

HOUSE BILL 625

Introduced by Wyatt, et al.

2/13	Introduced
2/13	Referred to State Administration
2/13	First Reading
2/13	Fiscal Note Requested
2/17	Hearing
2/19	Fiscal Note Received
2/19	Fiscal Note Printed
2/19	Tabled in Committee

1 *House* BILL NO. *625* *Synch*  
 2 INTRODUCED BY *W. L. Leland*  
 3 *Bird* *Wayne Stanford* *Wissinger* *Delegal* *B. Baumbach*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING ACTIVE MEMBERS  
 5 OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO RECEIVE  
 6 CREDITABLE SERVICE FOR CERTAIN MILITARY SERVICE AT NO COST  
 7 TO THE MEMBER; ADJUSTING THE EMPLOYER CONTRIBUTION RATE;  
 8 AMENDING SECTIONS 19-3-503 AND 19-3-801, MCA; AND PROVIDING  
 9 AN EFFECTIVE DATE."

## STATEMENT OF INTENT

12 It is the intent of the legislature to provide to active  
 13 members of the public employees' retirement system the same  
 14 consideration that is afforded to active members of the  
 15 teachers' retirement system with respect to allowing 4 years  
 16 of military service to be qualified as creditable service at  
 17 no cost to the member.

18 It is further the intent of the legislature that active  
 19 members of the public employees' retirement system who have  
 20 purchased 4 years of creditable military service prior to  
 21 the enactment of this bill will receive a refund, but only  
 22 if the eligible members apply within the application period  
 23 provided for in this bill. The application period is  
 24 necessary to accurately determine the cost to the employer  
 25 of providing the refunds.

1 The legislature requests that the public employees'  
 2 retirement board present legislation to the 54th legislature  
 3 to adjust the employer contribution included in this bill in  
 4 order to fund the benefit, if an adjustment is necessary.  
 5 The purpose of the adjustment would be to ensure that the  
 6 increase in the employer contribution included in this bill  
 7 is equal to the amount necessary to fund the benefit.

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

## Section 1. Section 19-3-503, MCA, is amended to read:

11 "19-3-503. Election to qualify military service for  
 12 full credit. (1) (a) Subject to the provisions of  
 13 subsection (1)(b), an active member may receive up to 4  
 14 years of creditable service without cost for active service  
 15 in the armed forces of the United States, which includes the  
 16 army, navy, marine corps, air force, and coast guard, during  
 17 the Korean conflict between June 1, 1950, and January 31,  
 18 1955, and the Vietnam conflict between December 22, 1961,  
 19 and May 7, 1975, dates inclusive, if the member has 5 years  
 20 or more of creditable service in the retirement system. To  
 21 qualify service under this subsection, an active member  
 22 shall submit to the board a completed application form and  
 23 proper certification of the member's military service.

24 (b) In order to receive a refund for military service  
 25 purchased by the member prior to July 1, 1993, but for which

1 the member may qualify at no cost under subsection (1)(a),  
 2 an active member shall apply in writing to the board before  
 3 July 1, 1994.

4 (2) (a) A member with 10 years or more of state service  
 5 qualified under this chapter may, at any time prior to  
 6 retirement, make a written election with the board to  
 7 qualify all or any portion of his the member's active  
 8 service in the armed forces of the United States, including  
 9 the first special service force or the American merchant  
 10 marine in oceangoing service during the period of armed  
 11 conflict, December 7, 1941, to August 15, 1945, for the  
 12 purpose of calculating retirement benefits, up to a maximum  
 13 of 5 years, if he the member is not otherwise eligible to  
 14 receive credit for this same service pursuant to 19-3-502 or  
 15 subsection (1) of this section.

16 (b) To qualify this service he the member must  
 17 contribute to the retirement fund the amount determined by  
 18 the board to be due based on his the member's compensation  
 19 and normal contribution rate as of his the member's 11th  
 20 year and as many succeeding years as are required to qualify  
 21 this service, with interest from the date he the member  
 22 becomes eligible for this benefit to the date he contributes  
 23 payment is completed. He A member may not qualify more of  
 24 this service than he-has-state the member's total membership  
 25 service in excess of 10 years.

1 ~~(2)~~(3) If a member has retired from active duty in the  
 2 armed forces of the United States, including the first  
 3 special service force or the American merchant marine in  
 4 oceangoing service during the period of armed conflict,  
 5 December 7, 1941, to August 15, 1945, with a normal service  
 6 retirement benefit, he the member may not qualify his  
 7 military service under ~~subsection--(1)--~~of this section.  
 8 However, a member who is serving or has served in the  
 9 military reserves with the expectation of receiving a  
 10 military service pension may qualify his active military  
 11 service under ~~subsection--(1)--~~of this section if his the  
 12 member's active duty in the armed forces of the United  
 13 States, including the first special service force or the  
 14 American merchant marine in oceangoing service during the  
 15 armed conflict, December 7, 1941, to August 15, 1945, is not  
 16 more than 25% of the total sum of all ~~years-of~~ the member's  
 17 military service including reserve and active duty time."

18 **Section 2.** Section 19-3-801, MCA, is amended to read:

19 "19-3-801. Employer contribution rates -- actuarial  
 20 determination. (1) Each employer shall contribute to the  
 21 cost of benefits under the system. The amount of the  
 22 employer contributions ~~shall~~ must be computed by applying to  
 23 member's compensation the sum of the current service  
 24 contribution rate and the unfunded liability contribution  
 25 rate. The sum of these rates is ~~6.417% from July 17, 1983, to~~

1 ~~June--30,--1992---The-sum-of-the-rates-increases-to-6.55%-on~~  
2 ~~July-1,--1992,--and-to-6.70%~~ 6.83% on July 1, 1993.

3 (2) The actuary shall determine the current service  
4 contribution rate to be that level percentage of the present  
5 value of the future compensation of the average new member  
6 entering the system which equals the then present value of  
7 the excess of all prospective benefits in respect of ~~such~~  
8 the member over the member's own normal contributions.

9 (3) The actuary shall determine the minimum unfunded  
10 liability contribution rate to be that level percentage of  
11 the present value of the prospective compensation of all  
12 active members for the 40-year period following the date of  
13 the determination which is equal to the unfunded liability  
14 on that date. The unfunded liability at any time is the  
15 excess of the present value of all future benefits payable  
16 in respect of all persons then entitled to benefits under  
17 the system over the sum of the retirement fund and the  
18 present values of the future current service contributions  
19 and normal contributions payable in respect of all ~~such~~  
20 persons."

21 NEW SECTION. **Section 3.** Effective date. [This act] is  
22 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 HB0625, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

The bill provides PERS membership service credit for periods of military service during the Korean and Vietnam conflicts at no cost to the member. Active PERS members who have already paid to qualify this service may apply for a refund during a one year window extending from July 1, 1993 through June 30, 1994. Employer contributions will increase by .13% to pay the costs of this benefit.

ASSUMPTIONS:

1. Vietnam era veterans comprise approximately 6% of Montana's civilian labor force; veterans of the Korean conflict represent approximately 1%. It is estimated that PERS has 1,900 active members who would qualify for military service at no charge under this proposal.
2. An estimated 400 active members have already purchased military service at a cost of \$1,108,000, which would be refunded to them during FY94. The remaining 1,500 members would apply for and receive this credit without cost in the future.
3. PERS payroll is projected to be \$554,172,400 in FY94 and \$568,026,700 in FY95. 40% of the payroll is paid by the state; 9% by the university system; and 51% by local governments. 40% of state PERS employees are funded through the general fund; 60% are funded through non-general fund sources.
4. Employer contributions will increase from 6.7% under current law to 6.83% of PERS payroll on 7/1/93 due to this bill.
5. It is assumed the members buying this service will not retire during the current biennium.

FISCAL IMPACT:

## Public Employees Retirement Division

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Expenditures:</u>						
Refunds to members	9,000,000	10,108,000	1,108,000	9,000,000	9,000,000	0
<u>Revenues:</u>						
<u>Employer contributions:</u>						
General Fund	5,940,728	6,055,996	115,268	6,089,246	6,207,396	118,150
Other State Funds	8,911,092	9,083,994	172,902	9,133,869	9,311,094	177,225
University System Funds	3,341,660	3,406,498	64,838	3,425,201	3,491,660	66,459
Local Governments	<u>18,936,071</u>	<u>19,303,487</u>	<u>367,416</u>	<u>19,409,472</u>	<u>19,786,074</u>	<u>376,602</u>
Total	37,129,551	37,849,975	720,424	38,057,788	38,796,224	738,436

(continued)

David Lewis 2-19-93  
 DAVID LEWIS, BUDGET DIRECTOR DATE  
 Office of Budget and Program Planning

2/19/93  
 DIANA E. WYATT, PRIMARY SPONSOR DATE

Fiscal Note for HB0625, as introduced

HB 625

Fiscal Note Request, HB0625, as introduced  
Form BD-15 page 2  
(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local government, including school districts, who are contracting employer members of PERS, will have their expenditures increased by a total of \$367,416 in FY94 and \$376,602 in FY95.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The present value cost of this proposal is \$17,886,000 (including the \$1,108,000 which would be refunded). An actuarial valuation of the system has determined the additional contribution of 0.13% of salaries contained in this bill would be sufficient to fund the costs associated with this bill over a 30-year period.