

HOUSE BILL NO. 558

INTRODUCED BY BARDANOUVE

IN THE HOUSE

February 3, 1979	Introduced and referred to Committee on State Administration.
February 21, 1979	Committee recommend bill do pass as amended. Report adopted. Printed and placed on members' desks.
February 22, 1979	Second reading, do pass. Considered correctly engrossed.
February 23, 1979	Third reading, passed. Transmitted to second house.

IN THE SENATE

February 23, 1979	Introduced and referred to Committee on State Administration.
March 14, 1979	Committee recommend bill be concurred in. Report adopted.
March 15, 1979	Second reading, concurred in.
March 17, 1979	Third reading, concurred in.

IN THE HOUSE

March 19, 1979	Returned from second house. Concurred in. Sent to enrolling. Reported correctly enrolled.
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1 House BILL NO. 558
 2 INTRODUCED BY Bauman

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 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE LAW
 5 REGARDING THE MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
 6 BY INCREASING THE CONTRIBUTIONS TO BE MADE BY CERTAIN
 7 MEMBERS, CITIES, AND THE STATE AND PROVIDING FOR REDUCTION
 8 OF UNFUNDED LIABILITIES; AMENDING SECTIONS 19-9-107,
 9 19-9-503, 19-9-601, 19-9-702, AND 19-9-703, MCA."

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

12 Section 1. Section 19-9-107, MCA, is amended to read:

13 "19-9-107. Election to join plan -- transfer of
 14 assets. (1) Cities other than those participating in the
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 16 of administration in accordance with Chapter 335, Laws of
 17 1974, as of June 30, 1977, may elect to join the plan by
 18 passing an ordinance stating the election and the consent of
 19 the city to be bound by the provisions of this chapter.
 20 Upon the enactment of such an ordinance, the provisions of
 21 this chapter become applicable to the city. Any city
 22 enacting such an ordinance shall send a certified copy
 23 thereof to the board and shall, as soon as possible
 24 thereafter, deposit with the board all cash and securities
 25 held by it in its local police reserve or retirement fund.

1 The value of the securities shall be determined by the
 2 board.

3 (2) The trustees or other administrative head of the
 4 local system as of the effective date of the election shall
 5 certify the proportion, if any, of the funds of the system
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 7 members and the relative shares of the members as of that
 8 date. Such shares shall be charged to the employer and
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 12 employer credits over charges under this section will be
 13 offset, with interest, against future required employer
 14 contributions. Any excess of employer charges over credits
 15 under this section are payable by the employer, with
 16 interest, on a basis determined by the procedure described
 17 in 19-9-503~~(2)~~~~and~~~~(3)~~."

18 Section 2. Section 19-9-503, MCA, is amended to read:

19 "19-9-503. Unfunded liabilities. (1) It is found and
 20 declared by the legislature that many cities operating under
 21 prior plans have excess and unfunded liabilities under such
 22 prior plans, which liabilities cannot be amortized by the
 23 percentage contributions set forth in 19-9-702 and 19-9-703.

24 (2) The administrator shall, on or before October 1,
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-2- HB 558
 INTRODUCED BILL

1 city which participates in the plan created by this chapter.
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 4 ~~and binding on each city~~ must be negotiated between each
 5 city and the administrator. Each city found by the
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 7 a prior plan which as of July 1, 1977, is not funded by sums
 8 on deposit or funds available for deposit with the
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 10 time to amortize its excess liability as determined by the
 11 ~~administrator~~ agreement between the city and the
 12 administrator. ~~if any city and the administrator are unable~~
 13 ~~by January 1, 1978, to negotiate and reduce to writing the~~
 14 ~~terms of an agreement satisfactory to both of them for the~~
 15 ~~city to amortize its excess liability, the administrator~~
 16 ~~shall require such city to pay an additional sum to amortize~~
 17 ~~its excess liability on July 1, 1977, over a period of not~~
 18 ~~more than 10 years.~~

19 (3) Each city found by the administrator to be paying
 20 an amount in excess of the amount necessary to amortize its
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 22 shall receive a credit in the accounts of the administrator
 23 for any such excess payments.

24 (4) For each city with an unfunded liability, any
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1 that exceeds the amount necessary to maintain the current
 2 level of unfunded liability must be applied to the reduction
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4 Section 3. Section 19-9-601, MCA, is amended to read:
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 9 employer as a police officer after June 30, 1979, 9% of his
 10 monthly compensation, excluding overtime, holiday payments,
 11 shift differential payments, compensation time payments, and
 12 payments in lieu of sick leave and annual leave, for his
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17 Section 4. Section 19-9-702, MCA, is amended to read:
 18 "19-9-702. State contribution. The state of Montana
 19 shall make its contributions through the state auditor out
 20 of the premium tax on motor vehicle property and casualty
 21 insurance policies. Such payments shall be made annually
 22 from the gross premium tax after deduction for cancellations
 23 and returned premiums. The administrator shall notify the
 24 auditor of the annual compensation paid to all active
 25 members during the preceding year, and the state's

1 contribution shall be ~~12%~~ 13% of such compensation."

2 Section 5. Section 19-9-703, MCA, is amended to read:

3 "19-9-703. Employer contribution. Each employer shall
4 make its contribution on behalf of members through the city
5 treasurer or other appropriate official out of moneys
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7 contribution shall be ~~12%~~ 13% of the total monthly
8 compensation paid to all active members during the preceding
9 month and shall be payable monthly to the administrator."

-End-

STATE OF MONTANA

Request No. 223-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 6, 1979, there is hereby submitted a Fiscal Note for House Bill 558 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 amend the law regarding the Municipal Police Officers' Retirement System by increasing the contributions to be made by certain members, cities, and the state and provide for the reduction of unfunded liabilities.

ASSUMPTION:

The additional state contribution is based on FY 1978 annual salaries of policemen in the Municipal Police Officers' Retirement System.

FISCAL IMPACT:

Additional cost of proposed legislation	<u>FY 80</u>	<u>FY 80</u>
Data processing system revision	\$10,500	\$ 0
Employer contributions	<u>54,200</u>	<u>57,420</u>
Total	<u>\$64,700</u>	<u>\$57,420</u>

The additional operating costs must be funded from the PERS earmarked Revenue Fund. The additional contributions are made from insurance premium tax collections, the excess of which is deposited into the State General Fund.

LOCAL IMPACT:

One percent of the unfunded liability will be transferred from the cities to the state.

Richard L. Drury for
 BUDGET DIRECTOR
 Office of Budget and Program Planning
 Date: 2/9/79

Approved by Committee
on State Administration

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19 the city to be bound by the provisions of this chapter.
20 Upon the enactment of such an ordinance, the provisions of
21 this chapter become applicable to the city. Any city
22 enacting such an ordinance shall send a certified copy
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24 thereafter, deposit with the board all cash and securities
25 held by it in its local police reserve or retirement fund.

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 22 (4), THEY MAY, BY MUTUAL AGREEMENT OF THE CITIES, SELECT A
 23 QUALIFIED ACTUARY, AS DEFINED IN SECTION 19-9-504, TO
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 25 WITH THE CONCLUSIONS OF THE SECOND ACTUARIAL VALUATION TO

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 21 ~~NEGOTIATE AND REDUCE TO WRITING THE TERMS OF AN AGREEMENT~~
 22 ~~SATISFACTORY TO BOTH OF THEM FOR THE CITY TO AMORTIZE ITS~~
 23 ~~EXCESS LIABILITY, THE ADMINISTRATOR SHALL REQUIRE SUCH CITY~~
 24 ~~TO PAY AN ADDITIONAL SUM TO AMORTIZE ITS EXCESS LIABILITY ON~~
 25 ~~JULY 1, 1977, OVER A PERIOD OF NOT MORE THAN 40 YEARS.~~

1 (3) Each city found by the administrator to be paying
 2 an amount in excess of the amount necessary to amortize its
 3 liabilities under the prior plan and under this chapter
 4 shall receive a credit in the accounts of the administrator
 5 for any such excess payments.

6 ~~(4) For each city with an unfunded liability, any~~
 7 ~~portion of the member, employer, and state contributions~~
 8 ~~that exceeds the amount necessary to maintain the current~~
 9 ~~level of unfunded liability must be applied to the reduction~~
 10 ~~of the unfunded liability. THE EXCESS UNFUNDED LIABILITY~~
 11 ~~FOR EACH CITY SHALL BE REVALUATED BY THE ADMINISTRATOR ON~~
 12 ~~JULY 1, 1980, AS PART OF THE NORMAL ACTUARIAL VALUATIONS~~
 13 ~~REQUIRED IN 19-9-504 REFLECTING THE CHANGE IN THE~~
 14 ~~CONTRIBUTION RATES MADE IN [SECTION 3, 4, AND 5 OF THIS~~
 15 ~~BILL], AND EACH CITY'S FUNDING POSITION WILL BE CHANGED~~
 16 ~~USING THE PROCEDURES OF SECTION 19-9-107. THE RESULTING~~
 17 ~~REPORT WILL BE MADE AVAILABLE TO THE CITIES NO LATER THAN~~
 18 ~~OCTOBER 1, 1980.~~

19 ~~(5) IF A MAJORITY OF THE CITIES PARTICIPATING IN THE~~
 20 ~~MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM DO NOT AGREE~~
 21 ~~WITH THE RESULTS OF THE REVALUATION OUTLINED IN SUBSECTION~~
 22 ~~(4), THEY MAY, BY MUTUAL AGREEMENT OF THE CITIES, SELECT A~~
 23 ~~QUALIFIED ACTUARY, AS DEFINED IN SECTION 19-9-504, TO~~
 24 ~~PERFORM A SECOND ACTUARIAL VALUATION AS OF JULY 1, 1980,~~
 25 ~~WITH THE CONCLUSIONS OF THE SECOND ACTUARIAL VALUATION TO~~

1 REPLACE THE ACTUARIAL VALUATION DISCUSSED IN SUBSECTION (4).
 2 THE COST OF THE SECOND ACTUARIAL VALUATION SHALL BE PAID BY
 3 ALL ENTITIES PARTICIPATING IN THE SYSTEM IN PROPORTION TO
 4 THEIR ACTIVE MEMBERSHIP IN THE SYSTEM AS OF JULY 1, 1980.

5 (6) THE TIME AND METHOD OF SETTLEMENT ON THE UNFUNDED
 6 LIABILITY WILL BE AS AGREED ON BY THE ADMINISTRATOR AND THE
 7 CITY. THE MINIMUM ALLOWABLE PAYMENT MUST BE EQUAL TO OR
 8 GREATER THAN THE INTEREST DUE AT THE INTEREST RATE USED IN
 9 THE ACTUARIAL STUDY FOR THE UNFUNDED BALANCE."

10 Section 3. Section 19-9-601, MCA, is amended to read:

11 "19-9-601. Member contributions. The treasurer or
 12 other appropriate official of each employer shall retain
 13 from the monthly compensation of each active member a sum
 14 equal to 6% or, in the case of a member first employed by an
 15 employer as a police officer after June 30, 1979, 9% 7 1/2%
 16 of his monthly compensation, excluding overtime, holiday
 17 payments, shift differential payments, compensation time
 18 payments, and payments in lieu of sick leave and annual
 19 leave, for his services as a police officer. The monthly
 20 deduction from the salaries of police officers shall be paid
 21 to the administrator for the purpose of paying the
 22 retirement allowances of retired police officers."

23 Section 4. Section 19-9-702, MCA, is amended to read:

24 "19-9-702. State contribution. The state of Montana
 25 shall make its contributions through the state auditor out

1 of the premium tax on motor vehicle property and casualty
 2 insurance policies. Such payments shall be made annually
 3 from the gross premium tax after deduction for cancellations
 4 and returned premiums. The administrator shall notify the
 5 auditor of the annual compensation paid to all active
 6 members during the preceding year, and the state's
 7 contribution shall be ~~12%~~ ~~13%~~ 14% of such compensation."

8 Section 5. Section 19-9-703, MCA, is amended to read:

9 "19-9-703. Employer contribution. Each employer shall
 10 make its contribution on behalf of members through the city
 11 treasurer or other appropriate official out of moneys
 12 available to the city for such purpose. The employer's
 13 contribution shall be ~~12%~~ ~~13%~~ 14% of the total monthly
 14 compensation paid to all active members during the preceding
 15 month and shall be payable monthly to the administrator."

-End-