

HOUSE BILL NO. 159

INTRODUCED BY R. NELSON, EUDAILY, PETERSON,
DARKO, PECK, DAVIS, BLAYLOCK, BENGTSON, B. BROWN

BY REQUEST OF THE TEACHERS' RETIREMENT BOARD

IN THE HOUSE

JANUARY 13, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
JANUARY 14, 1989	FIRST READING.
JANUARY 26, 1989	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
	POSTED ON CONSENT CALENDAR.
JANUARY 27, 1989	ENGROSSING REPORT.
JANUARY 30, 1989	CONSENT CALENDAR, QUESTIONS AND ANSWERS.
	THIRD READING, PASSED. AYES, 99; NOES, 0.
	TRANSMITTED TO SENATE.

IN THE SENATE

JANUARY 31, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON EDUCATION & CULTURAL RESOURCES.
	FIRST READING.
MARCH 2, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
MARCH 3, 1989	SECOND READING, CONCURRED IN.
MARCH 6, 1989	THIRD READING, CONCURRED IN. AYES, 50; NOES, 0.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

MARCH 8, 1989	PASSED CONSIDERATION FOR THE DAY.
MARCH 9, 1989	SECOND READING, AMENDMENTS NOT CONCURRED IN.
MARCH 10, 1989	ON MOTION, FREE CONFERENCE COMMITTEE REQUESTED.

IN THE SENATE

MARCH 11, 1989	ON MOTION, FREE CONFERENCE COMMITTEE REQUESTED AND APPOINTED.
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IN THE HOUSE

APRIL 8, 1989	FREE CONFERENCE COMMITTEE REPORTED.
APRIL 10, 1989	SECOND READING, FREE CONFERENCE COMMITTEE REPORT ADOPTED.

IN THE SENATE

APRIL 11, 1989	FREE CONFERENCE COMMITTEE REPORT ADOPTED.
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IN THE HOUSE

APRIL 11, 1989	THIRD READING, FREE CONFERENCE COMMITTEE REPORT ADOPTED.
	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

1 *HOUSE* BILL NO. *157*
 2 INTRODUCED BY *Nelson Gidley Peterson*
 3 *Blaylock, Livingston* BY REQUEST OF THE TEACHERS' RETIREMENT BOARD *Bob Brown*
 4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A FORMULA
 6 FOR DETERMINING THE AMOUNT THAT MUST BE PAID TO TRANSFER
 7 CREDITABLE SERVICE BETWEEN THE PUBLIC EMPLOYEES' AND THE
 8 TEACHERS' RETIREMENT SYSTEMS; AMENDING SECTIONS 19-3-511 AND
 9 19-4-409, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
 10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 **Section 1.** Section 19-3-511, MCA, is amended to read:
 13 "19-3-511. Transfer of service credits from teachers'
 14 retirement system. (1) ~~For the purpose of this section,~~
 15 ~~"assumed salary" means the sum of the following:~~
 16 ~~{a} earned compensation for all full-time service and~~
 17 ~~part-time service as defined in 19-4-101; and~~
 18 ~~{b} the amount of the first full-year's teaching~~
 19 ~~salary earned in Montana after any period of creditable~~
 20 ~~service not included in subsection (1){a} multiplied by the~~
 21 ~~number of years or partial years granted by the teachers'~~
 22 ~~retirement system;~~
 23 {2} A member may at any time before his retirement
 24 make a written election with the board to qualify in the
 25 public employees' retirement system all of his creditable

1 service in the teachers' retirement system.
 2 {3}(2) The amount that must be paid to the retirement
 3 system to qualify this service under subsection {2}(1) is
 4 the sum of the following subsections (2)(a) and (2)(b):
 5 (a) from the teachers' retirement system, an amount
 6 equal to the combined employer and employee contributions as
 7 defined in 19-3-701 and 19-3-801, based on the assumed
 8 salary, less the amount paid by the employee in subsection
 9 {3}(b); and 5% of the average final compensation, as defined
 10 in 19-4-101, earned by the member multiplied by the total
 11 years of creditable service being transferred plus accrued
 12 interest from the date of termination until payment is
 13 received by the retirement system, based on the interest
 14 tables in use by the teachers' retirement system. If the
 15 member had less than 3 full years of membership service, the
 16 average final compensation must be based on the compensation
 17 reported to the teachers' retirement board by the employer.
 18 (b) from the employee, the amount of his accumulated
 19 contributions at the time he terminated active membership,
 20 as defined in 19-4-302, plus accrued interest from the date
 21 of termination until payment is received by the retirement
 22 system, based on the interest tables in use by the teachers'
 23 retirement system.
 24 {4}(3) The amount of creditable service granted in
 25 subsection {2}(1) must be on a month-by-month basis.

1 Military service credit transferred from the teachers'
2 retirement system must be included in the 5-year maximum
3 military service credit provided for in 19-3-503.

4 {5}(4) Subject to the provisions of 19-3-304, the
5 board is the sole authority in determining the amount of
6 creditable service qualified under subsections {2}(1) and
7 {4}(3) and the amount paid to the retirement system under
8 subsection {3}(2).

9 {6}(5) If a member who has creditable service in the
10 teachers' retirement system dies before he qualifies this
11 service in the public employees' retirement system and if
12 the service credits from both systems, when combined,
13 entitle his beneficiary to a death benefit, the payment of
14 the death benefit is the liability of the public employees'
15 retirement system. Before payment of the death benefit, the
16 teachers' retirement board must transfer to the public
17 employees' retirement system the employee--and--employer
18 contributions necessary to qualify this service in the
19 public employees' retirement system as provided in
20 subsection {3}(a) (2)."

21 **Section 2.** Section 19-4-409, MCA, is amended to read:

22 "19-4-409. Transfer of service credits from public
23 employees' retirement system. (1) For the--purpose--of--this
24 section, "assumed salary" means the sum of the following:

25 {a)--compensation-for-all-membership-service-as-defined

1 in-19-3-104;-and

2 {b)--the--salary--base--used--by--the-public-employees'
3 retirement--system--when--granting--military--service--under
4 19-3-502--and--19-3-503--and-service-credits-for-time-when-a
5 member-is-absent-from-service-because-of-injury--or--illness
6 under-19-3-504-.

7 {2} A member may at any time before his retirement
8 make a written election with the retirement board to qualify
9 in the teachers' retirement system all of his creditable
10 service in the public employees' retirement system.

11 {3}(2) The amount that must be paid to the retirement
12 system to qualify this service under subsection {2}(1) is
13 the sum of the following subsections (2)(a) and (2)(b):

14 (a) from the public employees' retirement system, an
15 amount equal to the--combined---employer---and---employee
16 contributions--as-defined-in-19-4-602-and-19-4-605,-based-on
17 the-assumed-salary,-less-the-amount-paid-by-the-employee--in
18 subsection--{3}(b);--and 5% of the final compensation, as
19 defined in 19-3-104, earned by the member multiplied by the
20 total years of creditable service being transferred plus
21 accrued interest from the date of termination until payment
22 is received by the retirement system, based on the interest
23 tables in use by the public employees' retirement system. If
24 the member had less than 3 full years of membership service,
25 the final compensation must be based on the compensation

1 reported to the public employees' retirement board by the
2 employer;

3 (b) from the employee;

4 (i) the amount of his accumulated contributions at the
5 time he terminated active membership under 19-3-406 plus
6 accrued interest from the date of termination until payment
7 is received by the retirement system, based on the interest
8 tables in use by the public employees' retirement system;
9 plus

10 (ii) an amount equal to 2% of the final compensation as
11 determined in subsection (2)(a) multiplied by the total
12 years of creditable service being transferred plus accrued
13 interest from the date of termination until payment is
14 received by the retirement system, based on the interest
15 tables in use by the retirement system.

16 (3) If the member chooses not to make the contribution
17 as provided in subsection (2)(b)(ii), he shall receive
18 credit for the service transferred, based on the ratio
19 between the retirement systems' employee and employer
20 contribution rates provided for under 19-3-701, 19-3-801,
21 19-4-602, and 19-4-605.

22 (4) A member who qualifies service from the public
23 employees' retirement system in the teachers' retirement
24 system must complete 5 years of membership service in the
25 teachers' retirement system to qualify or purchase military

1 service, out-of-state teaching service, employment while on
2 leave, and private school employment.

3 (5) The retirement board shall determine the service
4 credits that may be transferred.

5 (6) If a member who has creditable service in the
6 public employees' retirement system dies before he qualifies
7 this service in the teachers' retirement system and if his
8 service credits from both systems, when combined, entitle
9 his beneficiary to a death benefit, the payment of the death
10 benefit is the liability of the teachers' retirement system.
11 Before payment of the death benefit, the public employees'
12 retirement board must transfer to the teachers' retirement
13 system the ~~employee-and-employer~~ contributions necessary to
14 qualify this service in the teachers' retirement system as
15 provided in subsection ~~(3)(a)~~(2).

16 (7) If the retirement board determines that an
17 individual's membership was erroneously classified, the
18 member's accumulated contributions and service must be
19 transferred to the teachers' retirement system and any
20 employee and employer contributions due as calculated in
21 ~~subsection-(3)(a)~~ 19-4-602 and 19-4-605 are the liability of
22 the employee and the employing entity where the error
23 occurred, respectively."

24 NEW SECTION. Section 3. Extension of authority. Any
25 existing authority to make rules on the subject of the

LC 0578/01

1 provisions of [this act] is extended to the provisions of
2 [this act].

3 NEW SECTION. **Section 4.** Effective date. [This act] is
4 effective on passage and approval.

-End-

1 *HOUSE* BILL NO. *159*
 2 INTRODUCED BY *Mr. Nelson E. Daily Peterson*
 3 *BY REQUEST OF THE TEACHERS' RETIREMENT BOARD*
 4 *Blaylock, Livingston* *Bob Brown*

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A FORMULA
 6 FOR DETERMINING THE AMOUNT THAT MUST BE PAID TO TRANSFER
 7 CREDITABLE SERVICE BETWEEN THE PUBLIC EMPLOYEES' AND THE
 8 TEACHERS' RETIREMENT SYSTEMS; AMENDING SECTIONS 19-3-511 AND
 9 19-4-409, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 19-3-511, MCA, is amended to read:

13 "19-3-511. Transfer of service credits from teachers'
 14 retirement system. (1) For--the--purpose--of--this--section,
 15 "assumed-salary"--means--the--sum--of--the--following:

16 (a)--earned--compensation--for--all--full--time--service--and
 17 part-time--service--as--defined--in--19-4-101;--and

18 (b)--the--amount--of--the--first--full--year's--teaching
 19 salary--earned--in--Montana--after--any--period--of--creditable
 20 service--not--included--in--subsection--(1)(a)--multiplied--by--the
 21 number--of--years--or--partial--years--granted--by--the--teachers'
 22 retirement--system--

23 (2) A member may at any time before his retirement
 24 make a written election with the board to qualify in the
 25 public employees' retirement system all of his creditable

1 service in the teachers' retirement system.

2 (3)(2) The amount that must be paid to the retirement
 3 system to qualify this service under subsection (2)(1) is
 4 the sum of the following subsections (2)(a) and (2)(b):

5 (a) from the teachers' retirement system, an amount
 6 equal to the combined employer and employee contributions as
 7 defined in 19-3-701 and 19-3-801, based on the assumed
 8 salary, less the amount paid by the employee in subsection
 9 (3)(b), and 5% of the average final compensation, as defined
 10 in 19-4-101, earned by the member multiplied by the total
 11 years of creditable service being transferred plus accrued
 12 interest from the date of termination until payment is
 13 received by the retirement system, based on the interest
 14 tables in use by the teachers' retirement system. If the
 15 member had less than 3 full years of membership service, the
 16 average final compensation must be based on the compensation
 17 reported to the teachers' retirement board by the employer.

18 (b) from the employee, the amount of his accumulated
 19 contributions at the time he terminated active membership,
 20 as defined in 19-4-302, plus accrued interest from the date
 21 of termination until payment is received by the retirement
 22 system, based on the interest tables in use by the teachers'
 23 retirement system.

24 (4)(3) The amount of creditable service granted in
 25 subsection (2)(1) must be on a month-by-month basis.

1 Military service credit transferred from the teachers'
2 retirement system must be included in the 5-year maximum
3 military service credit provided for in 19-3-503.

4 {5}{4} Subject to the provisions of 19-3-304, the
5 board is the sole authority in determining the amount of
6 creditable service qualified under subsections {2}{1} and
7 {4}{3} and the amount paid to the retirement system under
8 subsection {3}{2}.

9 {6}{5} If a member who has creditable service in the
10 teachers' retirement system dies before he qualifies this
11 service in the public employees' retirement system and if
12 the service credits from both systems, when combined,
13 entitle his beneficiary to a death benefit, the payment of
14 the death benefit is the liability of the public employees'
15 retirement system. Before payment of the death benefit, the
16 teachers' retirement board must transfer to the public
17 employees' retirement system the employee--and--employer
18 contributions necessary to qualify this service in the
19 public employees' retirement system as provided in
20 subsection {3}{a} (2)."

21 **Section 2.** Section 19-4-409, MCA, is amended to read:

22 "19-4-409. Transfer of service credits from public
23 employees' retirement system. (1) For the--purpose--of--this
24 section, "assumed salary" means the sum of the following:

25 {a}--compensation for all membership service as defined

1 in 19-3-104; and

2 {b}--the--salary--base--used--by--the--public--employees--
3 retirement--system--when--granting--military--service--under
4 19-3-502--and--19-3-503--and--service--credits--for--time--when--a
5 member--is--absent--from--service--because--of--injury--or--illness
6 under 19-3-504.

7 {2} A member may at any time before his retirement
8 make a written election with the retirement board to qualify
9 in the teachers' retirement system all of his creditable
10 service in the public employees' retirement system.

11 {3}{2} The amount that must be paid to the retirement
12 system to qualify this service under subsection {2}{1} is
13 the sum of the following subsections (2)(a) and (2)(b):

14 (a) from the public employees' retirement system, an
15 amount equal to the--combined--employer--and--employee
16 contributions--as--defined--in--19-4-602--and--19-4-605,--based--on
17 the--assumed--salary,--less--the--amount--paid--by--the--employee--in
18 subsection--{3}{b},--and 5% of the final compensation, as
19 defined in 19-3-104, earned by the member multiplied by the
20 total years of creditable service being transferred plus
21 accrued interest from the date of termination until payment
22 is received by the retirement system, based on the interest
23 tables in use by the public employees' retirement system. If
24 the member had less than 3 full years of membership service,
25 the final compensation must be based on the compensation

1 reported to the public employees' retirement board by the
2 employer;

3 (b) from the employee;

4 (i) the amount of his accumulated contributions at the
5 time he terminated active membership under 19-3-406 plus
6 accrued interest from the date of termination until payment
7 is received by the retirement system, based on the interest
8 tables in use by the public employees' retirement system;
9 plus

10 (ii) an amount equal to 2% of the final compensation as
11 determined in subsection (2)(a) multiplied by the total
12 years of creditable service being transferred plus accrued
13 interest from the date of termination until payment is
14 received by the retirement system, based on the interest
15 tables in use by the retirement system.

16 (3) If the member chooses not to make the contribution
17 as provided in subsection (2)(b)(ii), he shall receive
18 credit for the service transferred, based on the ratio
19 between the retirement systems' employee and employer
20 contribution rates provided for under 19-3-701, 19-3-801,
21 19-4-602, and 19-4-605.

22 (4) A member who qualifies service from the public
23 employees' retirement system in the teachers' retirement
24 system must complete 5 years of membership service in the
25 teachers' retirement system to qualify or purchase military

1 service, out-of-state teaching service, employment while on
2 leave, and private school employment.

3 (5) The retirement board shall determine the service
4 credits that may be transferred.

5 (6) If a member who has creditable service in the
6 public employees' retirement system dies before he qualifies
7 this service in the teachers' retirement system and if his
8 service credits from both systems, when combined, entitle
9 his beneficiary to a death benefit, the payment of the death
10 benefit is the liability of the teachers' retirement system.
11 Before payment of the death benefit, the public employees'
12 retirement board must transfer to the teachers' retirement
13 system the employee-and-employer contributions necessary to
14 qualify this service in the teachers' retirement system as
15 provided in subsection {3}{a}(2).

16 (7) If the retirement board determines that an
17 individual's membership was erroneously classified, the
18 member's accumulated contributions and service must be
19 transferred to the teachers' retirement system and any
20 employee and employer contributions due as calculated in
21 subsection-{3}{a} 19-4-602 and 19-4-605 are the liability of
22 the employee and the employing entity where the error
23 occurred, respectively."

24 NEW SECTION. Section 3. Extension of authority. Any
25 existing authority to make rules on the subject of the

LC 0578/01

1 provisions of [this act] is extended to the provisions of
2 [this act].
3 NEW SECTION. **Section 4.** Effective date. [This act] is
4 effective on passage and approval.

-End-

SENATE STANDING COMMITTEE REPORT

page 1 of 2
March 1, 1989

SENATE COMMITTEE ON EDUCATION, HB 159
page 2 of 2

MR. PRESIDENT:

We, your committee on Education and Cultural Resources, having had under consideration HB 159 (third reading copy -- blue), respectfully report that HB 159 be amended and as so amended be concurred in:

Sponsor: Nelson, R. (Farrell)

1. Title, line 8.

Following: ";

Insert: "INCLUDING SERVICE TRANSFERRED FROM THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AS CREDITABLE SERVICE UNDER THE TEACHERS' RETIREMENT SYSTEM;"

Following: "19-3-511"

Insert: ", 19-4-401,"

2. Page 3.

Following: line 20

Insert: "Section 2. Section 19-4-401, MCA, is amended to read:

"19-4-401. Creditable service. (1) The creditable service of a member begins on the date of his employment in a capacity prescribed for his eligibility in 19-4-302 and accumulates to the member's credit on the basis of the retirement board's policy governing creditable service.

(2) The creditable service of a member includes the following:

(a) each year of service for which contributions to the retirement system were deducted from his compensation under the provisions of Chapter 87, Laws of 1937, Chapter 215, Laws of 1939, this chapter, and their subsequent amendments, except that no credit may be awarded for those years of service for which the contributions have been withdrawn and not replaced;

(b) any service awarded by a prior service certificate issued under the provisions of Chapter 87, Laws of 1937, Chapter 215, Laws of 1939, and their subsequent amendments or under the provisions of 19-4-406;

(c) any out-of-state employment service awarded by the retirement board under the provisions of 19-4-402;

(d) any service awarded for employment while on leave under 19-4-403;

(e) any service in the military, red cross, or merchant marine awarded by the retirement board under 19-4-404;

(f) any employment service awarded by the retirement board under the provisions of 19-4-408;

~~(g) any service transferred after the effective date of this act from the public employees' retirement system under 19-4-409;~~

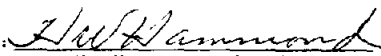
~~+(g)+(h) any service awarded by the retirement board for extension service employment under 19-4-410; and~~

~~+(h)+(i) any service awarded for absence due to employment-related injury under 19-4-411.~~

(3) The retirement board's determination of creditable service under this section is final and conclusive for the purposes of the retirement system unless, at any time, the board discovers an error or fraud in the establishment of creditable service, in which case the board shall redetermine the creditable service."

Renumber: subsequent sections

AND AS AMENDED
BE CONCURRED IN

Signed: 
H. W. Hammond, Chairman

SENATE

continued

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1 HOUSE BILL NO. 159

2 INTRODUCED BY R. NELSON, EUDAILY, PETERSON,
3 DARKO, PECK, DAVIS, BLAYLOCK, BENGTON, B. BROWN
4 BY REQUEST OF THE TEACHERS' RETIREMENT BOARD
5

6 A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A FORMULA
7 FOR DETERMINING THE AMOUNT THAT MUST BE PAID TO TRANSFER
8 CREDITABLE SERVICE BETWEEN THE PUBLIC EMPLOYEES' AND THE
9 TEACHERS' RETIREMENT SYSTEMS; TO INCLUDE SERVICE TRANSFERRED
10 FROM THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AS CREDITABLE
11 SERVICE UNDER THE TEACHERS' RETIREMENT SYSTEM; AMENDING
12 SECTIONS 19-3-511, 19-4-401, AND 19-4-409, MCA; AND
13 PROVIDING AN IMMEDIATE EFFECTIVE DATE."
14

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

16 Section 1. Section 19-3-511, MCA, is amended to read:

17 "19-3-511. Transfer of service credits from teachers'
18 retirement system. (1) ~~For the purpose of this section,~~
19 ~~"assumed salary" means the sum of the following:~~
20 ~~{a} earned compensation for all full-time service and~~
21 ~~part-time service as defined in 19-4-101; and~~
22 ~~{b} the amount of the first full year's teaching~~
23 ~~salary earned in Montana after any period of creditable~~
24 ~~service not included in subsection (1){a} multiplied by the~~
25 ~~number of years or partial years granted by the teachers'~~

1 retirement system;

2 {2} A member may at any time before his retirement
3 make a written election with the board to qualify in the
4 public employees' retirement system all of his creditable
5 service in the teachers' retirement system.

6 {3}{2} The amount that must be paid to the retirement
7 system to qualify this service under subsection {2}{1} is
8 the sum of ~~the following~~ subsections (2)(a) and (2)(b):

9 (a) from the teachers' retirement system, an amount
10 equal to ~~the combined employer and employee contributions as~~
11 ~~defined in 19-3-701 and 19-3-801; based on the assumed~~
12 ~~salary; less the amount paid by the employee in subsection~~
13 ~~{3}{b}; and 5% of the average final compensation, as defined~~
14 ~~in 19-4-101, earned by the member multiplied by the total~~
15 ~~years of creditable service being transferred plus accrued~~
16 ~~interest from the date of termination until payment is~~
17 ~~received by the retirement system, based on the interest~~
18 ~~tables in use by the teachers' retirement system. If the~~
19 ~~member had less than 3 full years of membership service, the~~
20 ~~average final compensation must be based on the compensation~~
21 ~~reported to the teachers' retirement board by the employer.~~

22 (b) from the employee, the amount of his accumulated
23 contributions at the time he terminated active membership,
24 as defined in 19-4-302, plus accrued interest from the date
25 of termination until payment is received by the retirement

1 system, based on the interest tables in use by the teachers'
2 retirement system.

3 ~~†4†~~(3) The amount of creditable service granted in
4 subsection ~~†2†~~(1) must be on a month-by-month basis.
5 Military service credit transferred from the teachers'
6 retirement system must be included in the 5-year maximum
7 military service credit provided for in 19-3-503.

8 ~~†5†~~(4) Subject to the provisions of 19-3-304, the
9 board is the sole authority in determining the amount of
10 creditable service qualified under subsections ~~†2†~~(1) and
11 ~~†4†~~(3) and the amount paid to the retirement system under
12 subsection ~~†3†~~(2).

13 ~~†6†~~(5) If a member who has creditable service in the
14 teachers' retirement system dies before he qualifies this
15 service in the public employees' retirement system and if
16 the service credits from both systems, when combined,
17 entitle his beneficiary to a death benefit, the payment of
18 the death benefit is the liability of the public employees'
19 retirement system. Before payment of the death benefit, the
20 teachers' retirement board must transfer to the public
21 employees' retirement system the ~~employee--and--employer~~
22 contributions necessary to qualify this service in the
23 public employees' retirement system as provided in
24 subsection ~~†3†~~(a) (2)."

25 **SECTION 2. SECTION 19-4-401, MCA, IS AMENDED TO READ:**

1 **"19-4-401. Creditable service.** (1) The creditable
2 service of a member begins on the date of his employment in
3 a capacity prescribed for his eligibility in 19-4-302 and
4 accumulates to the member's credit on the basis of the
5 retirement board's policy governing creditable service.

6 (2) The creditable service of a member includes the
7 following:

8 (a) each year of service for which contributions to
9 the retirement system were deducted from his compensation
10 under the provisions of Chapter 87, Laws of 1937, Chapter
11 215, Laws of 1939, this chapter, and their subsequent
12 amendments, except that no credit may be awarded for those
13 years of service for which the contributions have been
14 withdrawn and not replaced;

15 (b) any service awarded by a prior service certificate
16 issued under the provisions of Chapter 87, Laws of 1937,
17 Chapter 215, Laws of 1939, and their subsequent amendments
18 or under the provisions of 19-4-406;

19 (c) any out-of-state employment service awarded by the
20 retirement board under the provisions of 19-4-402;

21 (d) any service awarded for employment while on leave
22 under 19-4-403;

23 (e) any service in the military, red cross, or
24 merchant marine awarded by the retirement board under
25 19-4-404;

(f) any employment service awarded by the retirement board under the provisions of 19-4-408;

(g) any service transferred after [the effective date of this act] from the public employees' retirement system under 19-4-409;

(h) any service awarded by the retirement board for extension service employment under 19-4-410; and

(i) any service awarded for absence due to employment-related injury under 19-4-411.

(3) The retirement board's determination of creditable service under this section is final and conclusive for the purposes of the retirement system unless, at any time, the board discovers an error or fraud in the establishment of creditable service, in which case the board shall redetermine the creditable service."

Section 3. Section 19-4-409, MCA, is amended to read:

"19-4-409. Transfer of service credits from public employees' retirement system. (1) For the purpose of this section, "assumed salary" means the sum of the following:

(a) compensation for all membership service as defined in 19-3-104; and

(b) the salary base used by the public employees' retirement system when granting military service under 19-3-502 and 19-3-503 and service credits for time when a member is absent from service because of injury or illness

under 19-3-504;

(2) A member may at any time before his retirement make a written election with the retirement board to qualify in the teachers' retirement system all of his creditable service in the public employees' retirement system.

(3) (2) The amount that must be paid to the retirement system to qualify this service under subsection (2)(1) is the sum of the following subsections (2)(a) and (2)(b):

(a) from the public employees' retirement system, an amount equal to the combined employer and employee contributions as defined in 19-4-602 and 19-4-605, based on the assumed salary, less the amount paid by the employee in subsection (3)(b); and 5% of the final compensation, as defined in 19-3-104, earned by the member multiplied by the total years of creditable service being transferred plus accrued interest from the date of termination until payment is received by the retirement system, based on the interest tables in use by the public employees' retirement system. If the member had less than 3 full years of membership service, the final compensation must be based on the compensation reported to the public employees' retirement board by the employer;

(b) from the employer;

(i) the amount of his accumulated contributions at the time he terminated active membership under 19-3-406 plus

1 accrued interest from the date of termination until payment
2 is received by the retirement system, based on the interest
3 tables in use by the public employees' retirement system;
4 plus

5 (ii) an amount equal to 2% of the final compensation as
6 determined in subsection (2)(a) multiplied by the total
7 years of creditable service being transferred plus accrued
8 interest from the date of termination until payment is
9 received by the retirement system, based on the interest
10 tables in use by the retirement system.

11 (3) If the member chooses not to make the contribution
12 as provided in subsection (2)(b)(ii), he shall receive
13 credit for the service transferred, based on the ratio
14 between the retirement systems' employee and employer
15 contribution rates provided for under 19-3-701, 19-3-801,
16 19-4-602, and 19-4-605.

17 (4) A member who qualifies service from the public
18 employees' retirement system in the teachers' retirement
19 system must complete 5 years of membership service in the
20 teachers' retirement system to qualify or purchase military
21 service, out-of-state teaching service, employment while on
22 leave, and private school employment.

23 (5) The retirement board shall determine the service
24 credits that may be transferred.

25 (6) If a member who has creditable service in the

1 public employees' retirement system dies before he qualifies
2 this service in the teachers' retirement system and if his
3 service credits from both systems, when combined, entitle
4 his beneficiary to a death benefit, the payment of the death
5 benefit is the liability of the teachers' retirement system.
6 Before payment of the death benefit, the public employees'
7 retirement board must transfer to the teachers' retirement
8 system the ~~employee-and-employer~~ contributions necessary to
9 qualify this service in the teachers' retirement system as
10 provided in subsection ~~(3)(a)~~(2).

11 (7) If the retirement board determines that an
12 individual's membership was erroneously classified, the
13 member's accumulated contributions and service must be
14 transferred to the teachers' retirement system and any
15 employee and employer contributions due as calculated in
16 ~~subsection-(3)(a)~~ 19-4-602 and 19-4-605 are the liability of
17 the ~~employee and the~~ employing entity where the error
18 occurred, respectively."

19 NEW SECTION. Section 4. Extension of authority. Any
20 existing authority to make rules on the subject of the
21 provisions of [this act] is extended to the provisions of
22 [this act].

23 NEW SECTION. Section 5. Effective date. [This act] is
24 effective on passage and approval.

-End-

Mr. Speaker:

We, your Free Conference Committee on House Bill 159 (reference copy -- salmon) met and considered: House Bill 159 in its entirety.

We recommend that House Bill 159 (reference copy -- salmon) be amended as follows:

1. Title, line 11.

Following: "SYSTEM;"

Insert: "AND"

2. Title, lines 12 and 13.

Strike: ";" on line 12 through "DATE" on line 13

3. Page 2, line 6.

Strike: "(2)"

4. Page 2, line 7.

Strike: "subsection" and "(1)"

Insert: "this section"

5. Page 2, line 8.

Strike: "(a)" and "(2) (b):"

Insert: "(3)."

6. Page 2, line 9.

Strike: "(a)" through "the"

Insert: "(2) The"

Strike: ", "

Insert: "shall transfer to the public employees' retirement system"

7. Page 2, line 22.

Strike: "(b) from the"

Insert: "(3) (a) The"

Strike: ", the"

Insert: "shall pay an"

Strike: "of"

Insert: "equal to"

8. Page 3.

Following: line 2

Insert: "(b) If the sum of the rates provided in 19-3-701 and 19-3-801 exceeded the sum of the rates provided in 19-4-602 and

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19-4-605 at the time the employee terminated active membership, as defined in 19-4-302, the employee shall pay an amount in addition to that required in subsection (3) (a) to receive full credit for the service transferred. This additional amount is equal to:

(i) the final compensation as determined in subsection (2) multiplied by the total years of creditable service being transferred multiplied by the difference between the sum of the rates provided for in 19-3-701 and 19-3-801 and the sum of the rates provided in 19-4-602 and 19-4-605; plus

(ii) accrued interest from the date of termination until payment is received by the retirement system, based on the interest tables in use by the retirement system.

(c) If the member chooses not to make the contribution provided for in this section, he shall receive credit for the service transferred based on the ratio between the retirement systems' employee and employer contribution rates provided for in 19-3-701, 19-3-801, 19-4-602, and 19-4-605."

Renumber: subsequent subsections

9. Page 3, line 10.

Strike: "subsections" and "(1) and"

10. Page 3, line 11.

Strike: "(3)"

Insert: "this section"

11. Page 3, line 12.

Strike: "subsection"

Insert: "subsections"

Following: "(2)"

Insert: "and (3)"

12. Page 3, line 24.

Strike: "subsection"

Insert: "subsections"

Following: "(2)"

Insert: "and (3)"

13. Page 6, line 6.

Strike: "(2)"

14. Page 6, line 7.

Strike: "subsection" and "(1)"

Insert: "this section"

15. Page 6, line 8.

Strike: "(a)" and "(2) (b):"

Insert: "(3)."

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Page 3 of 4

16. Page 6, line 9.
Strike: "(a)" through "the"
Insert: "(2) The"
Strike: "."
Insert: "shall transfer to the teachers' retirement system"
17. Page 6, line 22.
Strike: "."
Insert: "."
18. Page 6, line 23.
Strike: "(b)" through "the"
Insert: "(3) (a) The"
Strike: "."
19. Page 6, line 24.
Strike: "(i) the"
Insert: "shall pay an"
Strike: "of"
Insert: "equal to"
20. Page 7, line 3.
Strike: ":"
Insert: "."
21. Page 7, lines 4 and 5.
Strike: "plus" on line 4 through "an" on line 5
Insert: "(b) If the sum of the rates provided in 19-4-602 and 19-4-605 exceeded the sum of the rates provided in 19-3-701 and 19-3-801 at the time the employee terminated active membership under 19-3-406, the employee shall pay an amount in addition to that required in subsection (3) (a) to receive full credit for the service transferred. This additional"
22. Page 7, line 5.
Following: "amount"
Insert: "is"
Strike: "2t of"
Insert: "(1)"
23. Page 7, line 6.
Strike: "(a)"
24. Page 7, line 7.
Following: "transferred"
Insert: "multiplied by the difference between the sum of the rates provided in 19-4-602 and 19-4-605 and the sum of the rates provided in 19-3-701 and 19-3-801;"

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Following: "plus"
Insert: "(ii)"

25. Page 7, line 11.
Strike: "(3)"
Insert: "(c)"

26. Page 7, line 12.
Strike: "subsection (2) (b) (ii)"
Insert: "this section"

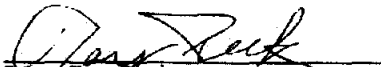
27. Page 8, line 10.
Strike: "subsection"
Insert: "subsections"
Following: "(2)"
Insert: "and (3)"

28. Page 8, lines 23 and 24.
Strike: section 5 in its entirety

And that this Free Conference Committee Report be adopted.

For the House:


Rep. Vicki Cocchiarella,
Chairman


Rep. Ray Beck


Rep. Richard Nelson

For the Senate:


Sen. Bill Farrell, Chairman


Sen. Swede Hammond


Sen. Pat Regan

HOUSE BILL NO. 159

INTRODUCED BY R. NELSON, EUDAILY, PETERSON,
DARKO, PECK, DAVIS, BLAYLOCK, BENGTSON, B. BROWN
BY REQUEST OF THE TEACHERS' RETIREMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A FORMULA
FOR DETERMINING THE AMOUNT THAT MUST BE PAID TO TRANSFER
CREDITABLE SERVICE BETWEEN THE PUBLIC EMPLOYEES' AND THE
TEACHERS' RETIREMENT SYSTEMS; TO INCLUDE SERVICE TRANSFERRED
FROM THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AS CREDITABLE
SERVICE UNDER THE TEACHERS' RETIREMENT SYSTEM; AND AMENDING
SECTIONS 19-3-511, 19-4-401, AND 19-4-409, MCA;--AND
PROVIDING--AN--IMMEDIATE--EFFECTIVE--DATE."

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

Section 1. Section 19-3-511, MCA, is amended to read:

"19-3-511. Transfer of service credits from teachers'
retirement system. (1) For--the--purpose--of--this--section,
"assumed-salary"--means-the-sum-of-the-following:

(a)--earned--compensation-for-all-full-time-service-and
part-time-service-as-defined-in-19-4-101; and

(b)--the-amount--of--the--first--full--year's--teaching
salary--earned--in--Montana--after--any-period-of-creditable
service-not-included-in-subsection-(1)(a)-multiplied-by--the
number--of--years--or-partial-years-granted-by-the-teachers'

retirement-system;

(2) A member may at any time before his retirement
make a written election with the board to qualify in the
public employees' retirement system all of his creditable
service in the teachers' retirement system.

(3)(2) The amount that must be paid to the retirement
system to qualify this service under subsection (2)(1) THIS
SECTION is the sum of the following subsections (2)(a) and
(2)(b) (3):

(a)(2) from the THE teachers' retirement system; SHALL
TRANSFER TO THE PUBLIC EMPLOYEE'S RETIREMENT SYSTEM an
amount equal to the--combined--employer--and--employee
contributions--as-defined-in-19-3-701-and-19-3-801;--based--on
the--assumed-salary;--less-the-amount-paid-by-the-employee-in
subsection-(3)(b);--and 5% of the average final compensation,
as defined in 19-4-101, earned by the member multiplied by
the total years of creditable service being transferred plus
accrued interest from the date of termination until payment
is received by the retirement system, based on the interest
tables in use by the teachers' retirement system. If the
member had less than 3 full years of membership service, the
average final compensation must be based on the compensation
reported to the teachers' retirement board by the employer.

(b)(3) (A) from the THE employee;--the SHALL PAY AN
amount of EQUAL TO his accumulated contributions at the time

1 he terminated active membership, as defined in 19-4-302,
2 plus accrued interest from the date of termination until
3 payment is received by the retirement system, based on the
4 interest tables in use by the teachers' retirement system.

5 (B) IF THE SUM OF THE RATES PROVIDED IN 19-3-701 AND
6 19-3-801 EXCEEDED THE SUM OF THE RATES PROVIDED IN 19-4-602
7 AND 19-4-605 AT THE TIME THE EMPLOYEE TERMINATED ACTIVE
8 MEMBERSHIP, AS DEFINED IN 19-4-302, THE EMPLOYEE SHALL PAY
9 AN AMOUNT IN ADDITION TO THAT REQUIRED IN SUBSECTION (3)(A)
10 TO RECEIVE FULL CREDIT FOR THE SERVICE TRANSFERRED. THIS
11 ADDITIONAL AMOUNT IS EQUAL TO:

12 (I) THE FINAL COMPENSATION AS DETERMINED IN SUBSECTION
13 (2) MULTIPLIED BY THE TOTAL YEARS OF CREDITABLE SERVICE
14 BEING TRANSFERRED MULTIPLIED BY THE DIFFERENCE BETWEEN THE
15 SUM OF THE RATES PROVIDED FOR IN 19-3-701 AND 19-3-801 AND
16 THE SUM OF THE RATES PROVIDED IN 19-4-602 AND 19-4-605; PLUS

17 (II) ACCRUED INTEREST FROM THE DATE OF TERMINATION
18 UNTIL PAYMENT IS RECEIVED BY THE RETIREMENT SYSTEM, BASED ON
19 THE INTEREST TABLES IN USE BY THE RETIREMENT SYSTEM.

20 (C) IF THE MEMBER CHOOSES NOT TO MAKE THE CONTRIBUTION
21 PROVIDED FOR IN THIS SECTION, HE SHALL RECEIVE CREDIT FOR
22 THE SERVICE TRANSFERRED BASED ON THE RATIO BETWEEN THE
23 RETIREMENT SYSTEMS' EMPLOYEE AND EMPLOYER CONTRIBUTION RATES
24 PROVIDED FOR IN 19-3-701, 19-3-801, 19-4-602, AND 19-4-605.

25 {4}{3}{4} The amount of creditable service granted in

1 subsection {2}{1} must be on a month-by-month basis.
2 Military service credit transferred from the teachers'
3 retirement system must be included in the 5-year maximum
4 military service credit provided for in 19-3-503.

5 {5}{4}{5} Subject to the provisions of 19-3-304, the
6 board is the sole authority in determining the amount of
7 creditable service qualified under subsections {2}{1} and
8 {4}{3} THIS SECTION and the amount paid to the retirement
9 system under subsection SUBSECTIONS {3}{2} AND (3).

10 {6}{5}{6} If a member who has creditable service in
11 the teachers' retirement system dies before he qualifies
12 this service in the public employees' retirement system and
13 if the service credits from both systems, when combined,
14 entitle his beneficiary to a death benefit, the payment of
15 the death benefit is the liability of the public employees'
16 retirement system. Before payment of the death benefit, the
17 teachers' retirement board must transfer to the public
18 employees' retirement system the employee and employer
19 contributions necessary to qualify this service in the
20 public employees' retirement system as provided in
21 subsection SUBSECTIONS {3}{a} {2} AND (3)."

22 SECTION 2. SECTION 19-4-401, MCA, IS AMENDED TO READ:

23 "19-4-401. Creditable service. (1) The creditable
24 service of a member begins on the date of his employment in
25 a capacity prescribed for his eligibility in 19-4-302 and

1 accumulates to the member's credit on the basis of the
2 retirement board's policy governing creditable service.

3 (2) The creditable service of a member includes the
4 following:

5 (a) each year of service for which contributions to
6 the retirement system were deducted from his compensation
7 under the provisions of Chapter 87, Laws of 1937, Chapter
8 215, Laws of 1939, this chapter, and their subsequent
9 amendments, except that no credit may be awarded for those
10 years of service for which the contributions have been
11 withdrawn and not replaced;

12 (b) any service awarded by a prior service certificate
13 issued under the provisions of Chapter 87, Laws of 1937,
14 Chapter 215, Laws of 1939, and their subsequent amendments
15 or under the provisions of 19-4-406;

16 (c) any out-of-state employment service awarded by the
17 retirement board under the provisions of 19-4-402;

18 (d) any service awarded for employment while on leave
19 under 19-4-403;

20 (e) any service in the military, red cross, or
21 merchant marine awarded by the retirement board under
22 19-4-404;

23 (f) any employment service awarded by the retirement
24 board under the provisions of 19-4-408;

25 (g) any service transferred after [the effective date

1 of this act] from the public employees' retirement system
2 under 19-4-409;

3 ~~(g)~~(h) any service awarded by the retirement board for
4 extension service employment under 19-4-410; and

5 ~~(h)~~(i) any service awarded for absence due to
6 employment-related injury under 19-4-411.

7 (3) The retirement board's determination of creditable
8 service under this section is final and conclusive for the
9 purposes of the retirement system unless, at any time, the
10 board discovers an error or fraud in the establishment of
11 creditable service, in which case the board shall
12 redetermine the creditable service."

13 **Section 3.** Section 19-4-409, MCA, is amended to read:

14 "19-4-409. Transfer of service credits from public
15 employees' retirement system. (1) ~~For the purpose of this~~
16 ~~section, "assumed salary" means the sum of the following:~~

17 ~~(a) compensation for all membership service as defined~~
18 ~~in 19-3-104; and~~

19 ~~(b) the salary base used by the public employees'~~
20 ~~retirement system when granting military service under~~
21 ~~19-3-502 and 19-3-503 and service credits for time when a~~
22 ~~member is absent from service because of injury or illness~~
23 ~~under 19-3-504;~~

24 ~~(2)~~ A member may at any time before his retirement
25 make a written election with the retirement board to qualify

1 in the teachers' retirement system all of his creditable
2 service in the public employees' retirement system.

3 ~~{3}{2}~~ The amount that must be paid to the retirement
4 system to qualify this service under subsection ~~{2}{1}~~ THIS
5 SECTION is the sum of the following subsections ~~(2){a}~~ and
6 ~~{2}{b}~~ (3):

7 ~~{a}(2)~~ from the THE public employees' retirement
8 system SHALL TRANSFER TO THE TEACHERS' RETIREMENT SYSTEM an
9 amount equal to the combined employer and employee
10 contributions as defined in 19-4-602 and 19-4-605, based on
11 the assumed salary, less the amount paid by the employee in
12 subsection ~~{3}{b}~~, and 5% of the final compensation, as
13 defined in 19-3-104, earned by the member multiplied by the
14 total years of creditable service being transferred plus
15 accrued interest from the date of termination until payment
16 is received by the retirement system, based on the interest
17 tables in use by the public employees' retirement system. If
18 the member had less than 3 full years of membership service,
19 the final compensation must be based on the compensation
20 reported to the public employees' retirement board by the
21 employer.

22 ~~{b}(3)~~ (A) from the THE employee;

23 ~~{1}~~ the SHALL PAY AN amount of EQUAL TO his
24 accumulated contributions at the time he terminated active
25 membership under 19-3-406 plus accrued interest from the

1 date of termination until payment is received by the
2 retirement system, based on the interest tables in use by
3 the public employees' retirement system, plus

4 ~~{1}{B}~~ an IF THE SUM OF THE RATES PROVIDED IN
5 19-4-602 AND 19-4-605 EXCEEDED THE SUM OF THE RATES PROVIDED
6 IN 19-3-701 AND 19-3-801 AT THE TIME THE EMPLOYEE TERMINATED
7 ACTIVE MEMBERSHIP UNDER 19-3-406, THE EMPLOYEE SHALL PAY AN
8 AMOUNT IN ADDITION TO THAT REQUIRED IN SUBSECTION (3)(A) TO
9 RECEIVE FULL CREDIT FOR THE SERVICE TRANSFERRED. THIS
10 ADDITIONAL amount IS equal to 2% of:

11 (I) the final compensation as determined in subsection
12 (2){a} multiplied by the total years of creditable service
13 being transferred MULTIPLIED BY THE DIFFERENCE BETWEEN THE
14 SUM OF THE RATES PROVIDED IN 19-4-602 AND 19-4-605 AND THE
15 SUM OF THE RATES PROVIDED IN 19-3-701 AND 19-3-801; plus

16 (II) accrued interest from the date of termination
17 until payment is received by the retirement system, based on
18 the interest tables in use by the retirement system.

19 ~~{3}(C)~~ If the member chooses not to make the
20 contribution as provided in subsection ~~{2}{b}{1}~~ THIS
21 SECTION, he shall receive credit for the service
22 transferred, based on the ratio between the retirement
23 systems' employee and employer contribution rates provided
24 for under 19-3-701, 19-3-801, 19-4-602, and 19-4-605.

25 (4) A member who qualifies service from the public

1 employees' retirement system in the teachers' retirement
 2 system must complete 5 years of membership service in the
 3 teachers' retirement system to qualify or purchase military
 4 service, out-of-state teaching service, employment while on
 5 leave, and private school employment.

6 (5) The retirement board shall determine the service
 7 credits that may be transferred.

8 (6) If a member who has creditable service in the
 9 public employees' retirement system dies before he qualifies
 10 this service in the teachers' retirement system and if his
 11 service credits from both systems, when combined, entitle
 12 his beneficiary to a death benefit, the payment of the death
 13 benefit is the liability of the teachers' retirement system.
 14 Before payment of the death benefit, the public employees'
 15 retirement board must transfer to the teachers' retirement
 16 system the employee-and-employer contributions necessary to
 17 qualify this service in the teachers' retirement system as
 18 provided in subsection SUBSECTIONS 19-4-602 AND 19-4-605.

19 (7) If the retirement board determines that an
 20 individual's membership was erroneously classified, the
 21 member's accumulated contributions and service must be
 22 transferred to the teachers' retirement system and any
 23 employee and employer contributions due as calculated in
 24 subsection 19-4-602 and 19-4-605 are the liability of
 25 the employee and the employing entity where the error

1 occurred, respectively."

2 NEW SECTION. **Section 4.** Extension of authority. Any
 3 existing authority to make rules on the subject of the
 4 provisions of [this act] is extended to the provisions of
 5 [this act].

6 NEW SECTION. ~~Section 5.~~ ~~Effective date.~~ ~~[This act]~~
 7 ~~is effective on passage and approval.~~

-End-