

HOUSE BILL NO. 421

INTRODUCED BY R. NELSON, BECK, BLAYLOCK, PINSONEAULT,
CAMPBELL, PIPINICH, MAZUREK, VAN VALKENBURG, PETERSON,
REAM, WESTLAKE, SPAETH, MENAHAN, SQUIRES, HAYNE, VAUGHN,
RAPP-SVRCEK, HARDING, O'CONNELL, O'KEEFE, EUDAILY,
J.BROWN, BENGTON, VINCENT, HARPER, DAVIS

IN THE HOUSE

JANUARY 25, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
JANUARY 26, 1989	FIRST READING.
FEBRUARY 6, 1989	ON MOTION BY CHIEF SPONSOR, REPRESENTATIVE DAVIS ADDED AS SPONSOR.
FEBRUARY 7, 1989	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 8, 1989	PRINTING REPORT.
FEBRUARY 11, 1989	SECOND READING, DO PASS.
FEBRUARY 13, 1989	ENGROSSING REPORT.
FEBRUARY 14, 1989	THIRD READING, PASSED. AYES, 92; NOES, 2.
	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 15, 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 HOUSE BILL NO. 421
 2 INTRODUCED BY R. Nelson Buck Blaylock Raymond
 3 Conley Thompson VanVleet Patterson Dean
 4 Wickham Smith Marshall Squires Haynes Boyer
 5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A
 6 POSTRETIREMENT ADJUSTMENT FOR CERTAIN MEMBERS OF THE PUBLIC
 7 EMPLOYEES', TEACHERS', SHERIFFS', AND STATE GAME WARDENS'
 8 RETIREMENT SYSTEMS OR THEIR BENEFICIARIES; AND PROVIDING AN
 9 EFFECTIVE DATE."

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

11 NEW SECTION. Section 1. Eligibility for
 12 postretirement adjustment. (1) Except as provided in
 13 subsection (2), a member or beneficiary is eligible to
 14 receive a postretirement adjustment as provided in [section
 15 3] if he is receiving a:

16 (a) service retirement allowance and is 55 years of
 17 age or older on or before June 30 in the year that the
 18 postretirement adjustment is made; or

19 (b) disability or survivorship allowance.

20 (2) A member or beneficiary is ineligible to receive a
 21 postretirement adjustment under subsection (1) unless he has
 22 been receiving a monthly service, disability, or
 23 survivorship allowance for at least 24 consecutive months on
 24 or before June 30 in the year the adjustment is made.

25 NEW SECTION. Section 2. Funding for postretirement

1 adjustment -- reserve fund. (1) At the end of each fiscal
 2 year, the board shall determine the total investment income
 3 earned on the retirement fund for that fiscal year. From
 4 this amount, the board shall subtract the:

5 (a) actuarial amount required to fund the retirement
 6 system for the fiscal year; and

7 (b) retirement system's administrative and investment
 8 expenses for the fiscal year.

9 (2) (a) From the remainder obtained in subsection (1),
 10 the board shall calculate the amount of investment income
 11 earned on that portion of the retirement fund balance
 12 representing retired members.

13 (b) The board shall deposit the amount calculated in
 14 subsection (2)(a) in a reserve fund.

15 (3) Subject to the restrictions contained in
 16 subsections (4) and (5), the board shall annually use 90% of
 17 the amount in the reserve fund provided for in subsection
 18 (2)(b) to pay a postretirement adjustment to eligible
 19 members or beneficiaries under [section 3].

20 (4) If the amount in the reserve fund is insufficient
 21 to provide an average monthly postretirement adjustment of
 22 at least \$1 under [section 3], an adjustment may not be made
 23 in that calendar year.

24 (5) The amount available for payment of the
 25 postretirement allowance is limited to an amount that would

provide a percentage increase in the average service, disability, or survivorship allowance of all eligible members, when combined with the postretirement adjustment, that is equal to or less than the percentage increase for the previous calendar year in the annual average consumer price index for urban wage earners and workers compiled by the bureau of labor statistics, United States department of labor, or its successor agency.

NEW SECTION. Section 3. Payment and amount of postretirement adjustment. (1) Effective January 1 of each year that funds are available under [section 2], a member or beneficiary eligible under [section 1] shall receive a postretirement adjustment in the form of a monthly benefit payable for life.

(2) The board shall calculate the amount of the postretirement allowance payable to an eligible member or beneficiary by:

(a) dividing the amount available under [section 2(3)] for payment of the postretirement allowance by the total accumulated years of service for all eligible members and beneficiaries;

(b) multiplying the quotient obtained in subsection (2)(a) by the member's total years of service;

(c) dividing the product obtained in subsection (2)(b) by a factor for calculating a monthly annuity from actuarial

tables adopted by the board; and

(d) applying the provisions contained in subsections (3) and (4).

(3) If a member had elected to receive an optional retirement allowance, the amount of his postretirement allowance must be adjusted by the appropriate optional factor.

(4) If more than one beneficiary is receiving a member's retirement allowance, the postretirement adjustment must be divided in the same manner as the member's retirement allowance.

NEW SECTION. Section 4. 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 5. Codification instruction. [Sections 1 through 3] are intended to be codified as an integral part of Title 19, chapters 3, 4, 7, and 8, and the provisions of Title 19, chapters 3, 4, 7, and 8, apply to [sections 1 through 3].

NEW SECTION. Section 6. Effective date. [This act] is effective 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 HB421, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing a postretirement adjustment for certain members of the public employers', teachers, sheriffs', and state game wardens' retirement systems or their beneficiaries; and providing an effective date.

ASSUMPTIONS:

1. The investment yield of each retirement system will determine the post retirement adjustment payable for eligible retirees of that system.
2. The current actuarially required investment rate for each of these retirement systems is 8.0%. Only earnings above the actuarially required investment yield will be available to fund post retirement adjustments. In any year when earnings do not reach the actuarially required rate of return, no adjustments will be made and the shortfall must be made up before adjustments can be made in succeeding years. Administrative and investment costs are subtracted from the funds available prior to allocation for adjustments.
3. 10% of the earnings available for the adjustment would be reserved and utilized in determining the funding available for an adjustment in subsequent years.
4. Post retirement adjustments will not be granted in any year when earnings are insufficient to provide a permanent average annual adjustment of at least \$1.00 per month. The average post-retirement adjustment paid to eligible retirees may not exceed the CPI.
5. Those eligible for post retirement adjustments must have been receiving a monthly benefit for the 24 consecutive months preceding the end of each fiscal year for which the adjustment is made and be age 55 years or older or be receiving a disability or survivor benefit.
6. The actual investment yield of the trust funds in FY88, would have funded a permanent post retirement adjustment averaging 1.82% to PERS retirees; averaging 4.14% to Sheriffs' retirees; averaging 2.44% to Game Wardens' retirees; and averaging 1.67% for teacher retirees. Actual benefits paid to individuals will be based on years of service, age of retiree, and retirement option chosen. It is assumed the same benefits could be paid each year of the next biennium.
7. This legislation sets aside funds in advance for paying permanent post-retirement adjustments.
8. This bill will not require additional staffing. An increase in computer programming/processing costs will be required during the next biennium.



RAY SHACKLEFORD, BUDGET DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING

2/1/89

DATE



RICHARD M. NELSON, PRIMARY SPONSOR

2/2/89

DATE

Fiscal Note for HB421, as introduced

HB 421

FISCAL IMPACT:

1. Funding post-retirement adjustment through investment earnings above the rate required to fund retirement benefits does not represent a new funding method or an approach which has no cost to the system. If earnings above 8% have been used to provide post-retirement adjustments, there will be no reserves available to offset losses when earnings are less than 8%. This fact is why it is important that post-retirement adjustments not be granted when the earning rate drops below 8%, and that they not be granted again until losses have been recovered.

2. Teachers' Retirement System

Expenditures:	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
FTE	11	11	-0-	11	11	-0-
Personal Services	\$251,319	\$251,319	\$ -0-	\$251,684	\$251,684	\$ -0-
Operating Expenses	199,990	211,157	11,167	174,409	174,409	-0-
Equipment	8,688	8,688	-0-	2,089	2,089	-0-
TOTAL	\$459,997	\$471,164	\$ 11,167	\$428,182	\$428,182	\$ -0-

Funding: Interest Earnings on Pension Trust Fund

3. Public Employees' Retirement System

Expenditures:	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
FTE	19	19	-0-	19	19	-0-
Personal Services	\$455,020	\$455,020	\$ -0-	\$456,514	\$456,514	\$ -0-
Operating Expenses	387,170	402,170	15,000	252,638	252,638	-0-
Equipment	3,763	3,763	-0-	1,463	1,463	-0-
TOTAL	\$845,953	\$860,953	\$ 15,000	\$710,615	\$710,615	\$ -0-

Funding: Interest Earnings on Pension Trust Fund

HB 421

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

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RETIREMENT SYSTEMS OR THEIR BENEFICIARIES; AND PROVIDING AN
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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Eligibility for
postretirement adjustment. (1) Except as provided in
subsection (2), a member or beneficiary is eligible to
receive a postretirement adjustment as provided in [section
3] if he is receiving a:

(a) service retirement allowance and is 55 years of
age or older on or before June 30 in the year that the
postretirement adjustment is made; or

(b) disability or survivorship allowance.

(2) A member or beneficiary is ineligible to receive a
postretirement adjustment under subsection (1) unless he has

been receiving a monthly service, disability, or
survivorship allowance for at least 24 consecutive months on
or before June 30 in the year the adjustment is made.

NEW SECTION. Section 2. Funding for postretirement
adjustment -- reserve fund. (1) At the end of each fiscal
year, the board shall determine the total investment income
earned on the retirement fund for that fiscal year. From
this amount, the board shall subtract the:

(a) actuarial amount required to fund the retirement
system for the fiscal year; and

(b) retirement system's administrative and investment
expenses for the fiscal year.

(2) (a) From the remainder obtained in subsection (1),
the board shall calculate the amount of investment income
earned on that portion of the retirement fund balance
representing retired members.

(b) The board shall deposit the amount calculated in
subsection (2)(a) in a reserve fund.

(3) Subject to the restrictions contained in
subsections (4) and (5), the board shall annually use 90% of
the amount in the reserve fund provided for in subsection
(2)(b) to pay a postretirement adjustment to eligible
members or beneficiaries under [section 3].

(4) If the amount in the reserve fund is insufficient
to provide an average monthly postretirement adjustment of

1 at least \$1 under [section 3], an adjustment may not be made
2 in that calendar year.

3 (5) The amount available for payment of the
4 postretirement allowance is limited to an amount that would
5 provide a percentage increase in the average service,
6 disability, or survivorship allowance of all eligible
7 members, when combined with the postretirement adjustment,
8 that is equal to or less than the percentage increase for
9 the previous calendar year in the annual average consumer
10 price index for urban wage earners and workers compiled by
11 the bureau of labor statistics, United States department of
12 labor, or its successor agency.

13 NEW SECTION. Section 3. Payment and amount of
14 postretirement adjustment. (1) Effective January 1 of each
15 year that funds are available under [section 2], a member or
16 beneficiary eligible under [section 1] shall receive a
17 postretirement adjustment in the form of a monthly benefit
18 payable for life.

19 (2) The board shall calculate the amount of the
20 postretirement allowance payable to an eligible member or
21 beneficiary by:

22 (a) dividing the amount available under [section 2(3)]
23 for payment of the postretirement allowance by the total
24 accumulated years of service for all eligible members and
25 beneficiaries;

1 (b) multiplying the quotient obtained in subsection
2 (2)(a) by the member's total years of service;

3 (c) dividing the product obtained in subsection (2)(b)
4 by a factor for calculating a monthly annuity from actuarial
5 tables adopted by the board; and

6 (d) applying the provisions contained in subsections
7 (3) and (4).

8 (3) If a member had elected to receive an optional
9 retirement allowance, the amount of his postretirement
10 allowance must be adjusted by the appropriate optional
11 factor.

12 (4) If more than one beneficiary is receiving a
13 member's retirement allowance, the postretirement adjustment
14 must be divided in the same manner as the member's
15 retirement allowance.

16 NEW SECTION. Section 4. 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 5. Codification instruction.
21 [Sections 1 through 3] are intended to be codified as an
22 integral part of Title 19, chapters 3, 4, 7, and 8, and the
23 provisions of Title 19, chapters 3, 4, 7, and 8, apply to
24 [sections 1 through 3].

25 NEW SECTION. Section 6. Effective date. [This act] is

HB 0421/02

1 effective July 1, 1989.

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age or older on or before June 30 in the year that the
postretirement adjustment is made; or

(b) disability or survivorship allowance.

(2) A member or beneficiary is ineligible to receive a
postretirement adjustment under subsection (1) unless he has

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this amount, the board shall subtract the:

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system for the fiscal year; and

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expenses for the fiscal year.

(2) (a) From the remainder obtained in subsection (1),
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earned on that portion of the retirement fund balance
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(b) The board shall deposit the amount calculated in
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(3) Subject to the restrictions contained in
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8 that is equal to or less than the percentage increase for
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10 price index for urban wage earners and workers compiled by
11 the bureau of labor statistics, United States department of
12 labor, or its successor agency.

13 NEW SECTION. Section 3. Payment and amount of
14 postretirement adjustment. (1) Effective January 1 of each
15 year that funds are available under [section 2], a member or
16 beneficiary eligible under [section 1] shall receive a
17 postretirement adjustment in the form of a monthly benefit
18 payable for life.

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20 postretirement allowance payable to an eligible member or
21 beneficiary by:

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23 for payment of the postretirement allowance by the total
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