

HOUSE BILL NO. 485

INTRODUCED BY GRADY, WELDON, HIBBARD, HAYNE,  
FRANKLIN, MCCLERNAN, HALLIGAN, DAVIS,  
SPRING, J. RICE, REAM

IN THE HOUSE

FEBRUARY 5, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
FEBRUARY 17, 1993	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 18, 1993	PRINTING REPORT.
FEBRUARY 19, 1993	ON MOTION, CONSIDERATION PASSED FOR THE DAY.
FEBRUARY 20, 1993	SECOND READING, DO NOT PASS.
	ON MOTION, PREVIOUS ACTION RECONSIDERED.
FEBRUARY 22, 1993	SECOND READING, DO PASS AS AMENDED.
FEBRUARY 23, 1993	ENGROSSING REPORT.
FEBRUARY 24, 1993	THIRD READING, PASSED. AYES, 64; NOES, 35.
	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 1, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
MARCH 20, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
MARCH 24, 1993	SECOND READING, CONCURRED IN.
MARCH 25, 1993	THIRD READING, CONCURRED IN. AYES, 30; NOES, 19.

RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 1, 1993

ON MOTION, CONSIDERATION PASSED  
FOR THE DAY.

APRIL 2, 1993

SECOND READING, AMENDMENTS  
CONCURRED IN.

APRIL 5, 1993

THIRD READING, AMENDMENTS  
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 House BILL NO. 485  
 2 INTRODUCED BY Gregory Weldon Hillard Hayne  
 3 Franklin McClellan Drees, Jr. John  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AD HOC AND Ream  
 5 AUTOMATIC POSTRETIREMENT COST-OF-LIVING ADJUSTMENTS FOR  
 6 CERTAIN BENEFIT RECIPIENTS UNDER THE GAME WARDENS'  
 7 RETIREMENT SYSTEM; INCREASING THE STATE'S CONTRIBUTION FROM  
 8 CERTAIN FINES AND FORFEITURES TO PAY FOR THE NORMAL COST OF  
 9 GAME WARDENS' RETIREMENT BENEFITS; PROVIDING THAT THE  
 10 BALANCE OF CERTAIN FINES AND FORFEITURES BE USED TO FUND THE  
 11 AUTOMATIC COST-OF-LIVING ADJUSTMENT UNDER THE GAME WARDENS'  
 12 RETIREMENT SYSTEM WHEN THE SYSTEM'S UNFUNDED LIABILITY IS  
 13 FULLY PAID; AMENDING SECTIONS 19-8-504 AND 19-8-809, MCA;  
 14 AND PROVIDING AN EFFECTIVE DATE."

15  
 16 STATEMENT OF INTENT

17 A statement of intent is required for this bill because  
 18 [section 3] gives the public employees' retirement board  
 19 authority to adopt administrative rules to implement the  
 20 cost-of-living adjustments provided in the bill.

21 It is the intent of the legislature to provide a  
 22 one-time ad hoc cost-of-living adjustment to each member of  
 23 the game wardens' retirement system who has been retired for  
 24 5 years or more, to the member's beneficiary, or to the  
 25 member's contingent annuitant. The cost of the adjustment

1 will be paid by increasing the amortization period of the  
 2 system's unfunded liabilities.

3 It is further the intent of the legislature that, when  
 4 the system's unfunded liabilities are fully paid, an  
 5 automatic cost-of-living adjustment be initiated under the  
 6 game wardens' retirement system on an annual basis. This  
 7 automatic cost-of-living adjustment is to be funded by  
 8 certain fines and forfeited bonds allocated as special  
 9 revenue to the department of fish, wildlife, and parks for  
 10 game warden retirement benefits. The amount of the increase  
 11 is intended to average 3% of the benefits of each eligible  
 12 recipient unless the consumer price index increases by less  
 13 than 3% or the cost of the increase exceeds funds available  
 14 from fines and forfeitures. The increase is to be given only  
 15 after a benefit has been paid for 5 years.

16 The cost-of-living adjustments provided in this bill are  
 17 intended to be paid first, before the postretirement  
 18 adjustment currently in statute, which is based on  
 19 investment earnings. However, the proposed cost-of-living  
 20 adjustment, in combination with the existing postretirement  
 21 adjustment, may not exceed the change in the consumer price  
 22 index.  
 23

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

25 NEW SECTION. Section 1. Ad hoc cost-of-living

increase. (1) The recipient of a monthly service, disability, or survivorship benefit is eligible for a one-time cost-of-living increase on July 1, 1993, if the benefit was initiated before July 1, 1988. A person who received a lump-sum payment or is receiving an annuitized payment is not an eligible recipient under this section.

(2) The amount of the increase for each eligible benefit recipient under subsection (1) must be calculated by:

(a) dividing 5% of the total monthly benefits paid to all eligible benefit recipients as of June 30, 1993, by the total years of service of all eligible benefit recipients as of June 30, 1993;

(b) multiplying the quotient by the individual eligible benefit recipient's years of service, except as provided in subsection (3); and

(c) multiplying the product by the appropriate optional factor for option 2, 3, or 4 benefits described in 19-7-701.

(3) For the purposes of this section, the increase for a recipient of a disability or survivorship benefit must be calculated as if the recipient had 25 years of service.

**NEW SECTION. Section 2. Automatic cost-of-living adjustment.** (1) On July 1 of each year after the retirement system's unfunded liabilities are fully paid, a recipient of a service, disability, or survivorship benefit is entitled

to an automatic cost-of-living increase if the benefit was initiated at least 5 years before July 1 of the current fiscal year. A person who received a lump-sum payment or is receiving an annuitized payment is not an eligible recipient under this section.

(2) Except as provided in subsections (3) and (4), the amount of the increase for each eligible benefit recipient must be calculated by:

(a) multiplying by 3% the total benefits paid to all eligible benefit recipients as of the June 30 immediately preceding the effective date of the increase;

(b) dividing the product by the total years of service of all eligible benefit recipients;

(c) multiplying the quotient by the individual eligible benefit recipient's years of service, except as provided in subsection (5); and

(d) multiplying the product by the appropriate optional factor for option 2, 3, or 4 benefits described in 19-7-701.

(3) Except as provided in subsection (4), if the average annual percentage change in the consumer price index, as defined in 15-30-101, is less than 3% for the fiscal year immediately preceding the effective date of the increase, then the amount of the increase to eligible benefit recipients must be calculated by:

(a) multiplying the total monthly benefits paid to all

1 eligible benefit recipients on the June 30 immediately  
2 preceding the effective date of the increase by the actual  
3 percentage change in the consumer price index;

4 (b) dividing the product by the total years of service  
5 of all eligible benefit recipients as of June 30 in the  
6 fiscal year immediately preceding the effective date of the  
7 increase;

8 (c) multiplying the quotient by the individual eligible  
9 benefit recipient's years of service, except as provided in  
10 subsection (5); and

11 (d) multiplying the product by the appropriate optional  
12 factor for option 2, 3, or 4 benefits described in 19-7-701.

13 (4) If the state's contribution under 19-8-504 is  
14 insufficient to pay for the automatic increase provided  
15 under either subsection (2) or subsection (3), then the  
16 amount of the increase to eligible benefit recipients must  
17 be calculated by:

18 (a) dividing the amount of funds available by the total  
19 annual benefits paid to all eligible benefit recipients as  
20 of the June 30 immediately preceding the effective date of  
21 the increase;

22 (b) multiplying the total monthly benefits paid to all  
23 eligible benefit recipients on the June 30 immediately  
24 preceding the effective date of the increase by the  
25 percentage calculated in subsection (4)(a);

1 (c) dividing the product by the total years of service  
2 of all eligible benefit recipients;

3 (d) multiplying the quotient by the eligible benefit  
4 recipient's years of service at retirement, except as  
5 provided in subsection (5); and

6 (e) multiplying the product by the appropriate optional  
7 factor for option 2, 3, or 4 benefits described in 19-7-701.

8 (5) For the purposes of providing a cost-of-living  
9 increase under subsection (2), (3), or (4), the amount of  
10 the increase for a recipient of a disability or survivorship  
11 benefit must be calculated as if the recipient had 25 years  
12 of service.

13 **NEW SECTION. Section 3. Rulemaking authority.** The  
14 public employees' retirement board may adopt rules to  
15 implement [sections 1 and 2].

16 **Section 4.** Section 19-8-504, MCA, is amended to read:

17 "19-8-504. State's contribution -- statutory  
18 appropriation. Each (1) To fund the employer's portion of  
19 the normal cost of benefits under this chapter, each month  
20 the state treasurer shall pay to the account~~y~~;

21 (a) out of the department of fish, wildlife, and parks  
22 moneys funds, a sum equal to 7.15% of the--total--of all  
23 members' salaries~~y~~; and

24 (b) out of the moneys funds collected as fines and  
25 forfeited bonds under the provisions of 87-1-601(1) through

(5) or ~~money~~ funds distributed under 3-10-601(4), ~~all such collections are statutorily appropriated to the account~~ an amount equal to 1% of all members' salaries.

(2) In addition to the contributions provided in subsection (1), the state treasurer shall pay to the account the balance of the funds distributed to the fish and game account pursuant to 3-10-601 until the unfunded liability in the account is solvent fully paid and a verification statement to that effect is given to the state treasurer by the board. After the unfunded liability is fully paid, the balance of the funds must be used to provide automatic cost-of-living adjustments under [section 2].

(3) All fines and forfeited bonds collected and distributed to the fish and game account are statutorily appropriated, as provided in 17-7-502, to the account created in 19-8-401 and must be used for the purposes described in this section."

**Section 5.** Section 19-8-809, MCA, is amended to read:

"19-8-809. Funding for postretirement adjustment -- reserve fund. (1) At the end of each fiscal year, the board shall determine the total investment income earned on the retirement fund for that fiscal year. From this amount, the board shall subtract the:

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

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

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

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

(3) Subject to the restrictions contained in subsections (4) and (5), the board shall annually use 90% of the amount in the reserve fund provided for in subsection (2)(b) to pay a postretirement adjustment to eligible members or beneficiaries under 19-8-810.

(4) If the amount in the reserve fund is insufficient to provide an average monthly postretirement adjustment of at least \$1 under 19-8-810, an adjustment may not be made in that calendar year.

(5) The amount available for payment of the postretirement ~~allowance~~ adjustment is limited to an amount that would provide a percentage increase in the average service, disability, or survivorship ~~allowance~~ benefit of all eligible members benefit recipients that, when combined with the postretirement-adjustment cost-of-living adjustment in [section 1] or [section 2] paid in the same fiscal year, that is equal to or less than the percentage increase for

1 the previous calendar year in the annual average consumer  
2 price index for urban wage earners and workers compiled by  
3 the bureau of labor statistics, United States department of  
4 labor, or its successor agency."

5 NEW SECTION. **Section 6.** Codification instruction.  
6 [Sections 1 and 2] are intended to be codified as an  
7 integral part of Title 19, chapter 8, part 8, and the  
8 provisions of Title 19, chapter 8, part 8, apply to  
9 [sections 1 and 2].

10 NEW SECTION. **Section 7.** Effective date. [This act] is  
11 effective July 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0485, as introduced.


DESCRIPTION OF PROPOSED LEGISLATION:

A 5% ad hoc benefit increase in the Game Wardens' Retirement System will be paid on July 1, 1993 to benefit recipients who have received benefits for at least 5 years. After all unfunded liabilities of the retirement system have been paid, an annual automatic benefit increase will be funded by amounts deposited from fines and forfeitures. The annual increase will be limited to 3%, the change in CPI, or the amount available for distribution, whichever is less. The bill also limits the average post retirement adjustment paid under current law in combination with the new benefit adjustment to be no greater than the increase in the CPI.

ASSUMPTIONS:

1. Amounts currently deposited into the Game Wardens Retirement System (GWRs) from employer contributions (7.15%), employee contributions (7.9%), and fines and forfeitures (average \$225,000 per year) are projected to amortize the system's current unfunded liabilities by approximately December 31, 1996. Covered payroll is estimated at approximately \$2.6 million per year.
2. The 5% ad hoc benefit increase is estimated to increase benefit payments by \$27,243 per year. The net present value of the proposed 1993 ad hoc benefit enhancement is \$245,800, which would increase the amortization period of the system's unfunded liabilities by 1.53 years, through July 1, 1998.
3. Under current law, fines and forfeitures will cease being paid into the pension trust fund after the unfunded liabilities have been paid off. However, since current employer/employee contribution rates are not sufficient to maintain a positive actuarial balance in the system, unfunded liabilities would be immediately created as soon as funding from fines and forfeitures ceased being paid into the trust fund.
4. The statutory employer contribution rate applicable to Department of Fish Wildlife and Parks funds would continue at the current 7.15%. The proposed legislation would apply an additional 1% contribution from fines and forfeitures. The balance of fines and forfeitures would continue to be deposited to the GWRs to amortize the unfunded liability. Since 100% of fines and forfeitures are already being deposited to the GWRs, there would be no net increase in revenues to the GWRs corpus until after July 1, 1998.
5. After the unfunded liability is amortized, estimated to occur July 1, 1998 under the proposed legislation, revenue from fines and forfeitures less the 1% employers contribution, would be deposited to a subfund of the GWRs to fund cost-of-living adjustments to the extent that the subfund has sufficient revenues.
6. The 5% ad hoc benefit increase would also increase the annual 2.5% benefit adjustment on benefits paid during preceding calendar year.

(continued)

 2-12-93  
DAVID LEWIS, BUDGET DIRECTOR DATE  
Office of Budget and Program Planning

 2-13-95  
EDWARD G. GRADY, PRIMARY SPONSOR DATE

Fiscal Note for HB0485, as introduced

HB 485

FISCAL IMPACT:

Expenditures:

	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
GWRs Benefits	854,245	881,488	27,243	905,500	932,743	27,243
2.5% Supplement	<u>20,147</u>	<u>20,488</u>	<u>341</u>	<u>22,037</u>	<u>22,718</u>	<u>681</u>
Total	874,392	901,976	27,584	927,537	955,461	27,924

Revenues:

Employer Contributions:

From FWP (7.15%)	185,900	185,900	0	185,900	185,900	0
Fines/Forfeitures (1%)	0	26,000	26,000	0	26,000	26,000
Employee Contributions	205,400	205,400	0	205,400	205,400	0
Fines & Forfeitures	225,000	199,000	(26,000)	225,000	199,000	(26,000)
2.5% Supplement (Gen Fund)	<u>20,147</u>	<u>20,488</u>	<u>341</u>	<u>22,037</u>	<u>22,718</u>	<u>681</u>
Total	636,447	636,788	341	638,337	639,018	681

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The 5% ad hoc benefit enhancement would increase the amortization period of the system's unfunded liabilities by 1.53 years. Beginning July 1, 1998, when the GWRs unfunded liability would be amortized, benefits would be increased by the lesser of 3%, the consumer price index, or the amounts available from fines and forfeitures less 1% of payroll.

APPROVED BY COMMITTEE  
ON STATE ADMINISTRATION

1 House BILL NO. 485  
2 INTRODUCED BY Sen. Weldon Hillard  
3 Sen. Stephen W. Hays  
4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AD HOC AND Sen. John  
5 AUTOMATIC POSTRETIREMENT COST-OF-LIVING ADJUSTMENTS FOR Sen. Ryan  
6 CERTAIN BENEFIT RECIPIENTS UNDER THE GAME WARDENS'  
7 RETIREMENT SYSTEM; INCREASING THE STATE'S CONTRIBUTION FROM  
8 CERTAIN FINES AND FORFEITURES TO PAY FOR THE NORMAL COST OF  
9 GAME WARDENS' RETIREMENT BENEFITS; PROVIDING THAT THE  
10 BALANCE OF CERTAIN FINES AND FORFEITURES BE USED TO FUND THE  
11 AUTOMATIC COST-OF-LIVING ADJUSTMENT UNDER THE GAME WARDENS'  
12 RETIREMENT SYSTEM WHEN THE SYSTEM'S UNFUNDED LIABILITY IS  
13 FULLY PAID; AMENDING SECTIONS 19-8-504 AND 19-8-809, MCA;  
14 AND PROVIDING AN EFFECTIVE DATE."

15  
16 STATEMENT OF INTENT

17 A statement of intent is required for this bill because  
18 [section 3] gives the public employees' retirement board  
19 authority to adopt administrative rules to implement the  
20 cost-of-living adjustments provided in the bill.

21 It is the intent of the legislature to provide a  
22 one-time ad hoc cost-of-living adjustment to each member of  
23 the game wardens' retirement system who has been retired for  
24 5 years or more, to the member's beneficiary, or to the  
25 member's contingent annuitant. The cost of the adjustment

1 will be paid by increasing the amortization period of the  
2 system's unfunded liabilities.

3 It is further the intent of the legislature that, when  
4 the system's unfunded liabilities are fully paid, an  
5 automatic cost-of-living adjustment be initiated under the  
6 game wardens' retirement system on an annual basis. This  
7 automatic cost-of-living adjustment is to be funded by  
8 certain fines and forfeited bonds allocated as special  
9 revenue to the department of fish, wildlife, and parks for  
10 game warden retirement benefits. The amount of the increase  
11 is intended to average 3% of the benefits of each eligible  
12 recipient unless the consumer price index increases by less  
13 than 3% or the cost of the increase exceeds funds available  
14 from fines and forfeitures. The increase is to be given only  
15 after a benefit has been paid for 5 years.

16 The cost-of-living adjustments provided in this bill are  
17 intended to be paid first, before the postretirement  
18 adjustment currently in statute, which is based on  
19 investment earnings. However, the proposed cost-of-living  
20 adjustment, in combination with the existing postretirement  
21 adjustment, may not exceed the change in the consumer price  
22 index.  
23

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

25 NEW SECTION. Section 1. Ad hoc cost-of-living

1 increase. (1) The recipient of a monthly service,  
2 disability, or survivorship benefit is eligible for a  
3 one-time cost-of-living increase on July 1, 1993, if the  
4 benefit was initiated before July 1, 1988. A person who  
5 received a lump-sum payment or is receiving an annuitized  
6 payment is not an eligible recipient under this section.

7 (2) The amount of the increase for each eligible  
8 benefit recipient under subsection (1) must be calculated  
9 by:

10 (a) dividing 5% of the total monthly benefits paid to  
11 all eligible benefit recipients as of June 30, 1993, by the  
12 total years of service of all eligible benefit recipients as  
13 of June 30, 1993;

14 (b) multiplying the quotient by the individual eligible  
15 benefit recipient's years of service, except as provided in  
16 subsection (3); and

17 (c) multiplying the product by the appropriate optional  
18 factor for option 2, 3, or 4 benefits described in 19-7-701.

19 (3) For the purposes of this section, the increase for  
20 a recipient of a disability or survivorship benefit must be  
21 calculated as if the recipient had 25 years of service.

22 **NEW SECTION. Section 2. Automatic cost-of-living**  
23 **adjustment.** (1) On July 1 of each year after the retirement  
24 system's unfunded liabilities are fully paid, a recipient of  
25 a service, disability, or survivorship benefit is entitled

1 to an automatic cost-of-living increase if the benefit was  
2 initiated at least 5 years before July 1 of the current  
3 fiscal year. A person who received a lump-sum payment or is  
4 receiving an annuitized payment is not an eligible recipient  
5 under this section.

6 (2) Except as provided in subsections (3) and (4), the  
7 amount of the increase for each eligible benefit recipient  
8 must be calculated by:

9 (a) multiplying by 3% the total benefits paid to all  
10 eligible benefit recipients as of the June 30 immediately  
11 preceding the effective date of the increase;

12 (b) dividing the product by the total years of service  
13 of all eligible benefit recipients;

14 (c) multiplying the quotient by the individual eligible  
15 benefit recipient's years of service, except as provided in  
16 subsection (5); and

17 (d) multiplying the product by the appropriate optional  
18 factor for option 2, 3, or 4 benefits described in 19-7-701.

19 (3) Except as provided in subsection (4), if the  
20 average annual percentage change in the consumer price  
21 index, as defined in 15-30-101, is less than 3% for the  
22 fiscal year immediately preceding the effective date of the  
23 increase, then the amount of the increase to eligible  
24 benefit recipients must be calculated by:

25 (a) multiplying the total monthly benefits paid to all

1 eligible benefit recipients on the June 30 immediately  
2 preceding the effective date of the increase by the actual  
3 percentage change in the consumer price index;

4 (b) dividing the product by the total years of service  
5 of all eligible benefit recipients as of June 30 in the  
6 fiscal year immediately preceding the effective date of the  
7 increase;

8 (c) multiplying the quotient by the individual eligible  
9 benefit recipient's years of service, except as provided in  
10 subsection (5); and

11 (d) multiplying the product by the appropriate optional  
12 factor for option 2, 3, or 4 benefits described in 19-7-701.

13 (4) If the state's contribution under 19-8-504 is  
14 insufficient to pay for the automatic increase provided  
15 under either subsection (2) or subsection (3), then the  
16 amount of the increase to eligible benefit recipients must  
17 be calculated by:

18 (a) dividing the amount of funds available by the total  
19 annual benefits paid to all eligible benefit recipients as  
20 of the June 30 immediately preceding the effective date of  
21 the increase;

22 (b) multiplying the total monthly benefits paid to all  
23 eligible benefit recipients on the June 30 immediately  
24 preceding the effective date of the increase by the  
25 percentage calculated in subsection (4)(a);

1 (c) dividing the product by the total years of service  
2 of all eligible benefit recipients;

3 (d) multiplying the quotient by the eligible benefit  
4 recipient's years of service at retirement, except as  
5 provided in subsection (5); and

6 (e) multiplying the product by the appropriate optional  
7 factor for option 2, 3, or 4 benefits described in 19-7-701.

8 (5) For the purposes of providing a cost-of-living  
9 increase under subsection (2), (3), or (4), the amount of  
10 the increase for a recipient of a disability or survivorship  
11 benefit must be calculated as if the recipient had 25 years  
12 of service.

13 **NEW SECTION. Section 3. Rulemaking authority.** The  
14 public employees' retirement board may adopt rules to  
15 implement [sections 1 and 2].

16 **Section 4.** Section 19-8-504, MCA, is amended to read:

17 "19-8-504. State's contribution -- statutory  
18 appropriation. Each (1) To fund the employer's portion of  
19 the normal cost of benefits under this chapter, each month  
20 the state treasurer shall pay to the account~~y~~:

21 (a) out of the department of fish, wildlife, and parks  
22 moneys funds, a sum equal to 7.15% of ~~the--total--of~~ all  
23 members' salaries~~y~~; and

24 (b) out of the moneys funds collected as fines and  
25 forfeited bonds under the provisions of 87-1-601(1) through

(5) or moneys funds distributed under 3-10-601(4), ~~all such collections are statutorily appropriated to the account~~ an amount equal to 1% of all members' salaries.

(2) In addition to the contributions provided in subsection (1), the state treasurer shall pay to the account the balance of the funds distributed to the fish and game account pursuant to 3-10-601 until the unfunded liability in the account is solvent fully paid and a verification statement to that effect is given to the state treasurer by the board. After the unfunded liability is fully paid, the balance of the funds must be used to provide automatic cost-of-living adjustments under [section 2].

(3) All fines and forfeited bonds collected and distributed to the fish and game account are statutorily appropriated, as provided in 17-7-502, to the account created in 19-8-401 and must be used for the purposes described in this section."

**Section 5.** Section 19-8-809, MCA, is amended to read:

"19-8-809. Funding for postretirement adjustment -- reserve fund. (1) At the end of each fiscal year, the board shall determine the total investment income earned on the retirement fund for that fiscal year. From this amount, the board shall subtract the:

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

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

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

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

(3) Subject to the restrictions contained in subsections (4) and (5), the board shall annually use 90% of the amount in the reserve fund provided for in subsection (2)(b) to pay a postretirement adjustment to eligible members or beneficiaries under 19-8-810.

(4) If the amount in the reserve fund is insufficient to provide an average monthly postretirement adjustment of at least \$1 under 19-8-810, an adjustment may not be made in that calendar year.

(5) The amount available for payment of the postretirement allowance adjustment is limited to an amount that would provide a percentage increase in the average service, disability, or survivorship allowance benefit of all eligible members benefit recipients that, when combined with the postretirement-adjustment cost-of-living adjustment in [section 1] or [section 2] paid in the same fiscal year, that is equal to or less than the percentage increase for

1 the previous calendar year in the annual average consumer  
2 price index for urban wage earners and workers compiled by  
3 the bureau of labor statistics, United States department of  
4 labor, or its successor agency."

5 NEW SECTION. **Section 6.** Codification instruction.  
6 [Sections 1 and 2] are intended to be codified as an  
7 integral part of Title 19, chapter 8, part 8, and the  
8 provisions of Title 19, chapter 8, part 8, apply to  
9 [sections 1 and 2].

10 NEW SECTION. **Section 7.** Effective date. [This act] is  
11 effective July 1, 1993.

-End-

## HOUSE BILL NO. 485

INTRODUCED BY GRADY, WELDON, HIBBARD, HAYNE,

FRANKLIN, MCCLERNAN, HALLIGAN, DAVIS,

SPRING, J. RICE, REAM

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AD HOC AND AUTOMATIC POSTRETIREMENT COST-OF-LIVING ADJUSTMENTS FOR CERTAIN BENEFIT RECIPIENTS UNDER THE GAME WARDENS' RETIREMENT SYSTEM; INCREASING THE STATE'S CONTRIBUTION FROM CERTAIN FINES AND FORFEITURES TO PAY FOR THE NORMAL COST OF GAME WARDENS' RETIREMENT BENEFITS; PROVIDING--THAT--THE BALANCE-OF-CERTAIN-FINES-AND-FORFEITURES-BE-USED-TO-FUND-THE AUTOMATIC-COST-OF-LIVING-ADJUSTMENT-UNDER-THE-GAME--WARDENS' RETIREMENT--SYSTEM--WHEN--THE-SYSTEM'S-UNFUNDED-LIABILITY-IS FULLY--PAID REQUIRING THE DEVELOPMENT OF LEGISLATIVE PROPOSALS FOR EQUITABLE POSTRETIREMENT ADJUSTMENTS FOR PUBLIC RETIREMENT SYSTEMS; AMENDING SECTIONS SECTION 19-8-504 AND--19-8-009, MCA; AND PROVIDING AN EFFECTIVE DATE."

## STATEMENT OF INTENT

A statement of intent is required for this bill because [section 3 2] gives the public employees' retirement board authority to adopt administrative rules to implement the cost-of-living adjustments ADJUSTMENT provided in the bill.

It is the intent of the legislature to provide a one-time ad hoc cost-of-living adjustment to each member of the game wardens' retirement system who has been retired for 5 years or more, to the member's beneficiary, or to the member's contingent annuitant. The cost of the adjustment will be paid by increasing the amortization period of the system's unfunded liabilities.

It is further the intent of the legislature that,--when the---system's---unfunded---liabilities---are---fully---paid,---an automatic-cost-of-living-adjustment-be-initiated---under---the game---wardens'---retirement---system---on-an-annual-basis. This automatic-cost-of-living-adjustment---is---to---be---funded---by certain---fines---and---forfeited---bonds---allocated---as-special revenue-to-the-department-of-fish, wildlife, and---parks---for game---warden-retirement-benefits. The-amount-of-the-increase is-intended-to-average-3%--of-the-benefits-of--each--eligible recipient--unless-the-consumer-price-index-increases-by-less than-3%--or--the-cost-of-the-increase-exceeds-funds--available from-fines-and-forfeitures. The-increase-is-to-be-given-only after-a-benefit-has-been-paid-for-5-years.

The-cost-of-living-adjustments-provided-in-this-bill-are intended---to---be---paid---first,---before---the---postretirement adjustment---currently---in---statute,---which---is---based---on investment---earnings.---However,---the-proposed-cost-of-living adjustment,---in-combination-with-the-existing---postretirement

adjustment,--may-not-exceed-the-change-in-the-consumer-price  
 index THE PROPOSED STATUTORY RETIREMENT COMMITTEE  
ESTABLISHED IN HOUSE BILL NO. 65 BE ASSIGNED BY THE  
LEGISLATIVE COUNCIL TO DEVELOP LEGISLATION PROVIDING AN  
EQUITABLE GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR EACH OF  
MONTANA'S STATEWIDE PUBLIC RETIREMENT SYSTEMS AND THAT THE  
LEGISLATION BE PRESENTED TO THE 54TH LEGISLATURE FOR  
CONSIDERATION. IT IS FURTHER THE INTENT OF THE LEGISLATURE  
THAT THE COST OF HOLDING HEARINGS AND DEVELOPING THE  
LEGISLATION BE PAID BY RETIREMENT SYSTEMS AND DONATIONS FROM  
PUBLIC EMPLOYEE AND RETIREE ASSOCIATIONS.

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

NEW SECTION. Section 1. Ad hoc cost-of-living  
 increase. (1) The recipient of a monthly service,  
 disability, or survivorship benefit is eligible for a  
 one-time cost-of-living increase on July 1, 1993, if the  
 benefit was initiated before July 1, 1988. A person who  
 received a lump-sum payment or is receiving an annuitized  
 payment is not an eligible recipient under this section.

(2) The amount of the increase for each eligible  
 benefit recipient under subsection (1) must be calculated  
 by:

(a) dividing 5% of the total monthly benefits paid to  
 all eligible benefit recipients as of June 30, 1993, by the

total years of service of all eligible benefit recipients as  
 of June 30, 1993;

(b) multiplying the quotient by the individual eligible  
 benefit recipient's years of service, except as provided in  
 subsection (3); and

(c) multiplying the product by the appropriate optional  
 factor for option 2, 3, or 4 benefits described in 19-7-701.

(3) For the purposes of this section, the increase for  
 a recipient of a disability or survivorship benefit must be  
 calculated as if the recipient had 25 years of service.

NEW SECTION. Section 2. Automatic-----cost-of-living--  
 adjustment,--(1)--On July 1 of each year after the retirement  
 system's unfunded liabilities are fully paid, a recipient of  
 a service, disability, or survivorship benefit is entitled  
 to an automatic cost-of-living increase if the benefit was  
 initiated at least 5 years before July 1 of the current  
 fiscal year. A person who received a lump-sum payment or is  
 receiving an annuitized payment is not an eligible recipient  
 under this section.

(2) Except as provided in subsections (3) and (4), the  
 amount of the increase for each eligible benefit recipient  
 must be calculated by:

(a) multiplying by 3% the total benefits paid to all  
 eligible benefit recipients as of the June 30 immediately  
 preceding the effective date of the increase;

{b}--dividing-the-product-by-the-total-years-of--service  
of-all-eligible-benefit-recipients;

{c}--multiplying-the-quotient-by-the-individual-eligible  
benefit-recipient's-years-of-service, except-as-provided-in  
subsection-(5); and

{d}--multiplying-the-product-by-the-appropriate-optional  
factor-for-option-2, 3, or 4-benefits-described-in-19-7-701;

{3}--Except--as--provided--in--subsection--(4); if--the  
average-annual--percentage--change--in--the--consumer--price  
index, as--defined--in--15-30-101, is less than 3% for the  
fiscal-year-immediately-preceding-the-effective-date-of--the  
increase, then--the--amount--of--the--increase--to-eligible  
benefit-recipients-must-be-calculated-by:

{a}--multiplying-the-total-monthly-benefits-paid-to--all  
eligible--benefit--recipients--on--the--June--30--immediately  
preceding-the-effective-date-of-the-increase-by--the--actual  
percentage-change-in-the-consumer-price-index;

{b}--dividing--the-product-by-the-total-years-of-service  
of-all-eligible-benefit-recipients-as--of--June--30--in--the  
fiscal--year-immediately-preceding-the-effective-date-of-the  
increase;

{c}--multiplying-the-quotient-by-the-individual-eligible  
benefit-recipient's-years-of-service, except-as-provided--in  
subsection-(5); and

{d}--multiplying-the-product-by-the-appropriate-optional

factor-for-option-2, 3, or 4-benefits-described-in-19-7-701;

{4}--If--the--state's--contribution--under--19-8-504--is  
insufficient--to--pay--for--the--automatic-increase-provided  
under-either-subsection-(2)--or--subsection--(3); then--the  
amount--of--the-increase-to-eligible-benefit-recipients-must  
be-calculated-by:

{a}--dividing-the-amount-of-funds-available-by-the-total  
annual-benefits-paid-to-all-eligible-benefit--recipients--as  
of--the--June-30--immediately-preceding-the-effective-date-of  
the-increase;

{b}--multiplying-the-total-monthly-benefits-paid-to--all  
eligible--benefit--recipients--on--the--June--30--immediately  
preceding--the--effective--date--of--the--increase--by--the  
percentage-calculated-in-subsection-(4){a};

{c}--dividing--the-product-by-the-total-years-of-service  
of-all-eligible-benefit-recipients;

{d}--multiplying-the-quotient-by--the--eligible--benefit  
recipient's--years--of--service--at--retirement, except--as  
provided-in-subsection-(5); and

{e}--multiplying-the-product-by-the-appropriate-optional  
factor-for-option-2, 3, or 4-benefits-described-in-19-7-701;

{5}--For--the--purposes--of--providing--a-cost-of-living  
increase-under-subsection-(2); (3); or-(4); the--amount--of  
the-increase-for-a-recipient-of-a-disability-or-survivorship  
benefit--must-be-calculated-as-if-the-recipient-had-25-years

1 of-service.

2 NEW SECTION. Section 2. Rulemaking authority. The  
3 public employees' retirement board may adopt rules to  
4 implement [sections SECTION 1 and 2].

5 Section 3. Section 19-8-504, MCA, is amended to read:

6 "19-8-504. State's contribution -- statutory  
7 appropriation. Each (1) To fund the employer's portion of  
8 the normal cost of benefits under this chapter, each month  
9 the state treasurer shall pay to the account;

10 (a) out of the department of fish, wildlife, and parks  
11 moneys funds, a sum equal to 7.15% of the total of all  
12 members' salaries; and

13 (b) out of the moneys funds collected as fines and  
14 forfeited bonds under the provisions of 87-1-601(1) through  
15 (5) or moneys funds distributed under 3-10-601(4), all such  
16 collections are statutorily appropriated to the account an  
17 amount equal to 1% of all members' salaries.

18 (2) In addition to the contributions provided in  
19 subsection (1), the state treasurer shall pay to the account  
20 the balance of the funds distributed to the fish and game  
21 account pursuant to 3-10-601 until the unfunded liability in  
22 the account is solvent fully paid and a verification  
23 statement to that effect is given to the state treasurer by  
24 the board. After the unfunded liability is fully paid, the  
25 balance of the funds must be used to provide automatic

1 cost-of-living-adjustments-under-(section-2);

2 (3) All fines and forfeited bonds collected and  
3 distributed to the fish and game account are statutorily  
4 appropriated, as provided in 17-7-502, to the account  
5 created in 19-8-401 and must be used for the purposes  
6 described in this section UNTIL THE UNFUNDED LIABILITY IS  
7 PAID PURSUANT TO SUBSECTION (2)."

8 Section 5. Section 19-8-809, MCA, is amended to read:--

9 "19-8-809. Funding for postretirement adjustment ---  
10 reserve fund. (1) At the end of each fiscal year, the board  
11 shall determine the total investment income earned on the  
12 retirement fund for that fiscal year. From this amount, the  
13 board shall subtract the:

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

16 (b) retirement system's administrative and investment  
17 expenses for the fiscal year;

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

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

24 (3) Subject to the restrictions contained in  
25 subsections (4) and (5), the board shall annually use 90% of

the--amount--in--the--reserve--fund--provided--for--in--subsection  
(2)(b)--to--pay--a--postretirement--adjustment--to--eligible  
members--or--beneficiaries--under--19-8-810-

(4)--If--the--amount--in--the--reserve--fund--is--insufficient  
to--provide--an--average--monthly--postretirement--adjustment--of  
at--least--\$1--under--19-8-810-,--an--adjustment--may--not--be--made--in  
that--calendar--year-

(5)--The---amount---available---for---payment---of---the  
postretirement--allowance adjustment is--limited--to--an--amount  
that--would--provide--a--percentage--increase--in--the--average  
service-, disability-, or survivorship--allowance benefit --of  
all--eligible--members benefit-recipients-that, when-combined  
with--the--postretirement--adjustment cost-of-living-adjustment  
in--(section-1)-or-(section-2)-paid-in-the-same-fiscal-year,  
that--is--equal--to--or--less--than--the--percentage--increase--for  
the--previous--calendar--year--in--the--annual--average--consumer  
price--index--for--urban--wage--earners--and--workers--compiled--by  
the--bureau--of--labor--statistics-, United-States-department--of  
labor-, or--its--successor--agency."

NEW SECTION. SECTION 4. STUDY FOR EQUITABLE  
POSTRETIREMENT ADJUSTMENTS FOR ALL PUBLIC RETIREMENT  
SYSTEMS. THE LEGISLATIVE COUNCIL SHALL ASSIGN THE PERMANENT  
COMMITTEE ON RETIREMENT A STUDY TO DEVELOP RECOMMENDATIONS  
AND LEGISLATION THAT WILL ENACT EQUITABLE, REASONABLE, AND  
SOUNDLY FUNDED GUARANTEED ANNUAL POSTRETIREMENT BENEFIT

ADJUSTMENTS FOR MEMBERS OF THE STATEWIDE PUBLIC EMPLOYEE  
RETIREMENT SYSTEMS. THE COMMITTEE'S RECOMMENDATIONS AND  
LEGISLATIVE PROPOSALS MUST BE PRESENTED TO THE 54TH  
LEGISLATURE FOR CONSIDERATION.

NEW SECTION. Section 5. Codification instruction.  
[Sections SECTION 1 and-2] are IS intended to be codified as  
an integral part of Title 19, chapter 8, part 8, and the  
provisions of Title 19, chapter 8, part 8, apply to  
[sections SECTION 1 and-2].

NEW SECTION. SECTION 6. COORDINATION INSTRUCTION. IF  
SENATE BILL NO. 203 IS NOT PASSED AND APPROVED, THEN [THIS  
ACT] IS VOID.

NEW SECTION. SECTION 7. COORDINATION INSTRUCTION. IF  
HOUSE BILL NO. 65 IS NOT PASSED AND APPROVED, THEN [SECTION  
4 OF THIS ACT] IS VOID.

NEW SECTION. Section 8. Effective date. [This act] is  
effective July 1, 1993.

-End-

SENATE STANDING COMMITTEE REPORT

Page 1 of 2  
March 18, 1993

Page 2 of 2  
March 18, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 485 (first reading copy -- blue), respectfully report that House Bill No. 485 be amended as follows and as so amended be concurred in.

Signed: *Senator Eleanor Vaughn*  
Senator Eleanor Vaughn, Chair

That such amendments read:

1. Title, line 17.

Strike: "SECTION"

Insert: "SECTIONS 17-7-502 AND"

2. Page 7, lines 6 and 7.

Strike: "statutory appropriation"

3. Page 7, line 9.

Strike: "account"

Insert: "pension trust fund"

4. Page 7, line 19.

Strike: "account"

Insert: "pension trust fund"

5. Page 8.

Strike: lines 2 through 7 in their entirety

6. Page 8.

Following: line 7

Insert:

"Section 4. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition --

requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105; 2-18-812; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-1-111; 15-23-706; 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-65-121; 15-70-101; 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404; 17-5-424; 17-5-704; 17-5-804; 17-6-409; 17-7-304; 19-5-404; 19-6-709; 19-8-504; 19-9-702; 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512; 19-11-513; 19-11-606; 19-12-301; 19-13-604; 19-15-101; 20-4-109; 20-6-406; 20-8-111; 20-9-361; 20-26-1503; 22-3-811; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 27-12-206; 37-43-204; 37-51-501; 39-71-2504; 44-12-206; 44-13-102; 53-6-150; 53-24-206; 61-5-121; 67-3-205; 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-11-310; 82-11-136; 82-11-161; 85-1-220; 90-3-301; 90-4-215; 90-6-331; 90-7-220; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for supplemental benefit; and pursuant to sec. 18, Ch. 748, L. 1991, the inclusion of 22-3-811 terminates June 30, 1993.) "

Renumber: subsequent sections

7. Page 10, line 15.

Strike: "4"

Insert: "5"

-END-

M - Amd. Coord.  
Sec. of Senate

*Sen. D. Smith*  
Senator Carrying Bill

611548SC.S1b

HB 485

SENATE

611548SC.S1b

## HOUSE BILL NO. 485

INTRODUCED BY GRADY, WELDON, HIBBARD, HAYNE,

FRANKLIN, MCCLERNAN, HALLIGAN, DAVIS,

SPRING, J. RICE, REAM

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AD HOC AND AUTOMATIC POSTRETIREMENT COST-OF-LIVING ADJUSTMENTS FOR CERTAIN BENEFIT RECIPIENTS UNDER THE GAME WARDENS' RETIREMENT SYSTEM; INCREASING THE STATE'S CONTRIBUTION FROM CERTAIN FINES AND FORFEITURES TO PAY FOR THE NORMAL COST OF GAME WARDENS' RETIREMENT BENEFITS; PROVIDING--THAT--THE BALANCE-OF-CERTAIN-FINES-AND-FORFEITURES-BE-USED-TO-FUND-THE AUTOMATIC-COST-OF-LIVING-ADJUSTMENT-UNDER-THE-GAME--WARDENS' RETIREMENT--SYSTEM--WHEN--THE-SYSTEM'S-UNFUNDED-LIABILITY-IS FULLY--PAID REQUIRING THE DEVELOPMENT OF LEGISLATIVE PROPOSALS FOR EQUITABLE POSTRETIREMENT ADJUSTMENTS FOR PUBLIC RETIREMENT SYSTEMS; AMENDING SECTIONS SECTION SECTIONS 17-7-502 AND 19-8-504 AND--19-8-809, MCA; AND PROVIDING AN EFFECTIVE DATE."

## STATEMENT OF INTENT

A statement of intent is required for this bill because [section 3 2] gives the public employees' retirement board authority to adopt administrative rules to implement the cost-of-living adjustments ADJUSTMENT provided in the bill.

It is the intent of the legislature to provide a one-time ad hoc cost-of-living adjustment to each member of the game wardens' retirement system who has been retired for 5 years or more, to the member's beneficiary, or to the member's contingent annuitant. The cost of the adjustment will be paid by increasing the amortization period of the system's unfunded liabilities.

It is further the intent of the legislature that--when the--system's--unfunded--liabilities--are--fully--paid--an automatic--cost-of-living--adjustment--be--initiated--under--the game-wardens'-retirement-system--on--an--annual--basis--This automatic--cost-of-living--adjustment--is--to--be--funded--by certain-fines--and--forfeited--bonds--allocated--as--special revenue--to--the-department-of-fish,-wildlife,-and-parks-for game-warden-retirement-benefits--The-amount-of-the--increase is--intended--to-average-3%-of-the-benefits-of-each-eligible recipient-unless-the-consumer-price-index-increases-by--less than--3%-or-the-cost-of-the-increase-exceeds-funds-available from-fines-and-forfeitures--The-increase-is-to-be-given-only after-a-benefit-has-been-paid-for-5-years.

The cost-of-living adjustments provided in this bill are intended--to--be--paid--first--before--the--postretirement adjustment--currently--in--statute--which--is--based--on investment-earnings--However--the--proposed--cost-of-living adjustment--in-combination-with-the-existing-postretirement

1 ~~adjustment, may not exceed the change in the consumer price~~  
 2 ~~index~~ THE PROPOSED STATUTORY RETIREMENT COMMITTEE  
 3 ESTABLISHED IN HOUSE BILL NO. 65 BE ASSIGNED BY THE  
 4 LEGISLATIVE COUNCIL TO DEVELOP LEGISLATION PROVIDING AN  
 5 EQUITABLE GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR EACH OF  
 6 MONTANA'S STATEWIDE PUBLIC RETIREMENT SYSTEMS AND THAT THE  
 7 LEGISLATION BE PRESENTED TO THE 54TH LEGISLATURE FOR  
 8 CONSIDERATION. IT IS FURTHER THE INTENT OF THE LEGISLATURE  
 9 THAT THE COST OF HOLDING HEARINGS AND DEVELOPING THE  
 10 LEGISLATION BE PAID BY RETIREMENT SYSTEMS AND DONATIONS FROM  
 11 PUBLIC EMPLOYEE AND RETIREE ASSOCIATIONS.

12  
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 NEW SECTION. Section 1. ~~Ad hoc~~ cost-of-living  
 15 increase. (1) The recipient of a monthly service,  
 16 disability, or survivorship benefit is eligible for a  
 17 one-time cost-of-living increase on July 1, 1993, if the  
 18 benefit was initiated before July 1, 1988. A person who  
 19 received a lump-sum payment or is receiving an annuitized  
 20 payment is not an eligible recipient under this section.

21 (2) The amount of the increase for each eligible  
 22 benefit recipient under subsection (1) must be calculated  
 23 by:

24 (a) dividing 5% of the total monthly benefits paid to  
 25 all eligible benefit recipients as of June 30, 1993, by the

1 total years of service of all eligible benefit recipients as  
 2 of June 30, 1993;

3 (b) multiplying the quotient by the individual eligible  
 4 benefit recipient's years of service, except as provided in  
 5 subsection (3); and

6 (c) multiplying the product by the appropriate optional  
 7 factor for option 2, 3, or 4 benefits described in 19-7-701.

8 (3) For the purposes of this section, the increase for  
 9 a recipient of a disability or survivorship benefit must be  
 10 calculated as if the recipient had 25 years of service.

11 NEW SECTION. Section 2. ~~Automatic~~ cost-of-living  
 12 adjustment. ~~{1} On July 1 of each year after the retirement~~  
 13 ~~system's unfunded liabilities are fully paid, a recipient of~~  
 14 ~~a service, disability, or survivorship benefit is entitled~~  
 15 ~~to an automatic cost-of-living increase if the benefit was~~  
 16 ~~initiated at least 5 years before July 1 of the current~~  
 17 ~~fiscal year. A person who received a lump-sum payment or is~~  
 18 ~~receiving an annuitized payment is not an eligible recipient~~  
 19 ~~under this section.~~

20 ~~{2} Except as provided in subsections {3} and {4}, the~~  
 21 ~~amount of the increase for each eligible benefit recipient~~  
 22 ~~must be calculated by:~~

23 ~~{a} multiplying by 3% the total benefits paid to all~~  
 24 ~~eligible benefit recipients as of the June 30 immediately~~  
 25 ~~preceding the effective date of the increase;~~

{b}--dividing--the--product--by--the--total--years--of--service  
of--all--eligible--benefit--recipients;

{c}--multiplying--the--quotient--by--the--individual--eligible  
benefit--recipient's--years--of--service,--except--as--provided--in  
subsection--(5);--and

{d}--multiplying--the--product--by--the--appropriate--optional  
factor--for--option--2,--3,--or--4--benefits--described--in--19-7-701;

{3}--Except--as--provided--in--subsection--(4);--if--the  
average--annual--percentage--change--in--the--consumer--price  
index,--as--defined--in--15-30-101,--is--less--than--3%--for--the  
fiscal--year--immediately--preceding--the--effective--date--of--the  
increase,--then--the--amount--of--the--increase--to--eligible  
benefit--recipients--must--be--calculated--by:

{a}--multiplying--the--total--monthly--benefits--paid--to--all  
eligible--benefit--recipients--on--the--June--30--immediately  
preceding--the--effective--date--of--the--increase--by--the--actual  
percentage--change--in--the--consumer--price--index;

{b}--dividing--the--product--by--the--total--years--of--service  
of--all--eligible--benefit--recipients--as--of--June--30--in--the  
fiscal--year--immediately--preceding--the--effective--date--of--the  
increase;

{c}--multiplying--the--quotient--by--the--individual--eligible  
benefit--recipient's--years--of--service,--except--as--provided--in  
subsection--(5);--and

{d}--multiplying--the--product--by--the--appropriate--optional

factor--for--option--2,--3,--or--4--benefits--described--in--19-7-701;

{4}--If--the--state's--contribution--under--19-8-504--is  
insufficient--to--pay--for--the--automatic--increase--provided  
under--either--subsection--(2)--or--subsection--(3),--then--the  
amount--of--the--increase--to--eligible--benefit--recipients--must  
be--calculated--by:

{a}--dividing--the--amount--of--funds--available--by--the--total  
annual--benefits--paid--to--all--eligible--benefit--recipients--as  
of--the--June--30--immediately--preceding--the--effective--date--of  
the--increase;

{b}--multiplying--the--total--monthly--benefits--paid--to--all  
eligible--benefit--recipients--on--the--June--30--immediately  
preceding--the--effective--date--of--the--increase--by--the  
percentage--calculated--in--subsection--(4){a};

{c}--dividing--the--product--by--the--total--years--of--service  
of--all--eligible--benefit--recipients;

{d}--multiplying--the--quotient--by--the--eligible--benefit  
recipient's--years--of--service--at--retirement,--except--as  
provided--in--subsection--(5);--and

{e}--multiplying--the--product--by--the--appropriate--optional  
factor--for--option--2,--3,--or--4--benefits--described--in--19-7-701;

{5}--For--the--purposes--of--providing--a--cost--of--living  
increase--under--subsection--(2),--(3),--or--(4),--the--amount--of  
the--increase--for--a--recipient--of--a--disability--or--survivorship  
benefit--must--be--calculated--as--if--the--recipient--had--25--years

1 of-service.

2 NEW SECTION. Section 2. Rulemaking authority. The  
3 public employees' retirement board may adopt rules to  
4 implement [sections SECTION 1 and 2].

5 Section 3. Section 19-8-504, MCA, is amended to read:

6 "19-8-504. State's contribution -----statutory  
7 appropriation. Each (1) To fund the employer's portion of  
8 the normal cost of benefits under this chapter, each month  
9 the state treasurer shall pay to the account PENSION TRUST  
10 FUND;

11 (a) out of the department of fish, wildlife, and parks  
12 moneys funds, a sum equal to 7.15% of the-total-of all  
13 members' salaries; and

14 (b) out of the moneys funds collected as fines and  
15 forfeited bonds under the provisions of 87-1-601(1) through  
16 (5) or moneys funds distributed under 3-10-601(4), all--such  
17 collections--are--statutorily-appropriated-to-the-account an  
18 amount equal to 1% of all members' salaries.

19 (2) In addition to the contributions provided in  
20 subsection (1), the state treasurer shall pay to the account  
21 PENSION TRUST FUND the balance of the funds distributed to  
22 the fish and game account pursuant to 3-10-601 until the  
23 unfunded liability in the account is solvent fully paid and  
24 a verification statement to that effect is given to the  
25 state treasurer by the board. After-the-unfunded-liability

1 is-fully-paid, the balance of the funds--must--be--used--to  
2 provide--automatic-cost-of-living-adjustments-under-(section  
3 2)-

4 (3)--All--fines--and--forfeited--bonds--collected--and  
5 distributed--to--the--fish--and--game--account--are--statutorily  
6 appropriated,--as--provided--in--17-7-502,--to--the--account  
7 created-in-19-8-401--and--must--be--used--for--the--purposes  
8 described--in--this--section UNTIL-THE-UNFUNDED-LIABILITY-IS  
9 PAID-PURSUANT-TO-SUBSECTION-(2)."

10 SECTION 4. SECTION 17-7-502, MCA, IS AMENDED TO READ:

11 "17-7-502. Statutory appropriations -- definition --  
12 requisites for validity. (1) A statutory appropriation is an  
13 appropriation made by permanent law that authorizes spending  
14 by a state agency without the need for a biennial  
15 legislative appropriation or budget amendment.

16 (2) Except as provided in subsection (4), to be  
17 effective, a statutory appropriation must comply with both  
18 of the following provisions:

19 (a) The law containing the statutory authority must be  
20 listed in subsection (3).

21 (b) The law or portion of the law making a statutory  
22 appropriation must specifically state that a statutory  
23 appropriation is made as provided in this section.

24 (3) The following laws are the only laws containing  
25 statutory appropriations: 2-9-202; 2-17-105; 2-18-812;

1 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-1-111;  
 2 15-23-706; 15-25-123; 15-31-702; 15-36-112; 15-37-117;  
 3 15-65-121; 15-70-101; 16-1-404; 16-1-410; 16-1-411;  
 4 17-3-212; 17-5-404; 17-5-424; 17-5-704; 17-5-804; 17-6-409;  
 5 17-7-304; 19-5-404; 19-6-709; 19-8-504; 19-9-702; 19-9-1007;  
 6 19-10-205; 19-10-305; 19-10-506; 19-11-512; 19-11-513;  
 7 19-11-606; 19-12-301; 19-13-604; 19-15-101; 20-4-109;  
 8 20-6-406; 20-8-111; 20-9-361; 20-26-1503; 22-3-811;  
 9 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631;  
 10 23-7-301; 23-7-402; 27-12-206; 37-43-204; 37-51-501;  
 11 39-71-2504; 44-12-206; 44-13-102; 53-6-150; 53-24-206;  
 12 61-5-121; 67-3-205; 75-1-1101; 75-5-507; 75-5-1108;  
 13 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-11-310;  
 14 82-11-136; 82-11-161; 85-1-220; 90-3-301; 90-4-215;  
 15 90-6-331; 90-7-220; and 90-9-306.

16 (4) There is a statutory appropriation to pay the  
 17 principal, interest, premiums, and costs of issuing, paying,  
 18 and securing all bonds, notes, or other obligations, as due,  
 19 that have been authorized and issued pursuant to the laws of  
 20 Montana. Agencies that have entered into agreements  
 21 authorized by the laws of Montana to pay the state  
 22 treasurer, for deposit in accordance with 17-2-101 through  
 23 17-2-107, as determined by the state treasurer, an amount  
 24 sufficient to pay the principal and interest as due on the  
 25 bonds or notes have statutory appropriation authority for

1 the payments. (In subsection (3): pursuant to sec. 7, Ch.  
 2 567, L. 1991, the inclusion of 19-6-709 terminates upon  
 3 death of last recipient eligible for supplemental benefit;  
 4 and pursuant to sec. 18, Ch. 748, L. 1991, the inclusion of  
 5 22-3-811 terminates June 30, 1993.)"

6 ~~Section 5. Section 19-8-809, MCA, is amended to read:--~~  
 7 ~~"19-8-809. Funding for postretirement adjustment----~~  
 8 ~~reserve fund. (1) At the end of each fiscal year, the board~~  
 9 ~~shall determine the total investment income earned on the~~  
 10 ~~retirement fund for that fiscal year. From this amount, the~~  
 11 ~~board shall subtract the:~~

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

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

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

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

22 ~~(3) Subject to the restrictions contained in~~  
 23 ~~subsections (4) and (5), the board shall annually use 90% of~~  
 24 ~~the amount in the reserve fund provided for in subsection~~  
 25 ~~(2)(b) to pay a postretirement adjustment to eligible~~

members-or-beneficiaries-under-19-8-010-

(4)--if-the-amount-in-the-reserve-fund--is--insufficient  
to--provide--an-average-monthly-postretirement-adjustment-of  
at-least-\$1-under-19-8-010,-an-adjustment-may-not-be-made-in  
that-calendar-year-

(5)--The---amount---available---for---payment---of---the  
postretirement-allowance adjustment is-limited-to-an--amount  
that--would--provide--a--percentage--increase-in-the-average  
service,-disability,-or-survivorship-allowance benefit --of  
all--eligible-members benefit-recipients-that,-when-combined  
with-the-postretirement-adjustment cost-of-living-adjustment  
in-{section-1}-or-{section-2}-paid-in-the-same-fiscal--year,  
that--is--equal--to-or-less-than-the-percentage-increase-for  
the-previous-calendar-year-in-the--annual--average--consumer  
price--index--for-urban-wage-earners-and-workers-compiled-by  
the-bureau-of-labor-statistics,-United-States-department--of  
labor,-or-its-successor-agency.-<sup>4</sup>

NEW SECTION. SECTION 5. STUDY FOR EQUITABLE  
POSTRETIREMENT ADJUSTMENTS FOR ALL PUBLIC RETIREMENT  
SYSTEMS. THE LEGISLATIVE COUNCIL SHALL ASSIGN THE PERMANENT  
COMMITTEE ON RETIREMENT A STUDY TO DEVELOP RECOMMENDATIONS  
AND LEGISLATION THAT WILL ENACT EQUITABLE, REASONABLE, AND  
SOUNDLY FUNDED GUARANTEED ANNUAL POSTRETIREMENT BENEFIT  
ADJUSTMENTS FOR MEMBERS OF THE STATEWIDE PUBLIC EMPLOYEE  
RETIREMENT SYSTEMS. THE COMMITTEE'S RECOMMENDATIONS AND

LEGISLATIVE PROPOSALS MUST BE PRESENTED TO THE 54TH  
LEGISLATURE FOR CONSIDERATION.

NEW SECTION. Section 6. Codification instruction.  
[Sections SECTION 1 and-2] are IS intended to be codified as  
an integral part of Title 19, chapter 8, part 8, and the  
provisions of Title 19, chapter 8, part 8, apply to  
[sections SECTION 1 and-2].

NEW SECTION. SECTION 7. COORDINATION INSTRUCTION. IF  
SENATE BILL NO. 203 IS NOT PASSED AND APPROVED, THEN [THIS  
ACT] IS VOID.

NEW SECTION. SECTION 8. COORDINATION INSTRUCTION. IF  
HOUSE BILL NO. 65 IS NOT PASSED AND APPROVED, THEN [SECTION  
4 5 OF THIS ACT] IS VOID.

NEW SECTION. Section 9. Effective date. [This act] is  
effective July 1, 1993.

-End-