

SENATE BILL NO. 389

2/11 Introduced
2/12 Referred to Local Government
2/12 Fiscal Note Requested
2/18 Fiscal Note Received
2/21 Hearing
2/21 Committee Report-Bill Do Pass
2/23 2nd Reading Indefinitely Postponed

Senate BILL NO. *389*

INTRODUCED BY *Rich*

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE PROVISIONS CONCERNING THE SHERIFFS' RETIREMENT SYSTEM; REDEFINING "FINAL SALARY" FOR THE CALCULATION OF RETIREMENT BENEFITS FOR CERTAIN MEMBERS; INCREASING MEMBERS' AND COUNTIES' CONTRIBUTIONS TO THE SYSTEM; REVISING ELIGIBILITY REQUIREMENTS FOR SERVICE RETIREMENT AND EARLY RETIREMENT; REVISING THE FORMULA FOR CALCULATING RETIREMENT BENEFITS; PERMITTING A MEMBER TO QUALIFY MILITARY SERVICE AS CREDITABLE SERVICE IN THE RETIREMENT SYSTEM; AMENDING SECTIONS 19-7-101, 19-7-403, 19-7-404, AND 19-7-501 THROUGH 19-7-503, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 19-7-101, MCA, is amended to read:

"19-7-101. Definitions. Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Account" means the Montana sheriffs' retirement pension trust fund administered by the sheriffs' retirement board.

(2) "Accumulated contributions" or "accumulated deductions" means the total amount deducted from the salary

of a member during a period of membership service plus the total amount deducted during a period of prior service and transferred from the public employees' retirement system standing to the member's credit in the account, together with the accrued interest.

(3) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the actuarial tables in use by the system.

(4) "Beneficiary" means a person who is nominated by the member in an acknowledged document which is filed with the board.

(5) "Board" means the sheriffs' retirement board. The board shall consist of five persons who shall be the same persons that comprise the public employees' retirement board.

(6) "Creditable service" means the aggregate of all of a member's current and prior service.

(7) (a) "Final salary" means the average annual salary received by a member, before any deductions are made and exclusive of maintenance, allowances, and expenses, for:

(i) any 12 months of continuous service from which contributions were deducted for a member hired before July 1, 1985, or, if the member has not served 12 months, the total salary earned divided by the number of months served;
or

INTRODUCED BILL

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1 (ii) any 3 years of continuous service from which
2 contributions were deducted for a member hired on or after
3 July 1, 1985, or, in-the-event-that-a if the member has not
4 served 3 years, the total salary earned divided by the
5 number of years served.

6 (b) Lump-sum payments for sick leave and annual leave
7 paid to an employee upon termination of employment may be
8 used in the calculation of a retirement allowance only to
9 the extent that they are used to replace, on a month for
10 month basis, the normal compensation for a month or months
11 included in the calculation of the final salary. A lump-sum
12 payment may not be added to a single month's compensation.

13 (8) "Member" means any person who has accumulate
14 deductions in the account to his credit.

15 (9) "Member's annuity" means payments for life derived
16 from contributions made by the member while employed.

17 (10) "Membership service" means service for which an
18 amount is deducted from the salary of a member and paid into
19 the account.

20 (11) "Prior service" means service for which credit was
21 granted by the public employees' retirement system of the
22 state of Montana.

23 (12) "Retired sheriff" means a person receiving a
24 retirement allowance under this chapter.

25 (13) "Retirement allowance" means the state annuity

1 plus the member's annuity.

2 (14) "Service" means employment as a sheriff.

3 (15) "Sheriff" means any elected or appointed county
4 sheriff, undersheriff, or regularly appointed and acting
5 deputy sheriff.

6 (16) "State annuity" means payment for life derived
7 from county contributions into the sheriffs' retirement
8 account, together with any supplemental legislative
9 appropriations to the account.

10 (17) "Vested retirement" means a retirement not for
11 cause and before retirement age."

12 Section 2. Section 19-7-403, MCA, is amended to read:
13 "19-7-403. Members' contributions deducted. Every
14 member shall be required to contribute into the account 7%
15 8.90% of his monthly salary, which shall be deducted from
16 his salary and deposited to his credit in the account."

17 Section 3. Section 19-7-404, MCA, is amended to read:
18 "19-7-404. Counties' contributions. (1) The various
19 counties of Montana shall pay monthly 7-62% 9.51% of each
20 sheriff's gross salary into the retirement account created
21 by this chapter.

22 (2) If the required contribution to the retirement
23 system exceeds the funds available to a county from general
24 revenue sources, a county may budget, levy, and collect
25 annually a special tax on the assessable property within the

1 county that is sufficient to raise the amount of revenue
2 needed to meet the county's obligation. This tax may be in
3 addition to the annual rate of taxation allowed by law to be
4 levied by the county."

5 Section 4. Section 19-7-501, MCA, is amended to read:
6 "19-7-501. Eligibility and application for service
7 retirement -- commencement of allowance. (1) (a) A sheriff
8 hired before July 1, 1985, who has completed at least 24
9 years of service may retire on a service retirement
10 allowance.

11 (b) A sheriff in-service hired on or after July 1,
12 1985, who has completed at least 25 24 years of service and
13 who has reached the age of 55 50 years may retire on a
14 service retirement allowance.

15 (2) A sheriff electing to retire must apply upon
16 written-application to the board, submitted not less than 30
17 days or more than 90 days from the desired date of
18 retirement.

19 (2)(3) Retirement is compulsory for any nonelected
20 sheriff at age 65, except in the case of undersheriffs.

21 (3)(4) The retirement allowance must commence on the
22 first day of the month following the member's last day of
23 membership service."

24 Section 5. Section 19-7-502, MCA, is amended to read:
25 "19-7-502. Early retirement option. If a member hired

1 before July 1, 1985, has served 20 years of creditable
2 service as a sheriff and if a member hired on or after July
3 1, 1985, has served 20 years of creditable service as a
4 sheriff and has reached the age of 55 50 years, he is
5 granted the option and privilege of retiring, and in such
6 case his retirement allowance shall be the actuarial
7 equivalent of his retirement allowance as otherwise accrued,
8 based upon payment commencing when he would have completed
9 25 24 years of creditable service or reached age 65,
10 whichever is less."

11 Section 6. Section 19-7-503, MCA, is amended to read:
12 "19-7-503. Service retirement allowance. (1) The
13 amount of any member's service retirement allowance shall be
14 ~~2%~~ 2.083% of his final salary for each year of creditable
15 service, up to a maximum of 50% 60% of final salary.

16 (2) ~~The member's retirement allowance shall be~~
17 ~~increased for any member who contributes after 25 years of~~
18 ~~service by an annuity calculated as twice the actuarial~~
19 ~~equivalent of the portion of the member's accumulated~~
20 ~~deductions arising from contributions after the completion~~
21 ~~of 25 years of service."~~

22 NEW SECTION. Section 7. Election to qualify military
23 service for full credit. (1) A member with 15 years or more
24 of service may, at any time before his retirement, make a
25 written election with the board to qualify all or any

1 portion of his active service in the armed forces of the
2 United States for the purpose of calculating retirement
3 benefits, up to a maximum of 5 years, if he is not otherwise
4 eligible to receive credit for this same service under
5 19-7-303.

6 (2) To qualify this service he must contribute to the
7 account an amount determined by the board, based on his
8 compensation and normal contribution rate as of his 16th
9 year and as many succeeding years as are required to qualify
10 this service, with interest from the date he becomes
11 eligible for this benefit to the date he contributes. He may
12 not qualify more of this service than he has service in
13 excess of 15 years.

14 NEW SECTION. Section 8. Extension of authority. Any
15 existing authority of the sheriffs' retirement board to make
16 rules on the subject of the provisions of this act is
17 extended to the provisions of this act.

18 NEW SECTION. Section 9. Codification instruction.
19 Section is intended to be codified as an integral part of
20 Title 19, chapter 7, and the provisions of Title 19, chapter
21 7, apply to section 7.

22 NEW SECTION. Section 10. Applicability. This act does
23 not apply to a member retired before the effective date of
24 this act.

25 NEW SECTION. Section 11. Effective date. This act is

1 effective July 1, 1985.

-End-

STATE OF MONTANA

REQUEST NO. FNN 418-85

FISCAL NOTE

Form BD-15

In compliance with a written request received February 12, 19 85, there is hereby submitted a Fiscal Note for S.B. 389 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:

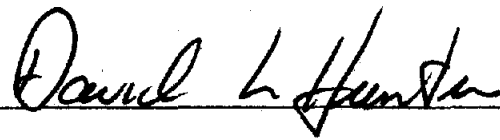
Senate Bill No. 389 generally revises provisions concerning the Sheriffs' Retirement System. The bill enhances "final salary" for members hired before July 1, 1985, establishes minimum age for service and early retirement for members hired after July 1, 1985, permits all members to qualify military service and increases contribution for all members and the counties.

ASSUMPTIONS:

- 1) Annual salary increases of 5.6% based on experience of the actuarial valuation as of July 1, 1984. Annual payroll as of July 1, 1984 of \$10,593,975.
- 2) 6 members retire each year with 25 years of service and a final salary of \$23,000.
- 3) Annual increase in benefits of 9%; benefits FY 84 \$228,540.

FISCAL IMPACT:

<u>Employee Contributions:</u>	<u>FY 86</u>	<u>FY 87</u>	<u>County Contributions</u>	<u>FY 86</u>	<u>FY 87</u>
Under Current Law 7.0%	\$ 826,960	\$ 873,270	Under Current Law 7.62%	\$ 900,206	\$ 950,617
Under Proposed Law 8.9%	<u>1,051,421</u>	<u>1,110,301</u>	Under Proposed Law 9.51%	<u>1,123,486</u>	<u>1,186,400</u>
Increase	\$ <u>224,461</u>	\$ <u>237,031</u>	Increase	\$ <u>223,279</u>	\$ <u>235,783</u>
 <u>Retirement Benefits</u>					
Under Current Law	\$ 271,528	\$ 295,966			
Under Proposed Law	<u>343,390</u>	<u>369,266</u>			
Increase	\$ <u>71,862</u>	\$ <u>73,300</u>			


 BUDGET DIRECTOR
 Office of Budget and Program Planning

Date: Feb 18, 1985

SB389

LOCAL IMPACT:

Each county will be required to contribute an additional 1.89% of salary for the next 40 years.

FY 86
\$ 223,279

FY 87
\$ 235,783

LONG-RANGE IMPACT:

Expenditures for county governments will continue to increase each year in direct relation to salary increases.

TECHNICAL NOTE:

Both Senate Bill No. 389 and House Bill No. 796 propose increase in the county contributions of 1.89% and .05% respectively. Neither bill contains a coordination section.

APPROVED BY COMM.
ON LOCAL GOVERNMENT

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5 PROVISIONS CONCERNING THE SHERIFFS' RETIREMENT SYSTEM;
6 REDEFINING "FINAL SALARY" FOR THE CALCULATION OF RETIREMENT
7 BENEFITS FOR CERTAIN MEMBERS; INCREASING MEMBERS' AND
8 COUNTIES' CONTRIBUTIONS TO THE SYSTEM; REVISING ELIGIBILITY
9 REQUIREMENTS FOR SERVICE RETIREMENT AND EARLY RETIREMENT;
10 REVISING THE FORMULA FOR CALCULATING RETIREMENT BENEFITS;
11 PERMITTING A MEMBER TO QUALIFY MILITARY SERVICE AS
12 CREDITABLE SERVICE IN THE RETIREMENT SYSTEM; AMENDING
13 SECTIONS 19-7-101, 19-7-403, 19-7-404, AND 19-7-501 THROUGH
14 19-7-503, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN
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24 (2) "Accumulated contributions" or "accumulated
25 deductions" means the total amount deducted from the salary

1 of a member during a period of membership service plus the
2 total amount deducted during a period of prior service and
3 transferred from the public employees' retirement system
4 standing to the member's credit in the account, together
5 with the accrued interest.

6 (3) "Actuarial equivalent" means a benefit of equal
7 value when computed upon the basis of the actuarial tables
8 in use by the system.

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10 the member in an acknowledged document which is filed with
11 the board.

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13 board shall consist of five persons who shall be the same
14 persons that comprise the public employees' retirement
15 board.

16 (6) "Creditable service" means the aggregate of all of
17 a member's current and prior service.

18 (7) (a) "Final salary" means the average annual salary
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20 exclusive of maintenance, allowances, and expenses, for:

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22 contributions were deducted for a member hired before July
23 1, 1985, or, if the member has not served 12 months, the
24 total salary earned divided by the number of months served;
25 or

1 (ii) any 3 years of continuous service from which
2 contributions were deducted for a member hired on or after
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5 number of years served.

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9 the extent that they are used to replace, on a month for
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13 (8) "Member" means any person who has accumulated
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15 (9) "Member's annuity" means payments for life derived
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19 the account.

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21 granted by the public employees' retirement system of the
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25 (13) "Retirement allowance" means the state annuity

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22 (2) If the required contribution to the retirement
23 system exceeds the funds available to a county from general
24 revenue sources, a county may budget, levy, and collect
25 annually a special tax on the assessable property within the

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23 membership service."

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25 written election with the board to qualify all or any

1 portion of his active service in the armed forces of the
2 United States for the purpose of calculating retirement
3 benefits, up to a maximum of 5 years, if he is not otherwise
4 eligible to receive credit for this same service under
5 19-7-303.

6 (2) To qualify this service he must contribute to the
7 account an amount determined by the board, based on his
8 compensation and normal contribution rate as of his 16th
9 year and as many succeeding years as are required to qualify
10 this service, with interest from the date he becomes
11 eligible for this benefit to the date he contributes. He may
12 not qualify more of this service than he has service in
13 excess of 15 years.

14 NEW SECTION. Section 8. Extension of authority. Any
15 existing authority of the sheriffs' retirement board to make
16 rules on the subject of the provisions of this act is
17 extended to the provisions of this act.

18 NEW SECTION. Section 9. Codification instruction.
19 Section 7 is intended to be codified as an integral part of
20 Title 19, chapter 7, and the provisions of Title 19, chapter
21 7, apply to section 7.

22 NEW SECTION. Section 10. Applicability. This act does
23 not apply to a member retired before the effective date of
24 this act.

25 NEW SECTION. Section 11. Effective date. This act is

1 effective July 1, 1985.

-End-