

SENATE BILL NO. 125

INTRODUCED BY NATHE

IN THE SENATE

JANUARY 14, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
JANUARY 23, 1989	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
JANUARY 24, 1989	PRINTING REPORT.
JANUARY 25, 1989	SECOND READING, DO PASS.
JANUARY 26, 1989	ENGROSSING REPORT.
JANUARY 27, 1989	THIRD READING, PASSED. AYES, 48; NOES, 0.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

JANUARY 27, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
FEBRUARY 20, 1989	FIRST READING.
MARCH 2, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 4, 1989	SECOND READING, CONCURRED IN.
MARCH 6, 1989	THIRD READING, CONCURRED IN. AYES, 93; NOES, 1.
	RETURNED TO SENATE.

IN THE SENATE

MARCH 7, 1989	RECEIVED FROM HOUSE.
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SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senate* BILL NO. *125*  
2 INTRODUCED BY *NATH*  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING VESTED  
5 MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM TO PURCHASE  
6 ADDITIONAL SERVICE FOR THE PURPOSE OF CALCULATING THEIR  
7 RETIREMENT ALLOWANCES; LIMITING THE TYPES OF SERVICE CREDITS  
8 THAT MEMBERS MAY PURCHASE; REVISING PROVISIONS REGARDING THE  
9 PURCHASE OF SERVICE CREDITS FOR SERVICE IN THE MILITARY, RED  
10 CROSS, OR MERCHANT MARINE; AMENDING SECTIONS 19-4-402  
11 THROUGH 19-4-404, 19-4-408, 19-4-410, 19-4-411, 19-4-804,  
12 AND 19-4-902, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

15 NEW SECTION. **Section 1.** Election to purchase  
16 additional service. (1) Except as provided in subsection  
17 (3), a member with 5 years or more of creditable service may  
18 make a written election with the retirement board to  
19 purchase, for the purpose of calculating his retirement  
20 allowance, 1 year of additional service for each 5 years of  
21 creditable service, up to a maximum of 5 years of additional  
22 service. A part-time member may purchase additional service  
23 on a prorated basis.

24 (2) (a) To purchase additional service under this  
25 section, a member must contribute, in a lump-sum payment or

1 in installments as agreed upon by the member and the  
2 retirement board, an amount equal to:

3 (i) the combined employer and employee rate on July 1,  
4 1989, or the combined rate in effect at the time he is  
5 eligible to purchase the service, whichever date is later,  
6 multiplied by his earned compensation as provided in  
7 subsection (2)(b); and

8 (ii) interest at a rate of 8% compounded annually from  
9 July 1, 1989, or from the date at which he is eligible to  
10 purchase the service, whichever date is later.

11 (b) The earned compensation used in calculating the  
12 cost of purchasing additional service under this section is:

13 (i) for the first year of service purchased, the  
14 member's earned compensation for the 1988-89 school year or  
15 for his fifth year of service, whichever year is later;

16 (ii) for the second year of service purchased, the  
17 member's earned compensation for the 1988-89 school year or  
18 for his 10th year of service, whichever year is later;

19 (iii) for the third year of service purchased, the  
20 member's earned compensation for the 1988-89 school year or  
21 for his 15th year of service, whichever year is later;

22 (iv) for the fourth year of service purchased, the  
23 member's earned compensation for the 1988-89 school year or  
24 for his 20th year of service, whichever year is later; and

25 (v) for the fifth year of service purchased, the

1 member's earned compensation for the 1988-89 school year or  
2 for his 25th year of service, whichever year is later.

3 (3) On or after July 1, 1989, a member eligible to  
4 purchase creditable service under 19-4-402, 19-4-403,  
5 19-4-408, 19-4-410, or 19-4-411 may not purchase additional  
6 service under this section unless he elects in writing to:

7 (a) waive his eligibility to purchase creditable  
8 service under 19-4-402, 19-4-403, 19-4-408, 19-4-410, or  
9 19-4-411; and

10 (b) apply the accumulated contributions made under  
11 19-4-402, 19-4-403, 19-4-408, 19-4-410, or 19-4-411 to the  
12 cost of additional service purchased under this section.

13 (4) Additional service purchased under this section  
14 may not be used to qualify a member for service retirement.

15 **Section 2.** Section 19-4-402, MCA, is amended to read:

16 "19-4-402. Creditable service for out-of-state  
17 employment. A person applying for membership before July 1,  
18 1989, may also apply for creditable service in the  
19 retirement system for out-of-state employment service that  
20 would have been acceptable under the provisions of this  
21 chapter if such the service had been performed in the state  
22 of Montana. The person shall be awarded creditable service,  
23 conditional upon his completing 5 years of active membership  
24 in Montana, for the number of years, not exceeding 5, that  
25 the retirement board determines to be creditable service, if

1 he contributes to the retirement system an amount equal to  
2 the combined employer and employee contribution for his  
3 first full year's teaching salary earned in Montana after  
4 his out-of-state service for each year of creditable service  
5 plus interest at the rate the contribution would have earned  
6 had the contribution been in his account upon the completion  
7 of 5 years of membership service in Montana. The  
8 contribution rate shall be that rate in effect at the time  
9 he is eligible for such the service. The contributions may  
10 be made in a lump-sum payment or in installments as agreed  
11 between the person and the retirement board."

12 **Section 3.** Section 19-4-403, MCA, is amended to read:

13 "19-4-403. Creditable service for employment while on  
14 leave. A person applying for membership before July 1, 1989,  
15 may also apply for creditable service in the retirement  
16 system for employment while on leave. The person shall be  
17 awarded creditable service, conditional upon his having been  
18 a member prior to his leave and upon his completing 5 years  
19 of active membership in Montana subsequent to his return, if  
20 his employment while on leave enhanced his teaching  
21 experience as determined by the board. The person shall be  
22 awarded creditable service as determined by the board in an  
23 amount not exceeding 2 years, if he contributes to the  
24 retirement system an amount equal to the combined employer  
25 and employee contributions for his first full year's

1 teaching salary earned in Montana after his return from  
 2 leave for each year of creditable service plus interest at  
 3 the rate the contribution would have earned had the  
 4 contribution been in his account upon the completion of 5  
 5 years of membership service in Montana. The contribution  
 6 rate shall be that rate in effect at the time he is eligible  
 7 for such the service. The contribution may be made in a  
 8 lump-sum payment or in installments as agreed between the  
 9 person and the retirement board."

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

11 "19-4-404. Creditable service for active service in  
 12 military, red cross, or merchant marine. (1) A member may  
 13 receive up to 4 years of creditable service without cost for  
 14 active service in the armed forces of the United States,  
 15 which includes the army, navy, marine corps, air force, and  
 16 coast guard, during the Vietnam conflict between August 5,  
 17 1964, and May 7, 1975, both dates inclusive, if he has 5  
 18 years or more of creditable service in the retirement  
 19 system. To qualify this service, a member shall submit to  
 20 the board a completed application form and proper  
 21 certification of his military service.

22 (2) (a) If a member is ineligible for service credit  
 23 under subsection (1), he may apply under the provisions of  
 24 this subsection for creditable service in the retirement  
 25 system, except as provided in subsection (2)(b), for active

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

18 (b) If a member elects to purchase additional service  
 19 under [section 1], service purchased under this subsection  
 20 (2) may be used only for the purpose of calculating his  
 21 retirement allowance and may not be considered creditable  
 22 service for the purpose of determining eligibility under  
 23 19-4-801 or 19-4-802.

24 (3) The contribution required under subsection (2) may  
 25 be made in a lump-sum payment or in installments as agreed

between the person and the retirement board."

**Section 5.** Section 19-4-408, MCA, is amended to read:

**"19-4-408. Creditable service for employment in private schools.** A person applying for membership before July 1, 1989, may also apply for creditable service in the retirement system for employment service in a private elementary, secondary, or postsecondary educational institution. Employment service must be of an instructional nature or be employment as an administrative officer or a member of the scientific staff. Employment service does not include students employed by a private elementary, secondary, or postsecondary educational institution. The person shall be awarded creditable service, conditional upon his completing 5 years of active membership in the retirement system, for the number of years, not exceeding 5, that the retirement board determines to be creditable service, if he contributes to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned after becoming a member of the retirement system or returning to the retirement system, whichever is later, for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service. The contribution rate shall be that rate in effect

at the time he is eligible for such service. The contributions may be made in lump-sum payment or in installments as agreed between the person and the retirement board. The provisions of 19-4-405 apply to creditable service purchased under this section."

**Section 6.** Section 19-4-410, MCA, is amended to read:

**"19-4-410. Creditable service for extension service employment.** (1) At any time before retirement, a member with 5 years or more of creditable service in the retirement system may make a written election with the retirement board to qualify up to 5 years of his employment service with the Montana cooperative extension service, subject to the limitation contained in 19-4-405, if:

(a) the member became a member of the retirement system before July 1, 1989;

(b) the service involved instructional service at a unit of the Montana university system; and

(c) the member received a refund of his membership contributions under the civil service retirement system or the federal employees' retirement system for the service to be qualified.

(2) To qualify service under this section, the member shall contribute to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned after becoming a

member of the retirement system for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service. The contribution rate must be that rate in effect at the time he is eligible for such the service.

(3) Contributions to qualify service under this section may be made in a lump-sum payment or in installments as agreed upon by the member and the retirement board."

**Section 7.** Section 19-4-411, MCA, is amended to read:

**"19-4-411. Absence due to employment-related injury.**

(1) (a) Subject to the limitation in subsection (5), time during which a member is absent because of an injury related to employment covered by the retirement system that entitles him to workers' compensation payments may be qualified under the retirement system if the member was a member of the retirement system before July 1, 1989. To qualify this service, a member shall contribute to the retirement system, upon his return to contributing membership service, an amount equal to:

(i) the contributions which would have been made by him had he not been absent, based on his compensation at the commencement of his absence;

(ii) interest, which begins to accrue 1 year from the date he returns to covered employment; and

(iii) interest not paid by the employer under subsection (1)(b).

(b) Whenever a member elects to contribute under subsection (1)(a), the employer shall contribute an amount equal to the contributions which would have been made by the employer had the member not been absent, based on the member's compensation at the commencement of his absence. The employer may contribute an amount equal to the interest accruing on the employer's contributions calculated in the same manner as interest on the employee's contributions under subsection (1)(a). If the employer elects not to pay the interest, this amount must be paid by the employee.

(2) A member shall file with the retirement board a written notice of his intent to pay the contributions under subsection (1)(a).

(3) Payment of the employee's contributions due because of the period of absence may be made in one sum at the time of filing the notice or on an installment basis before termination of covered employment.

(4) A member absent as provided in subsection (1)(a) loses his right to contribute under this section if all of his accumulated normal contributions are refunded under 19-4-603.

(5) The maximum amount of membership service allowable under this section is 2 years."

**Section 8.** Section 19-4-804, MCA, is amended to read:

**"19-4-804. Allowance for superannuation retirement.**

(1) Upon superannuation retirement, a member shall receive a retirement allowance consisting of a pension which, together with an annuity, provides a retirement allowance equal to one-sixtieth of his average final compensation multiplied by the sum of the number of years of creditable service, service transferred under 19-4-409, and additional service purchased under [section 1].

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

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

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

**Section 9.** Section 19-4-902, MCA, is amended to read:

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

Upon retirement for disability, a member shall receive the superannuation allowance prescribed under part 8 of this

chapter if he is eligible.

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

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

(b) a pension which, together with his annuity, provides a total retirement allowance equal to one-sixtieth of his average final compensation multiplied by the sum of the number of years of his creditable service, service transferred under 19-4-409, and additional service purchased under [section 1], if such retirement allowance exceeds one-fourth of his average final compensation; otherwise, a pension which, together with his annuity, provides a total retirement allowance equal to one-fourth of his average final compensation.

(3) No allowance under subsection (2) may exceed one-sixtieth of his average final compensation multiplied by the number of years which would be creditable to him were his service to continue until the attainment of the minimum age for superannuation retirement."

**NEW SECTION. Section 10. 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].

LC 0691/01

1        NEW SECTION.   **Section 11.**   Codification   instruction.  
2   [Section 1] is intended to be codified as an integral part  
3   of Title 19, chapter 4, part 4, and the provisions of Title  
4   19, chapter 4, part 4, apply to [section 1].  
5        NEW SECTION.   **Section 12.**   Effective date.   [This act]  
6   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 SB125, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act permitting vested members of the Teachers' Retirement System to purchase additional service for the purpose of calculating their retirement allowance; limiting the types of service credits that members may purchase; revising provisions regarding the purchase of service credits for service in the military, Red Cross, or Merchant Marine.

ASSUMPTIONS:

1. The cost to actuarially fund this benefit enhancement will not exceed the combined employee and employer contribution rate, currently 14.472%. If a member does not purchase the service as soon as they are eligible, interest would accrue from the date of eligibility until paid at the rate of 8% per annum.
2. Additional service purchased would not count toward eligibility for early retirement but would be used in calculation a member's accrued benefits.
3. The additional services required of the Teachers' Retirement System to administer this enhancement will not require more than an additional .5 FTE, grade 10.

Ray Shackelford 11/18/89  
RAY/SHACKLEFORD, BUDGET DIRECTOR DATE  
OFFICE OF BUDGET AND PROGRAM PLANNING

Dennis G. Nathe 1-19-89  
DENNIS G. NATHE, PRIMARY SPONSOR DATE

Fiscal Note for SB125, as introduced

**SB 125**

Fiscal Note Request, SB125 as introduced

Form BD-15

Page 2

FISCAL IMPACT:

1. Under this proposal a member could purchase 2 years of military service and 5 additional years of service, 1 after each 5, 10, 15, 20, and 25 years of employment under the Teachers' Retirement System. Under these conditions, the cost to purchase each year of service, assuming the service is purchased as soon as a member is entitled to purchase the credit, would be the combined employer and employee contribution rates under the system. Based upon these assumptions, this proposal will not impact the financial soundness of the Teachers' Retirement System.
2. This proposal will require an additional .5 FTE and related spending authority appropriated from the pension trust fund of the Teachers' Retirement System, as follows:

<u>Expenditures:</u>	<u>FY90</u>			<u>FY91</u>		
	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
	<u>Law</u>	<u>Law</u>		<u>Law</u>	<u>Law</u>	
FTE	11.0	11.5	0.5	11.0	11.5	0.5
Personal Services	\$251,319	\$260,825	\$ 9,506	\$251,684	\$261,190	\$ 9,506
Operating Expenses	199,990	204,990	5,000	174,409	174,409	-0-
Equipment	8,688	15,788	7,100	2,089	2,089	-0-
TOTAL	\$459,997	\$481,603	\$ 21,606	\$428,182	\$437,688	\$ 9,506

Funding Source:

Interest earnings of the pension trust fund.

SB 125

APPROVED BY COMMITTEE  
ON STATE ADMINISTRATIONSenate BILL NO. 125INTRODUCED BY NATHAN

A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING VESTED MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM TO PURCHASE ADDITIONAL SERVICE FOR THE PURPOSE OF CALCULATING THEIR RETIREMENT ALLOWANCES; LIMITING THE TYPES OF SERVICE CREDITS THAT MEMBERS MAY PURCHASE; REVISING PROVISIONS REGARDING THE PURCHASE OF SERVICE CREDITS FOR SERVICE IN THE MILITARY, RED CROSS, OR MERCHANT MARINE; AMENDING SECTIONS 19-4-402 THROUGH 19-4-404, 19-4-408, 19-4-410, 19-4-411, 19-4-804, AND 19-4-902, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. **Section 1.** Election to purchase additional service. (1) Except as provided in subsection (3), a member with 5 years or more of creditable service may make a written election with the retirement board to purchase, for the purpose of calculating his retirement allowance, 1 year of additional service for each 5 years of creditable service, up to a maximum of 5 years of additional service. A part-time member may purchase additional service on a prorated basis.

(2) (a) To purchase additional service under this section, a member must contribute, in a lump-sum payment or

in installments as agreed upon by the member and the retirement board, an amount equal to:

(i) the combined employer and employee rate on July 1, 1989, or the combined rate in effect at the time he is eligible to purchase the service, whichever date is later, multiplied by his earned compensation as provided in subsection (2)(b); and

(ii) interest at a rate of 8% compounded annually from July 1, 1989, or from the date at which he is eligible to purchase the service, whichever date is later.

(b) The earned compensation used in calculating the cost of purchasing additional service under this section is:

(i) for the first year of service purchased, the member's earned compensation for the 1988-89 school year or for his fifth year of service, whichever year is later;

(ii) for the second year of service purchased, the member's earned compensation for the 1988-89 school year or for his 10th year of service, whichever year is later;

(iii) for the third year of service purchased, the member's earned compensation for the 1988-89 school year or for his 15th year of service, whichever year is later;

(iv) for the fourth year of service purchased, the member's earned compensation for the 1988-89 school year or for his 20th year of service, whichever year is later; and

(v) for the fifth year of service purchased, the

member's earned compensation for the 1988-89 school year or for his 25th year of service, whichever year is later.

(3) On or after July 1, 1989, a member eligible to purchase creditable service under 19-4-402, 19-4-403, 19-4-408, 19-4-410, or 19-4-411 may not purchase additional service under this section unless he elects in writing to:

(a) waive his eligibility to purchase creditable service under 19-4-402, 19-4-403, 19-4-408, 19-4-410, or 19-4-411; and

(b) apply the accumulated contributions made under 19-4-402, 19-4-403, 19-4-408, 19-4-410, or 19-4-411 to the cost of additional service purchased under this section.

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

**Section 2.** Section 19-4-402, MCA, is amended to read:

"19-4-402. Creditable service for out-of-state employment. A person applying for membership before July 1, 1989, may also apply for creditable service in the retirement system for out-of-state employment service that would have been acceptable under the provisions of this chapter if such the service had been performed in the state of Montana. The person shall be awarded creditable service, conditional upon his completing 5 years of active membership in Montana, for the number of years, not exceeding 5, that the retirement board determines to be creditable service, if

he contributes to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned in Montana after his out-of-state service for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service in Montana. The contribution rate shall be that rate in effect at the time he is eligible for such the service. The contributions may be made in a lump-sum payment or in installments as agreed between the person and the retirement board."

**Section 3.** Section 19-4-403, MCA, is amended to read:

"19-4-403. Creditable service for employment while on leave. A person applying for membership before July 1, 1989, may also apply for creditable service in the retirement system for employment while on leave. The person shall be awarded creditable service, conditional upon his having been a member prior to his leave and upon his completing 5 years of active membership in Montana subsequent to his return, if his employment while on leave enhanced his teaching experience as determined by the board. The person shall be awarded creditable service as determined by the board in an amount not exceeding 2 years, if he contributes to the retirement system an amount equal to the combined employer and employee contributions for his first full year's

1 teaching salary earned in Montana after his return from  
 2 leave for each year of creditable service plus interest at  
 3 the rate the contribution would have earned had the  
 4 contribution been in his account upon the completion of 5  
 5 years of membership service in Montana. The contribution  
 6 rate shall be that rate in effect at the time he is eligible  
 7 for ~~such the~~ service. The contribution may be made in a  
 8 lump-sum payment or in installments as agreed between the  
 9 person and the retirement board."

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

11 "19-4-404. Creditable service for active service in  
 12 military, red cross, or merchant marine. (1) A member may  
 13 receive up to 4 years of creditable service without cost for  
 14 active service in the armed forces of the United States,  
 15 which includes the army, navy, marine corps, air force, and  
 16 coast guard, during the Vietnam conflict between August 5,  
 17 1964, and May 7, 1975, both dates inclusive, if he has 5  
 18 years or more of creditable service in the retirement  
 19 system. To qualify this service, a member shall submit to  
 20 the board a completed application form and proper  
 21 certification of his military service.

22 (2) (a) If a member is ineligible for service credit  
 23 under subsection (1), he may apply under the provisions of  
 24 this subsection for creditable service in the retirement  
 25 system, except as provided in subsection (2)(b), for active

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

18 (b) If a member elects to purchase additional service  
 19 under [section 1], service purchased under this subsection  
 20 (2) may be used only for the purpose of calculating his  
 21 retirement allowance and may not be considered creditable  
 22 service for the purpose of determining eligibility under  
 23 19-4-801 or 19-4-802.

24 (3) The contribution required under subsection (2) may  
 25 be made in a lump-sum payment or in installments as agreed

between the person and the retirement board."

**Section 5.** Section 19-4-408, MCA, is amended to read:

**"19-4-408. Creditable service for employment in private schools.** A person applying for membership before July 1, 1989, may also apply for creditable service in the retirement system for employment service in a private elementary, secondary, or postsecondary educational institution. Employment service must be of an instructional nature or be employment as an administrative officer or a member of the scientific staff. Employment service does not include students employed by a private elementary, secondary, or postsecondary educational institution. The person shall be awarded creditable service, conditional upon his completing 5 years of active membership in the retirement system, for the number of years, not exceeding 5, that the retirement board determines to be creditable service, if he contributes to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned after becoming a member of the retirement system or returning to the retirement system, whichever is later, for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service. The contribution rate shall be that rate in effect

at the time he is eligible for such service. The contributions may be made in lump-sum payment or in installments as agreed between the person and the retirement board. The provisions of 19-4-405 apply to creditable service purchased under this section."

**Section 6.** Section 19-4-410, MCA, is amended to read:

**"19-4-410. Creditable service for extension service employment.** (1) At any time before retirement, a member with 5 years or more of creditable service in the retirement system may make a written election with the retirement board to qualify up to 5 years of his employment service with the Montana cooperative extension service, subject to the limitation contained in 19-4-405, if:

(a) the member became a member of the retirement system before July 1, 1989;

(b) the service involved instructional service at a unit of the Montana university system; and

(c) the member received a refund of his membership contributions under the civil service retirement system or the federal employees' retirement system for the service to be qualified.

(2) To qualify service under this section, the member shall contribute to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned after becoming a

member of the retirement system for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service. The contribution rate must be that rate in effect at the time he is eligible for such the service.

(3) Contributions to qualify service under this section may be made in a lump-sum payment or in installments as agreed upon by the member and the retirement board."

**Section 7.** Section 19-4-411, MCA, is amended to read:

"19-4-411. Absence due to employment-related injury.

(1) (a) Subject to the limitation in subsection (5), time during which a member is absent because of an injury related to employment covered by the retirement system that entitles him to workers' compensation payments may be qualified under the retirement system if the member was a member of the retirement system before July 1, 1989. To qualify this service, a member shall contribute to the retirement system, upon his return to contributing membership service, an amount equal to:

(i) the contributions which would have been made by him had he not been absent, based on his compensation at the commencement of his absence;

(ii) interest, which begins to accrue 1 year from the date he returns to covered employment; and

(iii) interest not paid by the employer under subsection (1)(b).

(b) Whenever a member elects to contribute under subsection (1)(a), the employer shall contribute an amount equal to the contributions which would have been made by the employer had the member not been absent, based on the member's compensation at the commencement of his absence. The employer may contribute an amount equal to the interest accruing on the employer's contributions calculated in the same manner as interest on the employee's contributions under subsection (1)(a). If the employer elects not to pay the interest, this amount must be paid by the employee.

(2) A member shall file with the retirement board a written notice of his intent to pay the contributions under subsection (1)(a).

(3) Payment of the employee's contributions due because of the period of absence may be made in one sum at the time of filing the notice or on an installment basis before termination of covered employment.

(4) A member absent as provided in subsection (1)(a) loses his right to contribute under this section if all of his accumulated normal contributions are refunded under 19-4-603.

(5) The maximum amount of membership service allowable under this section is 2 years."

**Section 8.** Section 19-4-804, MCA, is amended to read:

**"19-4-804. Allowance for superannuation retirement.**

(1) Upon superannuation retirement, a member shall receive a retirement allowance consisting of a pension which, together with an annuity, provides a retirement allowance equal to one-sixtieth of his average final compensation multiplied by the sum of the number of years of creditable service, service transferred under 19-4-409, and additional service purchased under [section 1].

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

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

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

**Section 9.** Section 19-4-902, MCA, is amended to read:

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

Upon retirement for disability, a member shall receive the superannuation allowance prescribed under part 8 of this

chapter if he is eligible.

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

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

(b) a pension which, together with his annuity, provides a total retirement allowance equal to one-sixtieth of his average final compensation multiplied by the sum of the number of years of his creditable service, service transferred under 19-4-409, and additional service purchased under [section 1], if such retirement allowance exceeds one-fourth of his average final compensation; otherwise, a pension which, together with his annuity, provides a total retirement allowance equal to one-fourth of his average final compensation.

(3) No allowance under subsection (2) may exceed one-sixtieth of his average final compensation multiplied by the number of years which would be creditable to him were his service to continue until the attainment of the minimum age for superannuation retirement."

**NEW SECTION. Section 10. 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].

1        NEW SECTION.   **Section 11.**   Codification   instruction.

2        [Section 1] is intended to be codified as an integral part  
3        of Title 19, chapter 4, part 4, and the provisions of Title  
4        19, chapter 4, part 4, apply to [section 1].

5        NEW SECTION.   **Section 12.**   Effective date.   [This act]  
6        is effective July 1, 1989.

-End-

1 *Senate* BILL NO. 125  
2 INTRODUCED BY NATHAN  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING VESTED  
5 MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM TO PURCHASE  
6 ADDITIONAL SERVICE FOR THE PURPOSE OF CALCULATING THEIR  
7 RETIREMENT ALLOWANCES; LIMITING THE TYPES OF SERVICE CREDITS  
8 THAT MEMBERS MAY PURCHASE; REVISING PROVISIONS REGARDING THE  
9 PURCHASE OF SERVICE CREDITS FOR SERVICE IN THE MILITARY, RED  
10 CROSS, OR MERCHANT MARINE; AMENDING SECTIONS 19-4-402  
11 THROUGH 19-4-404, 19-4-408, 19-4-410, 19-4-411, 19-4-804,  
12 AND 19-4-902, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

15 NEW SECTION. Section 1. Election to purchase  
16 additional service. (1) Except as provided in subsection  
17 (3), a member with 5 years or more of creditable service may  
18 make a written election with the retirement board to  
19 purchase, for the purpose of calculating his retirement  
20 allowance, 1 year of additional service for each 5 years of  
21 creditable service, up to a maximum of 5 years of additional  
22 service. A part-time member may purchase additional service  
23 on a prorated basis.

24 (2) (a) To purchase additional service under this  
25 section, a member must contribute, in a lump-sum payment or

1 in installments as agreed upon by the member and the  
2 retirement board, an amount equal to:

3 (i) the combined employer and employee rate on July 1,  
4 1989, or the combined rate in effect at the time he is  
5 eligible to purchase the service, whichever date is later,  
6 multiplied by his earned compensation as provided in  
7 subsection (2)(b); and

8 (ii) interest at a rate of 8% compounded annually from  
9 July 1, 1989, or from the date at which he is eligible to  
10 purchase the service, whichever date is later.

11 (b) The earned compensation used in calculating the  
12 cost of purchasing additional service under this section is:

13 (i) for the first year of service purchased, the  
14 member's earned compensation for the 1988-89 school year or  
15 for his fifth year of service, whichever year is later;

16 (ii) for the second year of service purchased, the  
17 member's earned compensation for the 1988-89 school year or  
18 for his 10th year of service, whichever year is later;

19 (iii) for the third year of service purchased, the  
20 member's earned compensation for the 1988-89 school year or  
21 for his 15th year of service, whichever year is later;

22 (iv) for the fourth year of service purchased, the  
23 member's earned compensation for the 1988-89 school year or  
24 for his 20th year of service, whichever year is later; and

25 (v) for the fifth year of service purchased, the

member's earned compensation for the 1988-89 school year or for his 25th year of service, whichever year is later.

(3) On or after July 1, 1989, a member eligible to purchase creditable service under 19-4-402, 19-4-403, 19-4-408, 19-4-410, or 19-4-411 may not purchase additional service under this section unless he elects in writing to:

(a) waive his eligibility to purchase creditable service under 19-4-402, 19-4-403, 19-4-408, 19-4-410, or 19-4-411; and

(b) apply the accumulated contributions made under 19-4-402, 19-4-403, 19-4-408, 19-4-410, or 19-4-411 to the cost of additional service purchased under this section.

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

**Section 2.** Section 19-4-402, MCA, is amended to read:

"19-4-402. Creditable service for out-of-state employment. A person applying for membership before July 1, 1989, may also apply for creditable service in the retirement system for out-of-state employment service that would have been acceptable under the provisions of this chapter if such the service had been performed in the state of Montana. The person shall be awarded creditable service, conditional upon his completing 5 years of active membership in Montana, for the number of years, not exceeding 5, that the retirement board determines to be creditable service, if

he contributes to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned in Montana after his out-of-state service for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service in Montana. The contribution rate shall be that rate in effect at the time he is eligible for such the service. The contributions may be made in a lump-sum payment or in installments as agreed between the person and the retirement board."

**Section 3.** Section 19-4-403, MCA, is amended to read:

"19-4-403. Creditable service for employment while on leave. A person applying for membership before July 1, 1989, may also apply for creditable service in the retirement system for employment while on leave. The person shall be awarded creditable service, conditional upon his having been a member prior to his leave and upon his completing 5 years of active membership in Montana subsequent to his return, if his employment while on leave enhanced his teaching experience as determined by the board. The person shall be awarded creditable service as determined by the board in an amount not exceeding 2 years, if he contributes to the retirement system an amount equal to the combined employer and employee contributions for his first full year's

1 teaching salary earned in Montana after his return from  
 2 leave for each year of creditable service plus interest at  
 3 the rate the contribution would have earned had the  
 4 contribution been in his account upon the completion of 5  
 5 years of membership service in Montana. The contribution  
 6 rate shall be that rate in effect at the time he is eligible  
 7 for such the service. The contribution may be made in a  
 8 lump-sum payment or in installments as agreed between the  
 9 person and the retirement board."

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

11 "19-4-404. Creditable service for active service in  
 12 military, red cross, or merchant marine. (1) A member may  
 13 receive up to 4 years of creditable service without cost for  
 14 active service in the armed forces of the United States,  
 15 which includes the army, navy, marine corps, air force, and  
 16 coast guard, during the Vietnam conflict between August 5,  
 17 1964, and May 7, 1975, both dates inclusive, if he has 5  
 18 years or more of creditable service in the retirement  
 19 system. To qualify this service, a member shall submit to  
 20 the board a completed application form and proper  
 21 certification of his military service.

22 (2) (a) If a member is ineligible for service credit  
 23 under subsection (1), he may apply under the provisions of  
 24 this subsection for creditable service in the retirement  
 25 system, except as provided in subsection (2)(b), for active

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

18 (b) If a member elects to purchase additional service  
 19 under [section 1], service purchased under this subsection  
 20 (2) may be used only for the purpose of calculating his  
 21 retirement allowance and may not be considered creditable  
 22 service for the purpose of determining eligibility under  
 23 19-4-801 or 19-4-802.

24 (3) The contribution required under subsection (2) may  
 25 be made in a lump-sum payment or in installments as agreed

between the person and the retirement board."

**Section 5.** Section 19-4-408, MCA, is amended to read:

**"19-4-408. Creditable service for employment in private schools.** A person applying for membership before July 1, 1989, may also apply for creditable service in the retirement system for employment service in a private elementary, secondary, or postsecondary educational institution. Employment service must be of an instructional nature or be employment as an administrative officer or a member of the scientific staff. Employment service does not include students employed by a private elementary, secondary, or postsecondary educational institution. The person shall be awarded creditable service, conditional upon his completing 5 years of active membership in the retirement system, for the number of years, not exceeding 5, that the retirement board determines to be creditable service, if he contributes to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned after becoming a member of the retirement system or returning to the retirement system, whichever is later, for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service. The contribution rate shall be that rate in effect

at the time he is eligible for such service. The contributions may be made in lump-sum payment or in installments as agreed between the person and the retirement board. The provisions of 19-4-405 apply to creditable service purchased under this section."

**Section 6.** Section 19-4-410, MCA, is amended to read:

**"19-4-410. Creditable service for extension service employment.** (1) At any time before retirement, a member with 5 years or more of creditable service in the retirement system may make a written election with the retirement board to qualify up to 5 years of his employment service with the Montana cooperative extension service, subject to the limitation contained in 19-4-405, if:

(a) the member became a member of the retirement system before July 1, 1989;

(b) the service involved instructional service at a unit of the Montana university system; and

(c) the member received a refund of his membership contributions under the civil service retirement system or the federal employees' retirement system for the service to be qualified.

(2) To qualify service under this section, the member shall contribute to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned after becoming a

1 member of the retirement system for each year of creditable  
 2 service plus interest at the rate the contribution would  
 3 have earned had the contribution been in his account upon  
 4 the completion of 5 years of membership service. The  
 5 contribution rate must be that rate in effect at the time he  
 6 is eligible for such the service.

7 (3) Contributions to qualify service under this  
 8 section may be made in a lump-sum payment or in installments  
 9 as agreed upon by the member and the retirement board."

10 **Section 7.** Section 19-4-411, MCA, is amended to read:

11 **"19-4-411. Absence due to employment-related injury.**  
 12 (1) (a) Subject to the limitation in subsection (5), time  
 13 during which a member is absent because of an injury related  
 14 to employment covered by the retirement system that entitles  
 15 him to workers' compensation payments may be qualified under  
 16 the retirement system if the member was a member of the  
 17 retirement system before July 1, 1989. To qualify this  
 18 service, a member shall contribute to the retirement system,  
 19 upon his return to contributing membership service, an  
 20 amount equal to:

21 (i) the contributions which would have been made by  
 22 him had he not been absent, based on his compensation at the  
 23 commencement of his absence;

24 (ii) interest, which begins to accrue 1 year from the  
 25 date he returns to covered employment; and

1 (iii) interest not paid by the employer under  
 2 subsection (1)(b).

3 (b) Whenever a member elects to contribute under  
 4 subsection (1)(a), the employer shall contribute an amount  
 5 equal to the contributions which would have been made by the  
 6 employer had the member not been absent, based on the  
 7 member's compensation at the commencement of his absence.  
 8 The employer may contribute an amount equal to the interest  
 9 accruing on the employer's contributions calculated in the  
 10 same manner as interest on the employee's contributions  
 11 under subsection (1)(a). If the employer elects not to pay  
 12 the interest, this amount must be paid by the employee.

13 (2) A member shall file with the retirement board a  
 14 written notice of his intent to pay the contributions under  
 15 subsection (1)(a).

16 (3) Payment of the employee's contributions due  
 17 because of the period of absence may be made in one sum at  
 18 the time of filing the notice or on an installment basis  
 19 before termination of covered employment.

20 (4) A member absent as provided in subsection (1)(a)  
 21 loses his right to contribute under this section if all of  
 22 his accumulated normal contributions are refunded under  
 23 19-4-603.

24 (5) The maximum amount of membership service allowable  
 25 under this section is 2 years."

**Section 8.** Section 19-4-804, MCA, is amended to read:

**"19-4-804. Allowance for superannuation retirement.**

(1) Upon superannuation retirement, a member shall receive a retirement allowance consisting of a pension which, together with an annuity, provides a retirement allowance equal to one-sixtieth of his average final compensation multiplied by the sum of the number of years of creditable service, service transferred under 19-4-409, and additional service purchased under [section 1].

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

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

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

**Section 9.** Section 19-4-902, MCA, is amended to read:

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

Upon retirement for disability, a member shall receive the superannuation allowance prescribed under part 8 of this

chapter if he is eligible.

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

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

(b) a pension which, together with his annuity, provides a total retirement allowance equal to one-sixtieth of his average final compensation multiplied by the sum of the number of years of his creditable service, service transferred under 19-4-409, and additional service purchased under [section 1], if such retirement allowance exceeds one-fourth of his average final compensation; otherwise, a pension which, together with his annuity, provides a total retirement allowance equal to one-fourth of his average final compensation.

(3) No allowance under subsection (2) may exceed one-sixtieth of his average final compensation multiplied by the number of years which would be creditable to him were his service to continue until the attainment of the minimum age for superannuation retirement."

**NEW SECTION. Section 10.** 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].

1        NEW SECTION.    **Section 11.** Codification    instruction.  
2        [Section 1] is intended to be codified as an integral part  
3        of Title 19, chapter 4, part 4, and the provisions of Title  
4        19, chapter 4, part 4, apply to [section 1].  
5        NEW SECTION.    **Section 12.** Effective date. [This act]  
6        is effective July 1, 1989.

-End-

1 SENATE BILL NO. 125

2 INTRODUCED BY NATHE

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING VESTED  
5 MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM TO PURCHASE  
6 ADDITIONAL SERVICE FOR THE PURPOSE OF CALCULATING THEIR  
7 RETIREMENT ALLOWANCES; LIMITING THE TYPES OF SERVICE CREDITS  
8 THAT MEMBERS MAY PURCHASE; REVISING PROVISIONS REGARDING THE  
9 PURCHASE OF SERVICE CREDITS FOR SERVICE IN THE MILITARY, RED  
10 CROSS, OR MERCHANT MARINE; AMENDING SECTIONS 19-4-402  
11 THROUGH 19-4-404, 19-4-408, 19-4-410, 19-4-411, 19-4-804,  
12 AND 19-4-902, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

15 NEW SECTION. Section 1. Election to purchase  
16 additional service. (1) Except as provided in subsection  
17 (3), a member with 5 years or more of creditable service may  
18 make a written election with the retirement board to  
19 purchase, for the purpose of calculating his retirement  
20 allowance, 1 year of additional service for each 5 years of  
21 creditable service, up to a maximum of 5 years of additional  
22 service. A part-time member may purchase additional service  
23 on a prorated basis.

24 (2) (a) To purchase additional service under this  
25 section, a member must contribute, in a lump-sum payment or

1 in installments as agreed upon by the member and the  
2 retirement board, an amount equal to:

3 (i) the combined employer and employee rate on July 1,  
4 1989, or the combined rate in effect at the time he is  
5 eligible to purchase the service, whichever date is later,  
6 multiplied by his earned compensation as provided in  
7 subsection (2)(b); and

8 (ii) interest at a rate of 8% compounded annually from  
9 July 1, 1989, or from the date at which he is eligible to  
10 purchase the service, whichever date is later.

11 (b) The earned compensation used in calculating the  
12 cost of purchasing additional service under this section is:

13 (i) for the first year of service purchased, the  
14 member's earned compensation for the 1988-89 school year or  
15 for his fifth year of service, whichever year is later;

16 (ii) for the second year of service purchased, the  
17 member's earned compensation for the 1988-89 school year or  
18 for his 10th year of service, whichever year is later;

19 (iii) for the third year of service purchased, the  
20 member's earned compensation for the 1988-89 school year or  
21 for his 15th year of service, whichever year is later;

22 (iv) for the fourth year of service purchased, the  
23 member's earned compensation for the 1988-89 school year or  
24 for his 20th year of service, whichever year is later; and

25 (v) for the fifth year of service purchased, the

1 member's earned compensation for the 1988-89 school year or  
2 for his 25th year of service, whichever year is later.

3 (3) On or after July 1, 1989, a member eligible to  
4 purchase creditable service under 19-4-402, 19-4-403,  
5 19-4-408, 19-4-410, or 19-4-411 may not purchase additional  
6 service under this section unless he elects in writing to:

7 (a) waive his eligibility to purchase creditable  
8 service under 19-4-402, 19-4-403, 19-4-408, 19-4-410, or  
9 19-4-411; and

10 (b) apply the accumulated contributions made under  
11 19-4-402, 19-4-403, 19-4-408, 19-4-410, or 19-4-411 to the  
12 cost of additional service purchased under this section.

13 (4) Additional service purchased under this section  
14 may not be used to qualify a member for service retirement.

15 **Section 2.** Section 19-4-402, MCA, is amended to read:

16 "19-4-402. Creditable service for out-of-state  
17 employment. A person applying for membership before July 1,  
18 1989, may also apply for creditable service in the  
19 retirement system for out-of-state employment service that  
20 would have been acceptable under the provisions of this  
21 chapter if such the service had been performed in the state  
22 of Montana. The person shall be awarded creditable service,  
23 conditional upon his completing 5 years of active membership  
24 in Montana, for the number of years, not exceeding 5, that  
25 the retirement board determines to be creditable service, if

1 he contributes to the retirement system an amount equal to  
2 the combined employer and employee contribution for his  
3 first full year's teaching salary earned in Montana after  
4 his out-of-state service for each year of creditable service  
5 plus interest at the rate the contribution would have earned  
6 had the contribution been in his account upon the completion  
7 of 5 years of membership service in Montana. The  
8 contribution rate shall be that rate in effect at the time  
9 he is eligible for such the service. The contributions may  
10 be made in a lump-sum payment or in installments as agreed  
11 between the person and the retirement board."

12 **Section 3.** Section 19-4-403, MCA, is amended to read:

13 "19-4-403. Creditable service for employment while on  
14 leave. A person applying for membership before July 1, 1989,  
15 may also apply for creditable service in the retirement  
16 system for employment while on leave. The person shall be  
17 awarded creditable service, conditional upon his having been  
18 a member prior to his leave and upon his completing 5 years  
19 of active membership in Montana subsequent to his return, if  
20 his employment while on leave enhanced his teaching  
21 experience as determined by the board. The person shall be  
22 awarded creditable service as determined by the board in an  
23 amount not exceeding 2 years, if he contributes to the  
24 retirement system an amount equal to the combined employer  
25 and employee contributions for his first full year's

1 teaching salary earned in Montana after his return from  
 2 leave for each year of creditable service plus interest at  
 3 the rate the contribution would have earned had the  
 4 contribution been in his account upon the completion of 5  
 5 years of membership service in Montana. The contribution  
 6 rate shall be that rate in effect at the time he is eligible  
 7 for such the service. The contribution may be made in a  
 8 lump-sum payment or in installments as agreed between the  
 9 person and the retirement board."

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

11 "19-4-404. Creditable service for active service in  
 12 military, red cross, or merchant marine. (1) A member may  
 13 receive up to 4 years of creditable service without cost for  
 14 active service in the armed forces of the United States,  
 15 which includes the army, navy, marine corps, air force, and  
 16 coast guard, during the Vietnam conflict between August 5,  
 17 1964, and May 7, 1975, both dates inclusive, if he has 5  
 18 years or more of creditable service in the retirement  
 19 system. To qualify this service, a member shall submit to  
 20 the board a completed application form and proper  
 21 certification of his military service.

22 (2) (a) If a member is ineligible for service credit  
 23 under subsection (1), he may apply under the provisions of  
 24 this subsection for creditable service in the retirement  
 25 system, except as provided in subsection (2)(b), for active

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

18 (b) If a member elects to purchase additional service  
 19 under [section 1], service purchased under this subsection  
 20 (2) may be used only for the purpose of calculating his  
 21 retirement allowance and may not be considered creditable  
 22 service for the purpose of determining eligibility under  
 23 19-4-801 or 19-4-802.

24 (3) The contribution required under subsection (2) may  
 25 be made in a lump-sum payment or in installments as agreed

between the person and the retirement board."

**Section 5.** Section 19-4-408, MCA, is amended to read:

"19-4-408. Creditable service for employment in private schools. A person applying for membership before July 1, 1989, may also apply for creditable service in the retirement system for employment service in a private elementary, secondary, or postsecondary educational institution. Employment service must be of an instructional nature or be employment as an administrative officer or a member of the scientific staff. Employment service does not include students employed by a private elementary, secondary, or postsecondary educational institution. The person shall be awarded creditable service, conditional upon his completing 5 years of active membership in the retirement system, for the number of years, not exceeding 5, that the retirement board determines to be creditable service, if he contributes to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned after becoming a member of the retirement system or returning to the retirement system, whichever is later, for each year of creditable service plus interest at the rate the contribution would have earned had the contribution been in his account upon the completion of 5 years of membership service. The contribution rate shall be that rate in effect

at the time he is eligible for such service. The contributions may be made in lump-sum payment or in installments as agreed between the person and the retirement board. The provisions of 19-4-405 apply to creditable service purchased under this section."

**Section 6.** Section 19-4-410, MCA, is amended to read:

"19-4-410. Creditable service for extension service employment. (1) At any time before retirement, a member with 5 years or more of creditable service in the retirement system may make a written election with the retirement board to qualify up to 5 years of his employment service with the Montana cooperative extension service, subject to the limitation contained in 19-4-405, if:

(a) the member became a member of the retirement system before July 1, 1989;

~~(a)~~(b) the service involved instructional service at a unit of the Montana university system; and

~~(b)~~(c) the member received a refund of his membership contributions under the civil service retirement system or the federal employees' retirement system for the service to be qualified.

(2) To qualify service under this section, the member shall contribute to the retirement system an amount equal to the combined employer and employee contribution for his first full year's teaching salary earned after becoming a

1 member of the retirement system for each year of creditable  
2 service plus interest at the rate the contribution would  
3 have earned had the contribution been in his account upon  
4 the completion of 5 years of membership service. The  
5 contribution rate must be that rate in effect at the time he  
6 is eligible for such the service.

7 (3) Contributions to qualify service under this  
8 section may be made in a lump-sum payment or in installments  
9 as agreed upon by the member and the retirement board."

10 **Section 7.** Section 19-4-411, MCA, is amended to read:

11 **"19-4-411. Absence due to employment-related injury.**

12 (1) (a) Subject to the limitation in subsection (5), time  
13 during which a member is absent because of an injury related  
14 to employment covered by the retirement system that entitles  
15 him to workers' compensation payments may be qualified under  
16 the retirement system if the member was a member of the  
17 retirement system before July 1, 1989. To qualify this  
18 service, a member shall contribute to the retirement system,  
19 upon his return to contributing membership service, an  
20 amount equal to:

21 (i) the contributions which would have been made by  
22 him had he not been absent, based on his compensation at the  
23 commencement of his absence;

24 (ii) interest, which begins to accrue 1 year from the  
25 date he returns to covered employment; and

1 (iii) interest not paid by the employer under  
2 subsection (1)(b).

3 (b) Whenever a member elects to contribute under  
4 subsection (1)(a), the employer shall contribute an amount  
5 equal to the contributions which would have been made by the  
6 employer had the member not been absent, based on the  
7 member's compensation at the commencement of his absence.  
8 The employer may contribute an amount equal to the interest  
9 accruing on the employer's contributions calculated in the  
10 same manner as interest on the employee's contributions  
11 under subsection (1)(a). If the employer elects not to pay  
12 the interest, this amount must be paid by the employer.

13 (2) A member shall file with the retirement board a  
14 written notice of his intent to pay the contributions under  
15 subsection (1)(a).

16 (3) Payment of the employee's contributions due  
17 because of the period of absence may be made in one sum at  
18 the time of filing the notice or on an installment basis  
19 before termination of covered employment.

20 (4) A member absent as provided in subsection (1)(a)  
21 loses his right to contribute under this section if all of  
22 his accumulated normal contributions are refunded under  
23 19-4-603.

24 (5) The maximum amount of membership service allowable  
25 under this section is 2 years."

**Section 8.** Section 19-4-804, MCA, is amended to read:

**"19-4-804. Allowance for superannuation retirement.**

(1) Upon superannuation retirement, a member shall receive a retirement allowance consisting of a pension which, together with an annuity, provides a retirement allowance equal to one-sixtieth of his average final compensation multiplied by the sum of the number of years of creditable service, service transferred under 19-4-409, and additional service purchased under [section 1].

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

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

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

**Section 9.** Section 19-4-902, MCA, is amended to read:

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

Upon retirement for disability, a member shall receive the superannuation allowance prescribed under part 8 of this

chapter if he is eligible.

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

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

(b) a pension which, together with his annuity, provides a total retirement allowance equal to one-sixtieth of his average final compensation multiplied by the sum of the number of years of his creditable service, service transferred under 19-4-409, and additional service purchased under [section 1], if such retirement allowance exceeds one-fourth of his average final compensation; otherwise, a pension which, together with his annuity, provides a total retirement allowance equal to one-fourth of his average final compensation.

(3) No allowance under subsection (2) may exceed one-sixtieth of his average final compensation multiplied by the number of years which would be creditable to him were his service to continue until the attainment of the minimum age for superannuation retirement."

**NEW SECTION. Section 10.** 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].

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1        NEW SECTION.    **Section 11.**   Codification    instruction.  
2        [Section 1] is intended to be codified as an integral part  
3        of Title 19, chapter 4, part 4, and the provisions of Title  
4        19, chapter 4, part 4, apply to [section 1].  
5        NEW SECTION.    **Section 12.**   Effective date.   [This act]  
6        is effective July 1, 1989.

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