

SENATE BILL NO. 149

INTRODUCED BY MANNING, O'CONNELL, KADAS, LYNCH,
WALKER, NATHE, STANG, SQUIRES, CAMPBELL, DONALDSON,
MILLER, HARPER, HANSEN, NELSON, VINCENT, J. BROWN,
DRISCOLL, MEYER, MENAHAN, QUILICI, KEENAN, VAN VALKENBURG,
COBB, FRITZ, GRADY, ADDY, HAFHEY, CRIPPEN, MAZUREK,
JERGESON, YELLOWTAIL, RASMUSSEN, ANDERSON, JACOBSON, LORY,
WINSLOW, MILES, HIRSCH, PETERSON, B. BROWN, CONNELLY,
EUDAILY, BECK, E. SMITH, TVEIT, LYBECK

IN THE SENATE

JANUARY 20, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
JANUARY 28, 1987	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
JANUARY 29, 1987	PRINTING REPORT.
JANUARY 31, 1987	SECOND READING, DO PASS.
FEBRUARY 2, 1987	ENGROSSING REPORT.
FEBRUARY 3, 1987	THIRD READING, PASSED. AYES, 49; NOES, 1. TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 4, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
MARCH 14, 1987	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 17, 1987	ON MOTION, CONSIDERATION PASSED FOR THE DAY.
MARCH 18, 1987	SECOND READING, CONCURRED IN.

MARCH 19, 1987

THIRD READING, CONCURRED IN.
AYES, 81; NOES, 17.

RETURNED TO SENATE.

IN THE SENATE

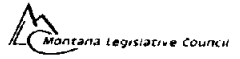
MARCH 20, 1987

RECEIVED FROM HOUSE.

SENT TO ENROLLING.

1 *Walker* *Senate* *NATH*
 2 INTRODUCED BY *Richard Spinning* *O'Connell* *Kadas* *Spice* BILL NO. *149 Stang* *Squires*
 3 *Complish* *Donaldson* *Miller* *James* *St. John*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE NUMBER OF *Call*
 5 YEARS THAT A MEMBER OF THE PUBLIC EMPLOYEES' RETIREMENT *Menahan* *Zubler* *Keener* *VanHulst* *Coll*
 6 SYSTEM MUST SERVE BEFORE BECOMING ELIGIBLE FOR SERVICE *Fitz*
 7 RETIREMENT BENEFITS REGARDLESS OF HIS AGE; INCREASING *Bro*
 8 EMPLOYEE CONTRIBUTIONS TO FUND THIS CHANGE; AMENDING *Finch*
 9 SECTIONS 19-3-701, 19-3-901, 19-3-902, AND 19-3-906, MCA; *Wiffy*
 10 AND PROVIDING AN EFFECTIVE DATE." *Exp* *Mequist* *Jerryes*
 11 *Yellowtail* *Rathburn* *John* *Anderson* *Jacobson* *Long*
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: *Woolf* *Miles*
 13 Section 1. Section 19-3-701, MCA, is amended to read: *Hirsch*
 14 "19-3-701. Member's contribution to be deducted. (1) *Peters*
 15 The normal contribution of each member is 6% 7% of his *Bob Bow*
 16 compensation. Payment of salaries or wages less the *Council*
 17 contribution shall be full and complete discharge and *Widell*
 18 acquittance of all claims and demands whatsoever for the *Boyd*
 19 service rendered by members during the period covered by the *Boyd*
 20 payment, except their claims to the benefits to which they *Boyd*
 21 may be entitled under the provisions of this chapter. *Lyles*
 22 (2) Each employer, pursuant to section 414(h)(2) of
 23 the federal Internal Revenue Code of 1954, as amended and
 24 applicable on July 1, 1985, shall pick up and pay the
 25 contributions which would be payable by the member under

1 subsection (1) for service rendered after June 30, 1985.
 2 (3) The member's contributions picked up by the
 3 employer must be designated for all purposes of the
 4 retirement system as the member's contributions, except for
 5 the determination of a tax upon a distribution from the
 6 retirement system. These contributions must become part of
 7 the member's accumulated contributions but must be accounted
 8 for separately from those previously accumulated.
 9 (4) The member's contributions picked up by the
 10 employer must be payable from the same source as is used to
 11 pay compensation to the member and must be included in the
 12 member's wages as defined in 19-1-102 and his compensation
 13 as defined in 19-3-104. The employer shall deduct from the
 14 member's compensation an amount equal to the amount of the
 15 member's contributions picked up by the employer and remit
 16 the total of the contributions to the board."
 17 Section 2. Section 19-3-901, MCA, is amended to read:
 18 "19-3-901. Eligibility for service retirement. A
 19 member who has attained the age of 60 and completed 5 years
 20 of qualified service is eligible for service retirement. A
 21 member who has attained age 65 is eligible for service
 22 retirement regardless of his years of creditable service. A
 23 member who has completed ~~30~~ 25 years or more of state
 24 service is eligible for service retirement regardless of his
 25 age."



-2-
 INTRODUCED BILL
 SB 149

1 Section 3. Section 19-3-902, MCA, is amended to read:
 2 "19-3-902. Eligibility for early retirement. A member
 3 who is not eligible for service retirement but has attained
 4 age 50 and completed 5 years of qualified service is
 5 eligible for early retirement. A member who has completed 25
 6 20 years or more of state service is eligible for early
 7 retirement."

8 Section 4. Section 19-3-906, MCA, is amended to read:
 9 "19-3-906. Early retirement allowance. (1) The annual
 10 amount of retirement allowance payable to a member following
 11 his early retirement is the actuarial equivalent of the
 12 accrued portion of the service retirement allowance which
 13 would have been payable to him commencing at age 60 or upon
 14 completion of ~~30~~ 25 years of creditable service pursuant to
 15 19-3-904.

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

19 (a) by 1/2 of 1% multiplied by the number of months up
 20 to a maximum of 60 months by which the retirement date
 21 precedes the date on which he would have retired had he
 22 attained 60 years of age or had he completed ~~30~~ 25 years of
 23 creditable service; and

24 (b) by 3/10 of 1% multiplied by the number of months
 25 in excess of the 60 months in subsection (2)(a) but not to

1 exceed 60 additional months that the retirement date
 2 precedes the date on which he would have retired had he
 3 attained 60 years of age or had completed ~~30~~ 25 years of
 4 creditable service."

5 NEW SECTION. Section 5. Extension of authority. Any
 6 existing authority of the public employees' retirement board
 7 to make rules on the subject of the provisions of this act
 8 is extended to the provisions of this act.

9 NEW SECTION. Section 6. Effective date. This act is
 10 effective July 1, 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB149, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

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 contributions to fund this change; amending Sections 19-3-701, 19-3-901, 19-3-902, and 19-3-906, MCA; and providing an effective date.

ASSUMPTIONS:

1. Salaries for FY88 and FY89 are based upon the November 1986 payroll reports received by the Public Employees' Retirement Division for PERS-covered employees. No increase in salaries is assumed for the next biennium.
2. An additional 582 PERS members could retire under the 25-year retirement provision of this proposal during the next biennium; an additional 819 PERS members could retire under the 20-year retirement provision of this proposal during the next biennium. Assuming that the percentage of PERS employees who will use this provision is the same as experienced by the Teachers' Retirement System when a similar provision was enacted, 22 PERS members (2.7%) will retire during the biennium under the 20 year early retirement provision and 108 PERS members (18.6%) will retire under the 25 year provision of this proposal during the next biennium.
3. The additional cost as a percentage of covered salaries to amortize the cost of this benefit enhancement over 40 years would be 1.00% of total PERS salaries if borne by the employees.
4. Assume 30% of state positions are funded through the General Fund and 70% are non-general fund.
5. Assume PERS members affected by this proposal will retire December 31st of each year of the biennium, with effective retirement dates of January 1. Therefore, 25% of salary impact will occur in FY88 and 75% of salary impact will occur in FY89. Since liabilities are considered "paid" when accrued, the impact of lump-sum payouts will be split 50% in FY88 and 50% in FY89.
6. It is assumed that 100% of the positions so terminated will eventually be refilled and that agencies will obtain budget increases to cover any increased expenditures resulting from this bill in the next biennium. If no additional funding is available, agencies must absorb any costs by leaving positions vacant or reallocating present budget authorities. If agencies do not have sufficient budget authority to refill positions immediately, salary savings will be less than shown in this fiscal note.
7. Of the refilled positions, 60% are refilled at a lower salary level (87% of previous salary); 13% are filled at a higher salary level (104% of retiree's salary); and 27% are refilled at the same level as the retiree. (Based on a 1986 study of state and university retirements over a six-month period ending 12/31/85 conducted by the Public Employees' Retirement Division.)
8. Assume increased contribution rates will be paid by PERS employees for 40 years.

David L. Hunter DATE 1/23/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE 1/24/87
RICHARD MANNING, PRIMARY SPONSOR
Fiscal Note for SB149, as introduced.

5B149

Fiscal Note Request, SB149, as introduced.

Form BD-15

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FISCAL IMPACT:

*Impact on governmental agencies.

	<u>FY88</u>	<u>FY89</u>
State	(\$208,826)	(\$142,278)
University System	(39,498)	(28,102)
Local Governments	(211,618)	(143,401)
Total	(\$459,942)	(\$313,781)

These figures take into account the estimated savings on hiring new people at a lower step. (See Assumption #7)
The above costs are due to termination payouts, i.e. vacation and sick leave.

The general fund impact is estimated at 30% of the costs for State and the University System.

FY88 = \$74,497 FY89 = \$51,114

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

With lump-sum payouts, local government expenditures are expected to INCREASE by:

\$211,618 in FY88 \$143,401 in FY89

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Will provide increased retirement benefits for approximately 5.4% of PERS membership. Will allow those members to retire 1 to 5 years earlier than under current law. This will result in a modest salary savings over the salaries of the retiring public employees, which will be offset by the early payout of lump-sum payments of vacation and sick leave.

All PERS-covered employees will pay increased (up from 6% to 7%) contribution rates for the next 40 years in order to fund this benefit.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

None noted.

SB 149

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

1 *Walker* *Senate* *NATH*
 2 INTRODUCED BY *Richard Spinning* *O'Connell* *Kadon* *Sp...*
 3 *Compl...* *Donald Miller* *...*
 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 CONTRIBUTIONS TO FUND THIS CHANGE; AMENDING
 9 SECTIONS 19-3-701, 19-3-901, 19-3-902, AND 19-3-906, MCA;
 10 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. (1)
 14 The normal contribution of each member is 6% 7% of his
 15 compensation. Payment of salaries or wages less the
 16 contribution shall be full and complete discharge and
 17 acquittance of all claims and demands whatsoever for the
 18 service rendered by members during the period covered by the
 19 payment, except their claims to the benefits to which they
 20 may be entitled under the provisions of this chapter.
 21 (2) Each employer, pursuant to section 414(h)(2) of
 22 the federal Internal Revenue Code of 1954, as amended and
 23 applicable on July 1, 1985, shall pick up and pay the
 24 contributions which would be payable by the member under
 25

1 subsection (1) for service rendered after June 30, 1985.
 2 (3) The member's contributions picked up by the
 3 employer must be designated for all purposes of the
 4 retirement system as the member's contributions, except for
 5 the determination of a tax upon a distribution from the
 6 retirement system. These contributions must become part of
 7 the member's accumulated contributions but must be accounted
 8 for separately from those previously accumulated.
 9 (4) The member's contributions picked up by the
 10 employer must be payable from the same source as is used to
 11 pay compensation to the member and must be included in the
 12 member's wages as defined in 19-1-102 and his compensation
 13 as defined in 19-3-104. The employer shall deduct from the
 14 member's compensation an amount equal to the amount of the
 15 member's contributions picked up by the employer and remit
 16 the total of the contributions to the board."
 17 Section 2. Section 19-3-901, MCA, is amended to read:
 18 "19-3-901. Eligibility for service retirement. A
 19 member who has attained the age of 60 and completed 5 years
 20 of qualified service is eligible for service retirement. A
 21 member who has attained age 65 is eligible for service
 22 retirement regardless of his years of creditable service. A
 23 member who has completed 30 25 years or more of state
 24 service is eligible for service retirement regardless of his
 25 age."

SECOND READING
SB-149



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

2 "19-3-902. Eligibility for early retirement. A member
3 who is not eligible for service retirement but has attained
4 age 50 and completed 5 years of qualified service is
5 eligible for early retirement. A member who has completed 25
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7 retirement."

8 Section 4. Section 19-3-906, MCA, is amended to read:

9 "19-3-906. Early retirement allowance. (1) The annual
10 amount of retirement allowance payable to a member following
11 his early retirement is the actuarial equivalent of the
12 accrued portion of the service retirement allowance which
13 would have been payable to him commencing at age 60 or upon
14 completion of ~~30~~ 25 years of creditable service pursuant to
15 19-3-904.

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

19 (a) by $1/2$ of 1% multiplied by the number of months up
20 to a maximum of 60 months by which the retirement date
21 precedes the date on which he would have retired had he
22 attained 60 years of age or had he completed ~~30~~ 25 years of
23 creditable service; and

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25 in excess of the 60 months in subsection (2)(a) but not to

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5 NEW SECTION. Section 5. Extension of authority. Any
6 existing authority of the public employees' retirement board
7 to make rules on the subject of the provisions of this act
8 is extended to the provisions of this act.

9 NEW SECTION. Section 6. Effective date. This act is
10 effective July 1, 1987.

-End-

1 *Walker* *Senate* *NATII** BILL NO. *149 Stang Squires*
 2 INTRODUCED BY *Richard Manning O'Connell Radan Lynn*
 3 *Comptell* *Donaldson Miller* *Jayson* *St. J. J. J.*
 4 *Nelson Vincent* *Atkins* *G. Brown* *Exposed*
 5 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE NUMBER OF
 6 YEARS THAT A MEMBER OF THE PUBLIC EMPLOYEES' RETIREMENT

7 SYSTEM MUST SERVE BEFORE BECOMING ELIGIBLE FOR SERVICE
 8 RETIREMENT BENEFITS REGARDLESS OF HIS AGE; INCREASING
 9 EMPLOYEE CONTRIBUTIONS TO FUND THIS CHANGE; AMENDING
 10 SECTIONS 19-3-701, 19-3-901, 19-3-902, AND 19-3-906, MCA;
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 21 may be entitled under the provisions of this chapter.

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 23 the federal Internal Revenue Code of 1954, as amended and
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 25 contributions which would be payable by the member under

1 subsection (1) for service rendered after June 30, 1985.

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 3 employer must be designated for all purposes of the
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1 Section 3. Section 19-3-902, MCA, is amended to read:
 2 "19-3-902. Eligibility for early retirement. A member
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 7 to make rules on the subject of the provisions of this act
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The normal contribution of each member is 6% 7% of his compensation. Payment of salaries or wages less the contribution shall be full and complete discharge and acquittance of all claims and demands whatsoever for the

service rendered by members during the period covered by the payment, except their claims to the benefits to which they may be entitled under the provisions of this chapter.

(2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954, as amended and applicable on July 1, 1985, shall pick up and pay the contributions which would be payable by the member under subsection (1) for service rendered after June 30, 1985.

(3) The member's contributions picked up by the employer must be designated for all purposes of the retirement system as the member's contributions, except for the determination of a tax upon a distribution from the retirement system. These contributions must become part of the member's accumulated contributions but must be accounted for separately from those previously accumulated.

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