

HOUSE BILL 492

IN THE HOUSE

January 31, 1979

Introduced and referred to  
Committee on State Adminis-  
tration.

1 House BILL NO. 492  
 2 INTRODUCED BY Menahan Gilligan Daily  
 3 Hannah Parlant

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE AN ANNUAL  
 5 AUTOMATIC COST-OF-LIVING INCREASE IN RETIREMENT ALLOWANCES  
 6 AND LIFE ANNUITIES RECEIVED UNDER THE TEACHERS' RETIREMENT  
 7 SYSTEM; AMENDING SECTION 19-4-101, MCA."

8  
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Section 19-4-101, MCA, is amended to read:  
 11 "19-4-101. Definitions. As used in this chapter,  
 12 unless the context clearly indicates otherwise, the  
 13 following definitions apply:

14 (1) "Accumulated contributions" means the sum of all  
 15 the amounts deducted from the compensation of a member or  
 16 paid by a member and credited to his individual account in  
 17 the annuity savings fund, together with interest. Regular  
 18 interest shall be computed and allowed to provide a benefit  
 19 at the time of retirement.

20 (2) "Actuarial equivalent" means a benefit of equal  
 21 value when computed, with regular interest, on the basis of  
 22 the mortality tables adopted by the retirement board.

23 (3) "Annuity" means the payments made to a beneficiary  
 24 for life which are derived from a member's accumulated  
 25 contributions.

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

5 (5) "Average final compensation" means the average of  
 6 the earned compensation of a member during the 3 consecutive  
 7 years of full-time service which yield the highest average  
 8 and on which contributions have been made as required by  
 9 19-4-602(1).

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

13 (7) "Creditable service" is that service defined by  
 14 19-4-401.

15 (8) "Earned compensation" means the full compensation,  
 16 pay, or salary actually paid to a member and reported to the  
 17 retirement system, including irregular forms of  
 18 remuneration, such as amounts paid for special duty or under  
 19 a salary reduction agreement, and amounts paid in kind, such  
 20 as maintenance. The employer shall fix the value of any  
 21 compensation paid in kind. The earned compensation of a  
 22 member who had less than 3 consecutive years of full-time  
 23 service during the 5 years preceding his retirement is the  
 24 compensation, pay, or salary which he would have earned had  
 25 his part-time service been full-time service. The earned

1 compensation of a member who is awarded a disability  
2 retirement allowance prior to the completion of a full year  
3 is the compensation, pay, or salary which he would have  
4 received had he completed the full year.

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

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

17 (11) "Index" means, for any calendar year, that year's  
18 annual average consumer price index for urban wage earners  
19 and clerical workers, all items (1957-1959=100) compiled by  
20 the bureau of labor statistics, United States department of  
21 labor, or a successor agency.

22 ~~(11)~~(12) "Member" means a person who has an individual  
23 account in the annuity savings fund. An active member is a  
24 person included under the provisions of 19-4-302. An  
25 inactive member is a person included under the provisions of

1 19-4-303.

2 ~~(12)~~(13) "Part-time service" means service which is  
3 less than full-time or which totals less than 9 months in  
4 any one year. Part-time service shall be credited in the  
5 proportion that the actual time worked bears to full-time  
6 service.

7 ~~(13)~~(14) "Pension" means the payments made to a  
8 beneficiary for life which are paid out of the pension  
9 accumulation fund.

10 ~~(14)~~(15) "Pension reserve" means the present value of  
11 all payments to be made on account of a pension computed,  
12 with regular interest, on the basis of the mortality tables  
13 adopted by the retirement board.

14 ~~(15)~~(16) "Prior service" means employment of the same  
15 nature as service defined in subsection (20) of this section  
16 but rendered before September 1, 1937.

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

20 ~~(17)~~(18) "Retirement allowance" means the annuity plus  
21 the pension.

22 ~~(18)~~(19) "Retirement board" means the retirement  
23 system's governing board provided for in 2-15-1010.

24 ~~(19)~~(20) "Retirement system" means the teachers'  
25 retirement system of the state of Montana provided for in

1 19-4-102.

2 ~~†20†(21)~~ "Service" means the performance of such  
3 instructional duties or related activities as would entitle  
4 the person to active membership in the retirement system  
5 under the provisions of 19-4-302."

6 NEW SECTION. Section 2. Teachers' retirement system  
7 allowance increases. (1) On July 1 of each year, every  
8 teachers' retirement allowance then payable shall be  
9 increased by a percentage equal to the percentage increase  
10 in the index for the previous calendar year from the index  
11 for the calendar year immediately preceding such previous  
12 calendar year.

13 (2) The legislature shall appropriate sufficient money  
14 from the general fund to finance the annual cost-of-living  
15 increases provided by subsection (1).

-End-

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## FISCAL NOTE

Form BD-15

In compliance with a written request received February 1, 1979, there is hereby submitted a Fiscal Note for House Bill 492 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:

House Bill 492 will provided an increase in teachers' retirement allowances on July 1 of each year equal to the percentage increase in the consumer price index for the previous calendar year from the index for the calendar year immediately preceding such previous calendar year and providing that the legislature appropriate from the general fund to finance the annual increases.

## ASSUMPTIONS:

1. Increase in consumer price index from 1977 to 1978 of 8%.
2. Increase in consumer price index from 1978 to 1979 of 8%.

## FISCAL IMPACT:

	<u>FY 1980</u>		<u>FY 1981</u>
<u>Benefits under existing law</u>	\$17,057,546	<u>Benefits under existing law</u>	\$18,763,300
<u>Benefits under proposed law</u>	18,422,150	<u>Benefits under proposed law</u>	21,738,136
<u>General Fund Appropriation required</u>	1,364,604	<u>General Fund Appropriation required</u>	2,974,836

*Richard A. Tracy for*  
 BUDGET DIRECTOR  
 Office of Budget and Program Planning  
 Date: 2/5/79