

SENATE BILL NO. 195

1/21 Introduced
1/22 Referred to State Administration
1/23 Fiscal Note Requested
1/29 Fiscal Note Received
1/31 Fiscal Note Requested
2/05 Hearing
2/06 Fiscal Note Received
2/11 Committee Report-Bill Do Pass
2/14 2nd Reading Pass
2/16 3rd Reading Pass

Transmitted to House

2/27 Referred to State Administration
3/14 Hearing
3/14 Committee Report-Bill Concurred
3/21 2nd Reading Not Concurred
3/22 Reconsideration

Returned to House

3/25 Rereferred to Appropriations
3/28 Hearing
4/01 Committee Report-No Recommendation
4/01 Rereferred to Appropriations
Died in Committee

1 *Senate* BILL NO. *195*
 2 INTRODUCED BY *J. Fuller, Treasurer*
 3 *J. Brown, House*

4 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE NUMBER OF
 5 YEARS THAT A MEMBER OF THE PUBLIC EMPLOYEES' RETIREMENT
 6 SYSTEM MUST SERVE BEFORE BECOMING ELIGIBLE FOR SERVICE
 7 RETIREMENT BENEFITS REGARDLESS OF HIS AGE; INCREASING
 8 EMPLOYEE AND EMPLOYER CONTRIBUTIONS TO FUND THIS CHANGE;
 9 AMENDING SECTIONS 19-3-701, 19-3-801, 19-3-901, 19-3-902,
 10 AND 19-3-906, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

12 Section 1. Section 19-3-701, MCA, is amended to read:

13 "19-3-701. Member's contribution to be deducted. The
 14 normal contribution of each member shall be equal to ~~6%~~ 6.5%
 15 of his compensation. The chief administrative officer of
 16 each employer shall deduct the contribution from the
 17 compensation of each member and remit the total of the
 18 contributions to the board. Payment of salaries or wages
 19 less the contribution shall be full and complete discharge
 20 and acquittance of all claims and demands whatsoever for the
 21 service rendered by members during the period covered by the
 22 payment, except their claims to the benefits to which they
 23 may be entitled under the provisions of this chapter."

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

1 "19-3-801. Employer contribution rates -- actuarial
 2 determination. (1) Each employer shall contribute to the
 3 cost of benefits under the system. The amount of the
 4 employer contributions shall be computed by applying to
 5 member's compensation the sum of the current service
 6 contribution rate and the unfunded liability contribution
 7 rate. The sum of these rates shall be ~~6.417%~~ 6.967% from
 8 July 1, ~~1983~~ 1985, and thereafter.

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

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



1 persons."

2 Section 3. Section 19-3-901, MCA, is amended to read:

3 "19-3-901. Eligibility for service retirement. A
4 member who has attained the age of 60 and completed 5 years
5 of qualified service is eligible for service retirement. A
6 member who has attained age 65 is eligible for service
7 retirement regardless of his years of creditable service. A
8 member who has completed ~~30~~ 25 years or more of state
9 service is eligible for service retirement regardless of his
10 age."

11 Section 4. Section 19-3-902, MCA, is amended to read:

12 "19-3-902. Eligibility for early retirement. A member
13 who is not eligible for service retirement but has attained
14 age 50 and completed 5 years of qualified service is
15 eligible for early retirement. A member who has completed 25
16 20 years or more of state service is eligible for early
17 retirement."

18 Section 5. Section 19-3-906, MCA, is amended to read:

19 "19-3-906. Early retirement allowance. (1) The annual
20 amount of retirement allowance payable to a member following
21 his early retirement is the actuarial equivalent of the
22 accrued portion of the service retirement allowance which
23 would have been payable to him commencing at age 60 or upon
24 completion of ~~30~~ 25 years of creditable service pursuant to
25 19-3-904.

1 (2) The early retirement allowance shall be determined
2 as prescribed in 19-3-904 with the exception that the
3 allowance must be reduced as follows:

4 (a) by 1/2 of 1% multiplied by the number of months up
5 to a maximum of 60 months by which the retirement date
6 precedes the date on which he would have retired had he
7 attained 60 years of age or had he completed ~~30~~ 25 years of
8 creditable service; and

9 (b) by 3/10 of 1% multiplied by the number of months
10 in excess of the 60 months in subsection (2)(a) but not to
11 exceed 60 additional months that the retirement date
12 precedes the date on which he would have retired had he
13 attained 60 years of age or had completed ~~30~~ 25 years of
14 creditable service."

15 NEW SECTION. Section 6. Extension of authority. Any
16 existing authority of the public employees' retirement board
17 to make rules on the subject of the provisions of this act
18 is extended to the provisions of this act.

19 NEW SECTION. Section 7. Effective date. This act is
20 effective July 1, 1985.

-End-

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. FNN 191-85Form BD-15

In compliance with a written request received January 24, 19 85, there is hereby submitted a Fiscal Note for S.B. 195 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:

Senate Bill 195 reduces the number of years from 30 to 25 that certain members of the Public Employees' Retirement System must serve before they may retire without an actuarial adjustment in their monthly service retirement allowance and reduces the actuarial adjustments for those members with 20 years of service who retire before reaching age 55. The bill increases employee contributions by .5% of salary and employer contributions by .55% of salary.

ASSUMPTIONS:

1. Assumed salary adjustments of 5.27%/year are based on the experience shown in the actuarial valuation as of July 1, 1984.
2. Local government costs are estimated at 47% and state government costs at 53%.
3. Assumed 100% of the members eligible to retire will take advantage for this enhancement in the first 2 years.
4. About 10,384 of 26,026 active members could be eligible to receive a greater retirement benefit under this bill.
5. For state agencies 61% of personal services are from the General Fund.

FISCAL IMPACT:

Retirement Contributions	Employee <u>FY 86</u>	Employee <u>FY 87</u>		Employer <u>FY 86</u>	Employer <u>FY 87</u>
Under Current Law 6%	\$26,276,622	\$27,643,006	Under Current Law 6.417%	\$28,102,847	\$29,564,195
Under Proposed Law 6.5%	28,466,340	29,946,590	Under Proposed Law 6.967%	30,511,537	32,098,137
Increase	<u>\$ 2,189,718</u>	<u>\$ 2,303,584</u>		<u>\$ 2,408,690</u>	<u>\$ 2,533,942</u>

David L. Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: JAN 29, 1985

SB 195

FISCAL IMPACT: (continued)

<u>State Impact:</u>	<u>Employee .5%</u>	<u>Employer .55%</u>	<u>Total</u>	<u>General Fund Required</u>
FY 86	\$ 1,160,551	\$ 1,276,606	\$ 2,437,157	\$ 778,730
FY 87	\$ 1,220,900	\$ 1,342,989	\$ 2,563,889	\$ <u>819,223</u>

Local Impact:

	<u>Employee .5%</u>	<u>Employer .55%</u>	<u>Total</u>
FY 86	\$1,029,167	\$1,132,084	\$2,161,251
FY 87	\$1,082,684	\$1,190,953	\$2,273,637

Long Range Impact

This legislation will permanently increase employee and employer contributions to the Public Employees' Retirement System for both state and local government by 1.05% of all future salaries.

TECHNICAL NOTE

None

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. Revised
FNN 191-85

Form BD-15

In compliance with a written request received January 31, 19 85, there is hereby submitted a Fiscal Note for Senate Bill 195/Am. 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.

AMENDED FISCAL NOTE:*

Data is not available to determine which employees would be retiring or at what level replacements would be hired. Normally a person nearing retirement would be at a higher step and replacements would be hired at a lower step. However, the savings generated are already taken into account in the Executive Budget's recommendation for a 4% vacancy savings. A substantial portion of vacancy savings is generated by retirements and resignations and replacement being hired at a lower step. The only savings that SB 195 could generate would be if state employees retired at a faster pace than under current law.

To reflect the impact of a person retiring and being replaced by a person at a lower step the following comparisons can be shown. It is important to note that these savings cannot be relied upon because each retirement/replacement will be different. These are broad comparisons.

<u>Grade</u>	<u>Step 13</u>	<u>Step 2</u>	<u>Maximum Savings</u>
7	\$15,680	\$12,115	\$ 3,565
8	\$16,809	\$13,004	\$ 3,805
9	\$18,059	\$13,992	\$ 4,067
10	\$19,430	\$15,073	\$ 4,357
11	\$20,927	\$16,255	\$ 4,672
12	\$22,586	\$17,563	\$ 5,023
13	\$24,393	\$18,987	\$ 5,406

*Supplemental information for original fiscal note.

David H. Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 6, 1985

Amended SB 195

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

1 *Senate* BILL NO. *195*
2 INTRODUCED BY *Fuller, Mazuch, Hadden, Misa*
3 *J. Brown Hilfig*

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19 contributions to the board. Payment of salaries or wages
20 less the contribution shall be full and complete discharge
21 and acquittance of all claims and demands whatsoever for the
22 service rendered by members during the period covered by the
23 payment, except their claims to the benefits to which they
24 may be entitled under the provisions of this chapter."

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1 "19-3-801. Employer contribution rates -- actuarial
2 determination. (1) Each employer shall contribute to the
3 cost of benefits under the system. The amount of the
4 employer contributions shall be computed by applying to
5 member's compensation the sum of the current service
6 contribution rate and the unfunded liability contribution
7 rate. The sum of these rates shall be ~~6.417%~~ 6.967% from
8 July 1, ~~1983~~ 1985, and thereafter.

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

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20 that date. The unfunded liability at any time is the excess
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7 retirement regardless of his years of creditable service. A
8 member who has completed ~~30~~ 25 years or more of state
9 service is eligible for service retirement regardless of his
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-End-

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SENATE BILL NO. 195
INTRODUCED BY Fuller, Nezach, Haddock, Miles
J. Brown, Henry, F...

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE NUMBER OF YEARS THAT A MEMBER OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM MUST SERVE BEFORE BECOMING ELIGIBLE FOR SERVICE RETIREMENT BENEFITS REGARDLESS OF HIS AGE; INCREASING EMPLOYEE AND EMPLOYER CONTRIBUTIONS TO FUND THIS CHANGE; AMENDING SECTIONS 19-3-701, 19-3-801, 19-3-901, 19-3-902, AND 19-3-906, MCA; AND PROVIDING AN EFFECTIVE DATE."

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(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



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7 retirement regardless of his years of creditable service. A
8 member who has completed 30 25 years or more of state
9 service is eligible for service retirement regardless of his
10 age."

11 Section 4. Section 19-3-902, MCA, is amended to read:

12 "19-3-902. Eligibility for early retirement. A member
13 who is not eligible for service retirement but has attained
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2 as prescribed in 19-3-904 with the exception that the
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14 creditable service."

15 NEW SECTION. Section 6. Extension of authority. Any
16 existing authority of the public employees' retirement board
17 to make rules on the subject of the provisions of this act
18 is extended to the provisions of this act.

19 NEW SECTION. Section 7. Effective date. This act is
20 effective July 1, 1985.

-End-

STANDING COMMITTEE REPORT

Page 1 of 2

22

SB 195

March 31, 1985

March 31, 1985

HOUSE

MR. Speaker:

We, your committee on Appropriations

having had under consideration Senate Bill No. 195

third reading copy (blue color)

PERMITTING PERS MEMBER TO RETIRE AFTER 25 SERVICE YRS. WITHOUT PENALTY

Respectfully report as follows: That Senate Bill No. 195

BE AMENDED AS FOLLOWS:

1. Page 1, line 15. Following: "6%" Strike: "6.5%" Insert: "6%

2. Page 2, line 7. Following: "6.417%" Strike: "6.967%" Insert: "6.417%

3. Page 2, line 8. Following: "1983" Strike: "1985" Insert: "1983"

XXXXXX

CONTINUED

Chairman.

4. Page 2, line 8. Following: "and" Insert: "6.454% from July 1, 1987, and"

5. Page 3, line 9. Following: "service" Insert: "and makes application and retires between July 1, 1985, and June 30, 1987,"

6. Page 3, line 10. Following: "age." Strike: "age." Insert: "Beginning July 1, 1987, and thereafter, a member who has completed 30 years or more of state service is eligible for service retirement regardless of age."*

7. Page 3, line 16. Following: "service" Insert: "and makes application and retires between July 1, 1985, and June 30, 1987,"

8. Page 3, line 17. Following: "retirement." Strike: "retirement." Insert: "Beginning July 1, 1987, and thereafter, a member who has completed 25 years or more of state service is eligible for early retirement."*

9. Page 3, line 24. Following: "service" Insert: "from July 1, 1985, through June 30, 1987, or upon completion of 30 years of creditable service beginning July 1, 1987, and thereafter,"

10. Page 4, line 8. Following: "service" Insert: "from July 1, 1985, through June 30, 1987, or had he completed 30 years of creditable service beginning July 1, 1987, and thereafter"

11. Page 4, line 14. Following: "service" Insert: "from July 1, 1985, through June 30, 1987, or had completed 30 years of creditable service beginning July 1, 1987, and thereafter"

AND AS AMENDED,

WITHOUT RECOMMENDATION

Signature

7. Bardanove REP. FRANCIS BARDANOUE Chairman.