combined employer and employee contributions for his  
 21 first full year's teaching salary earned in Montana  
 22 following the active service in the armed forces of the  
 23 United States or in the American red cross or merchant  
 24 marine for each year of creditable service plus interest at  
 25 the rate the contribution would have earned had the

1 contribution been in his account upon completion of five (5)  
 2 years of membership service in Montana. The contribution  
 3 rate shall be that rate in effect at the time he is eligible  
 4 for such service. The contribution may be a lump-sum  
 5 payment or in installments as agreed between the person and  
 6 the retirement board; however

7 (3) In no event will the total creditable service for  
 8 out-of-state teaching, employment while on leave, or while  
 9 on active service in the armed forces of the United States  
 10 or the American red cross or merchant marine exceed five (5)  
 11 years.

12 Whenever a member is retiring with at least five (5)  
 13 years of creditable service and he has been an active member  
 14 for at least five (5) consecutive school fiscal years, he  
 15 may request creditable service for any employment service he  
 16 rendered prior to the first day of September, nineteen  
 17 hundred and thirty-seven (1937) for which he has not  
 18 received a prior service certificate. In order to receive  
 19 such creditable service, he shall apply for it and provide  
 20 certification of such service. The retirement board shall  
 21 determine the amount of creditable service to be awarded, if  
 22 any, and issue a prior service certificate."

-End-

## 1 HOUSE BILL NO. 41

2 INTRODUCED BY LYNCH, QUILICI, HUENNEKENS, MENAHAN,

3 MURPHY, C. R. ANDERSON, BARRETT, GUTHRIE, HOLMES, BENGTON,

4 STOLTZ, HARPER, GUNDERSON, MELOY, KELLY, SOUTH, LIEN, ELLIS,

5 LORY, KANDUCH, TROPILA, MCFADDEN, LUEBECK, MULAR, GILLIGAN

6  
7 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE  
8 LAWS RELATING TO THE TEACHERS' RETIREMENT SYSTEM; AMENDING  
9 SECTIONS 75-6201, 75-6207, 75-6208, AND 75-6213, R.C.M.  
10 1947."11  
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:13 Section 1. Section 75-6201, R.C.M. 1947, is amended to  
14 read as follows:15 "75-6201. Definitions. As used in this title, unless  
16 the context clearly indicates otherwise:17 (1) "Retirement system" means the teachers' retirement  
18 system of the state of Montana provided for in section  
19 75-6202.20 (2) "Retirement board" means the retirement system's  
21 governing board provided by section 82A-212.22 (3) "Employer" means the state of Montana, trustees of  
23 any district, or other agency or subdivision of the state  
24 which employs a person who is designated a member of the  
25 retirement system.1 (4) "Member" means any person who has an individual  
2 account in the annuity savings fund; an active member is any  
3 person included under the provisions of section 75-6209; an  
4 inactive member is any person included under the provisions  
5 of section 75-6210.6 (5) "Beneficiary" means any person in receipt of a  
7 pension, annuity, a retirement allowance, or other benefit  
8 as provided by the retirement system.9 (6) "Service" means the performance of such  
10 instructional duties or related activities as would entitle  
11 the person to active membership in the retirement system  
12 under the provisions of section 75-6209.13 (7) "Prior service" means employment of the same  
14 nature as service defined in subsection (6) of this section  
15 but rendered before September 1, 1937.16 (8) "Creditable service" is that service defined by  
17 section 75-6212.18 (9) "Regular interest" means interest at four per cent  
19 (4%) per annum compounded annually, or at such other rate as  
20 may be set by the retirement board in accordance with  
21 subsection (2) of section 75-6206.22 (10) "Accumulated contributions" means the sum of all  
23 the amounts deducted from the compensation of a member or  
24 paid by a member and credited to his individual account in  
25 the annuity savings fund, together with interest. Regular

1 payments from the annuity savings fund shall be made in the  
2 following manner.

3 (a) Each employer shall deduct from the compensation of  
4 each active member on each and every payroll of such member  
5 for each and every payroll period subsequent to the date on  
6 which such member became a member an amount equal to ~~five~~  
7 ~~and one-eighth percent (5-1/8%)~~ SIX AND ONE-EIGHTH PERCENT  
8 (6 1/8%) of such member's earnable compensation, but no  
9 employer shall make any deductions for annuity purposes from  
10 the compensation of a member who has attained the age of  
11 sixty (60) and rendered ~~thirty-five (35)~~ thirty (30) years of  
12 creditable service if such member elects not to contribute.

13 ~~(b) In determining the amount earnable by an active~~  
14 ~~member in a payroll period, the retirement board may~~  
15 ~~consider the rate of compensation payable to such member on~~  
16 ~~the first day of the payroll period as continuing throughout~~  
17 ~~such payroll period, and it may omit deductions from~~  
18 ~~compensation for any period less than a full payroll period~~  
19 ~~if a teacher was not an active member on the first day of~~  
20 ~~the payroll period, and to facilitate the making of~~  
21 ~~deductions, it may modify the deduction required of any~~  
22 ~~member by such an amount as shall not exceed one-tenth~~  
23 ~~(1/10) of one percent (1%) of the annual compensation upon~~  
24 ~~the basis of which said deduction is to be made.~~

25 ~~(c)~~ (b) Such deductions shall be made notwithstanding

1 that the minimum compensation provided by law for a member  
2 may be reduced thereby. Every member shall be deemed to  
3 consent and agree to the deductions prescribed by this  
4 section; and payment of salary or compensation less the  
5 deductions shall be a full and complete discharge of all  
6 claims whatsoever for the services rendered by such person  
7 during the period covered by such payment except as to the  
8 benefits provided by the retirement system.

9 ~~(d)~~ (c) In addition to the contributions deducted  
10 from compensation and subject to the approval of the  
11 retirement board, any member may redeposit in the annuity  
12 savings fund by a single payment or by an increased rate of  
13 contribution an amount equal to the accumulated  
14 contributions plus interest in the amount the contributions  
15 would have earned had the contributions not been withdrawn,  
16 or any part thereof, which he had previously withdrawn, or  
17 ~~any member may deposit therein by a single payment or by an~~  
18 ~~increased rate of contribution amounts for the purchase of~~  
19 ~~an additional annuity. Such additional amounts so deposited~~  
20 ~~shall become a part of his accumulated contributions. In~~  
21 ~~the case of disability retirement, they shall be treated as~~  
22 ~~excess contributions returnable to the member in cash or as~~  
23 ~~an annuity of equivalent actuarial value and shall not be~~  
24 ~~considered in computing his retirement allowance. The~~  
25 accumulated contributions of a member withdrawn by him, or

1 (f) All pensions and benefits in lieu thereof,  
 2 including pensions payable under section 75-6218, shall be  
 3 paid from the pension accumulation fund.

4 (g) The retirement board may in its discretion  
 5 transfer to and from the pension accumulation fund the  
 6 amount of any surplus or deficit which may develop in the  
 7 reserve creditable to the annuity reserve fund, as shown by  
 8 actuarial valuation, and also such expenses as hereinafter  
 9 provided.

10 (4) Expense fund. The expense fund shall be the fund  
 11 to which shall be credited all moneys for the administrative  
 12 expenses of the retirement system and from which the  
 13 expenses of administration of the retirement system shall be  
 14 paid exclusive of amounts payable as retirement allowances  
 15 or other benefits. The retirement board shall determine  
 16 annually the amount required for the expense fund to defray  
 17 the administrative expense in the ensuing fiscal year and  
 18 shall credit such an amount to the expense fund from  
 19 interest and other earnings realized on the moneys of the  
 20 retirement system."

21 Section 3. Section 75-6208, R.C.M. 1947, is amended to  
 22 read as follows:

23 "75-6208. Benefits. The retirement, disability and  
 24 other benefits of the retirement system shall be granted on  
 25 the basis of the following provisions:

1 (1) Superannuation member retirement:

2 (a) Any member ~~who has completed~~ with five (5) years  
 3 of creditable service the last five (5) years of which shall  
 4 have been in this state, and who has attained the age of  
 5 sixty (60), or who has completed ~~thirty-five--(35)~~ THIRTY  
 6 (30) years of creditable service, may retire from service,  
 7 if he files with the retirement board his written  
 8 application setting forth the fact of his retirement.

9 (b) Any member in service who has attained the age of  
 10 seventy (70) years during any school year shall be retired  
 11 on the first day of September following his seventieth  
 12 birthday, except that this provision shall not apply to  
 13 teachers in the Montana university system who may be  
 14 employed beyond the age of seventy (70) upon the  
 15 recommendation of the president of the employing unit to the  
 16 board of regents. Members over seventy (70) years of age  
 17 shall not: (1) be allowed creditable service for services  
 18 rendered after the end of the school year in which the age  
 19 of seventy (70) is attained, (2) contribute to the  
 20 retirement system after the end of such school year, and (3)  
 21 have the compensation received after the end of such school  
 22 year used in computing average final salary. Initial  
 23 employment of teachers in the Montana university system  
 24 beyond the age of seventy (70) may be made upon the  
 25 recommendation of the president of the employing unit and

1 fifty-five (55) may retire from service and be eligible to  
 2 an early retirement allowance if he files with the  
 3 retirement board his written application setting forth the  
 4 fact of his retirement. The early retirement allowance  
 5 shall be determined as prescribed in subsections (a) through  
 6 (f) above, with the further provision that such allowance  
 7 will be reduced by one half of one percent (.5%) multiplied  
 8 by the number of months which the retirement date precedes  
 9 the date on which he would have retired had he attained  
 10 sixty (60) years of age or had he completed ~~thirty-five (35)~~  
 11 thirty (30) years of creditable service.

12 ~~(g)~~-(e) In the event of death of a member after  
 13 retirement, a death benefit of five hundred dollars (\$500)  
 14 will be payable to his designated beneficiary.

15 ~~(h)~~-(f) In the event payments made to an annuitant do  
 16 not equal the amount of the member's accumulated  
 17 contributions prior to the annuitant's death, the difference  
 18 between the total retirement allowance paid and the amount  
 19 of the accumulated contributions shall be paid to the  
 20 beneficiary.

21 (3) Disability member retirement:

22 (a) Upon the application of an active member or of his  
 23 employer, any active member who has five (5) or more years  
 24 of creditable service may be retired by the retirement board  
 25 the month immediately following the month in which his

1 disability caused his retirement upon not less than thirty  
 2 ~~(30) and not more than (90) days after the date of~~ filing  
 3 such an application on for a disability retirement  
 4 allowance. Before any member shall be eligible for a  
 5 disability retirement, the ~~medical~~ board of the retirement  
 6 system shall certify that he is mentally or physically  
 7 incapacitated for the further performance of his duties,  
 8 that such incapacity is likely to be permanent and that he  
 9 should be retired.

10 ~~(b) If the applicant for disability retirement was~~  
 11 ~~prevented because of the disability from making application~~  
 12 ~~at the time of the commencement of his disability, the~~  
 13 ~~retirement board shall grant the disability retirement upon~~  
 14 ~~the proper application for disability retirement allowance~~  
 15 ~~and make payments retroactive to the thirtieth day after the~~  
 16 ~~date of commencement of his disability.~~

17 ~~(c)~~-(b) Re-examination of beneficiaries retired on  
 18 account of disability. Once each year during the first five  
 19 (5) years following the retirement of a member on disability  
 20 retirement allowance, and once in every three (3) year  
 21 period thereafter the retirement board may, and upon his  
 22 application shall, require a disability beneficiary who has  
 23 not yet attained the age of sixty (60) to undergo a medical  
 24 examination by the medical board or a physician or  
 25 physicians designated by the medical board. The examination

1 above if he is eligible; otherwise he shall receive a  
2 disability retirement allowance which shall consist of:

3 (a) An annuity which shall be the actuarial equivalent  
4 of his accumulated contributions at the time of retirement.

5 (b) A pension which together with his annuity, shall  
6 provide a total retirement allowance equal to ~~one-seventieth~~  
7 ~~(1/70)~~ one sixtieth (1/60) of his average final compensation  
8 multiplied by the number of years of his creditable service,  
9 if such retirement allowance exceeds one-quarter (1/4) of  
10 his average final compensation; otherwise, a pension which,  
11 together with his annuity, shall provide a total retirement  
12 allowance equal to one-quarter (1/4) of his average final  
13 compensation, provided, however, that no such allowance  
14 shall exceed ~~one-seventieth (1/70)~~ one sixtieth (1/60) of  
15 his average final compensation multiplied by the number of  
16 years which would be creditable to him were his service to  
17 continue until the attainment of the minimum age for  
18 superannuation retirement.

19 (c) In the event payments made to a person retired  
20 because of disability do not equal the amount of his  
21 accumulated contributions prior to his death, the difference  
22 between the total retirement allowance paid and the amount  
23 of the accumulated contributions of the member shall be paid  
24 to the beneficiary.

25 (5) Withdrawal of accumulated contributions. Any

1 inactive member electing to do so or any person whose  
2 membership terminates may withdraw his accumulated  
3 contributions to his annuity account in the retirement  
4 system in accordance with the following provisions:

5 (a) An inactive member under the provisions of  
6 subsections (1) or (3) of section 75-6210 may elect, without  
7 right of revocation to withdraw his accumulated  
8 contributions, and if he does not withdraw his accumulated  
9 contributions he shall thereafter remain an inactive member  
10 of the retirement system with the right to qualify for the  
11 benefits of the retirement system;

12 (b) Upon recovery from a disabling illness or  
13 separation from the armed forces, any person qualifying as  
14 an inactive member under the provisions of subsection (2) of  
15 section 75-6210 may withdraw his accumulated contributions  
16 unless he returns to active membership.

17 (c) Any person whose membership terminates under the  
18 provisions of subsection (4) of section 75-6211 may withdraw  
19 his accumulated contributions.

20 (6) Allowances for death of member.

21 (a) Should a member die before retirement the amount  
22 of the member's accumulated contributions shall be paid to  
23 his estate or such person as he may have designated in the  
24 manner prescribed by the retirement board which shall be  
25 filed with the board prior to the member's death.

1 lifetime of the survivor; or

2 (e) Option E. The optional allowance will be payable  
3 while both the member and his designated beneficiary are  
4 living and upon the death of either, two-thirds (2/3) of the  
5 optional allowance shall be continued throughout the  
6 lifetime of the survivor; or

7 (f) Option F. Some other benefit or benefits shall be  
8 paid either to the member or his surviving designated  
9 beneficiary. The provisions of this retirement allowance  
10 shall be approved by the retirement board."

11 Section 4. Section 75-6213, R.C.M. 1947, is amended to  
12 read as follows:

13 "75-6213. Creditable service for out-of-state  
14 employment, employment while on leave, for active service in  
15 the armed forces of the United States and the American red  
16 cross or merchant marine, and before September, 1937. Any  
17 person applying for membership also may apply for creditable  
18 service in the retirement system for out-of-state employment  
19 service that would have been acceptable under the provisions  
20 of this title if such service were performed in the state of  
21 Montana. The person shall be awarded creditable service,  
22 conditional upon his completing five (5) years of active  
23 membership in Montana, for the number of years the  
24 retirement board determines to be creditable service but for  
25 not more than five (5) years, if he contributes to the

1 retirement system an amount equal to ~~five-per-cent--(5%)~~ of  
2 the employee contribution for his first full year's teaching  
3 salary earned in Montana after his out-of-state service for  
4 each year of creditable service plus interest at the rate  
5 the contribution would have earned had the contribution been  
6 in his account upon the completion of five (5) years of  
7 membership service in Montana. The contribution rate shall  
8 be that rate in effect at the time he is eligible for  
9 service. The contributions may be a lump-sum payment or in  
10 installments as agreed between the person and the retirement  
11 board; and

12 (1) Any person applying for membership also may apply  
13 for creditable service in the retirement system for  
14 employment while on leave. The person shall be awarded  
15 creditable service, conditional upon his having been a  
16 member prior to his leave and upon completing five (5) years  
17 of active membership in Montana subsequent to his return,  
18 provided his employment while on leave enhanced his teaching  
19 experience as determined by the board. The person shall be  
20 awarded creditable service as determined by the board but  
21 for not more than two (2) years, if he contributes to the  
22 retirement system an amount equal to ~~ten-and-three-eighths~~  
23 per-cent-(10-3/8%) of the combined employer and employee  
24 contributions for his first full year's teaching salary  
25 earned in Montana after his return from leave for each year

## 1 HOUSE BILL NO. 41

2 INTRODUCED BY LYNCH, QUILICI, HUENNEKENS, MENAHAN,  
 3 MURPHY, C. R. ANDERSON, BARRETT, GUTHRIE, HOLMES, BENGTSON,  
 4 STOLTZ, HARPER, GUNDERSON, MELOY, KELLY, SOUTH, LIEN, ELLIS,  
 5 LORY, KANDUCH, TROPILA, MCFADDEN, LUEBECK, MULAR, GILLIGAN

6  
 7 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE  
 8 LAWS RELATING TO THE TEACHERS' RETIREMENT SYSTEM; AMENDING  
 9 SECTIONS 75-6201, 75-6207, 75-6208, AND 75-6213, R.C.M.  
 10 1947."  
 11

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

13 Section I. Section 75-6201, R.C.M. 1947, is amended to  
 14 read as follows:

15 "75-6201. Definitions. As used in this title, unless  
 16 the context clearly indicates otherwise:

17 (1) "Retirement system" means the teachers' retirement  
 18 system of the state of Montana provided for in section  
 19 75-6202.

20 (2) "Retirement board" means the retirement system's  
 21 governing board provided by section 82A-212.

22 (3) "Employer" means the state of Montana, trustees of  
 23 any district, or other agency or subdivision of the state  
 24 which employs a person who is designated a member of the  
 25 retirement system.

1 (4) "Member" means any person who has an individual  
 2 account in the annuity savings fund; an active member is any  
 3 person included under the provisions of section 75-6209; an  
 4 inactive member is any person included under the provisions  
 5 of section 75-6210.

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

9 (6) "Service" means the performance of such  
 10 instructional duties or related activities as would entitle  
 11 the person to active membership in the retirement system  
 12 under the provisions of section 75-6209.

13 (7) "Prior service" means employment of the same  
 14 nature as service defined in subsection (6) of this section  
 15 but rendered before September 1, 1937.

16 (8) "Creditable service" is that service defined by  
 17 section 75-6212.

18 (9) "Regular interest" means interest at four per cent  
 19 (4%) per annum compounded annually, or at such other rate as  
 20 may be set by the retirement board in accordance with  
 21 subsection (2) of section 75-6206.

22 (10) "Accumulated contributions" means the sum of all  
 23 the amounts deducted from the compensation of a member or  
 24 paid by a member and credited to his individual account in  
 25 the annuity savings fund, together with interest. Regular



1 payments from the annuity savings fund shall be made in the  
2 following manner.

3 (a) Each employer shall deduct from the compensation of  
4 each active member on each and every payroll of such member  
5 for each and every payroll period subsequent to the date on  
6 which such member became a member an amount equal to ~~five~~  
7 ~~and one-eighth-percent-(5-1/8%)~~ SIX AND ONE-EIGHTH PERCENT  
8 (6 1/8%) of such member's earnable compensation, but no  
9 employer shall make any deductions for annuity purposes from  
10 the compensation of a member who has attained the age of  
11 sixty (60) and rendered ~~thirty-five-(35)~~ thirty (30) years of  
12 creditable service if such member elects not to contribute.

13 ~~(b)-in-determining-the-amount-earnable-by-an-active~~  
14 ~~member-in-a-payroll-period,-the-retirement-board-may~~  
15 ~~consider-the-rate-of-compensation-payable-to-such-member-on~~  
16 ~~the-first-day-of-the-payroll-period-as-continuing-throughout~~  
17 ~~such-payroll-period,-and-it-may-omit-deductions-from~~  
18 ~~compensation-for-any-period-less-than-a-full-payroll-period~~  
19 ~~if-a-teacher-was-not-an-active-member-on-the-first-day-of~~  
20 ~~the-payroll-period,-and-to-facilitate-the-making-of~~  
21 ~~deductions,-it-may-modify-the-deduction-required-of-any~~  
22 ~~member-by-such-an-amount-as-shall-not-exceed-one-tenth~~  
23 ~~(1/10)-of-one-percent-(1%) of-the-annual-compensation-upon~~  
24 ~~the-basis-of-which-said-deduction-is-to-be-made.~~

25 ~~(c)-~~ (b) Such deductions shall be made notwithstanding

1 that the minimum compensation provided by law for a member  
2 may be reduced thereby. Every member shall be deemed to  
3 consent and agree to the deductions prescribed by this  
4 section; and payment of salary or compensation less the  
5 deductions shall be a full and complete discharge of all  
6 claims whatsoever for the services rendered by such person  
7 during the period covered by such payment except as to the  
8 benefits provided by the retirement system.

9 ~~(c)-~~ (c) In addition to the contributions deducted  
10 from compensation and subject to the approval of the  
11 retirement board, any member may redeposit in the annuity  
12 savings fund by a single payment or by an increased rate of  
13 contribution an amount equal to the accumulated  
14 contributions plus interest in the amount the contributions  
15 would have earned had the contributions not been withdrawn,  
16 or any part thereof, which he had previously withdrawn, or  
17 any member may deposit therein by a single payment or by an  
18 increased rate of contribution amounts for the purchase of  
19 an additional annuity. Such additional amounts so deposited  
20 shall become a part of his accumulated contributions. In  
21 the case of disability retirement, they shall be treated as  
22 excess contributions returnable to the member in cash or as  
23 an annuity of equivalent actuarial value and shall not be  
24 considered in computing his retirement allowance. The  
25 accumulated contributions of a member withdrawn by him, or

1 (f) All pensions and benefits in lieu thereof,  
2 including pensions payable under section 75-6218, shall be  
3 paid from the pension accumulation fund.

4 (g) The retirement board may in its discretion  
5 transfer to and from the pension accumulation fund the  
6 amount of any surplus or deficit which may develop in the  
7 reserve creditable to the annuity reserve fund, as shown by  
8 actuarial valuation, and also such expenses as hereinafter  
9 provided.

10 (4) Expense fund. The expense fund shall be the fund  
11 to which shall be credited all moneys for the administrative  
12 expenses of the retirement system and from which the  
13 expenses of administration of the retirement system shall be  
14 paid exclusive of amounts payable as retirement allowances  
15 or other benefits. The retirement board shall determine  
16 annually the amount required for the expense fund to defray  
17 the administrative expense in the ensuing fiscal year and  
18 shall credit such an amount to the expense fund from  
19 interest and other earnings realized on the moneys of the  
20 retirement system."

21 Section 3. Section 75-6208, R.C.M. 1947, is amended to  
22 read as follows:

23 "75-6208. Benefits. The retirement, disability and  
24 other benefits of the retirement system shall be granted on  
25 the basis of the following provisions:

1 (1) Superannuation member retirement:

2 (a) Any member ~~who has completed~~ with five (5) years  
3 of creditable service the last five (5) years of which shall  
4 have been in this state, and who has attained the age of  
5 sixty (60), or who has completed ~~thirty-five--(35)~~ THIRTY  
6 (30) years of creditable service, may retire from service,  
7 if he files with the retirement board his written  
8 application setting forth the fact of his retirement.

9 (b) Any member in service who has attained the age of  
10 seventy (70) years during any school year shall be retired  
11 on the first day of September following his seventieth  
12 birthday, except that this provision shall not apply to  
13 teachers in the Montana university system who may be  
14 employed beyond the age of seventy (70) upon the  
15 recommendation of the president of the employing unit to the  
16 board of regents. Members over seventy (70) years of age  
17 shall not: (1) be allowed creditable service for services  
18 rendered after the end of the school year in which the age  
19 of seventy (70) is attained, (2) contribute to the  
20 retirement system after the end of such school year, and (3)  
21 have the compensation received after the end of such school  
22 year used in computing average final salary. Initial  
23 employment of teachers in the Montana university system  
24 beyond the age of seventy (70) may be made upon the  
25 recommendation of the president of the employing unit and

1 fifty-five (55) may retire from service and be eligible to  
 2 an early retirement allowance if he files with the  
 3 retirement board his written application setting forth the  
 4 fact of his retirement. The early retirement allowance  
 5 shall be determined as prescribed in subsections (a) through  
 6 (f) above, with the further provision that such allowance  
 7 will be reduced by one half of one percent (.5%) multiplied  
 8 by the number of months which the retirement date precedes  
 9 the date on which he would have retired had he attained  
 10 sixty (60) years of age or had he completed ~~thirty-five (35)~~  
 11 thirty (30) years of creditable service.

12 ~~(g)~~-(e) In the event of death of a member after  
 13 retirement, a death benefit of five hundred dollars (\$500)  
 14 will be payable to his designated beneficiary.

15 ~~(h)~~-(f) In the event payments made to an annuitant do  
 16 not equal the amount of the member's accumulated  
 17 contributions prior to the annuitant's death, the difference  
 18 between the total retirement allowance paid and the amount  
 19 of the accumulated contributions shall be paid to the  
 20 beneficiary.

21 (3) Disability member retirement:

22 (a) Upon the application of an active member or of his  
 23 employer, any active member who has five (5) or more years  
 24 of creditable service may be retired by the retirement board  
 25 the month immediately following the month in which his

1 disability caused his retirement upon not-less-than-thirty  
 2 ~~(30)---and---not---more---than---(90)---days---after---the---date---of~~ filing  
 3 ~~such~~ an application ~~on~~ for a disability retirement  
 4 allowance. Before any member shall be eligible for a  
 5 disability retirement, the ~~medical~~ board of the retirement  
 6 system shall certify that he is mentally or physically  
 7 incapacitated for the further performance of his duties,  
 8 that such incapacity is likely to be permanent and that he  
 9 should be retired.

10 ~~(b)---if---the---applicant---for---disability---retirement---was~~  
 11 ~~prevented---because---of---the---disability---from---making---application~~  
 12 ~~at---the---time---of---the---commencement---of---his---disability,---the~~  
 13 ~~retirement---board---shall---grant---the---disability---retirement---upon~~  
 14 ~~the---proper---application---for---disability---retirement---allowance~~  
 15 ~~and---make---payments---retroactive---to---the---thirtieth---day---after---the~~  
 16 ~~date---of---commencement---of---his---disability.~~

17 ~~(c)~~-(b) Re-examination of beneficiaries retired on  
 18 account of disability. Once each year during the first five  
 19 (5) years following the retirement of a member on disability  
 20 retirement allowance, and once in every three (3) year  
 21 period thereafter the retirement board may, and upon his  
 22 application shall, require a disability beneficiary who has  
 23 not yet attained the age of sixty (60) to undergo a medical  
 24 examination by the medical board or a physician or  
 25 physicians designated by the medical board. The examination

1 above if he is eligible; otherwise he shall receive a  
2 disability retirement allowance which shall consist of:

3 (a) An annuity which shall be the actuarial equivalent  
4 of his accumulated contributions at the time of retirement.

5 (b) A pension which together with his annuity, shall  
6 provide a total retirement allowance equal to ~~one-seventieth~~  
7 ~~1/70~~ one sixtieth (1/60) of his average final compensation  
8 multiplied by the number of years of his creditable service,  
9 if such retirement allowance exceeds one-quarter (1/4) of  
10 his average final compensation; otherwise, a pension which,  
11 together with his annuity, shall provide a total retirement  
12 allowance equal to one-quarter (1/4) of his average final  
13 compensation, provided, however, that no such allowance  
14 shall exceed ~~one-seventieth-1/70~~ one sixtieth (1/60) of  
15 his average final compensation multiplied by the number of  
16 years which would be creditable to him were his service to  
17 continue until the attainment of the minimum age for  
18 superannuation retirement.

19 (c) In the event payments made to a person retired  
20 because of disability do not equal the amount of his  
21 accumulated contributions prior to his death, the difference  
22 between the total retirement allowance paid and the amount  
23 of the accumulated contributions of the member shall be paid  
24 to the beneficiary.

25 (5) Withdrawal of accumulated contributions. Any

1 inactive member electing to do so or any person whose  
2 membership terminates may withdraw his accumulated  
3 contributions to his annuity account in the retirement  
4 system in accordance with the following provisions:

5 (a) An inactive member under the provisions of  
6 subsections (1) or (3) of section 75-6210 may elect, without  
7 right of revocation to withdraw his accumulated  
8 contributions, and if he does not withdraw his accumulated  
9 contributions he shall thereafter remain an inactive member  
10 of the retirement system with the right to qualify for the  
11 benefits of the retirement system;

12 (b) Upon recovery from a disabling illness or  
13 separation from the armed forces, any person qualifying as  
14 an inactive member under the provisions of subsection (2) of  
15 section 75-6210 may withdraw his accumulated contributions  
16 unless he returns to active membership.

17 (c) Any person whose membership terminates under the  
18 provisions of subsection (4) of section 75-6211 may withdraw  
19 his accumulated contributions.

20 (6) Allowances for death of member.

21 (a) Should a member die before retirement the amount  
22 of the member's accumulated contributions shall be paid to  
23 his estate or such person as he may have designated in the  
24 manner prescribed by the retirement board which shall be  
25 filed with the board prior to the member's death.

1 lifetime of the survivor; or

2 (e) Option E. The optional allowance will be payable  
3 while both the member and his designated beneficiary are  
4 living and upon the death of either, two-thirds (2/3) of the  
5 optional allowance shall be continued throughout the  
6 lifetime of the survivor; or

7 (f) Option F. Some other benefit or benefits shall be  
8 paid either to the member or his surviving designated  
9 beneficiary. The provisions of this retirement allowance  
10 shall be approved by the retirement board."

11 Section 4. Section 75-6213, R.C.M. 1947, is amended to  
12 read as follows:

13 "75-6213. Creditable service for out-of-state  
14 employment, employment while on leave, for active service in  
15 the armed forces of the United States and the American red  
16 cross or merchant marine, and before September, 1937. Any  
17 person applying for membership also may apply for creditable  
18 service in the retirement system for out-of-state employment  
19 service that would have been acceptable under the provisions  
20 of this title if such service were performed in the state of  
21 Montana. The person shall be awarded creditable service,  
22 conditional upon his completing five (5) years of active  
23 membership in Montana, for the number of years the  
24 retirement board determines to be creditable service but for  
25 not more than five (5) years, if he contributes to the

1 retirement system an amount equal to ~~five-per-cent--(5%)--of~~  
2 the employee contribution for his first full year's teaching  
3 salary earned in Montana after his out-of-state service for  
4 each year of creditable service plus interest at the rate  
5 the contribution would have earned had the contribution been  
6 in his account upon the completion of five (5) years of  
7 membership service in Montana. The contribution rate shall  
8 be that rate in effect at the time he is eligible for  
9 service. The contributions may be a lump-sum payment or in  
10 installments as agreed between the person and the retirement  
11 board; and

12 (1) Any person applying for membership also may apply  
13 for creditable service in the retirement system for  
14 employment while on leave. The person shall be awarded  
15 creditable service, conditional upon his having been a  
16 member prior to his leave and upon completing five (5) years  
17 of active membership in Montana subsequent to his return,  
18 provided his employment while on leave enhanced his teaching  
19 experience as determined by the board. The person shall be  
20 awarded creditable service as determined by the board but  
21 for not more than two (2) years, if he contributes to the  
22 retirement system an amount equal to ~~ten-and-three-eighths~~  
23 per-cent--(10-3/8%)--of the combined employer and employee  
24 contributions for his first full year's teaching salary  
25 earned in Montana after his return from leave for each year