

SENATE BILL NO. 361

INTRODUCED BY HAFFEY, QUILICI, LYNCH, JACOBSON, HIMSL,  
MANNING, DANIELS, STIMATZ, BOYLAN, MENAHAN, HARPER,  
J. BROWN, O'CONNELL, FULLER, PAVLOVICH, LORY,  
VAN VALKENBURG, MOHAR, EUDAILY, DONALDSON

IN THE SENATE

February 8, 1985	Introduced and referred to Committee on State Administration.
February 11, 1985	Fiscal Note requested.
February 16, 1985	Fiscal Note returned.
February 19, 1985	Committee recommend bill do pass as amended. Report adopted.
February 20, 1985	Bill printed and placed on members' desks.
February 21, 1985	Second reading, do pass.
February 22, 1985	Considered correctly engrossed.
February 23, 1985	Third reading, passed. Ayes, 49; Noes, 0.  Transmitted to House.

IN THE HOUSE

February 27, 1985	Introduced and referred to Committee on State Administration.
March 22, 1985	Committee recommend bill be concurred in. Report adopted.

March 23, 1985	Second reading, pass consideration.
March 26, 1985	Second reading, concurred in.  On motion, taken from third reading and rereferred to Committee on Appropriations.
April 1, 1985	On motion, taken from Committee on Appropriations and referred to second reading.
April 3, 1985	Second reading, concurred in as amended.
April 5, 1985	Third reading, concurred in.  Returned to Senate with amendments.

IN THE SENATE

April 13, 1985	On motion, rules suspended to accept. Motion adopted.
April 15, 1985	Received from House.
April 17, 1985	Second reading, amendments concurred in.
April 18, 1985	Third reading, amendments concurred in. Ayes, 49; Noes, 0.  Sent to enrolling.  Reported correctly enrolled.

1 Senate BILL NO. 361  
 2 INTRODUCED BY *Abby Jacobson*  
 3 *Richard Manning*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A  
 5 COST-OF-LIVING INCREASE IN SERVICE AND DISABILITY RETIREMENT  
 6 ALLOWANCES AND SURVIVORSHIP ALLOWANCES FOR CERTAIN MEMBERS  
 7 OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THEIR  
 8 BENEFICIARIES; PROVIDING FUNDING FOR THE BENEFIT INCREASE  
 9 THROUGH EMPLOYER CONTRIBUTIONS; AMENDING SECTION 19-3-801,  
 10 MCA; AND PROVIDING AN EFFECTIVE DATE."

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

12 NEW SECTION. Section 1. Cost-of-living increase.

13 (1) For the purpose of this section:

14 (a) "Y" equals a member's years of creditable service  
15 not to exceed 30; and

16 (b) "A" equals a member's or his beneficiary's monthly  
17 service or disability retirement allowance or survivorship  
18 allowance.

19 (2) Effective July 1, 1985, each monthly service or  
20 disability retirement allowance or survivorship allowance  
21 payable to a member of the public employees' retirement  
22 system retired before July 1, 1984, or his beneficiary must  
23 be increased by an amount equal to  $\frac{\$45 Y^2}{A}$ .

24 Section 2. Section 19-3-801, MCA, is amended to read:  
25

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%~~ 6.667% 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 NEW SECTION. Section 3. Extension of authority. Any  
3 existing authority of the public employees' retirement board  
4 to make rules on the subject of the provisions of this act  
5 is extended to the provisions of this act.

6 NEW SECTION. Section 4. Codification instruction.  
7 Section 1 is intended to be codified as an integral part of  
8 Title 19, chapter 3, and the provisions of Title 19, chapter  
9 3, apply to section 1.

10 NEW SECTION. Section 5. Effective date. This act is  
11 effective July 1, 1985.

-End-

STATE OF MONTANA  
FISCAL NOTE

REQUEST NO. FNN 405-85  
Form BD-15

In compliance with a written request received February 11, 19 85, there is hereby submitted a Fiscal Note for SB 361 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 No. 361 provides for a cost-of-living increase to all PERS benefit recipients and includes criteria for calculating benefit increases.

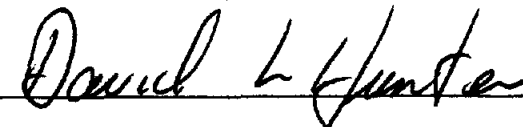
Assumptions

Assume 61% of personnel costs for state government is funded from the General Fund. Assumed salary adjustments of 5.27%/year and annual benefit adjustments of 12.8%/year are based on the experience of the actuarial valuation as of July 1, 1984 and include both state and local personal services increases. This is an average of salary adjustments for all participants over the previous two years. The state salary increase for FY 1984 was 4% overall. Average years of service 18.39. Average monthly benefit \$317.00.

Fiscal Impact

	<u>FY '86</u>	<u>FY '87</u>		<u>FY '86</u>	<u>FY '87</u>
Employer Contributions			Annual PERS Benefits		
under current law	\$28,102,847	\$29,564,195	under current law	\$32,519,197	\$36,447,516
under proposed law	<u>29,197,706</u>	<u>30,715,987</u>	under proposed law	<u>36,878,365</u>	<u>40,747,516</u>
Estimated Increase	\$ 1,094,859	\$ 1,151,792		\$ 4,359,168	\$ 4,300,000

The increased costs for state and local governments (\$1,094,859 and \$1,151,792 for FY 86 and FY 87 respectively) will continue for 40 years, and will increase with each salary adjustment over that time period. The states share of the increased cost will be \$583,451 for FY 86 and \$613,790 for FY 87. Of these amounts approximately 61% will be expenditures from the General Fund or \$355,905 for FY 86 and \$374,412 for FY 87.



BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Feb 16, 1985  
SB361

REQUEST NO. FNN 405-85

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Page Two

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Long Range Impact

Expenditures for this bill for both state and local government will continue for the next 40 years and will increase each year in direct relationship to salary increases.

Benefit increases are expected to be greater than revenue increases during the next few years after which benefits will decline while revenues will continue to increase. After 40 years, revenue collected plus investment earnings should equal benefits paid and the increase in employer contribution will no longer be necessary.

Local Impact

	<u>FY '86</u>	<u>FY '87</u>
Counties	\$203,315	\$213,888
Cities	111,128	116,907
School Districts	157,660	165,858
Other	39,305	41,349
Total	\$511,408	\$538,002

APPROVED BY COMMITTEE  
ON STATE ADMINISTRATION

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OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THEIR  
BENEFICIARIES; PROVIDING FUNDING FOR THE BENEFIT INCREASE  
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not to exceed 30; and

(b) "A" equals a member's or his beneficiary's monthly  
service or disability retirement allowance or survivorship  
allowance.

(2) Effective July 1, 1985, each monthly service or  
disability retirement allowance or survivorship allowance  
payable to a member of the public employees' retirement

system retired before July 1, 1984, or his beneficiary must  
be increased by an amount equal to  $\frac{\$45 Y^2}{A}$ ; HOWEVER, NO  
ALLOWANCE MAY BE INCREASED BY MORE THAN \$3 PER YEAR OF  
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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  
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July 1, ~~1983~~ 1985, and thereafter.

(2) The actuary shall determine the current service  
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13 Title 19, chapter 3, and the provisions of Title 19, chapter  
14 3, apply to section 1.

15 NEW SECTION. Section 5. Effective date. This act is  
16 effective July 1, 1985.

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16 effective July 1, 1985.

-End-

# COMMITTEE OF THE WHOLE AMENDMENT

4010946L.CW

## HOUSE

4-1-85

DATE

9:46 AM

TIME

MR. CHAIRMAN: I MOVE TO AMEND

SENATE BILL

No. 361

third reading copy ( blue ) as follows:  
Color

1. Title, lines 11 through 13.  
Strike: "PROVIDING" on line 11 through "MCA" on line 13
2. Page 1, line 16.  
Page 3, lines 7, 11, and 15.  
Strike: "NEW SECTION."
3. Page 1, line 23.  
Strike: "Effective"  
Insert: "Except as provided in subsection (3), effective"
4. Page 2, line 2.  
Strike: "\$45Y<sup>2</sup>  
A"  
Insert: "\$25Y<sup>2</sup>  
A"
5. Page 2, following line 4.  
Insert: "(3) The increase provided for in this section does not apply to a monthly service or disability retirement allowance or survivorship allowance that is \$1,000 or more."
6. Page 2, lines 5 through line 6, page 3.  
Strike: section 2 in its entirety  
Renumber: subsequent sections

*AS*

ADOPT

REJECT

*Marks*

.....  
Rep. Marks

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(1) For the purpose of this section:

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(2) Effective EXCEPT AS PROVIDED IN SUBSECTION (3), EFFECTIVE July 1, 1985, each monthly service or disability retirement allowance or survivorship allowance payable to a

member of the public employees' retirement system retired before July 1, 1984, or his beneficiary must be increased by an amount equal to  $\frac{A \times Y^2}{A}$   $\frac{\$25Y^2}{A}$ ; HOWEVER, NO ALLOWANCE MAY BE INCREASED BY MORE THAN \$3 PER YEAR OF SERVICE OR LESS THAN \$1 PER YEAR OF SERVICE.

(3) THE INCREASE PROVIDED FOR IN THIS SECTION DOES NOT APPLY TO A MONTHLY SERVICE OR DISABILITY RETIREMENT ALLOWANCE OR SURVIVORSHIP ALLOWANCE THAT IS \$1,000 OR MORE.

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 6.417% 6.667% from July 1, 1983 1985, 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



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4 that-date.-The-unfunded-liability-at-any-time-is-the--excess  
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6 respect-of-all-persons-then-entitled-to-benefits--under--the  
7 system--over--the-sum-of-the-retirement-fund-and-the-present  
8 values-of--the--future--current--service--contributions--and  
9 normal---contributions---payable--in--respect--of--all--such  
10 persons:”

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17 Title 19, chapter 3, and the provisions of Title 19, chapter  
18 3, apply to section 1.

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20 effective July 1, 1985.

-End-