

HOUSE BILL 614

IN THE HOUSE

February 6, 1979	Introduced and referred to Committee on State Administration.
February 20, 1979	Committee recommend bill, do not pass.
February 21, 1979	Report adopted. Objection.
February 23, 1979	Second reading as amended, do not pass.

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 2 INTRODUCED BY *House* BILL NO. *614*  
 3 *Walter Waldron, Bangor*  
*Amended*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE  
 5 TEACHERS' RETIREMENT SYSTEM BOARD TO CREDIT TO EACH MEMBER'S  
 6 ACCOUNT THE ACTUAL INTEREST EARNINGS IN THE PREVIOUS FISCAL  
 7 YEAR MINUS THE REASONABLE COSTS OF ADMINISTRATION; AMENDING  
 8 SECTION 19-4-101, MCA."

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

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

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

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

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

1 contributions.

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

6 (5) "Average final compensation" means the average of  
 7 the earned compensation of a member during the 3 consecutive  
 8 years of full-time service which yield the highest average  
 9 and on which contributions have been made as required by  
 10 19-4-602(1).

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

14 (7) "Creditable service" is that service defined by  
 15 19-4-401.

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

1 his part-time service been full-time service. The earned  
2 compensation of a member who is awarded a disability  
3 retirement allowance prior to the completion of a full year  
4 is the compensation, pay, or salary which he would have  
5 received had he completed the full year.

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

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

18 (11) "Member" means a person who has an individual  
19 account in the annuity savings fund. An active member is a  
20 person included under the provisions of 19-4-302. An  
21 inactive member is a person included under the provisions of  
22 19-4-303.

23 (12) "Part-time service" means service which is less  
24 than full-time or which totals less than 9 months in any one  
25 year. Part-time service shall be credited in the proportion

1 that the actual time worked bears to full-time service.

2 (13) "Pension" means the payments made to a beneficiary  
3 for life which are paid out of the pension accumulation  
4 fund.

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

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

12 (16) "Regular interest" means ~~interest at 4% per annum~~  
13 ~~compounded annually or at such other rate as may be set by~~  
14 ~~the retirement board in accordance with 19-4-501(2) the~~  
15 actual interest earned in the previous fiscal year on an  
16 account minus reasonable expenses of administration.

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

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

21 (19) "Retirement system" means the teachers' retirement  
22 system of the state of Montana provided for in 19-4-102.

23 (20) "Service" means the performance of such  
24 instructional duties or related activities as would entitle  
25 the person to active membership in the retirement system

1 under the provisions of 19-4-302."

-End-

H B 614

STATE OF MONTANA

REQUEST NO. 267-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 7, 19 79, there is hereby submitted a Fiscal Note for H.B. 614 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 614 prescribes the rate of interest credited members' accounts as the actual interest earned in the previous fiscal year minus reasonable expenses of administration.

COMMENTS:

No dollar estimate can be made for H.B. 614. The amount of interest credited does not affect retirement benefits paid. Members withdrawing their contributions upon terminating employment will be paid a higher rate of interest and members purchasing out-of-state service, service while on leave, military service, or repayment of withdrawals will pay a higher rate of interest. The financial impact upon the system will be minimal.

*Richard L. Denny for*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2/9/79