

HOUSE BILL NO. 235

INTRODUCED BY SPAETH, COCCHIARELLA, REAM, JACOBSON,  
PAVLOVICH, PETERSON, RASMUSSEN, GRADY, CAMPBELL, NATHE,  
J. BROWN, MANNING, MENAHAN, MAZUREK, QUILICI, SQUIRES,  
HARP, STRIZICH, NISBET, R. NELSON, BECK, CONNELLY,  
DRISCOLL, STANG, B. BROWN, HARPER, RICE, WALKER,  
PECK, ANDERSON, NORMAN, O'KEEFE, THOMAS, ADDY, GOULD,  
JENKINS, IVERSON, MCCORMICK, O'CONNELL, VINCENT, BROOKE,  
GLASER, LYNCH, D. BROWN, ECK, SCHYE, EUDAILY, MOORE

IN THE HOUSE

JANUARY 17, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
JANUARY 27, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
JANUARY 28, 1989	PRINTING REPORT.
JANUARY 30, 1989	SECOND READING, DO PASS.
JANUARY 31, 1989	ENGROSSING REPORT.
FEBRUARY 1, 1989	THIRD READING, PASSED. AYES, 89; NOES, 10.
	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 2, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
MARCH 1, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 3, 1989	SECOND READING, CONCURRED IN.
MARCH 6, 1989	THIRD READING, CONCURRED IN. AYES, 50; NOES, 0.



RETURNED TO HOUSE.

IN THE HOUSE

MARCH 7, 1989

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.



1 *Jacobsen*  
2 *Carlson* *HOUSE* BILL NO. *235* *Peterson*  
3 *Spaeth* *Ream*  
4 *Gandy* *NATHANIEL S. SPACETH* *Manahan*  
5 *W. G. Brown* *Maxwell*  
6 *W. G. Brown* *Bob Brown* *Thomas*  
7 *W. G. Brown* *W. G. Brown* *W. G. Brown*  
8 *W. G. Brown* *W. G. Brown* *W. G. Brown*  
9 *W. G. Brown* *W. G. Brown* *W. G. Brown*  
10 *W. G. Brown* *W. G. Brown* *W. G. Brown*

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

12 NEW SECTION. **Section 1.** Election to purchase  
13 additional service. (1) At any time before retirement, a  
14 person who became a member of the retirement system before  
15 July 1, 1989, and who has 5 years or more of membership  
16 service may make a written election with the board to  
17 purchase additional service for the purpose of calculating  
18 his retirement allowance. Except as provided in subsection  
19 (3), the member may purchase 1 year of additional service  
20 for each 5 years of membership service that he has qualified  
21 under the retirement system, up to a maximum of 5 years of  
22 additional service.

23 (2) For each year of service purchased under this  
24 section, a member shall contribute to the retirement fund an  
25 amount equal to his normal compensation for the 12-month

1 period immediately preceding the date he elects to purchase  
2 the service multiplied by the combined employee and employer  
3 contribution rates on the date he elects to purchase the  
4 service. Contributions may be made in a lump-sum payment or  
5 in installments as agreed upon by the member and the board.

6 (3) (a) Except as provided in subsection (b), after  
7 October 1, 1989, a member may elect to qualify a combined  
8 total of 5 years of service either under 19-3-503 and  
9 19-3-512 or to purchase service under this section.

10 (b) A member who has purchased service under 19-3-503  
11 or 19-3-512 on or before October 1, 1989, and who elects to  
12 purchase service under this section shall receive credit for  
13 the full months of service purchased on or before October 1,  
14 1989. After October 1, 1989, the member may not purchase  
15 additional service under 19-3-503 or 19-3-512.

16 (4) Service purchased under this section may not be  
17 used to qualify a member for service retirement.

18 **Section 2.** Section 19-3-904, MCA, is amended to read:

19 **"19-3-904. Amount of retirement allowance.** (1) The  
20 annual amount of retirement allowance payable to a member  
21 following his service retirement is the sum of (a), (b), and  
22 (c) as follows:

23 (a) an annuity which is the actuarial equivalent of  
24 his accumulated additional contributions on the day his  
25 retirement allowance commences;



(b) one-sixtieth of his final compensation multiplied by the number of years of his creditable service and additional service purchased under [section 1];

(c) any retirement allowance payable under 19-3-905.

(2) If a member dies after retirement and has not elected an optional retirement allowance provided for in 19-3-1101, his beneficiary will be paid the excess, if any, of the member's accumulated contributions on the day his retirement allowance commenced over the total of the retirement allowance payments made to the retired member."

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

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

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

(a) by  $1/2$  of 1% multiplied by the number of months up to a maximum of 60 months by which the retirement date precedes the date on which he would have retired had he attained 60 years of age or had he completed 30 years of

creditable service; and

(b) by  $3/10$  of 1% multiplied by the number of months in excess of the 60 months in subsection (2)(a) but not to exceed 60 additional months that the retirement date precedes the date on which he would have retired had he attained 60 years of age or had he completed 30 years of creditable service.

(3) The actuarial reduction provided for in this section must be adjusted for any additional service purchased under [section 1]."

**Section 4.** Section 19-3-1008, MCA, is amended to read:

"19-3-1008. Allowance for nonduty-related disability.

(1) The annual amount of retirement allowance payable to a member eligible for disability retirement for other than duty-related reasons is the sum of (a), (b), and (c) as follows:

(a) an annuity which is the actuarial equivalent of his accumulated additional contributions on the day his retirement allowance commences;

(b) an annuity which is the actuarial equivalent of his accumulated normal contributions with normal interest to the day his retirement allowance commences;

(c) if, in the opinion of the board, the disability is not due to intemperance, willful misconduct, or violation of law on the part of the member, a pension which is the



1 greater of (i) or (ii) as follows:

2 (i) a pension which, together with the annuity  
3 provided under subsection (b), shall make the retirement  
4 allowance equal to 90% of one-sixtieth of his final  
5 compensation multiplied by his years of creditable service  
6 and additional service purchased under [section 1];

7 (ii) a retirement allowance equal to 25% of his final  
8 compensation.

9 (2) Except as provided in 19-3-1201, if a member dies  
10 after retirement and has not elected an optional retirement  
11 allowance provided for in 19-3-1101, his beneficiary will be  
12 paid the excess, if any, of the member's accumulated  
13 contributions on the day his retirement allowance commenced  
14 over the total of the retirement allowance payments made to  
15 the retired member."

16 NEW SECTION. Section 5. Extension of authority. Any  
17 existing authority to make rules on the subject of the  
18 provisions of [this act] is extended to the provisions of  
19 [this act].

20 NEW SECTION. Section 6. Codification instruction.  
21 [Section 1] is intended to be codified as an integral part  
22 of Title 19, chapter 3, part 5, and the provisions of Title  
23 19, chapter 3, part 5, apply to [section 1].

24 NEW SECTION. Section 7. Coordination instruction. If  
25 \_\_ Bill No. \_\_ [LC 558] is passed and approved, the employee

1 and employer contribution rates provided for in [section  
2 1(2)] are the rates in effect on and after July 1, 1993, if  
3 a member purchases service under [section 1] before July 1,  
4 1993.

5 NEW SECTION. Section 8. Effective date. [This act] is  
6 effective on passage and approval.

-End-



APPROVED BY COMMITTEE  
ON STATE ADMINISTRATION

## HOUSE BILL NO. 235

INTRODUCED BY SPAETH, COCCHIARELLA, REAM, JACOBSON,  
PAVLOVICH, PETERSON, RASMUSSEN, GRADY, CAMPBELL, NATHE,  
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GLASER, LYNCH, D. BROWN, ECK, SCHYE, EUDAILY, MOORE

A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING CERTAIN  
VESTED MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO  
PURCHASE ADDITIONAL SERVICE FOR THE PURPOSE OF CALCULATING  
THEIR RETIREMENT ALLOWANCES; AMENDING SECTIONS 19-3-904,  
19-3-906, AND 19-3-1008, MCA; AND PROVIDING AN IMMEDIATE  
EFFECTIVE DATE."

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person who became a member of the retirement system before  
July 1, 1989, and who has 5 years or more of membership  
service may make a written election with the board to  
purchase additional service for the purpose of calculating  
his retirement allowance. Except as provided in subsection

(3), the member may purchase 1 year of additional service  
for each 5 years of membership service that he has qualified  
under the retirement system, up to a maximum of 5 years of  
additional service.

(2) For each year of service purchased under this  
section, a member shall contribute to the retirement fund an  
amount equal to his normal compensation for the 12-month  
period immediately preceding the date he elects to purchase  
the service multiplied by the combined employee and employer  
contribution rates on the date he elects to purchase the  
service. Contributions may be made in a lump-sum payment or  
in installments as agreed upon by the member and the board.

(3) (a) Except as provided in subsection (b), after  
October JANUARY 1, ~~1989~~ 1990, a member may elect to qualify  
a combined total of 5 years of service either under  
19-3-503, and 19-3-512, or to purchase--service--under this  
section.

(b) A member who has purchased service under 19-3-503  
or 19-3-512 on or before October JANUARY 1, ~~1989~~ 1990, and  
who elects to purchase service under this section shall  
receive credit for the full months of service purchased on  
or before October JANUARY 1, ~~1989~~ 1990. ~~After-October-17~~  
~~1989, the member may not purchase additional--service--under~~  
~~19-3-503-or-19-3-512.~~

(4) Service purchased under this section may not be



1 used to qualify a member for service retirement.

2 **Section 2.** Section 19-3-904, MCA, is amended to read:

3 "19-3-904. Amount of retirement allowance. (1) The  
4 annual amount of retirement allowance payable to a member  
5 following his service retirement is the sum of (a), (b), and  
6 (c) as follows:

7 (a) an annuity which is the actuarial equivalent of  
8 his accumulated additional contributions on the day his  
9 retirement allowance commences;

10 (b) one-sixtieth of his final compensation multiplied  
11 by the number of years of his creditable service and  
12 additional service purchased under [section 1];

13 (c) any retirement allowance payable under 19-3-905.

14 (2) If a member dies after retirement and has not  
15 elected an optional retirement allowance provided for in  
16 19-3-1101, his beneficiary will be paid the excess, if any,  
17 of the member's accumulated contributions on the day his  
18 retirement allowance commenced over the total of the  
19 retirement allowance payments made to the retired member."

20 **Section 3.** Section 19-3-906, MCA, is amended to read:

21 "19-3-906. Early retirement allowance. (1) The annual  
22 amount of retirement allowance payable to a member following  
23 his early retirement is the actuarial equivalent of the  
24 accrued portion of the service retirement allowance which  
25 would have been payable to him commencing at age 60 or upon

1 completion of 30 years of creditable service pursuant to  
2 19-3-904.

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

6 (a) by 1/2 of 1% multiplied by the number of months up  
7 to a maximum of 60 months by which the retirement date  
8 precedes the date on which he would have retired had he  
9 attained 60 years of age or had he completed 30 years of  
10 creditable service; and

11 (b) by 3/10 of 1% multiplied by the number of months  
12 in excess of the 60 months in subsection (2)(a) but not to  
13 exceed 60 additional months that the retirement date  
14 precedes the date on which he would have retired had he  
15 attained 60 years of age or had he completed 30 years of  
16 creditable service.

17 (3) The actuarial reduction provided for in this  
18 section must be adjusted for any additional service  
19 purchased under [section 1]."

20 **Section 4.** Section 19-3-1008, MCA, is amended to read:

21 "19-3-1008. Allowance for nonduty-related disability.

22 (1) The annual amount of retirement allowance payable to a  
23 member eligible for disability retirement for other than  
24 duty-related reasons is the sum of (a), (b), and (c) as  
25 follows:



(a) an annuity which is the actuarial equivalent of his accumulated additional contributions on the day his retirement allowance commences;

(b) an annuity which is the actuarial equivalent of his accumulated normal contributions with normal interest to the day his retirement allowance commences;

(c) if, in the opinion of the board, the disability is not due to intemperance, willful misconduct, or violation of law on the part of the member, a pension which is the greater of (i) or (ii) as follows:

(i) a pension which, together with the annuity provided under subsection (b), shall make the retirement allowance equal to 90% of one-sixtieth of his final compensation multiplied by his years of creditable service and additional service purchased under [section 1];

(ii) a retirement allowance equal to 25% of his final compensation.

(2) Except as provided in 19-3-1201, if a member dies after retirement and has not elected an optional retirement allowance provided for in 19-3-1101, his beneficiary will be paid the excess, if any, of the member's accumulated contributions on the day his retirement allowance commenced over the total of the retirement allowance payments made to the retired member."

**NEW SECTION. Section 5. 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 6. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 19, chapter 3, part 5, and the provisions of Title 19, chapter 3, part 5, apply to [section 1].

**NEW SECTION. Section 7. Coordination instruction.** If -- HOUSE Bill No. ---{LC-550} 234 is passed and approved, the employee and employer contribution rates provided for in [section 1(2)] are the rates in effect on and after July 1, 1993, if a member purchases service under [section 1] before July 1, 1993.

**NEW SECTION. Section 8. Effective date.** [This act] is effective on passage and approval.

-End-



## 1 HOUSE BILL NO. 235

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4 additional service.

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12 in installments as agreed upon by the member and the board.

13 (3) (a) Except as provided in subsection (b), after  
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15 a combined total of 5 years of service either under  
16 19-3-503, and 19-3-512, or to purchase--service--under this  
17 section.

18 (b) A member who has purchased service under 19-3-503  
19 or 19-3-512 on or before ~~October~~ JANUARY 1, 1989 1990, and  
20 who elects to purchase service under this section shall  
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22 or before ~~October~~ JANUARY 1, 1989 1990. ~~After-October-1,~~  
23 ~~1989-the-member-may-not-purchase-additional-service-under~~  
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25 (4) Service purchased under this section may not be



1 used to qualify a member for service retirement.

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NEW SECTION. **Section 7. Coordination instruction.** If -- HOUSE Bill No. --{BE-558} 234 is passed and approved, the employee and employer contribution rates provided for in [section 1(2)] are the rates in effect on and after July 1, 1993, if a member purchases service under [section 1] before July 1, 1993.

NEW SECTION. **Section 8. Effective date.** [This act] is effective on passage and approval.

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19 or 19-3-512 on or before ~~October~~ JANUARY 1, 1989 1990, and  
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22 or before ~~October~~ JANUARY 1, 1989 1990. ~~After-October-1,~~  
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7 to a maximum of 60 months by which the retirement date  
8 precedes the date on which he would have retired had he  
9 attained 60 years of age or had he completed 30 years of  
10 creditable service; and

11 (b) by  $3/10$  of  $1\%$  multiplied by the number of months  
12 in excess of the 60 months in subsection (2)(a) but not to  
13 exceed 60 additional months that the retirement date  
14 precedes the date on which he would have retired had he  
15 attained 60 years of age or had he completed 30 years of  
16 creditable service.

17 (3) The actuarial reduction provided for in this  
18 section must be adjusted for any additional service  
19 purchased under [section 1]."

20 **Section 4.** Section 19-3-1008, MCA, is amended to read:

21 "19-3-1008. Allowance for nonduty-related disability.

22 (1) The annual amount of retirement allowance payable to a  
23 member eligible for disability retirement for other than  
24 duty-related reasons is the sum of (a), (b), and (c) as  
25 follows:



1 (a) an annuity which is the actuarial equivalent of  
2 his accumulated additional contributions on the day his  
3 retirement allowance commences;

4 (b) an annuity which is the actuarial equivalent of  
5 his accumulated normal contributions with normal interest to  
6 the day his retirement allowance commences;

7 (c) if, in the opinion of the board, the disability is  
8 not due to intemperance, willful misconduct, or violation of  
9 law on the part of the member, a pension which is the  
10 greater of (i) or (ii) as follows:

11 (i) a pension which, together with the annuity  
12 provided under subsection (b), shall make the retirement  
13 allowance equal to 90% of one-sixtieth of his final  
14 compensation multiplied by his years of creditable service  
15 and additional service purchased under [section 1];

16 (ii) a retirement allowance equal to 25% of his final  
17 compensation.

18 (2) Except as provided in 19-3-1201, if a member dies  
19 after retirement and has not elected an optional retirement  
20 allowance provided for in 19-3-1101, his beneficiary will be  
21 paid the excess, if any, of the member's accumulated  
22 contributions on the day his retirement allowance commenced  
23 over the total of the retirement allowance payments made to  
24 the retired member."

25 NEW SECTION. **Section 5. Extension of authority.** Any

1 existing authority to make rules on the subject of the  
2 provisions of [this act] is extended to the provisions of  
3 [this act].

4 NEW SECTION. **Section 6. Codification instruction.**  
5 [Section 1] is intended to be codified as an integral part  
6 of Title 19, chapter 3, part 5, and the provisions of Title  
7 19, chapter 3, part 5, apply to [section 1].

8 NEW SECTION. **Section 7. Coordination instruction.** If  
9 -- HOUSE Bill No. --{bC-558} 234 is passed and approved,  
10 the employee and employer contribution rates provided for in  
11 [section 1(2)] are the rates in effect on and after July 1,  
12 1993, if a member purchases service under [section 1] before  
13 July 1, 1993.

14 NEW SECTION. **Section 8. Effective date.** [This act] is  
15 effective on passage and approval.

-End-