

HOUSE BILL NO. 169

INTRODUCED BY EUDAILY, DAILY, SCHULTZ, LORY

BY REQUEST OF THE TEACHERS' RETIREMENT DIVISION

IN THE HOUSE

January 11, 1983	Introduced and referred to Committee on State Administration.
January 20, 1983	Committee recommend bill do pass as amended. Report adopted.
	Bill printed and placed on members' desks.
January 24, 1983	Second reading, do pass.
January 25, 1983	Considered correctly engrossed.
January 26, 1983	Third reading, passed. Transmitted to Senate.

IN THE SENATE

January 27, 1983	Introduced and referred to Committee on State Administration.
March 12, 1983	Committee recommend bill be concurred in as amended. Report adopted.
March 16, 1983	Second reading, concurred in.
March 18, 1983	Third reading, concurred in. Ayes, 50; Noes, 0.

IN THE HOUSE

March 18, 1983

Returned to House with
amendments.

March 30, 1983

Second reading, amendments
concurred in.

March 31, 1983

Third reading, amendments
concurred in.

Sent to enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *169*
2 INTRODUCED BY *Anthony J. S. [Signature]*
3 BY REQUEST OF THE TEACHERS' RETIREMENT DIVISION
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND REVISING
6 THE DEFINITION OF EARNED COMPENSATION FOR THE TEACHERS'
7 RETIREMENT SYSTEM; AMENDING SECTION 19-4-101, MCA; AND
8 PROVIDING AN EFFECTIVE DATE."
9

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) (a) "Average final compensation" means the average
7 of the earned compensation of a member during the 3
8 consecutive years of full-time service which yield the
9 highest average and on which contributions have been made as
10 required by 19-4-602(1). If the earned compensation includes
11 any termination pay, the member shall select one of the
12 following options:

13 (i) use the total termination pay in the calculation
14 of the average final compensation. The member and the
15 employer shall pay such contributions to the retirement
16 system as are determined by the board to adequately
17 compensate the system for the additional retirement benefit.
18 The contributions must be made at the time the termination
19 pay is received.

20 (ii) use a yearly amount of termination pay added to
21 each of the 3 consecutive years' salary used in the
22 calculation of the average final compensation. The amount of
23 such compensation used in the calculation of average final
24 compensation must be divided by the total number of years of
25 creditable service with the employer from whom this type of

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1 compensation was received to determine a yearly amount. The
2 member and the employer must pay the regular contribution on
3 the termination pay; or

4 (iii) exclude the termination pay from the average
5 final compensation. No contribution is required of either
6 the employer or member.

7 (b) For purposes of this subsection, termination pay
8 includes any form of termination pay or any lump-sum payment
9 for deferred compensation, sick leave, or accumulated
10 vacation credit, or any other payment for time not worked
11 other than compensation received while on sick leave or
12 authorized leave of absence.

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 value of any housing provided by the~~
24 ~~employer.~~ The employer shall fix the value of any
25 compensation paid in kind ~~housing provided. The term does~~

1 ~~not include any other amounts paid in kind or fringe~~
2 ~~benefits not actually paid to a member.~~ The earned
3 compensation of a member who had less than 3 consecutive
4 years of full-time service during the 5 years preceding his
5 retirement is the compensation, pay, or salary which he
6 would have earned had his part-time service been full-time
7 service. The earned compensation of a member who is awarded
8 a disability retirement allowance prior to the completion of
9 a full year is the compensation, pay, or salary which he
10 would have received had he completed the full year.

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

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

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

1 inactive member is a person included under the provisions of
2 19-4-303.

3 (12) "Part-time service" means service which is less
4 than full-time or which totals less than 9 months in any one
5 year. Part-time service shall be credited in the proportion
6 that the actual time worked bears to full-time service.

7 (13) "Pension" means the payments made to a beneficiary
8 for life which are paid out of the pension accumulation
9 fund.

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

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

17 (16) "Regular interest" means interest at 4% per annum
18 compounded annually or at such other rate as may be set by
19 the retirement board in accordance with 19-4-501(2).

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 NEW SECTION. Section 2. Effective date. This act is
6 effective July 1, 1983.

-End-

Approved by Committee
on State Administration

HOUSE BILL NO. 169

INTRODUCED BY EUDAILY, DAILY, SCHULTZ, LORY

BY REQUEST OF THE TEACHERS' RETIREMENT DIVISION

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND REVISING
THE DEFINITION OF EARNED COMPENSATION FOR THE TEACHERS"
RETIREMENT SYSTEM; AMENDING SECTION 19-4-101, MCA; AND
PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 19-4-101, MCA, is amended to read:

"19-4-101. Definitions. As used in this chapter,
unless the context clearly indicates otherwise, the
following definitions apply:

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

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

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

contributions.

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

(5) (a) "Average final compensation" means the average
of the earned compensation of a member during the 3
consecutive years of full-time service which yield the
highest average and on which contributions have been made as
required by 19-4-602(1). If the earned compensation includes
any termination pay, the member shall select one of the
following options:

(i) use the total termination pay in the calculation
of the average final compensation. The member and the
employer shall pay such contributions to the retirement
system as are determined by the board to adequately
compensate the system for the additional retirement benefit.
The contributions must be made at the time the termination
pay is received.

(ii) use a yearly amount of termination pay added to
each of the 3 consecutive years' salary used in the
calculation of the average final compensation. The amount of
such compensation used in the calculation of average final
compensation must be divided by the total number of years of
creditable service with the employer from whom this type of

1 compensation was received to determine a yearly amount. The
2 member and the employer must pay the regular contribution on
3 the termination pay; or

4 (iii) exclude the termination pay from the average
5 final compensation. No contribution is required of either
6 the employer or member.

7 (b) For purposes of this subsection, termination pay
8 includes any form of termination pay or any lump-sum payment
9 for deferred compensation, sick leave, or accumulated
10 vacation credit, or any other payment for time not worked
11 other than compensation received while on sick leave or
12 authorized leave of absence.

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 value of any housing provided by the~~
24 ~~employer UP TO A MAXIMUM OF \$150 A MONTH.~~ The employer shall
25 fix the value of any compensation ~~paid in kind housing~~

1 ~~provided. The term does not include any other amounts paid~~
2 ~~in kind or fringe benefits not actually paid to a member.~~
3 The earned compensation of a member who had less than 3
4 consecutive years of full-time service during the 5 years
5 preceding his retirement is the compensation, pay, or salary
6 which he would have earned had his part-time service been
7 full-time service. The earned compensation of a member who
8 is awarded a disability retirement allowance prior to the
9 completion of a full year is the compensation, pay, or
10 salary which he would have received had he completed the
11 full year.

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

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

24 (11) "Member" means a person who has an individual
25 account in the annuity savings fund. An active member is a

1 person included under the provisions of 19-4-302. An
2 inactive member is a person included under the provisions of
3 19-4-303.

4 (12) "Part-time service" means service which is less
5 than full-time or which totals less than 9 months in any one
6 year. Part-time service shall be credited in the proportion
7 that the actual time worked bears to full-time service.

8 (13) "Pension" means the payments made to a beneficiary
9 for life which are paid out of the pension accumulation
10 fund.

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

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

18 (16) "Regular interest" means interest at 4% per annum
19 compounded annually or at such other rate as may be set by
20 the retirement board in accordance with 19-4-501(2).

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

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

25 (19) "Retirement system" means the teachers' retirement

1 system of the state of Montana provided for in 19-4-102.

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

6 NEW SECTION. Section 2. Effective date. This act is
7 effective July 1, 1983.

-End-

THIRD READING

MISSING

March 12, 1983

SENATE STANDING COMMITTEE REPORT
(State Administration)

That House Bill No. 169 be amended as follows:

1. Page 3, line 22.
Following: "agreement"
Insert: "to a tax sheltered annuity or deferred
compensation program,"
2. Page 3, line 24.
Strike: "UP TO A MAXIMUM OF \$150 A MONTH"
3. Page 4, line 11.
Following: 'year"
Insert: ", except that any termination pay, as
defined in subsection (5)(b), received by
the member is limited to the amount actually
paid, and is not the amount he would have
earned had he completed the full year"

1 HOUSE BILL NO. 169

2 INTRODUCED BY EUDAILY, DAILY, SCHULTZ, LORY

3 BY REQUEST OF THE TEACHERS' RETIREMENT DIVISION

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND REVISING
6 THE DEFINITION OF EARNED COMPENSATION FOR THE TEACHERS'
7 RETIREMENT SYSTEM; AMENDING SECTION 19-4-101, MCA; AND
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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) (a) "Average final compensation" means the average
7 of the earned compensation of a member during the 3
8 consecutive years of full-time service which yield the
9 highest average and on which contributions have been made as
10 required by 19-4-602(1). If the earned compensation includes
11 any termination pay, the member shall select one of the
12 following options:

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14 of the average final compensation. The member and the
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16 system as are determined by the board to adequately
17 compensate the system for the additional retirement benefit.
18 The contributions must be made at the time the termination
19 pay is received.

20 (ii) use a yearly amount of termination pay added to
21 each of the 3 consecutive years' salary used in the
22 calculation of the average final compensation. The amount of
23 such compensation used in the calculation of average final
24 compensation must be divided by the total number of years of
25 creditable service with the employer from whom this type of

1 compensation was received to determine a yearly amount. The
2 member and the employer must pay the regular contribution on
3 the termination pay; or

4 (iii) exclude the termination pay from the average
5 final compensation. No contribution is required of either
6 the employer or member.

7 (b) For purposes of this subsection, termination pay
8 includes any form of termination pay or any lump-sum payment
9 for deferred compensation, sick leave, or accumulated
10 vacation credit, or any other payment for time not worked
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17 19-4-401.

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19 pay, or salary actually paid to a member and reported to the
20 retirement system, including ~~irregular---forms---~~
21 ~~remuneration, such as~~ amounts paid for special duty or under
22 a salary reduction agreement, TO A TAX SHELTERED ANNUITY OR
23 DEFERRED COMPENSATION PROGRAM and amounts paid in kind, such
24 as maintenance ~~the value of any housing provided by the~~
25 employer ~~HE IS A MAXIMUM OF \$150 A MONTH~~. The employer shall

1 fix the value of any compensation ~~paid in kind housing~~
2 ~~provided. The term does not include any other amounts paid~~
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4 The earned compensation of a member who had less than 3
5 consecutive years of full-time service during the 5 years
6 preceding his retirement is the compensation, pay, or salary
7 which he would have earned had his part-time service been
8 full-time service. The earned compensation of a member who
9 is awarded a disability retirement allowance prior to the
10 completion of a full year is the compensation, pay, or
11 salary which he would have received had he completed the
12 full year, EXCEPT THAT ANY TERMINATION PAY, AS DEFINED IN
13 SUBSECTION (5)(B), RECEIVED BY THE MEMBER IS LIMITED TO THE
14 AMOUNT ACTUALLY PAID AND IS NOT THE AMOUNT HE WOULD HAVE
15 EARNED HAD HE COMPLETED THE FULL YEAR.

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

20 (10) "Full-time service" means service which is
21 full-time and which extends over a normal academic year of
22 at least 9 months. With respect to those members employed by
23 the office of the superintendent of public instruction, any
24 other state agency or institution, or the office of a county
25 superintendent, "full-time service" means service which is

1 full-time and which totals at least 9 months in any one
2 year.

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4 account in the annuity savings fund. An active member is a
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6 inactive member is a person included under the provisions of
7 19-4-303.

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9 than full-time or which totals less than 9 months in any one
10 year. Part-time service shall be credited in the proportion
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13 for life which are paid out of the pension accumulation
14 fund.

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20 nature as service defined in subsection (20) of this section
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23 compounded annually or at such other rate as may be set by
24 the retirement board in accordance with 19-4-501(2).

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1 pension.

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

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

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

10 NEW SECTION. Section 2. Effective date. This act is
11 effective July 1, 1983.

-End-