

HOUSE BILL 804

IN THE HOUSE

February 14, 1979	Introduced and referred to Committee on State Administration.
February 20, 1979	Committee recommend bill, do not pass.
February 21, 1979	Report adopted.

1 *HOUSE* BILL NO. *804*
 2 INTRODUCED BY *Anderson Harrington Pooney*
 3 *Safat League*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CHANGE THE FORMULA
 5 FOR THE TEACHERS' RETIREMENT SYSTEM; AMENDING SECTIONS
 6 19-4-602, 19-4-605, AND 19-4-804, MCA."

7
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 Section 1. Section 19-4-602, MCA, is amended to read:
10 "19-4-602. Annuity savings fund -- member's
11 contribution. The annuity savings fund is a fund in which
12 the contributions from the members to provide for their
13 annuities shall be accumulated in individual accounts for
14 each member. Contributions to and payments from the annuity
15 savings fund shall be made in the following manner:

16 (1) Each employer shall deduct from the compensation
17 of each active member on the payroll for each payroll period
18 on and subsequent to the date on which the member became a
19 member an amount equal to ~~6.187%~~ 7.110% of the member's
20 earned compensation.

21 (2) The deductions shall be made notwithstanding that
22 the minimum compensation provided by law for a member may be
23 reduced thereby. Every member is considered to consent to
24 the deductions prescribed by this section, and payment of
25 salary or compensation less the deductions is a complete

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

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9 has previously withdrawn, plus interest in the amount the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11 been withdrawn.

12 (4) The accumulated contributions of a member
13 withdrawn by him or paid to his estate or to his designated
14 beneficiary in event of his death shall be paid from the
15 annuity savings fund. Upon the retirement of a member, his
16 accumulated contributions shall be transferred from the
17 annuity savings fund to the annuity reserve fund."

18 Section 2. Section 19-4-605, MCA, is amended to read:

19 "19-4-605. Pension accumulation fund -- employer's
20 contribution. The pension accumulation fund is the fund in
21 which the reserves for payment of pensions shall be
22 accumulated and from which pensions and benefits in lieu
23 thereof shall be paid to or on account of beneficiaries
24 credited with prior service. Contributions to and payments
25 from the pension accumulation fund shall be made as follows:

1 (1) Each employer shall pay into the pension
2 accumulation fund an amount equal to ~~6.312%~~ 7.305% of the
3 earned compensation of each member employed during the whole
4 or part of the preceding payroll period.

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

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

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

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

24 (6) All pensions and benefits in lieu thereof shall be
25 paid from the pension accumulation fund.

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

7 Section 3. Section 19-4-804, MCA, is amended to read:

8 "19-4-804. Allowance for superannuation retirement.

9 (1) Upon superannuation retirement a member shall receive a
10 retirement allowance consisting of a pension which, together
11 with an annuity, provides a retirement allowance equal to
12 one-sixtieth of his average final compensation multiplied by
13 the number of years of creditable service before July 1,
14 1979, and a retirement allowance equal to one-fiftieth of
15 his average final compensation multiplied by the number of
16 years of creditable service after July 1, 1979.

17 (2) The minimum annual retirement allowance for a
18 member who has 30 or more years of creditable service is
19 \$2,400, and the minimum retirement allowance for a member
20 whose creditable service is less than 30 years is based on
21 an amount which bears the same ratio to \$2,400 as his
22 service bears to 30 years.

23 (3) Any retired member may be employed as a part-time
24 or substitute teacher in Montana and may earn, without loss
25 of retirement benefits, the greater of an amount not to

LC 1499/01

1 exceed one-fourth of his average final compensation and
2 one-fourth of the median of the average final compensation
3 for members retired during the preceding fiscal year as
4 determined by the retirement board."

-End-

STATE OF MONTANA

Request No. 395-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 16, 1979, there is hereby submitted a Fiscal Note for House Bill 804 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 804 provides for a change in the retirement formula for teachers from the present 1/60th of average final salary for each year of creditable service to 1/50th of average final salary for each year of creditable service rendered after July 1, 1979 and provides for increased contributions.

FISCAL IMPACT:

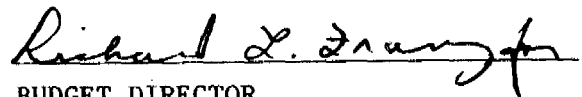
An actuarial valuation reveals that an increase in contributions of 1.966% would be required to adequately fund the increase in benefits. The required employer contribution would be 7.295% of salary rather than the present 6.312%. The required employee contribution would be 7.17% of salary rather than the present 6.187%. The additional cost to Montana state government, therefore, is a .983% increase in contributions for applicable employees.

LOCAL IMPACT:

Local governments will have to pay an additional .983% in benefits for applicable employees.

TECHNICAL NOTES:

Line 2, Page 3 should read: 7.295% rather than 7.305%.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: 2/20/79