

HOUSE BILL NO. 23

INTRODUCED BY HARPER, METCALF, ZABROCKI, KEENAN, O'CONNELL,
J. BROWN, MCCORMICK, MCBRIDE, PISTORIA, NISBET, VELEBER,
HAND, FARRIS, BACHINI, PECK, BERG, MOHAR, FULLER, MAZUREK,
R. MANNING, QUILICI, LYNCH, DRISCOLL, JACOBSON,
VINCENT, J. HAMMOND, STIMATEZ, HEMSTAD, ROUSH

IN THE HOUSE

January 3, 1983	Introduced and referred to Committee on State Administration.
January 11, 1983	On motion by Chief Sponsor, Representatives Metcalf, Zabrocki, et al., were added as sponsors to the bill.
February 14, 1983	Committee recommend bill do pass as amended. Report adopted.
February 15, 1983	Bill printed and placed on members' desks. On motion, taken from printing and referred to Committee on Appropriations.
March 28, 1983	Committee recommend bill do not pass. Objection to adverse committee report. On motion rules suspended and bill placed on second reading this day.
March 29, 1983	Second reading, do pass as amended.
March 30, 1983	Correctly engrossed. Third reading, passed. Transmitted to Senate.

IN THE SENATE

April 7, 1983

Introduced and referred to
Committee on Finance and
Claims.

April 16, 1983

On motion taken from Committee
on Finance and Claims and
placed on second reading.

April 18, 1983

Second reading, concurred in.

April 19, 1983

Third reading, concurred in.
Ayes, 39; Noes, 8.

IN THE HOUSE

April 19, 1983

Returned to House.

April 20, 1983

Sent to enrolling.

Reported correctly enrolled.

1 HOUSE BILL NO. 23
2 INTRODUCED BY HARPER
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AD HOC
5 COST-OF-LIVING INCREASES IN SERVICE AND DISABILITY
6 RETIREMENT ALLOWANCES AND SURVIVORSHIP ALLOWANCES FOR
7 MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THEIR
8 BENEFICIARIES; INCREASING THE MINIMUM MONTHLY BENEFIT
9 ALLOWANCE FOR MEMBERS AND THEIR BENEFICIARIES; PROVIDING
10 FUNDING FOR THESE BENEFIT INCREASES THROUGH EMPLOYER
11 CONTRIBUTIONS; AMENDING SECTION 19-3-801, MCA; AND PROVIDING
12 AN EFFECTIVE DATE."
13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
15 NEW SECTION. Section 1. Cost-of-living increase.
16 Effective July 1, 1983, each monthly service or disability
17 retirement allowance or survivorship allowance payable to a
18 member of the public employees' retirement system or his
19 beneficiary must be increased as follows:
20 (1) \$35 for a member with 15 or more years of
21 creditable service, retired before July 1, 1983;
22 (2) \$15 for a member with less than 15 years of
23 creditable service, retired before July 1, 1983;
24 (3) \$2.50 for each year of creditable service, up to a
25 maximum of \$75, for a member retired before July 1, 1981;

1 and
2 (4) \$2.00 for each full year of retirement for a
3 member retired before July 1, 1977.
4 NEW SECTION. Section 2. Minimum monthly benefit
5 allowance. (1) A member retired before July 1, 1983, who is
6 receiving a service or disability retirement allowance, or
7 his beneficiary who is receiving a service or disability
8 retirement allowance, or his surviving spouse or dependent
9 child who is receiving a survivorship allowance, is eligible
10 for a minimum monthly benefit allowance based on the ratio
11 of a member's years of creditable service to 30 multiplied
12 by \$400 and subject to the following adjustments. The
13 benefit must be:
14 (a) based on 30 years of creditable service for a
15 member or beneficiary receiving a disability or survivorship
16 allowance;
17 (b) adjusted by the actuarial factors determined by
18 the public employees' retirement board for a member or
19 beneficiary receiving an optional or early retirement
20 allowance or for a surviving spouse or dependent child
21 receiving a survivorship allowance; and
22 (c) multiplied by a ratio equal to the member's final
23 average salary to \$4,800 (such ratio not to exceed 1) for
24 elected officials, Montana national guardsmen, and
25 independent contractors. INTRODUCED BILL

(2) A member or his beneficiary who is eligible for a minimum monthly benefit allowance under subsection (1) is entitled to receive this benefit increase before his allowance is adjusted under [section 1].

Section 3. Section 19-3-801, MCA, is amended to read:

"19-3-801. Employer contribution rates -- actuarial determination. (1) Each employer shall contribute to the cost of benefits under the system. The amount of the employer contributions shall be computed by applying to member's compensation the sum of the current service contribution rate and the unfunded liability contribution rate. The sum of these rates shall be ~~6.32%~~ 6.77% from July 1, 1983, and thereafter.

(2) The actuary shall determine the current service contribution rate to be that level percentage of the present value of the future compensation of the average new member entering the system which equals the then present value of the excess of all prospective benefits in respect of such member over the member's own normal contributions.

(3) The actuary shall determine the minimum unfunded liability contribution rate to be that level percentage of the present value of the prospective compensation of all members for the 40-year period following the date of the determination which is equal to the unfunded liability on that date. The unfunded liability at any time is the excess

of the present value of all future benefits payable in respect of all persons then entitled to benefits under the system over the sum of the retirement fund and the present values of the future current service contributions and normal contributions payable in respect of all such persons."

NEW SECTION. Section 4. Coordination section. If both this act and ____ Bill No. ____ [LC 177], introduced in the 48th legislature, are passed and approved, the percentage amount contained in 19-3-801 must reflect the sum of the increases in the employer contribution provided in ____ Bill No. ____ [LC 177] and this act.

NEW SECTION. Section 5. Effective date. This act is effective July 1, 1983.

-End-

STATE OF MONTANA

REQUEST NO. 029-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 6, 19 83, there is hereby submitted a Fiscal Note for House Bill 23 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).
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 23 is an act providing ad hoc cost-of-living increases in service and disability retirement allowances and survivorship allowances for members of the Public Employees' Retirement System (PERS) and their beneficiaries.

ASSUMPTIONS:

- 1) All calculations are based on 1982 PERS Actuarial Valuation - 40-year funding basis.
- 2) The 1982 annual salary base of \$377,120,013 was increased on 5 1/2% compounded basis.
- 3) Based on 1982 PERS payroll reports, the employer contributions were projected to be 45% state and 55% political subdivisions. Employer contributions are currently 6.32% of salary.

FISCAL IMPACT:

Employer contributions to PERS Trust Fund:

	<u>FY 1984</u>			<u>FY 1985</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Increase</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Increase</u>
State (45%)	\$11,937,519	\$12,787,501	\$ 849,982	\$12,594,083	\$13,490,813	\$ 896,730
Local Government (55%)	14,590,301	15,629,167	1,038,866	15,392,768	16,488,772	1,096,004
Total	<u>\$26,527,820</u>	<u>\$28,416,668</u>	<u>\$1,888,848</u>	<u>\$27,986,851</u>	<u>\$29,979,585</u>	<u>\$1,992,734</u>
Benefits Paid By PERS Trust Fund:						
TOTAL	<u>\$27,960,000</u>	<u>\$34,604,956</u>	<u>\$6,644,956</u>	<u>\$30,756,000</u>	<u>\$37,201,607</u>	<u>\$6,445,607</u>

COMMENT:

Agencies are not budgeted for the increase in the Executive and LFA budget requests. Benefits for all agencies would have to be increased.

FISCAL NOTE 3:E/1

David M. Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-11-83

Approved by Committee
on State Administration

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A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AN AD HOC
COST-OF-LIVING INCREASES INCREASE IN SERVICE AND DISABILITY
RETIREMENT ALLOWANCES AND SURVIVORSHIP ALLOWANCES FOR
MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THEIR
BENEFICIARIES; INCREASING THE MINIMUM MONTHLY BENEFIT
ALLOWANCE FOR MEMBERS AND THEIR BENEFICIARIES; PROVIDING
FUNDING FOR THESE THE BENEFIT INCREASES INCREASE THROUGH
EMPLOYER CONTRIBUTIONS; AMENDING SECTION 19-3-801, MCA; AND
PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. Section 1. Cost-of-living increase.
Effective July 1, 1983, each monthly service or disability
retirement allowance or survivorship allowance payable to a
member of the public employees' retirement system or his
beneficiary must be increased as follows:

(1) \$35 for a member with 15 or more years of
creditable service retired before July 1, 1983;

(2) \$15 for a member with less than 15 years of
creditable service retired before July 1, 1983;

(3) \$258

(1) \$2.00 for each year of creditable service, up to a
maximum of \$75.00, for a member retired before July 1,
1981; and

(2) \$1.00 for each year of creditable service, up to a
maximum of \$30, for a member retired on or after July 1,
1981, but before January 1, 1983.

(4) \$258 for each full year of retirement for a
member retired before July 1, 1977.

NEW SECTION. Section 2. Minimum monthly benefit
allowance. (1) A member retired before July 1, 1983, who
is receiving a service or disability retirement allowance
or his beneficiary who is receiving a service or disability
retirement allowance or his surviving spouse or dependent
child who is receiving a survivorship allowance is eligible
for a minimum monthly benefit allowance based on the ratio
of a member's years of creditable service to 30 multiplied
by \$400 and subject to the following adjustments: The
benefit must be

(a) based on 30 years of creditable service for a
member or beneficiary receiving a disability or survivorship
allowance;

(b) adjusted by the actuarial factors determined by

~~the public employees' retirement board for a member or beneficiary receiving an optional or early retirement allowance or for a surviving spouse or dependent child receiving a survivorship allowance; and~~

~~(c) multiplied by a ratio equal to the member's final average salary to \$4,800 (such ratio not to exceed 1) for elected officials, Montana national guardsmen, and independent contractors;~~

~~(2) A member or his beneficiary who is eligible for a minimum monthly benefit allowance under subsection (1) is entitled to receive this benefit increase before his allowance is adjusted under [section 19-3-801].~~

Section 2. Section 19-3-801, MCA, is amended to read:

"19-3-801. Employer contribution rates -- actuarial determination. (1) Each employer shall contribute to the cost of benefits under the system. The amount of the employer contributions shall be computed by applying to member's compensation the sum of the current service contribution rate and the unfunded liability contribution rate. The sum of these rates shall be 6.32% ~~6.77%~~ 6.51% from ~~July 1, 1981~~ July 1, 1983, and thereafter.

(2) The actuary shall determine the current service contribution rate to be that level percentage of the present value of the future compensation of the average new member entering the system which equals the then present value of

the excess of all prospective benefits in respect of such member over the member's own normal contributions.

(3) The actuary shall determine the minimum unfunded liability contribution rate to be that level percentage of the present value of the prospective compensation of all members for the 40-year period following the date of the determination which is equal to the unfunded liability on that date. The unfunded liability at any time is the excess of the present value of all future benefits payable in respect of all persons then entitled to benefits under the system over the sum of the retirement fund and the present values of the future current service contributions and normal contributions payable in respect of all such persons."

NEW SECTION. Section 3. Coordination section. If both this act and ~~811-N~~ ~~Nov~~ ~~6-177~~ HOUSE BILL NO. 57, introduced in the 48th legislature, are passed and approved, the percentage amount contained in 19-3-801 must reflect the sum of the increases in the employer contribution provided in ~~811-N~~ ~~Nov~~ ~~6-177~~ HOUSE BILL NO. 57 and this act.

NEW SECTION. Section 4. Effective date. This act is effective July 1, 1983.

-End-

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A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AN AD HOC
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RETIREMENT ALLOWANCES AND SURVIVORSHIP ALLOWANCES FOR
MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THEIR
BENEFICIARIES; INCREASING---THE---MINIMUM---MONTHLY---BENEFIT
ALLOWANCE---FOR---MEMBERS---AND---THEIR---BENEFICIARIES; PROVIDING
FUNDING FOR THESE THE BENEFIT INCREASES INCREASE THROUGH
EMPLOYER CONTRIBUTIONS; AMENDING SECTION 19-3-801, MCA; AND
PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. Section 1. Cost-of-living increase.
Effective July 1, 1983, each monthly service or disability
retirement allowance or survivorship allowance payable to a
member of the public employees' retirement system or his
beneficiary must be increased as follows:

(1) \$35 for a member with 15 or more years of
creditable service, retired before July 1, 1983;

(2) \$15 for a member with less than 15 years of
creditable service, retired before July 1, 1983;

(3) \$2.50

(1) \$2.00 \$1 for each year of creditable service, up
to a maximum of \$75 \$60 \$30, for a member retired before
July 1, 1981; and OR

(2) \$2.00 50 CENTS FOR EACH YEAR OF CREDITABLE
SERVICE, UP TO A MAXIMUM OF \$30 \$15, FOR A MEMBER RETIRED ON
OR AFTER JULY 1, 1981, BUT BEFORE JANUARY 1, 1983.

(4) \$2.00 for each full year of retirement for a
member retired before July 1, 1977.

NEW SECTION. Section 2. Minimum monthly benefit
allowances--(1) A member retired before July 1, 1983, who
is receiving a service or disability retirement allowance
or his beneficiary who is receiving a service or disability
retirement allowance or his surviving spouse or dependent
child who is receiving a survivorship allowance is eligible
for a minimum monthly benefit allowance based on the ratio
of a member's years of creditable service to 30 multiplied
by \$400 and subject to the following adjustments--The
benefit must be

(a) based on 30 years of creditable service for a
member or beneficiary receiving a disability or survivorship
allowance;

(b) adjusted by the actuarial factors determined by

1 the public employees' retirement board for a member or
2 beneficiary receiving an optional or early retirement
3 allowance or for a surviving spouse or dependent child
4 receiving a survivorship allowance; and

5 (c) multiplied by a ratio equal to the member's final
6 average salary to \$4,800 (such ratio not to exceed 1) for
7 elected officials, Montana national guardsmen, and
8 independent contractors;

9 (2) A member or his beneficiary who is eligible for a
10 minimum monthly benefit allowance under subsection (1) is
11 entitled to receive this benefit increase before his
12 allowance is adjusted under [section 1];

13 Section 2. Section 19-3-801, MCA, is amended to read:

14 "19-3-801. Employer contribution rates -- actuarial
15 determination. (1) Each employer shall contribute to the
16 cost of benefits under the system. The amount of the
17 employer contributions shall be computed by applying to
18 member's compensation the sum of the current service
19 contribution rate and the unfunded liability contribution
20 rate. The sum of these rates shall be 6.32% ~~6.77%~~ ~~6.514%~~
21 ~~6.417%~~ from July 1, 1983, July 1, 1983, and thereafter.

22 (2) The actuary shall determine the current service
23 contribution rate to be that level percentage of the present
24 value of the future compensation of the average new member
25 entering the system which equals the then present value of

1 the excess of all prospective benefits in respect of such
2 member over the member's own normal contributions.

3 (3) The actuary shall determine the minimum unfunded
4 liability contribution rate to be that level percentage of
5 the present value of the prospective compensation of all
6 members for the 40-year period following the date of the
7 determination which is equal to the unfunded liability on
8 that date. The unfunded liability at any time is the excess
9 of the present value of all future benefits payable in
10 respect of all persons then entitled to benefits under the
11 system over the sum of the retirement fund and the present
12 values of the future current service contributions and
13 normal contributions payable in respect of all such
14 persons."

15 ~~NEW SECTION. Section 3. Coordination. section. If~~
16 ~~both this act and Bill No. [LC-177] HOUSE Bill No.~~
17 ~~57 introduced in the 48th legislature are passed and~~
18 ~~approved, the percentage amount contained in 19-3-801 must~~
19 ~~reflect the sum of the increases in the employer~~
20 ~~contribution provided in Bill No. [LC-177] HOUSE~~
21 ~~Bill No. 57 and this act.~~

22 ~~NEW SECTION. Section 3. Effective date. This act is~~
23 ~~effective July 1, 1983.~~

-End-

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member of the public employees' retirement system or his
beneficiary must be increased as follows:

(1) -- \$35 -- for a member with 15 or more years of
creditable service, retired before July 1, 1983;

(2) -- \$15 -- for a member with less than 15 years of
creditable service, retired before July 1, 1983;

(3) -- \$250

(1) -- \$200 -- for each year of creditable service, up
to a maximum of \$75 \$60 \$30, for a member retired before
July 1, 1981; and OR

(2) -- \$100 -- 50 CENTS FOR EACH YEAR OF CREDITABLE
SERVICE, UP TO A MAXIMUM OF \$30 \$15, FOR A MEMBER RETIRED ON
OR AFTER JULY 1, 1981, BUT BEFORE JANUARY 1, 1983.

(4) -- \$200 -- for each full year of retirement for a
member retired before July 1, 1977.

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is receiving a service or disability retirement allowance
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by \$400 and subject to the following adjustments: the
benefit must be:

(a) -- based on 30 years of creditable service for a
member or beneficiary receiving a disability or survivorship
allowance;

(b) -- adjusted by the actuarial factors determined by

the public employees' retirement board for a member or beneficiary receiving an optional or early retirement allowance or for a surviving spouse or dependent child receiving a survivorship allowance and

(c) multiplied by a ratio equal to the member's final average salary to \$4,800 (such ratio not to exceed 1) for elected officials, Montana national guardsmen, and independent contractors;

(2) A member or his beneficiary who is eligible for a minimum monthly benefit allowance under subsection (1) is entitled to receive this benefit increase before his allowance is adjusted under section 19-3-801.

Section 2. Section 19-3-801, MCA, is amended to read:

"19-3-801. Employer contribution rates -- actuarial determination. (1) Each employer shall contribute to the cost of benefits under the system. The amount of the employer contributions shall be computed by applying to member's compensation the sum of the current service contribution rate and the unfunded liability contribution rate. The sum of these rates shall be 6.32% ~~6.11%~~ ~~6.21%~~ ~~6.41%~~ from July 1, 1981, July 1, 1983, and thereafter.

(2) The actuary shall determine the current service contribution rate to be that level percentage of the present value of the future compensation of the average new member entering the system which equals the then present value of

the excess of all prospective benefits in respect of such member over the member's own normal contributions.

(3) The actuary shall determine the minimum unfunded liability contribution rate to be that level percentage of the present value of the prospective compensation of all members for the 40-year period following the date of the determination which is equal to the unfunded liability on that date. The unfunded liability at any time is the excess of the present value of all future benefits payable in respect of all persons then entitled to benefits under the system over the sum of the retirement fund and the present values of the future current service contributions and normal contributions payable in respect of all such persons."

~~NEW SECTION. Section 3. Coordination. -- If both this act and the 1981-1982 Montana State Budget Act introduced in the 48th legislature are passed and approved, the percentage amount contained in 19-3-801 must reflect the sum of the increases in the employer contribution provided in the 1981-1982 Montana State Budget Act and this act.~~

NEW SECTION. Section 3. Effective date. This act is effective July 1, 1983.

-End-