

HOUSE BILL NO. 114

INTRODUCED BY GERVAIS, PAVLOVICH, NATHE, QUILICI, LYNCH,
O'KEEFE, STRIZICH, SQUIRES, PHILLIPS, PATTERSON, MENAHAN,
MANNING, STIMATZ, DEVLIN, HAMMOND, JACOBSON, WILLIAMS,
D. BROWN, WALKER

IN THE HOUSE

JANUARY 11, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
FEBRUARY 1, 1989	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 2, 1989	PRINTING REPORT.
FEBRUARY 3, 1989	SECOND READING, DO PASS.
FEBRUARY 4, 1989	ENGROSSING REPORT.
FEBRUARY 6, 1989	THIRD READING, PASSED. AYES, 96; NOES, 0.
	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 7, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
MARCH 6, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 7, 1989	SECOND READING, CONCURRED IN.
MARCH 9, 1989	THIRD READING, CONCURRED IN. AYES, 50; NOES, 0.
	RETURNED TO HOUSE.

MARCH 11, 1989

IN THE HOUSE

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *House* BILL NO. *114* *Smith*
 2 INTRODUCED BY *George Carls* *NATHAN GULICK*
 3 *Richard E. Manning* *Philip P. Manning* *Manahan*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE LAWS
 5 RELATING TO SERVICE CREDITS IN THE TEACHERS' RETIREMENT
 6 SYSTEM FOR VIETNAM CONFLICT ERA VETERANS; EXTENDING THE TIME
 7 PERIOD DURING WHICH SUCH SERVICE QUALIFIES; INCREASING
 8 EMPLOYER CONTRIBUTIONS TO THE FUND; AMENDING SECTIONS
 9 19-4-404 AND 19-4-605, MCA; AND PROVIDING AN EFFECTIVE DATE
 10 AND AN APPLICABILITY DATE."
 11

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

13 **Section 1.** Section 19-4-404, MCA, is amended to read:

14 "19-4-404. Creditable service for active service in
 15 military, red cross, or merchant marine. (1) A member may
 16 receive up to 4 years of creditable service without cost for
 17 active service in the armed forces of the United States,
 18 which includes the army, navy, marine corps, air force, and
 19 coast guard, during the Vietnam conflict between August--57
 20 1964 December 22, 1961, and May 7, 1975, both dates
 21 inclusive, if he has 5 years or more of creditable service
 22 in the retirement system. To qualify this service, a member
 23 shall submit to the board a completed application form and
 24 proper certification of his military service.

25 (2) If a member is ineligible for service credit under

1 subsection (1), he may apply under the provisions of this
 2 subsection for creditable service in the retirement system
 3 for active service in the armed forces of the United States,
 4 which includes the army, navy, marine corps, air force, and
 5 coast guard, or in the American red cross or merchant
 6 marine. The person shall be awarded creditable service,
 7 conditional upon his completing 5 years of active membership
 8 in Montana, for the number of years, not exceeding 2, that
 9 the retirement board determines to be creditable service, if
 10 he contributes to the retirement system an amount equal to
 11 the combined employer and employee contributions for his
 12 first full year's teaching salary earned in Montana
 13 following the active service in the armed forces of the
 14 United States or in the American red cross or merchant
 15 marine for each year of creditable service plus interest at
 16 the rate the contribution would have earned had the
 17 contribution been in his account upon completion of 5 years
 18 of membership service in Montana. The contribution rate
 19 shall be that rate in effect at the time he is eligible for
 20 such service. The contribution may be made in a lump-sum
 21 payment or in installments as agreed between the person and
 22 the retirement board."

23 **Section 2.** Section 19-4-605, MCA, is amended to read:

24 "19-4-605. Pension accumulation fund -- employer's
 25 contribution. The pension accumulation fund is the fund in

1 which the reserves for payment of pensions and annuities
 2 shall be accumulated and from which pensions, annuities, and
 3 benefits in lieu thereof shall be paid to or on account of
 4 beneficiaries credited with prior service. Contributions to
 5 and payments from the pension accumulation fund shall be
 6 made as follows:

7 (1) Each employer shall pay into the pension
 8 accumulation fund an amount equal to ~~7.428%~~ 7.459% of the
 9 earned compensation of each member employed during the whole
 10 or part of the preceding payroll period.

11 (2) If the employer is a district or community college
 12 district, the trustees shall budget and pay for the
 13 employer's contribution under the provisions of 20-9-501.

14 (3) If the employer is the superintendent of public
 15 instruction, a public institution of the state of Montana, a
 16 unit of the Montana university system, or the Montana state
 17 school for the deaf and blind, the legislature shall
 18 appropriate to the employer an adequate amount to allow the
 19 payment of the employer's contribution.

20 (4) If the employer is a county, the county
 21 commissioners shall budget and pay for the employer's
 22 contribution in the manner provided by law for the adoption
 23 of a county budget and for payments under the budget.

24 (5) All interest and other earnings realized on the
 25 moneys of the retirement system shall be credited to the

1 pension accumulation fund, and the amount required to allow
 2 regular interest on the annuity savings fund shall be
 3 transferred to that fund from the pension accumulation fund.

4 (6) All pensions, annuities, and benefits in lieu
 5 thereof shall be paid from the pension accumulation fund.

6 (7) The retirement board may, in its discretion,
 7 transfer from the pension accumulation fund an amount
 8 necessary to cover expenses of administration."

9 **Section 3. Extension of authority.** Any existing
 10 authority to make rules on the subject of the provisions of
 11 [this act] is extended to the provisions of [this act].

12 **Section 4. Effective date.** [This act] is effective
 13 July 1, 1989.

14 **Section 5. Applicability.** [Sections 1 and 2] apply to
 15 all members of the teachers' retirement system who are
 16 active members on or after July 1, 1989.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB114, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to expand the dates under which members of the Teachers' Retirement System may qualify service during the Viet Nam Conflict at no cost.

ASSUMPTIONS:

1. Membership records of the Teachers' Retirement System do not indicate military service history. TRS has assumed 200 members will qualify military service under this proposal. If the number of veterans eligible for this service varies from the number assumed, the cost will increase or decrease proportionately.
2. The cost as a percentage of earned compensation, assuming 200 members qualify service under this proposal, will be .049%. The cost if 125 members qualify service is .031%. This legislation provides for employer (school district) contribution rate to increase .031%, from 7.428% to 7.459%.
3. Total annual earned compensation reported to the TRS for the 1990 and 1991 biennium will be \$359,558,000 and \$377,536,000 respectfully. (Estimate is based upon the 1987 valuation assuming an average increase of 5% each year of the biennium.)
4. The Teachers' Retirement System will be required to notify individual members who are eligible under this proposal of their right to purchase additional military service. This task will not require an additional FTE.
5. Members who have previously purchased service that would qualify under this proposal would receive a refund of their contributions plus interest.
6. Members retired under the TRS prior to the effective date of this legislation will be ineligible to qualify military service under this proposal.

FISCAL IMPACT:

1. This bill increases the employer contribution rate under the Teachers Retirement System .031% from 7.428% to 7.459% or \$111,463 in FY90 and \$117,036 in FY91. Members eligible to qualify military service under this proposal will also be eligible to retire with more years of service, thus increasing the unfunded liability of the Teachers' Retirement System. The present value or lump sum cost of this benefit enhancement, assuming 125 members qualify military service, is \$3,595,680. If the number of veterans eligible for this service varies from the assumption, the cost will increase or decrease proportionately.




RAY SHACKLEFORD, BUDGET DIRECTOR

OFFICE OF BUDGET AND PROGRAM PLANNING

1/27/89

DATE

 1/30/89

FLOYD (BOB) GERVAIS, PRIMARY SPONSOR

DATE

Fiscal Note for HB114, as introduced

HB 114

Fiscal Note Request HB114 as introduced
Form BD-15
Page 2

EFFECT ON LOCAL GOVERNMENT:

This proposal requires an increase in the employer contribution rate in the TRS of .031%. The annual increase in employer contributions will be \$111,463 annually in FY90 and \$117,036 in FY91.

TECHNICAL NOTES:

This bill was introduced prior to completing the valuation required to estimate the cost of this enhancement. The valuation assumed that 200 members will be eligible to receive service credit at a cost to the system of .049% of salary. If the number of veterans eligible for this service varies from the number assumed, the cost will increase or decrease proportionately. Section 2 of this bill provides for an increase in the employer contribution rate of .031% from 7.428% to 7.459%. This rate will fund the cost of this enhancement if 125 members are eligible for this service.

HB 114

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

1 *House* BILL NO. *114* *Smith*
2 INTRODUCED BY *Benjamin (Johnson) Nathan Gulley*
3 *Richard E. Manning* *Phillip Patton* *Manuel*
4 A BILL FOR AN ACT, ENTITLED: "AN ACT, REVISING THE LAWS
5 RELATING TO SERVICE CREDITS IN THE TEACHERS' RETIREMENT
6 SYSTEM FOR VIETNAM CONFLICT ERA VETERANS; EXTENDING THE TIME
7 PERIOD DURING WHICH SUCH SERVICE QUALIFIES; INCREASING
8 EMPLOYER CONTRIBUTIONS TO THE FUND; AMENDING SECTIONS
9 19-4-404 AND 19-4-605, MCA; AND PROVIDING AN EFFECTIVE DATE
10 AND AN APPLICABILITY DATE."

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

13 **Section 1.** Section 19-4-404, MCA, is amended to read:

14 "19-4-404. Creditable service for active service in
15 military, red cross, or merchant marine. (1) A member may
16 receive up to 4 years of creditable service without cost for
17 active service in the armed forces of the United States,
18 which includes the army, navy, marine corps, air force, and
19 coast guard, during the Vietnam conflict between August--5,
20 1964 December 22, 1961, and May 7, 1975, both dates
21 inclusive, if he has 5 years or more of creditable service
22 in the retirement system. To qualify this service, a member
23 shall submit to the board a completed application form and
24 proper certification of his military service.

25 (2) If a member is ineligible for service credit under

1 subsection (1), he may apply under the provisions of this
2 subsection for creditable service in the retirement system
3 for active service in the armed forces of the United States,
4 which includes the army, navy, marine corps, air force, and
5 coast guard, or in the American red cross or merchant
6 marine. The person shall be awarded creditable service,
7 conditional upon his completing 5 years of active membership
8 in Montana, for the number of years, not exceeding 2, that
9 the retirement board determines to be creditable service, if
10 he contributes to the retirement system an amount equal to
11 the combined employer and employee contributions for his
12 first full year's teaching salary earned in Montana
13 following the active service in the armed forces of the
14 United States or in the American red cross or merchant
15 marine for each year of creditable service plus interest at
16 the rate the contribution would have earned had the
17 contribution been in his account upon completion of 5 years
18 of membership service in Montana. The contribution rate
19 shall be that rate in effect at the time he is eligible for
20 such service. The contribution may be made in a lump-sum
21 payment or in installments as agreed between the person and
22 the retirement board."

23 **Section 2.** Section 19-4-605, MCA, is amended to read:

24 "19-4-605. Pension accumulation fund -- employer's
25 contribution. The pension accumulation fund is the fund in

1 which the reserves for payment of pensions and annuities
2 shall be accumulated and from which pensions, annuities, and
3 benefits in lieu thereof shall be paid to or on account of
4 beneficiaries credited with prior service. Contributions to
5 and payments from the pension accumulation fund shall be
6 made as follows:

7 (1) Each employer shall pay into the pension
8 accumulation fund an amount equal to ~~7.428%~~ 7.459% of the
9 earned compensation of each member employed during the whole
10 or part of the preceding payroll period.

11 (2) If the employer is a district or community college
12 district, the trustees shall budget and pay for the
13 employer's contribution under the provisions of 20-9-501.

14 (3) If the employer is the superintendent of public
15 instruction, a public institution of the state of Montana, a
16 unit of the Montana university system, or the Montana state
17 school for the deaf and blind, the legislature shall
18 appropriate to the employer an adequate amount to allow the
19 payment of the employer's contribution.

20 (4) If the employer is a county, the county
21 commissioners shall budget and pay for the employer's
22 contribution in the manner provided by law for the adoption
23 of a county budget and for payments under the budget.

24 (5) All interest and other earnings realized on the
25 moneys of the retirement system shall be credited to the

1 pension accumulation fund, and the amount required to allow
2 regular interest on the annuity savings fund shall be
3 transferred to that fund from the pension accumulation fund.

4 (6) All pensions, annuities, and benefits in lieu
5 thereof shall be paid from the pension accumulation fund.

6 (7) The retirement board may, in its discretion,
7 transfer from the pension accumulation fund an amount
8 necessary to cover expenses of administration."

9 **Section 3. Extension of authority.** Any existing
10 authority to make rules on the subject of the provisions of
11 [this act] is extended to the provisions of [this act].

12 **Section 4. Effective date.** [This act] is effective
13 July 1, 1989.

14 **Section 5. Applicability.** [Sections 1 and 2] apply to
15 all members of the teachers' retirement system who are
16 active members on or after July 1, 1989.

-End-

1 *House* BILL NO. *114* *Smith*
 2 INTRODUCED BY *George F. Carls* *NATHAN GULBERG*
 3 *Richard E. Hammon* *Phillip P. Mendenhall*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE LAWS
 5 RELATING TO SERVICE CREDITS IN THE TEACHERS' RETIREMENT
 6 SYSTEM FOR VIETNAM CONFLICT ERA VETERANS; EXTENDING THE TIME
 7 PERIOD DURING WHICH SUCH SERVICE QUALIFIES; INCREASING
 8 EMPLOYER CONTRIBUTIONS TO THE FUND; AMENDING SECTIONS
 9 19-4-404 AND 19-4-605, MCA; AND PROVIDING AN EFFECTIVE DATE
 10 AND AN APPLICABILITY DATE."
 11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 13 **Section 1.** Section 19-4-404, MCA, is amended to read:
 14 "19-4-404. Creditable service for active service in
 15 military, red cross, or merchant marine. (1) A member may
 16 receive up to 4 years of creditable service without cost for
 17 active service in the armed forces of the United States,
 18 which includes the army, navy, marine corps, air force, and
 19 coast guard, during the Vietnam conflict between August--57
 20 1964 December 22, 1961, and May 7, 1975, both dates
 21 inclusive, if he has 5 years or more of creditable service
 22 in the retirement system. To qualify this service, a member
 23 shall submit to the board a completed application form and
 24 proper certification of his military service.
 25 (2) If a member is ineligible for service credit under

1 subsection (1), he may apply under the provisions of this
 2 subsection for creditable service in the retirement system
 3 for active service in the armed forces of the United States,
 4 which includes the army, navy, marine corps, air force, and
 5 coast guard, or in the American red cross or merchant
 6 marine. The person shall be awarded creditable service,
 7 conditional upon his completing 5 years of active membership
 8 in Montana, for the number of years, not exceeding 2, that
 9 the retirement board determines to be creditable service, if
 10 he contributes to the retirement system an amount equal to
 11 the combined employer and employee contributions for his
 12 first full year's teaching salary earned in Montana
 13 following the active service in the armed forces of the
 14 United States or in the American red cross or merchant
 15 marine for each year of creditable service plus interest at
 16 the rate the contribution would have earned had the
 17 contribution been in his account upon completion of 5 years
 18 of membership service in Montana. The contribution rate
 19 shall be that rate in effect at the time he is eligible for
 20 such service. The contribution may be made in a lump-sum
 21 payment or in installments as agreed between the person and
 22 the retirement board."

23 **Section 2.** Section 19-4-605, MCA, is amended to read:
 24 "19-4-605. Pension accumulation fund -- employer's
 25 contribution. The pension accumulation fund is the fund in

1 which the reserves for payment of pensions and annuities
2 shall be accumulated and from which pensions, annuities, and
3 benefits in lieu thereof shall be paid to or on account of
4 beneficiaries credited with prior service. Contributions to
5 and payments from the pension accumulation fund shall be
6 made as follows:

7 (1) Each employer shall pay into the pension
8 accumulation fund an amount equal to ~~7.428%~~ 7.459% of the
9 earned compensation of each member employed during the whole
10 or part of the preceding payroll period.

11 (2) If the employer is a district or community college
12 district, the trustees shall budget and pay for the
13 employer's contribution under the provisions of 20-9-501.

14 (3) If the employer is the superintendent of public
15 instruction, a public institution of the state of Montana, a
16 unit of the Montana university system, or the Montana state
17 school for the deaf and blind, the legislature shall
18 appropriate to the employer an adequate amount to allow the
19 payment of the employer's contribution.

20 (4) If the employer is a county, the county
21 commissioners shall budget and pay for the employer's
22 contribution in the manner provided by law for the adoption
23 of a county budget and for payments under the budget.

24 (5) All interest and other earnings realized on the
25 moneys of the retirement system shall be credited to the

1 pension accumulation fund, and the amount required to allow
2 regular interest on the annuity savings fund shall be
3 transferred to that fund from the pension accumulation fund.

4 (6) All pensions, annuities, and benefits in lieu
5 thereof shall be paid from the pension accumulation fund.

6 (7) The retirement board may, in its discretion,
7 transfer from the pension accumulation fund an amount
8 necessary to cover expenses of administration."

9 **Section 3. Extension of authority.** Any existing
10 authority to make rules on the subject of the provisions of
11 [this act] is extended to the provisions of [this act].

12 **Section 4. Effective date.** [This act] is effective
13 July 1, 1989.

14 **Section 5. Applicability.** [Sections 1 and 2] apply to
15 all members of the teachers' retirement system who are
16 active members on or after July 1, 1989.

-End-

HOUSE BILL NO. 114

INTRODUCED BY GERVAIS, PAVLOVICH, NATHE, QUILICI, LYNCH,
O'KEEFE, STRIZICH, SQUIRES, PHILLIPS, PATTERSON, MENAHAN,
MANNING, STIMATZ, DEVLIN, HAMMOND, JACOBSON, WILLIAMS,
D. BROWN, WALKER

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE LAWS
RELATING TO SERVICE CREDITS IN THE TEACHERS' RETIREMENT
SYSTEM FOR VIETNAM CONFLICT ERA VETERANS; EXTENDING THE TIME
PERIOD DURING WHICH SUCH SERVICE QUALIFIES; INCREASING
EMPLOYER CONTRIBUTIONS TO THE FUND; AMENDING SECTIONS
19-4-404 AND 19-4-605, MCA; AND PROVIDING AN EFFECTIVE DATE
AND AN APPLICABILITY DATE."

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

Section 1. Section 19-4-404, MCA, is amended to read:

"19-4-404. Creditable service for active service in
military, red cross, or merchant marine. (1) A member may
receive up to 4 years of creditable service without cost for
active service in the armed forces of the United States,
which includes the army, navy, marine corps, air force, and
coast guard, during the Vietnam conflict between August--5,
~~1964~~ December 22, 1961, and May 7, 1975, both dates
inclusive, if he has 5 years or more of creditable service
in the retirement system. To qualify this service, a member

shall submit to the board a completed application form and
proper certification of his military service.

(2) If a member is ineligible for service credit under
subsection (1), he may apply under the provisions of this
subsection for creditable service in the retirement system
for active service in the armed forces of the United States,
which includes the army, navy, marine corps, air force, and
coast guard, or in the American red cross or merchant
marine. The person shall be awarded creditable service,
conditional upon his completing 5 years of active membership
in Montana, for the number of years, not exceeding 2, that
the retirement board determines to be creditable service, if
he contributes to the retirement system an amount equal to
the combined employer and employee contributions for his
first full year's teaching salary earned in Montana
following the active service in the armed forces of the
United States or in the American red cross or merchant
marine for each year of creditable service plus interest at
the rate the contribution would have earned had the
contribution been in his account upon completion of 5 years
of membership service in Montana. The contribution rate
shall be that rate in effect at the time he is eligible for
such service. The contribution may be made in a lump-sum
payment or in installments as agreed between the person and
the retirement board."

Section 2. Section 19-4-605, MCA, is amended to read:

"19-4-605. Pension accumulation fund -- employer's contribution. The pension accumulation fund is the fund in which the reserves for payment of pensions and annuities shall be accumulated and from which pensions, annuities, and benefits in lieu thereof shall be paid to or on account of beneficiaries credited with prior service. Contributions to and payments from the pension accumulation fund shall be made as follows:

(1) Each employer shall pay into the pension accumulation fund an amount equal to ~~7.428%~~ 7.459% of the earned compensation of each member employed during the whole or part of the preceding payroll period.

(2) If the employer is a district or community college district, the trustees shall budget and pay for the employer's contribution under the provisions of 20-9-501.

(3) If the employer is the superintendent of public instruction, a public institution of the state of Montana, a unit of the Montana university system, or the Montana state school for the deaf and blind, the legislature shall appropriate to the employer an adequate amount to allow the payment of the employer's contribution.

(4) If the employer is a county, the county commissioners shall budget and pay for the employer's contribution in the manner provided by law for the adoption

of a county budget and for payments under the budget.

(5) All interest and other earnings realized on the moneys of the retirement system shall be credited to the pension accumulation fund, and the amount required to allow regular interest on the annuity savings fund shall be transferred to that fund from the pension accumulation fund.

(6) All pensions, annuities, and benefits in lieu thereof shall be paid from the pension accumulation fund.

(7) The retirement board may, in its discretion, transfer from the pension accumulation fund an amount necessary to cover expenses of administration."

NEW SECTION. **Section 3.** Extension of authority. Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. **Section 4.** Effective date. [This act] is effective July 1, 1989.

NEW SECTION. **Section 5.** Applicability. [Sections 1 and 2] apply to all members of the teachers' retirement system who are active members on or after July 1, 1989.

-End-