# 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

FEBRUARY 20, 1989

MARCH 2, 1989

MARCH 4, 1989

MARCH 6, 1989

INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.

FIRST READING.

COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.

SECOND READING, CONCURRED IN.

THIRD READING, CONCURRED IN. AYES, 93; NOES, 1.

RETURNED TO SENATE.

IN THE SENATE

MARCH 7, 1989

RECEIVED FROM HOUSE.

SENT TO ENROLLING. REPORTED CORRECTLY ENROLLED. 51st Legislature

LC 0691/01

INTRODUCED BY NATH . 1 2

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 PURCHASE OF SERVICE CREDITS FOR SERVICE IN THE MILITARY, RED 9 CROSS, OR MERCHANT MARINE; AMENDING SECTIONS 19-4-402 10 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

3

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 allowance, 1 year of additional service for each 5 years of 20 21 creditable service, up to a maximum of 5 years of additional service. A part-time member may purchase additional service 22 23 on a prorated basis.

24 (2) (a) To purchase additional service under this25 section, a member must contribute, in a lump-sum payment or



LC 0691/01

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;

(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;

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

# -2- INTRODUCED BILL SB ノス 5

member's earned compensation for the 1988-89 school year or
 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

(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.

13 (4) Additional service purchased under this section14 may not be used to qualify a member for service retirement.

Section 2. Section 19-4-402, MCA, is amended to read: 15 16 \*19-4-402. Creditable service for out-of-state employment. A person applying for membership before July 1, 17 18 1989, may also apply for creditable service in the 19 retirement system for out-of-state employment service that would have been acceptable under the provisions of this 20 chapter if such the service had been performed in the state 21 of Montana. The person shall be awarded creditable service, 22 conditional upon his completing 5 years of active membership 23 in Montana, for the number of years, not exceeding 5, that 24 the retirement board determines to be creditable service, if 25

- 3-

he contributes to the retirement system an amount equal to ٦ the combined employer and employee contribution for his 2 first full year's teaching salary earned in Montana after 3 his out-of-state service for each year of creditable service 4 plus interest at the rate the contribution would have earned 5 had the contribution been in his account upon the completion 6 5 years of membership service in Montana. The 7 of contribution rate shall be that rate in effect at the time 8 he is eligible for such the service. The contributions may 9 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 awarded creditable service, conditional upon his having been 17 18 a member prior to his leave and upon his completing 5 years of active membership in Montana subsequent to his return, if 19 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 employee contributions for his first full year's and

-4-

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 contribution been in his account upon the completion of 5 4 years of membership service in Montana. The contribution 5 rate shall be that rate in effect at the time he is eligible 6 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 certification of his military service. 21

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

1 service in the armed forces of the United States, which includes the army, navy, marine corps, air force, and coast 2 guard, or in the American red cross or merchant marine. The 3 person shall be awarded creditable service, conditional upon 4 his completing 5 years of active membership in Montana, for 5 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 employer and employee contributions for his first full 9 year's teaching salary earned in Montana following the 10 active service in the armed forces of the United States, or 11 12 in the American red cross, or the merchant marine for each year of creditable service plus interest at the rate the 13 contribution would have earned had the contribution been in 14 his account upon completion of 5 years of membership service 15 in Montana. The contribution rate shall be that rate in 16 effect at the time he is eligible for such the service. 17 18 (b) If a member elects to purchase additional service 19 under [section 1], service purchased under this subsection

(2) may be used only for the purpose of calculating his
retirement allowance and may not be considered creditable
service for the purpose of determining eligibility under
19-4-801 or 19-4-802.
(3) The contribution required under subsection (2) may
be made in a lump-sum payment or in installments as agreed

-5-

LC 0691/01

-6-

under hall when the standard of the standard of

1 between the person and the retirement board."

Section 5. Section 19-4-408, MCA, is amended to read: 2 "19-4-408. Creditable service for employment in 3 private schools. A person applying for membership before 4 July 1, 1989, may also apply for creditable service in the 5 6 retirement system for employment service in a private 7 elementary. secondary, or postsecondary educational institution. Employment service must be of an instructional 8 nature or be employment as an administrative officer or a 9 10 member of the scientific staff. Employment service does not 11 include students employed by a private elementary, 12 secondary, or postsecondary educational institution. The 13 person shall be awarded creditable service, conditional upon 14 his completing 5 years of active membership in the 15 retirement system, for the number of years, not exceeding 5, that the retirement board determines to be creditable 16 17 service, if he contributes to the retirement system an amount equal to the combined employer and employee 18 19 contribution for his first full year's teaching salary earned after becoming a member of the retirement system or 20 21 returning to the retirement system, whichever is later, for 22 each year of creditable service plus interest at the rate 23 the contribution would have earned had the contribution been 24 in his account upon the completion of 5 years of membership 25 service. The contribution rate shall be that rate in effect

1 at the time he is eligible for such service. The 2 contributions may be made in lump-sum payment or in 3 installments as agreed between the person and the retirement 4 board. The provisions of 19-4-405 apply to creditable 5 service purchased under this section."

Section 6. Section 19-4-410, MCA, is amended to read: 6 \*19-4-410. Creditable service for extension service 7 employment. (1) At any time before retirement, a member with 8 9 5 years or more of creditable service in the retirement system may make a written election with the retirement board 10 to gualify up to 5 years of his employment service with the 11 Montana cooperative extension service, subject to the 12 limitation contained in 19-4-405, if: 13

14 (a) the member became a member of the retirement 15 system before July 1, 1989;

16 (a)(b) the service involved instructional service at a 17 unit of the Montana university system; and

18 (b)(c) the member received a refund of his membership 19 contributions under the civil service retirement system or 20 the federal employees' retirement system for the service to 21 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

-7-

-8-

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.

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 gualified under 16 the retirement system if the member was a member of the retirement system before July 1, 1989. To qualify this 17 service, a member shall contribute to the retirement system, 18 19 upon his return to contributing membership service, an 20 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;

24 (ii) interest, which begins to accrue 1 year from the25 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 3 subsection (1)(a), the employer shall contribute an amount 4 equal to the contributions which would have been made by the 5 employer had the member not been absent, based on the 6 member's compensation at the commencement of his absence. 7 The employer may contribute an amount equal to the interest 8 accruing on the employer's contributions calculated in the 9 same manner as interest on the employee's contributions 10 under subsection (1)(a). If the employer elects not to pay 11 the interest, this amount must be paid by the employee. 12

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.

(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.

24 (5) The maximum amount of membership service allowable25 under this section is 2 years."

-9-

LC 0691/01

-10-

Section 8. Section 19-4-804, MCA, is amended to read: 1 2 "19-4-804. Allowance for superannuation retirement. (1) Upon superannuation retirement, a member shall receive a 3 retirement allowance consisting of a pension which, together 4 5 with an annuity, provides a retirement allowance equal to one-sixtieth of his average final compensation multiplied by 6 the sum of the number of years of creditable service, 7 8 service transferred under 19-4-409, and additional service 9 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:

14 (a) one-third of the sum of his average final
15 compensation plus normal annual salary increases for
16 teaching personnel employed by the school district, state
17 agency, political subdivision, or university unit that
18 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

1 chapter if he is eligible.

a described as a second with the second s

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

5 (a) an annuity which is the actuarial equivalent of 6 his accumulated contributions at the time of retirement; and 7 (b) a pension which, together with his annuity, provides a total retirement allowance equal to one-sixtieth 8 9 of his average final compensation multiplied by the sum of 10 the number of years of his creditable service, service 11 transferred under 19-4-409, and additional service purchased under [section 1], if such retirement allowance exceeds 12 13 one-fourth of his average final compensation; otherwise, a 14 pension which, together with his annuity, provides a total 15 retirement allowance equal to one-fourth of his average 16 final compensation.

17 (3) No allowance under subsection (2) may exceed 18 one-sixtieth of his average final compensation multiplied by 19 the number of years which would be creditable to him were 20 his service to continue until the attainment of the minimum 21 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].

-11-

-12-

,

<u>NEW SECTION.</u> Section 11. Codification instruction.
 [Section 1] is intended to be codified as an integral part
 of Title 19, chapter 4, part 4, and the provisions of Title
 19, chapter 4, part 4, apply to [section 1].
 <u>NEW SECTION.</u> Section 12. 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 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/SHACKLEFORD, BUDGET DIRECTOR DATE OFFICE OF BUDGET AND PROGRAM PLANNING

	generative <u>s</u>	-		1-19-89
DENNIS	G. NATHE,	PRIMARY	SPONSOR	DATE
Fiscal	Note for <u>S</u>		introduced	

Fiscal Note Request, <u>SB125 as introduced</u> 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:

	FY90				FY9 <u>1</u>			
	Current	Proposed			Current	Proposed		
Expenditures:	Law	Law	Dif	ference	Law	Law	Dif	ference
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.

51st Legislature

LC 0691/01

APPROVED BY COMMITTEE ON STATE ADMINISTRATION

Senate BILL NO. 125 1 INTRODUCED BY NAT 2

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

13

3

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 service. A part-time member may purchase additional service 22 23 on a prorated basis.

24 (2) (a) To purchase additional service under this25 section, a member must contribute, in a lump-sum payment or

Montana Legislative Council

LC 0691/01

1 in installments as agreed upon by the member and the 2 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

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;

(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;

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

> -2- SECOND READING SBI25

member's earned compensation for the 1988-89 school year or
 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

(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.

13 (4) Additional service purchased under this section 14 may not be used to qualify a member for service retirement. Section 2. Section 19-4-402, MCA, is amended to read: 15 16 "19-4-402. Creditable service for out-of-state employment. A person applying for membership before July 1, 17 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

LC 0691/01

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

(c) and some some some solution is a solution with the solution of a solution of the fille solution of the solution

Section 3. Section 19-4-403, MCA, is amended to read: 12 13 "19-4-403. Creditable service for employment while on leave. A person applying for membership before July 1, 1989, 14 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 his employment while on leave enhanced his teaching 20 experience as determined by the board. The person shall be 21 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

-3-

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 for such the service. The contribution may be made in a 7 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: "19-4-404. Creditable service for active service in 11 military, red cross, or merchant marine. (1) A member may 12 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, 1964, and May 7, 1975, both dates inclusive, if he has 5 17 18 years or more of creditable service in the retirement 19 system. To gualify this service, a member shall submit to the board a completed application form and 20 proper certification of his military service. 21

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

1 service in the armed forces of the United States, which includes the army, navy, marine corps, air force, and coast 2 3 guard, or in the American red cross or merchant marine. The 4 person shall be awarded creditable service, conditional upon his completing 5 years of active membership in Montana, for 5 the number of years, not exceeding 2, that the retirement 6 7 board determines to be creditable service, if he contributes 8 to the retirement system an amount equal to the combined employer and employee contributions for his first full 9 year's teaching salary earned in Montana following the 10 11 active service in the armed forces of the United States, or in the American red cross, or the merchant marine for each 12 year of creditable service plus interest at the rate the 13 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. (b) If a member elects to purchase additional service 18

19 under [section 1], service 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

-5-

LC 0691/01

-6-

1 between the person and the retirement board."

2 Section 5. Section 19-4-408, MCA, is amended to read: "19-4-408. Creditable service for employment in 3 4 private schools. A person applying for membership before 5 July 1, 1989, may also apply for creditable service in the 6 retirement system for employment service in a private 7 elementary, secondary, or postsecondary educational 8 institution. Employment service must be of an instructional 9 nature or be employment as an administrative officer or a member of the scientific staff. Employment service does not 10 11 include students employed by a private elementary, 12 secondary, or postsecondary educational institution. The 13 person shall be awarded creditable service, conditional upon 14 his completing 5 years of active membership in the 15 retirement system, for the number of years, not exceeding 5, 16 that the retirement board determines to be creditable 17 service, if he contributes to the retirement system an 18 amount equal to the combined employer and employee 19 contribution for his first full year's teaching salary 20 earned after becoming a member of the retirement system or 21 returning to the retirement system, whichever is later, for 22 each year of creditable service plus interest at the rate 23 the contribution would have earned had the contribution been 24 in his account upon the completion of 5 years of membership service. The contribution rate shall be that rate in effect 25

LC 0691/01

1 at the time he is eligible for such service. The 2 contributions may be made in lump-sum payment or in 3 installments as agreed between the person and the retirement 4 board. The provisions of 19-4-405 apply to creditable 5 service purchased under this section."

Section 6. Section 19-4-410, MCA, is amended to read: 6 \*19-4-410. Creditable service for extension service 7 employment. (1) At any time before retirement, a member with 8 9 5 years or more of creditable service in the retirement system may make a written election with the retirement board 10 to gualify up to 5 years of his employment service with the 11 12 Montana cooperative extension service, subject to the 13 limitation contained in 19-4-405, if:

14 (a) the member became a member of the retirement 15 system before July 1, 1989;

16 (a)(b) the service involved instructional service at a 17 unit of the Montana university system; and

18 (b)(c) the member received a refund of his membership 19 contributions under the civil service retirement system or 20 the federal employees' retirement system for the service to 21 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.

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."

Section 7. Section 19-4-411, MCA, is amended to read: 10 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 the25 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 3 subsection (1)(a), the employer shall contribute an amount 4 equal to the contributions which would have been made by the 5 employer had the member not been absent, based on the 6 member's compensation at the commencement of his absence. 7 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 the interest, this amount must be paid by the employee. 12

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 allowable25 under this section is 2 years."

-10-

-9-

, and the second se

Section 8. Section 19-4-804, MCA, is amended to read: 1 2 "19-4-804. Allowance for superannuation retirement. (1) Upon superannuation retirement, a member shall receive a 3 4 retirement allowance consisting of a pension which, together with an annuity, provides a retirement allowance equal to 5 6 one-sixtieth of his average final compensation multiplied by 7 the sum of the number of years of creditable service, 8 service transferred under 19-4-409, and additional service 9 purchased under [section 1].

10 (2) Any retired member may be employed as a part-time 11 or substitute teacher in Montana and may earn, without loss 12 of retirement benefits, an amount not to exceed the greater 13 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

LC 0691/01

1 chapter if he is eligible.

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

5 (a) an annuity which is the actuarial equivalent of his accumulated contributions at the time of retirement; and 6 7 (b) a pension which, together with his annuity, 8 provides a total retirement allowance equal to one-sixtieth 9 of his average final compensation multiplied by the sum of 10 the number of years of his creditable service, service 11 transferred under 19~4-409, and additional service purchased 12 under [section 1], if such retirement allowance exceeds one-fourth of his average final compensation; otherwise, a 13 14 pension which, together with his annuity, provides a total 15 retirement allowance equal to one-fourth of his average final compensation. 16

17 (3) No allowance under subsection (2) may exceed 18 one-sixtieth of his average final compensation multiplied by 19 the number of years which would be creditable to him were 20 his service to continue until the attainment of the minimum 21 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].

-11-

~12-

NEW SECTION.Section 11. Codification instruction.Section 1] is intended to be codified as an integral partof Title 19, chapter 4, part 4, and the provisions of Title19, chapter 4, part 4, apply to [section 1].NEW SECTION.Section 12.Effective date.

6 is effective July 1, 1989.

-End-

.

Senate BILL NO. 125 1 2 INTRODUCED BY NATHE

A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING VESTED 4 MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM TO PURCHASE 5 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

3

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

15 NEW SECTION. Section 1. Election to Purchase additional service. (1) Except as provided in subsection 16 17 (3), a member with 5 years or more of creditable service may make a written election with the retirement board to 18 purchase, for the purpose of calculating his retirement 19 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



in installments as agreed upon by the member and the
 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;

(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

> -2- THIRD READING SB 125

member's earned compensation for the 1988-89 school year or
 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

(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 section14 may not be used to qualify a member for service retirement.

Section 2. Section 19-4-402, MCA, is amended to read: 15 16 \*19-4-402. Creditable service for out-of-state employment. A person applying for membership before July 1, 17 1989, may also apply for creditable service in the 18 retirement system for out-of-state employment service that 19 20 would have been acceptable under the provisions of this chapter if such the service had been performed in the state 21 22 of Montana. The person shall be awarded creditable service, conditional upon his completing 5 years of active membership 23 24 in Montana, for the number of years, not exceeding 5, that 25 the retirement board determines to be creditable service, if

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

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 awarded creditable service, conditional upon his having been 17 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 retirement system an amount equal to the combined employer 24 employee contributions for his first full year's 25 and

-3-

1

-4~

teaching salary earned in Montana after his return from 1 leave for each year of creditable service plus interest at 2 3 the rate the contribution would have earned had the 4 contribution been in his account upon the completion of 5 years of membership service in Montana. The contribution 5 6 rate shall be that rate in effect at the time he is eligible for such the service. The contribution may be made in a 7 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 military, red cross, or merchant marine. (1) A member may 12 receive up to 4 years of creditable service without cost for 13 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, 1964, and May 7, 1975, both dates inclusive, if he has 5 17 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.

(2) (a) If a member is ineligible for service credit
under subsection (1), he may apply under the provisions of
this subsection for creditable service in the retirement
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 person shall be awarded creditable service, conditional upon 4 his completing 5 years of active membership in Montana, for 5 the number of years, not exceeding 2, that the retirement 6 board determines to be creditable service, if he contributes 7 to the retirement system an amount equal to the combined 8 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 in the American red cross, or the merchant marine for each 12 13 year of creditable service plus interest at the rate the contribution would have earned had the contribution been in 14 his account upon completion of 5 years of membership service 15 in Montana. The contribution rate shall be that rate in 16 effect at the time he is eligible for such the service. 17 18 (b) If a member elects to purchase additional service

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

25 be made in a lump-sum payment or in installments as agreed

-5-

-6-

1 between the person and the retirement board."

2 Section 5. Section 19-4-408, MCA, is amended to read: 3 \*19-4-408. Creditable service for employment in private schools. A person applying for membership before 4 July 1, 1989, may also apply for creditable service in the 5 retirement system for employment service in a private 6 7 elementary, secondary, or postsecondary educational institution. Employment service must be of an instructional 8 9 nature or be employment as an administrative officer or a member of the scientific staff. Employment service does not 10 11 include students employed by a private elementary, 12 secondary, or postsecondary educational institution. The person shall be awarded creditable service, conditional upon 13 completing 5 years of active membership in the 14 his 15 retirement system, for the number of years, not exceeding 5, that the retirement board determines to be creditable 16 17 service, if he contributes to the retirement system an amount equal to the combined employer and employee 18 contribution for his first full year's teaching salary 19 20 earned after becoming a member of the retirement system or 21 returning to the retirement system, whichever is later, for 22 each year of creditable service plus interest at the rate 23 the contribution would have earned had the contribution been 24 in his account upon the completion of 5 years of membership 25 service. The contribution rate shall be that rate in effect

1 at the time he is eligible for such service. The 2 contributions may be made in lump-sum payment or in 3 installments as agreed between the person and the retirement 4 board. The provisions of 19-4-405 apply to creditable 5 service purchased under this section."

6 Section 6. Section 19-4-410, MCA, is amended to read: \*19-4-410. Creditable service for extension service 7 8 employment. (1) At any time before retirement, a member with 9 5 years or more of creditable service in the retirement 10 system may make a written election with the retirement board 11 to gualify up to 5 years of his employment service with the 12 Montana cooperative extension service, subject to the limitation contained in 19-4-405, if: 13

14 (a) the member became a member of the retirement 15 system before July 1, 1989;

18 (b)(c) the member received a refund of his membership 19 contributions under the civil service retirement system or 20 the federal employees' retirement system for the service to 21 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

-7-

-8-

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."

Section 7. Section 19-4-411, MCA, is amended to read: 10 11 "19-4-411. Absence due to employment-related injury. (1) (a) Subject to the limitation in subsection (5), time 12 during which a member is absent because of an injury related 13 14 to employment covered by the retirement system that entitles him to workers' compensation payments may be qualified under 15 the retirement system if the member was a member of the 16 retirement system before July 1, 1989. To qualify this 17 18 service, a member shall contribute to the retirement system, 19 upon his return to contributing membership service, an amount equal to: 20

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 the25 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 3 subsection (1)(a), the employer shall contribute an amount 4 equal to the contributions which would have been made by the 5 employer had the member not been absent, based on the 6 member's compensation at the commencement of his absence. 7 The employer may contribute an amount equal to the interest 8 accruing on the employer's contributions calculated in the 9 same manner as interest on the employee's contributions 10 under subsection (1)(a). If the employer elects not to pay 11 the interest, this amount must be paid by the employee. 12

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 allowable25 under this section is 2 years."

-9-

LC 0691/01

-10-

1 Section 8. Section 19-4-804, MCA, is amended to read: 2 \*19-4-804. Allowance for superannuation retirement. 3 (1) Upon superannuation retirement, a member shall receive a 4 retirement allowance consisting of a pension which, together 5 with an annuity, provides a retirement allowance equal to 6 one-sixtieth of his average final compensation multiplied by 7 the sum of the number of years of creditable service, 8 service transferred under 19-4-409, and additional service 9 purchased under [section 1].

10 (2) Any retired member may be employed as a part-time 11 or substitute teacher in Montana and may earn, without loss 12 of retirement benefits, an amount not to exceed the greater 13 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

LC 0691/01

1 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 5 his accumulated contributions at the time of retirement; and б (b) a pension which, together with his annuity, 7 provides a total retirement allowance equal to one-sixtieth 8 of his average final compensation multiplied by the sum of 9 the number of years of his creditable service, service 10 transferred under 19-4-409, and additional service purchased 11 under [section 1], if such retirement allowance exceeds 12 one-fourth of his average final compensation; otherwise, a 13 14 pension which, together with his annuity, provides a total retirement allowance equal to one-fourth of his average 15 16 final compensation.

17 (3) No allowance under subsection (2) may exceed 18 one-sixtieth of his average final compensation multiplied by 19 the number of years which would be creditable to him were 20 his service to continue until the attainment of the minimum 21 age for superannuation retirement."

<u>NEW SECTION.</u> 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).

~12~

-11-

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

is effective July 1, 1989.

-

.

-End-

x.

SB 0125/02

1 SENATE BILL NO. 125 2 INTRODUCED BY NATHE 3 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING VESTED 4 5 MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM TO PURCHASE 6 ADDITIONAL SERVICE FOR THE PURPOSE OF CALCULATING THEIR RETIREMENT ALLOWANCES: LIMITING THE TYPES OF SERVICE CREDITS 7 THAT MEMBERS MAY PURCHASE; REVISING PROVISIONS REGARDING THE 8 9 PURCHASE OF SERVICE CREDITS FOR SERVICE IN THE MILITARY, RED 10 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, 11 12 AND 19-4-902, MCA; AND PROVIDING AN EFFECTIVE DATE." 13 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

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

SB 0125/02

1 in installments as agreed upon by the member and the 2 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

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;

(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

-2-

REFERENCE BILL

member's earned compensation for the 1988-89 school year or
 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: "19-4-402. Creditable service for 16 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

-3-

ŧ

he contributes to the retirement system an amount equal to 1 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 5 years of membership service in Montana. The of 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: \*19-4-403. Creditable service for employment while on 13 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 awarded creditable service as determined by the board in an 22 23 amount not exceeding 2 years, if he contributes to the 24 retirement system an amount equal to the combined employer employee contributions for his first full year's 25 and

- 4 -

SB 125

SB 0125/02

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 years of membership service in Montana. The contribution 5 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 lump-sum payment or in installments as agreed between the 8 person and the retirement board." 9

Section 4. Section 19-4-404, MCA, is amended to read: 10 "19-4-404. Creditable service for active service in 11 12 military, red cross, or merchant marine, (1) A member may 13 receive up to 4 years of creditable service without cost for active service in the armed forces of the United States. 14 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 years or more of creditable service in the retirement 18 19 system. To gualify this service, a member shall submit to 20 the board a completed application form and proper certification of his military service. 21

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

SB 0125/02

1 service in the armed forces of the United States, which 2 includes the army, navy, marine corps, air force, and coast 3 quard, 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 active service in the armed forces of the United States, or 11 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 retitement allowance and may not be considered creditable 22 service for the purpose of determining eligibility under

23 <u>19-4-801 or 19-4-802.</u>
24 <u>(3)</u> The contribution required under subsection (2) may

25 be made in a lump-sum payment or in installments as agreed

-5-

SB 125

-6-

an a share an all for all a second a second a for and the second second second second a second second

1 between the person and the retirement board."

2 Section 5. Section 19-4-408, MCA, is amended to read: 3 "19-4-408. Creditable service for employment in 4 private schools. A person applying for membership before 5 July 1, 1989, may also apply for creditable service in the 6 retirement system for employment service in a private 7 elementary, secondary, or postsecondary educational 8 institution. Employment service must be of an instructional 9 nature or be employment as an administrative officer or a 10 member of the scientific staff. Employment service does not 11 include students employed by a private elementary, 12 secondary, or postsecondary educational institution. The 13 person shall be awarded creditable service, conditional upon 14 completing 5 years of active membership in the his 15 retirement system, for the number of years, not exceeding 5, that the retirement board determines to be creditable 16 17 service, if he contributes to the retirement system an 18 amount equal to the combined employer and employee 19 contribution for his first full year's teaching salary 20 earned after becoming a member of the retirement system or 21 returning to the retirement system, whichever is later, for 22 each year of creditable service plus interest at the rate 23 the contribution would have earned had the contribution been 24 in his account upon the completion of 5 years of membership 25 service. The contribution rate shall be that rate in effect SB 0125/02

1 at the time he is eligible for such service. The 2 contributions may be made in lump-sum payment or in 3 installments as agreed between the person and the retirement 4 board. The provisions of 19-4-405 apply to creditable 5 service purchased under this section."

Section 6. Section 19-4-410, MCA, is amended to read: 6 "19-4-410. Creditable service for extension service 7 employment. (1) At any time before retirement, a member with 8 5 years or more of creditable service in the retirement 9 system may make a written election with the retirement board 10 to qualify up to 5 years of his employment service with the 11 Montana cooperative extension service, subject to the 12 limitation contained in 19-4-405, if: 13

(a) the member became a member of the retirement

15 system before July 1, 1989;

14

16 (a)(b) the service involved instructional service at a 17 unit of the Montana university system; and

18 (b)(c) the member received a refund of his membership 19 contributions under the civil service retirement system or 20 the federal employees' retirement system for the service to 21 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

-8-

-7-

SB 125

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.

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 during which a member is absent because of an injury related 13 to **emp**loyment covered by the retirement system that entitles 14 15 him to workers' compensation payments may be gualified under 16 the retirement system if the member was a member of the 17 retirement system before July 1, 1989. To qualify this service, a member shall contribute to the retirement system, 18 upon his return to contributing membership service, an 19 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 the25 date he returns to covered employment; and

-9-

SB 125

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

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 allowable25 under this section is 2 years."

-10-

1 Section 8. Section 19-4-804, MCA, is amended to read: 2 "19-4-804. Allowance for superannuation retirement. 3 (1) Upon superannuation retirement, a member shall receive a retirement allowance consisting of a pension which, together 4 with an annuity, provides a retirement allowance equal to 5 one-sixtieth of his average final compensation multiplied by 6 the sum of the number of years of creditable service, 7 8 service transferred under 19-4-409, and additional service 9 purchased under [section 1].

n anta da barra andarin barran a nada natar barra barra kana da antar mata baharra atar harran harrana saranda harradah

10 (2) Any retired member may be employed as a part-time 11 or substitute teacher in Montana and may earn, without loss 12 of retirement benefits, an amount not to exceed the greater 13 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

1 chapter if he is eligible.

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

5 (a) an annuity which is the actuarial equivalent of 6 his accumulated contributions at the time of retirement; and 7 (b) a pension which, together with his annuity, 8 provides a total retirement allowance equal to one-sixtieth 9 of his average final compensation multiplied by the sum of 10 the number of years of his creditable service, service 11 transferred under 19-4-409, and additional service purchased under [section 1], if such retirement allowance exceeds 12 13 one-fourth of his average final compensation; otherwise, a 14 pension which, together with his annuity, provides a total retirement allowance equal to one-fourth of his average 15 16 final compensation.

17 (3) No allowance under subsection (2) may exceed 18 one-sixtieth of his average final compensation multiplied by 19 the number of years which would be creditable to him were 20 his service to continue until the attainment of the minimum 21 age for superannuation retirement."

22 <u>NEW SECTION.</u> Section 10. Extension of authority. Any 23 existing authority to make rules on the subject of the 24 provisions of [this act] is extended to the provisions of 25 [this act].

-11-

SB 125

-12-

menne mer stål strøkesteter i nel en en tørne mennemenne i ver år føren verder hørere og av sense er i verse so

SB 125

SB 0125/02

SB 125

<u>NEW SECTION.</u> Section 11. Codification instruction.
 [Section 1] is intended to be codified as an integral part
 of Title 19, chapter 4, part 4, and the provisions of Title
 19, chapter 4, part 4, apply to [section 1].
 <u>NEW SECTION.</u> Section 12. Effective date. [This act]

6 is effective July 1, 1989.

\$

-End-