

HOUSE BILL 632

Introduced by Daily

2/10	Introduced
2/10	Referred to State Administration
2/11	Fiscal Note Requested
2/14	Hearing
2/16	Tabled in Committee
2/18	Fiscal Note Received

1 *House* BILL NO. 632
 2 INTRODUCED BY *Dir*
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE FORMULA
 5 FOR CALCULATING RETIREMENT BENEFITS UNDER THE TEACHERS'
 6 RETIREMENT SYSTEM; INCREASING MEMBER AND EMPLOYER
 7 CONTRIBUTIONS TO THE TEACHERS' RETIREMENT SYSTEM TO FUND
 8 BENEFITS CALCULATED UNDER THE REVISED FORMULA; REVISING THE
 9 CONTRIBUTION PROVISIONS UNDER THE UNIVERSITY SYSTEM OPTIONAL
 10 RETIREMENT SYSTEM; AMENDING SECTIONS 19-4-602, 19-4-605,
 11 19-4-804, 19-4-902, AND 19-21-203, MCA; AND PROVIDING AN
 12 EFFECTIVE DATE."

13
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 **Section 1.** Section 19-4-602, MCA, is amended to read:

16 "19-4-602. Annuity savings fund -- member's
 17 contribution. The annuity savings fund is a fund in which
 18 the contributions for the members to provide for their
 19 annuities ~~shall--be~~ are accumulated in individual accounts
 20 for each member. The normal contribution of each member is
 21 ~~7.044%~~ 8.599% of his earned compensation. Contributions to
 22 and payments from the annuity savings fund ~~shall must~~ must be
 23 made in the following manner:

24 (1) (a) Each employer, pursuant to section 414(h)(2) of
 25 the federal Internal Revenue Code of 1954, as amended and

1 applicable on July 1, 1985, shall pick up and pay the
 2 contributions ~~which~~ that would be payable by the member
 3 under this section for service rendered after June 30, 1985.

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

11 (c) The member's contributions picked up by the
 12 employer must be payable from the same source as is used to
 13 pay compensation to the member and must be included in the
 14 member's wages as defined in 19-1-102 and his earned
 15 compensation as used to define his average final
 16 compensation in 19-4-101. The employer shall deduct from the
 17 member's compensation an amount equal to the amount of the
 18 member's contributions picked up by the employer and remit
 19 the total of the contributions to the retirement board.

20 (d) The deductions ~~shall must~~ must be made notwithstanding
 21 that the minimum compensation provided by law for a member
 22 may be reduced thereby. Every member is considered to
 23 consent to the deductions prescribed by this section, and
 24 payment of salary or compensation less the deductions is a
 25 complete discharge of all claims ~~whatsoever~~ for the services

1 rendered by the member during the period covered by the
2 payment, except as to the benefits provided by the
3 retirement system.

4 (2) In addition to the normal contributions and subject
5 to the approval of the retirement board, any member may
6 redeposit in the annuity savings fund, by a single payment
7 or by an increased rate of contribution, an amount equal to
8 any accumulated contributions ~~which~~ that he has previously
9 withdrawn, plus interest in the amount the contributions
10 would have earned had the contributions not been withdrawn.

11 (3) The accumulated contributions of a member withdrawn
12 by him or paid to his estate or to his designated
13 beneficiary in event of his death ~~shall~~ must be paid from
14 the annuity savings fund. Upon the retirement of a member,
15 his accumulated contributions ~~shall~~ must be transferred from
16 the annuity savings fund to the pension accumulation fund."

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

18 "19-4-605. Pension accumulation fund -- employer's
19 contribution. The pension accumulation fund is the fund in
20 which the reserves for payment of pensions and annuities
21 ~~shall-be~~ are accumulated and from which pensions, annuities,
22 and benefits in lieu thereof ~~shall-be~~ are paid to or on
23 account of beneficiaries credited with prior service.
24 Contributions to and payments from the pension accumulation
25 fund ~~shall~~ must be made as follows:

1 (1) Each employer shall pay into the pension
2 accumulation fund an amount equal to ~~7-428%~~ 8.983% of the
3 earned compensation of each member employed during the whole
4 or part of the preceding payroll period.

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

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

14 (4) If the employer is a county, the county
15 commissioners shall budget and pay for the employer's
16 contribution in the manner provided by law for the adoption
17 of a county budget and for payments under the budget.

18 (5) All interest and other earnings realized on the
19 moneys money of the retirement system ~~shall~~ must be credited
20 to the pension accumulation fund, and the amount required to
21 allow regular interest on the annuity savings fund ~~shall~~
22 must be transferred to that fund from the pension
23 accumulation fund.

24 (6) All pensions, annuities, and benefits in lieu
25 thereof ~~shall~~ must be paid from the pension accumulation

1 fund.

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

5 **Section 3.** Section 19-4-804, MCA, is amended to read:

6 **"19-4-804. Allowance for superannuation retirement. (1)**

7 Upon superannuation retirement a member shall receive a
8 retirement allowance consisting of a pension which that,
9 together with an annuity, provides a retirement allowance
10 equal to ~~one-sixtieth~~ one-fiftieth of his average final
11 compensation multiplied by the number of years of creditable
12 service.

13 (2) Any retired member may be employed as a part-time
14 or substitute teacher in Montana and may earn, without loss
15 of retirement benefits, an amount not to exceed the greater
16 of:

17 (a) one-third of the sum of his average final
18 compensation plus normal annual salary increases for
19 teaching personnel employed by the school district, state
20 agency, political subdivision, or university unit that
21 employed the member at the time of retirement; or

22 (b) one-third of the median of the average final
23 compensation for members retired during the preceding fiscal
24 year as determined by the retirement board."

25 **Section 4.** Section 19-4-902, MCA, is amended to read:

1 **"19-4-902. Allowance for disability retirement. (1)**

2 Upon retirement for disability, a member shall receive the
3 superannuation allowance prescribed under part 8 of this
4 chapter if he is eligible.

5 (2) If he is not eligible for the allowance prescribed
6 under part 8 of this chapter, he shall receive a disability
7 retirement allowance which that consists of:

8 (a) an annuity which that is the actuarial equivalent
9 of his accumulated contributions at the time of retirement;
10 and

11 (b) a pension which that, together with his annuity,
12 provides a total retirement allowance equal to ~~one-sixtieth~~
13 one-fiftieth of his average final compensation multiplied by
14 the number of years of his creditable service, if ~~such the~~
15 retirement allowance exceeds one-fourth of his average final
16 compensation; otherwise, a pension which that, together with
17 his annuity, provides a total retirement allowance equal to
18 one-fourth of his average final compensation.

19 (3) ~~No An~~ allowance under subsection (2) may not exceed
20 ~~one-sixtieth~~ one-fiftieth of his average final compensation
21 multiplied by the number of years which that would be
22 creditable to him were his service to continue until the
23 attainment of the minimum age for superannuation
24 retirement."

25 **Section 5.** Section 19-21-203, MCA, is amended to read:

1 **"19-21-203. Contributions.** (1) Each optional retirement
 2 program participant shall contribute an amount equal to the
 3 member's contribution required under 19-4-602 according to
 4 the rate in effect on June 30, 1989. The board of regents
 5 shall contribute an amount equal to the employer
 6 contribution required under 19-4-605 according to the rate
 7 in effect on June 30, 1989.

8 (2) The board of regents' contribution must be
 9 apportioned and paid as follows:

10 (a) to the designated company or companies, an amount
 11 equal to the greater of:

12 (i) the employer contribution to the teachers'
 13 retirement system not used to amortize past service unfunded
 14 liability as that unfunded liability is limited by
 15 19-21-111; or

16 (ii) an amount that, when added to the participant's
 17 contribution, is equal to 10% of the participant's earned
 18 compensation; and

19 (b) to the teachers' retirement system, the balance of
 20 the board of regents' contribution.

21 (3) The board of regents shall determine whether the
 22 participant's contribution is to be made by salary reduction
 23 under section 403(b) of the Internal Revenue Code of 1954 or
 24 by employer pick-up under section 414(h)(2) of that code.

25 (4) The disbursing officer of the employer or other

1 official designated by the board of regents shall pay both
 2 the participant's contribution and the appropriate portion
 3 of the regents' contribution to the designated company or
 4 companies for the benefit of the participant."

5 **NEW SECTION. Section 6.** Extension of authority. Any
 6 existing authority to make rules on the subject of the
 7 provisions of [this act] is extended to the provisions of
 8 [this act].

9 **NEW SECTION. Section 7.** Effective date. [This act] is
 10 effective July 1, 1989.

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