

HOUSE BILL NO. 626

INTRODUCED BY BARDANOUVE

BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT DIVISION

IN THE HOUSE

February 3, 1983	Introduced and referred to Committee on State Administration.
February 16, 1983	Committee recommend bill do pass. Report adopted.
February 17, 1983	Bill printed and placed on members' desks.
February 18, 1983	Second reading, do pass.
February 19, 1983	Considered correctly engrossed.
February 21, 1983	Third reading, passed. Transmitted to Senate.

IN THE SENATE

March 1, 1983	Introduced and referred to Committee on State Administration.
March 12, 1983	Committee recommend bill be concurred in. Report adopted.
March 15, 1983	Second reading, concurred in.
March 17, 1983	Third reading, concurred in. Ayes, 48; Noes, 0.

IN THE HOUSE

March 17, 1983	Returned to House.
March 18, 1983	Sent to enrolling.
	Reported correctly enrolled.

1 Hogess BILL NO. 626  
 2 INTRODUCED BY Baranowski  
 3 BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT DIVISION  
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 5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE EXCESS  
 6 UNFUNDED LIABILITY PROVISIONS OF THE MUNICIPAL POLICE  
 7 OFFICERS' RETIREMENT ACT AND THE FIREFIGHTERS' UNIFIED  
 8 RETIREMENT ACT; AMENDING SECTIONS 19-9-107, 19-9-503, AND  
 9 19-13-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."  
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 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 12 Section 1. Section 19-9-107, MCA, is amended to read:  
 13 "19-9-107. Election to join plan -- transfer of  
 14 assets. (1) Cities other than those participating in the  
 15 statewide police reserve fund administered by the department  
 16 of administration in accordance with Chapter 335, Laws of  
 17 1974, as of June 30, 1977, may elect to join the plan by  
 18 passing an ordinance stating the election and the consent of  
 19 the city to be bound by the provisions of this chapter.  
 20 Upon the enactment of such an ordinance, the provisions of  
 21 this chapter become applicable to the city. Any city  
 22 enacting such an ordinance shall send a certified copy  
 23 thereof to the board and shall, as soon as possible  
 24 thereafter, deposit with the board all cash and securities  
 25 held by it in its local police reserve or retirement fund.

1 The value of the securities shall be determined by the  
 2 board.  
 3 (2) The trustees or other administrative head of the  
 4 local system as of the effective date of the election shall  
 5 certify the proportion, if any, of the funds of the system  
 6 that represents the accumulated contributions of the active  
 7 members and the relative shares of the members as of that  
 8 date. Such shares shall be charged to the employer and  
 9 credited to the respective individual accounts of the  
 10 members in the plan and administered as if the contributions  
 11 had been made during membership in the plan. Any excess of  
 12 employer credits over charges under this section will be  
 13 offset, with interest, against future required employer  
 14 contributions for a period determined by the administrator.  
 15 Any excess of employer charges over credits under this  
 16 section are payable by the employer, with interest, on--a  
 17 basis for a period of 10 years or less as determined by the  
 18 ~~procedure described in 19-9-503(2) and--(3)~~ administrator."  
 19 Section 2. Section 19-9-503, MCA, is amended to read:  
 20 "19-9-503. Unfunded liabilities. (1) It is found and  
 21 declared by the legislature that many cities operating under  
 22 prior plans have excess and unfunded liabilities under such  
 23 prior plans, which liabilities cannot be amortized by the  
 24 percentage contributions set forth in 19-9-702 and 19-9-703.  
 25 (2) The administrator shall, on or before October 1,

1 1977, determine the excess and unfunded liability of each  
 2 city which participates in the plan created by this chapter.  
 3 The determination of the administrator, in the absence of  
 4 fraud, abuse of discretion, or arithmetic error, is final  
 5 and binding on each city. Each city found by the  
 6 administrator to have an excess and unfunded liability under  
 7 a prior plan which as of July 1, 1977, is not funded by sums  
 8 on deposit or funds available for deposit with the  
 9 administrator shall pay an additional sum over a period of  
 10 time to amortize its excess liability as determined by the  
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 12 by January 1, 1978, to negotiate and reduce to writing the  
 13 terms of an agreement satisfactory to both of them for the  
 14 city to amortize its excess liability, the administrator  
 15 shall require such city to pay an additional sum to amortize  
 16 its excess liability on July 1, 1977, over a period of not  
 17 more than 40 years.

18 (3) Each city found by the administrator to be paying  
 19 an amount in excess of the amount necessary to amortize its  
 20 liabilities under the prior plan and under this chapter  
 21 shall receive a credit in the accounts of the administrator  
 22 for any such excess payments.

23 (4) The excess unfunded liability for each city shall  
 24 be revaluated by the administrator on July 1, 1980, as part  
 25 of the normal actuarial valuations required in 19-9-504

1 reflecting the change in the contribution rates made in  
 2 19-9-601, 19-9-702, and 19-9-703, as amended by Chapter 375,  
 3 Laws of 1979, and each city's funding position will be  
 4 changed using the procedures of 19-9-107. The resulting  
 5 report will be made available to the cities no later than  
 6 October 1, 1980.

7 (5) If a majority of the cities participating in the  
 8 municipal police officers' retirement system do not agree  
 9 with the results of the revaluation outlined in subsection  
 10 (4), they may, by mutual agreement of the cities, select a  
 11 qualified actuary, as defined in 19-9-504, to perform a  
 12 second actuarial valuation as of July 1, 1980, with the  
 13 conclusions of the second actuarial valuation to replace the  
 14 actuarial valuation discussed in subsection (4). The cost of  
 15 the second actuarial valuation shall be paid by all cities  
 16 participating in the system in proportion to their active  
 17 membership in the system as of July 1, 1980.

18 ~~(6) The time and method of settlement on the unfunded~~  
 19 ~~liability will be as agreed on by the administrator and the~~  
 20 ~~city. The minimum allowable payment must be equal to or~~  
 21 ~~greater than the interest due at the interest rate used in~~  
 22 ~~the actuarial study for the unfunded balances. (a) On April 1,~~  
 23 1983, the administrator shall reevaluate the excess unfunded  
 24 liability for each city based on the actuarial valuation  
 25 required in 19-9-504 for the period ended June 30, 1982.

1 Each city with an excess unfunded liability as of June 30,  
 2 1982, shall pay 25% of this excess unfunded liability, with  
 3 interest, in 10 annual installments, the first payment due  
 4 May 1, 1983, and subsequent payments due May 1 of each year  
 5 thereafter, with the final payment due May 1, 1992.

6 (b) Credits received by a city following the  
 7 reevaluation required in subsection (6)(a) must be reduced  
 8 proportionately over a 10-year period beginning July 1,  
 9 1983.

10 (c) On July 1, 1993, each city shall pay the employer  
 11 contribution rate specified in 19-9-703 without credit  
 12 reduction, except for a city joining the plan after June 30,  
 13 1982. A city joining the plan after June 30, 1982, is  
 14 subject to the provisions of 19-9-107.

15 (7) Subject to judicial review, the board is the  
 16 determining body as to the interpretation and application of  
 17 this section."

18 Section 3. Section 19-13-503, MCA, is amended to read:

19 "19-13-503. Unfunded liabilities. (1) The legislature  
 20 finds and declares that many cities operating under prior  
 21 plans have excess and unfunded liabilities, and the  
 22 liabilities cannot be amortized by the percentage  
 23 contributions set forth in this chapter.

24 (2) The administrator shall, on or before October 1,  
 25 1984 1986, determine the excess and unfunded liability of

1 each city participating in the plan created by this chapter.  
 2 The determination must be negotiated between each city and  
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 7 administrator shall pay an additional sum over a period of  
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 11 paying an amount in excess of the amount necessary to  
 12 amortize its liabilities under the prior plan and under this  
 13 Chapter shall receive a credit in the accounts of the  
 14 administrator for the excess payments.

15 (4) For each city with an unfunded liability, any  
 16 portion of the member, employer, and state contributions  
 17 that exceeds the amount necessary to maintain the current  
 18 level of unfunded liability must be applied to the reduction  
 19 of the unfunded liability."

20 NEW SECTION. Section 4. Effective date. This act is  
 21 effective on passage and approval.

-End-

Approved by Committee  
on State Administration

1 ~~House~~ BILL NO. 626  
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21 this chapter become applicable to the city. Any city  
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23 thereof to the board and shall, as soon as possible  
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1 1977, determine the excess and unfunded liability of each  
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 3 Laws of 1979, and each city's funding position will be  
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 5 report will be made available to the cities no later than  
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7 (5) If a majority of the cities participating in the  
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(b) Credits received by a city following the revaluation required in subsection (6)(a) must be reduced proportionately over a 10-year period beginning July 1, 1983.

(c) On July 1, 1993, each city shall pay the employer contribution rate specified in 19-9-703 without credit reduction, except for a city joining the plan after June 30, 1982. A city joining the plan after June 30, 1982, is subject to the provisions of 19-9-101.

(7) Subject to judicial review, the board is the determining body as to the interpretation and application of this section."

Section 3. Section 19-13-503, MCA, is amended to read:

"19-13-503. Unfunded liabilities. (1) The legislature finds and declares that many cities operating under prior plans have excess and unfunded liabilities, and the liabilities cannot be amortized by the percentage contributions set forth in this chapter.

(2) The administrator shall, on or before October 1, 1984 1986, determine the excess and unfunded liability of

each city participating in the plan created by this chapter. The determination must be negotiated between each city and the administrator. Each city determined by the administrator to have an excess and unfunded liability under a prior plan that, as of July 1, 1984 1986, is not funded by sums on deposit or funds available for deposit with the administrator shall pay an additional sum over a period of time to amortize its excess liability as determined by agreement between the city and the administrator.

(3) Each city determined by the administrator to be paying an amount in excess of the amount necessary to amortize its liabilities under the prior plan and under this chapter shall receive a credit in the accounts of the administrator for the excess payments.

(4) For each city with an unfunded liability, any portion of the member, employer, and state contributions that exceeds the amount necessary to maintain the current level of unfunded liability must be applied to the reduction of the unfunded liability."

NEW SECTION. Section 4. Effective date. This act is effective on passage and approval.

-End-

## HOUSE BILL NO. 626

INTRODUCED BY BARDAMOUVE

BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT DIVISION

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE EXCESS UNFUNDED LIABILITY PROVISIONS OF THE MUNICIPAL POLICE OFFICERS' RETIREMENT ACT AND THE FIREFIGHTERS' UNIFIED RETIREMENT ACT; AMENDING SECTIONS 19-9-107, 19-9-503, AND 19-13-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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The value of the securities shall be determined by the board.

(2) The trustees or other administrative head of the local system as of the effective date of the election shall certify the proportion, if any, of the funds of the system that represents the accumulated contributions of the active members and the relative shares of the members as of that date. Such shares shall be charged to the employer and credited to the respective individual accounts of the members in the plan and administered as if the contributions had been made during membership in the plan. Any excess of employer credits over charges under this section will be offset, with interest, against future required employer contributions ~~for a period determined by the administrator.~~ Any excess of employer charges over credits under this section are payable by the employer, with interest, ~~on a basis for a period of 10 years or less as determined by the procedure described in 19-9-503(2) and (3) administrator.~~

Section 2. Section 19-9-503, MCA, is amended to read:

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 2 city which participates in the plan created by this chapter.  
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 10 (4), they may, by mutual agreement of the cities, select a  
 11 qualified actuary, as defined in 19-9-504, to perform a  
 12 second actuarial valuation as of July 1, 1980, with the  
 13 conclusions of the second actuarial valuation to replace the  
 14 actuarial valuation discussed in subsection (4). The cost of  
 15 the second actuarial valuation shall be paid by all cities  
 16 participating in the system in proportion to their active  
 17 membership in the system as of July 1, 1980.

18 ~~(6) The time and method of settlement on the unfunded~~  
 19 ~~liability will be as agreed on by the administrator and the~~  
 20 ~~city. The minimum allowable payment must be equal to or~~  
 21 ~~greater than the interest due at the interest rate used in~~  
 22 ~~the actuarial study for the unfunded balances as of April 1,~~  
 23 ~~1983. The administrator shall reevaluate the excess unfunded~~  
 24 ~~liability for each city based on the actuarial valuation~~  
 25 ~~required in 19-9-504 for the period ended June 30, 1982.~~

Each city with an excess unfunded liability as of June 30, 1982, shall pay 25% of this excess unfunded liability, with interest, in 10 annual installments, the first payment due May 1, 1983, and subsequent payments due May 1 of each year thereafter, with the final payment due May 1, 1992.

(b) Credits received by a city following the revaluation required in subsection (a)(a) must be reduced proportionately over a 10-year period beginning July 1, 1983.

(c) On July 1, 1993, each city shall pay the employer contribution rate specified in 19-9-703 without credit reduction, except for a city joining the plan after June 30, 1982, a city joining the plan after June 30, 1982, is subject to the provisions of 19-9-707.

(f) Subject to judicial review, the board is the determining body as to the interpretation and application of this section.

Section 3. Section 19-13-503, MCA, is amended to read:

"19-13-503. Unfunded liabilities. (1) The legislature finds and declares that many cities operating under prior plans have excess and unfunded liabilities, and the liabilities cannot be amortized by the percentage contributions set forth in this chapter.

(2) The administrator shall, on or before October 1, 1984 1986, determine the excess and unfunded liability of

each city participating in the plan created by this chapter. The determination must be negotiated between each city and the administrator. Each city determined by the administrator to have an excess and unfunded liability under a prior plan that, as of July 1, 1984 1986, is not funded by sums on deposit or funds available for deposit with the administrator shall pay an additional sum over a period of time to amortize its excess liability as determined by agreement between the city and the administrator.

(3) Each city determined by the administrator to be paying an amount in excess of the amount necessary to amortize its liabilities under the prior plan and under this chapter shall receive a credit in the accounts of the administrator for the excess payments.

(4) For each city with an unfunded liability, any portion of the member, employer, and state contributions that exceeds the amount necessary to maintain the current level of unfunded liability must be applied to the reduction of the unfunded liability."

NEW SECTION. Section 4. Effective date. This act is effective on passage and approval.

-End-