

House Bill 115

In The House

January 7, 1981	Introduced and referred to Committee on State Administration.
January 9, 1981	Fiscal note requested.
January 13, 1981	Fiscal note returned.
January 17, 1981	Committee recommend bill do not pass.

1 membership service and prior service. A member employed on a
 2 part-time basis shall receive credit for a year of service
 3 for each fiscal year during which such member was employed
 4 throughout the year and was engaged in his duties the full
 5 amount of time he was required by his employment to be so
 6 engaged.

7 (14) "Disability" and "incapacity for performance of
 8 duty", referred to herein as a basis of retirement, mean
 9 disability of permanent duration or disability of extended
 10 and uncertain duration, as determined by the board on the
 11 basis of competent medical opinion.

12 (15) "Employee" means any person who is employed by an
 13 employer in any capacity whatever and whose salary is paid
 14 either by warrant of the employer or from the fees or income
 15 of any department or agency of the employer. "Employee"
 16 means further any person considered such pursuant to
 17 19-3-402.

18 (16) "Employer" means the state of Montana, its
 19 university system or any of the colleges, schools,
 20 components, or units thereof for the purposes of this
 21 chapter, or any political subdivision or governmental entity
 22 which has contracted to come into the system.

23 (17) "Employer contributions" means payments to the
 24 retirement fund from appropriations of the state of Montana
 25 pursuant to 19-3-801 and from contracting employers pursuant

1 to the contracts between them and the board.

2 (18) "Final compensation" means a member's highest
 3 average annual compensation during any 3 consecutive years
 4 of membership service. Lump-sum payments for sick leave and
 5 annual leave paid to the employee upon termination of
 6 employment may be used in the calculation of a retirement
 7 allowance only to the extent that they are used to replace,
 8 on a month for month basis, the normal compensation for a
 9 month or months included in the calculation of the final
 10 salary. A lump-sum payment may not be added to a single
 11 month's compensation.

12 (19) "Fiscal year" means any year commencing with July
 13 1 and ending June 30 next following.

14 (20) "Head of department" means the head of any
 15 department, institution, or branch of the state service
 16 which directly pays salaries out of its income or which
 17 prepares, approves, and submits salary statements of its
 18 employees to the department of administration, state
 19 auditor, and state treasurer for payment.

20 (21) "Member" means any person included in the
 21 membership of the retirement system set forth in 19-3-401
 22 and not excluded in 19-3-402, 19-3-403, or 19-3-406.

23 (22) "Membership service" means service with respect to
 24 which normal contributions and employer contributions are
 25 paid. A member of the legislature of Montana shall be

1 credited with membership service for that portion of each
2 year for which he pays normal contributions pursuant to
3 subsection (11) of this section.

4 (23) "Normal contributions" means contributions
5 required from members under this chapter and any optional
6 contributions made under the provisions of 19-3-502 and
7 19-3-704.

8 (24) "Pension" means payments for life derived from
9 contributions made from the state controlled funds or, in
10 the case of members from contracting employers, from the
11 funds of such contracting employers, as provided in this
12 chapter.

13 (25) "Prior service" means all service rendered as an
14 employee of the state before July 1, 1945, and all service
15 rendered as an employee of a contracting employer before
16 July 1, 1947. Prior service includes all service rendered
17 prior to July 1, 1945, as a member of the legislative
18 assembly or lieutenant governor of Montana.

19 (26) "Regular interest" means ~~interest-at-the-rate-set~~
20 ~~from-time-to-time-by-the-board~~ the overall portfolio yield
21 for the retirement fund in the previous fiscal year minus
22 reasonable expenses for administration.

23 (27) "Retirement" means withdrawal from active service
24 with a retirement allowance granted under the provisions of
25 this chapter.

1 (28) "Retirement allowance" means the periodic benefit
2 payable following service, early, or disability retirement.

3 (29) "Retirement fund" means the public employees'
4 retirement account in the agency fund.

5 (30) "Retirement system" means the public employees'
6 retirement system created by this chapter.

7 (31) "Service" means employment of an employee, except
8 as provided in 19-3-501 and 19-3-502.

9 (32) "Survivorship allowance" means payments for life
10 to the beneficiary of a deceased member as provided in part
11 12 of this chapter.

12 (33) "Written application" means a written instrument
13 duly executed and filed with the board and containing all
14 information required by the board, including such proofs of
15 age as the board considers necessary."

16 Section 2. Section 19-3-304, MCA, is amended to read:

17 "19-3-304. Powers and duties of board. (1) The board
18 may establish such rules as it deems proper for the
19 administration and operation of the retirement system and
20 enforcement of this chapter, subject to its limitation. The
21 board shall establish those uniform rules as are necessary
22 to determine credit for fractional years of service.

23 (2) The board shall determine who are employees within
24 the meaning of this chapter. The board shall be the sole
25 authority under this chapter as to the conditions under

1 which persons may become members of and receive benefits
 2 under the retirement system. The board shall determine and
 3 may modify allowances for service and disability under this
 4 chapter. All persons in similar circumstances shall be
 5 treated alike.

6 (3) The board shall maintain such records and accounts
 7 it determines necessary for the administration of this
 8 chapter.

9 (4) Upon the basis of the findings of the actuary
 10 pursuant to 19-3-305, the board shall adopt those actuarial
 11 tables ~~and those rates of regular interest~~ it determines
 12 appropriate to comply with the provisions of this chapter."

13 Section 3. Section 19-4-101, MCA, is amended to read:
 14 "19-4-101. Definitions. As used in this chapter,
 15 unless the context clearly indicates otherwise, the
 16 following definitions apply:

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

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

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

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

8 (5) "Average final compensation" means the average of
 9 the earned compensation of a member during the 3 consecutive
 10 years of full-time service which yield the highest average
 11 and on which contributions have been made as required by
 12 19-4-602(1).

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

16 (7) "Creditable service" is that service defined by
 17 19-4-401.

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

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

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

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

20 (11) "Member" means a person who has an individual
 21 account in the annuity savings fund. An active member is a
 22 person included under the provisions of 19-4-302. An
 23 inactive member is a person included under the provisions of
 24 19-4-303.

25 (12) "Part-time service" means service which is less

1 than full-time or which totals less than 9 months in any one
 2 year. Part-time service shall be credited in the proportion
 3 that the actual time worked bears to full-time service.

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

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

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

14 (16) "Regular interest" means ~~interest-at-4%--per--annum~~
 15 ~~compounded--annually--or-at-such-other-rate-as-may-be-set-by~~
 16 ~~the-retirement-board--in--accordance--with--19-4-501(2) the~~
 17 overall portfolio yield for the retirement fund in the
 18 previous fiscal year minus reasonable expenses for
 19 administration.

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

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

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

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

5 Section 4. Section 19-4-201, MCA, is amended to read:

6 "19-4-201. Administration by retirement board. The
7 retirement board shall administer and operate the retirement
8 system within the limitations prescribed by this chapter,
9 and to this end, it is the duty of the retirement board to:

10 (1) establish rules necessary for the proper
11 administration and operation of the retirement system;

12 (2) approve or disapprove all expenditures necessary
13 for the proper operation of the retirement system;

14 (3) keep a record of all its proceedings, which must
15 be open to public inspection;

16 (4) publish a biennial report by January 1 of each
17 year the legislature meets which reports in detail the
18 fiscal transactions for the 2 fiscal years immediately
19 preceding the report due date, the amount of the accumulated
20 cash and securities of the retirement system, and the last
21 fiscal year balance sheet showing the assets and liabilities
22 of the retirement system and submit the biennial report to
23 the governor and furnish copies to the legislature;

24 (5) keep in convenient form that data which is
25 necessary for actuarial valuation of the various funds of

1 the retirement system and for checking the experience of the
2 retirement system;

3 (6) prepare an annual valuation of the assets and
4 liabilities of the retirement system;

5 (7) prescribe a form for membership application which
6 will provide adequate and necessary information for the
7 proper operation of the retirement system;

8 ~~(8) annually determine the rate of regular interest as~~
9 ~~prescribed in 19-4-501;~~

10 (9)(8) establish and maintain the funds of the
11 retirement system in accordance with the provisions of part
12 6 of this chapter; and

13 ~~(10)(9) perform such other duties and functions as are~~
14 ~~required to properly administer and operate the retirement~~
15 ~~system."~~

16 Section 5. Section 19-4-501, MCA, is amended to read:

17 "19-4-501. Financial administration of moneys. The
18 members of the retirement board are the trustees of all
19 moneys collected for the retirement system, and as such
20 trustees, they shall provide for the financial
21 administration of the moneys in the following manner:

22 (1) The moneys shall be invested and reinvested by the
23 state board of investments.

24 ~~(2) The retirement board annually shall establish the~~
25 ~~rate of regular interest.~~

1 ~~(3)~~(2) The retirement board annually shall divide
2 among the several funds of the retirement system an amount
3 equal to the average balance of the funds during the
4 preceding fiscal year multiplied by the rate of regular
5 interest. In accordance with the provisions of 19-4-605(5),
6 the amount to be credited to each fund shall be allocated
7 from the interest and other earnings on the moneys of the
8 retirement system actually realized during the preceding
9 fiscal year, less the amount allocated to the expense fund
10 under the provisions of 19-4-606.

11 ~~(4)~~(3) The state treasurer is the custodian of the
12 collected retirement system moneys and of the securities in
13 which the moneys are invested. All expenditures from the
14 moneys may be made only upon claims signed by two persons
15 designated by the retirement board. A properly attested copy
16 of a resolution of the retirement board designating such
17 persons and bearing on its face specimen signatures of each
18 person shall be filed with the department of administration
19 as its authority for approving such claims.

20 ~~(5)~~(4) All the funds established by part 6 of this
21 chapter, except the expense fund, shall be accounts in the
22 agency fund of the treasury fund structure of the state. The
23 expense fund shall be an account in the earmarked revenue
24 fund of the same treasury fund structure."

-End-

HB 115

STATE OF MONTANA

REQUEST NO. 67-81

FISCAL NOTE

Form BD-15

In compliance with a written request received 1-11, 19 80, there is hereby submitted a Fiscal Note for H.B. 115 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 LEGISLATION:

H.B. 115 sets the interest rate credited to employee contribution based on the yield earned by the system in the previous year.

Assumption: 1. Assume yield remains the same over next two years at 8.78%.
2. Present interest rate 7.50%
3. Increase in interest refunded \$100,889 per year.

FISCAL IMPACT

The cost to the retirement fund over the next two years could be in excess of \$300,000. In addition, there would be increased liability for lump sum death payments and refund of the balance of a member account on a regular retirement which will be approximately \$311,000 per fiscal year.

PUBLIC EMPLOYEES:

	<u>FY 82</u>	<u>FY 83</u>	<u>Total</u>
Cost to the Retirement System	\$ 411,000	\$ 512,000	\$ 923,000

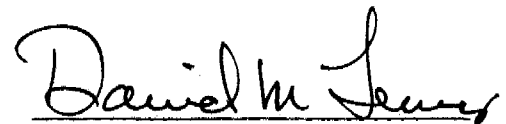
TEACHERS:

Cost to the Retirement System	\$ 50,782	\$ 56,369	\$ 107,151
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Total Cost			<u>\$1,030,151</u>
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COMMENT:

The retirement funds will be, over the next several years, refunding at a higher rate, however, should the yield earned by the fund decrease, the interest credited could be greater than the interest being earned.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: _____