

House BILL NO. 106

INTRODUCED BY

Monahan Shea Sandy Ahner

BY REQUEST OF THE OFFICE OF PUBLIC INSTRUCTION AND THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A TERMINATION INCENTIVE TO CERTAIN STATE EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM WHO ARE ELIGIBLE TO RETIRE AND WHO TERMINATE EMPLOYMENT WITHIN A PRESCRIBED WINDOW OF ELIGIBILITY; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

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

NEW SECTION. Section 1. Termination incentives for teachers' retirement system members --

exceptions. (1) Except as provided in subsection (5), a person who is a full-time, active member of the teachers' retirement system on February 1, 1995, and who is employed by the state is entitled to the voluntary termination incentive provided in subsection (2) if:

(a) the employee is eligible for retirement under 19-20-801 or 19-20-802; and

(b) the employee:

(i) voluntarily terminates on or after June 25, 1995, but on or before July 5, 1996; or

(ii) is involuntarily terminated because of a reduction in force on or after [the effective date of this act] but before June 25, 1995.

(2) The termination incentive paid to a terminating eligible employee must be an amount equal to 1 year of the combined member and employer contributions established in 19-20-602 and 19-20-605 for each 5 years of creditable service within the teachers' retirement system, not to exceed the amount of combined contributions for 3 years. An employer shall use the employee's final year contract or salary to calculate the incentive amount.

(3) A member who terminates employment under the provisions of subsection (1) and who returns to employment in a position in the teachers' retirement system, except as provided in 19-20-804, shall refund the voluntary termination incentive to the terminating state agency.

(4) To qualify for the termination incentive authorized in this section, the participant shall notify

1 the state in writing of an intent to terminate employment no later than 30 days prior to termination or
2 December 31, 1995, whichever is earlier.

3 (5) An employee of the university system or of the commissioner of higher education is excluded
4 from [section 2] and this section.

5

6 **NEW SECTION. Section 2. Use of termination incentive -- installment payments authorized.** (1)

7 If the eligible employee elects to use the termination incentive paid under [section 1], in whole or in part,
8 to enhance retirement benefits, the employer contributions to the teachers' retirement system required
9 under 19-20-101(5)(d) are included in the total amount of termination incentive paid to the employee.

10 (2) The provisions of this section apply only to a termination incentive and do not relieve an
11 employer from making any contributions defined in 19-20-101(5)(d).

12 (3) The termination incentive may be paid, upon request of the employee, in 12 equal installments
13 as long as the final installment payment occurs on or before June 30, 1997.

14

15 **NEW SECTION. Section 3. Codification instruction.** [Sections 1 and 2] are intended to be codified
16 as an integral part of Title 2, chapter 18, part 3, and the provisions of Title 2, chapter 18, part 3, apply to
17 [sections 1 and 2].

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19 **NEW SECTION. Section 4. Effective date.** [This act] is effective on passage and approval.

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21 **NEW SECTION. Section 5. Termination.** [This act] terminates July 6, 1996.

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-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB 106, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

The bill provides a termination incentive for state employees who are members of the Teachers' Retirement System and were not eligible under HB 517 of the fifty-third legislature. An incentive of 14.514% final salary for each 5 years of service, up to a maximum of 15 years, will be paid to any employee who is eligible to retire under TRS who voluntarily terminates on or after June 25, 1995, but on or before July 5, 1996; or is involuntarily terminated because of a reduction in force on or after [the effective date of this act] but before June 25, 1995.

ASSUMPTIONS:

1. Potentially eligible state employees. Of the 39 potentially eligible state employees who are members of TRS, 6 have between 5 and 10 years, 7 have between 10 and 15 years, and 26 have 15 years or more.
2. Total eligible, and average salary and incentive are as follows:

	<u>TOTAL</u> <u>ELIGIBLE</u>	<u>AVERAGE</u> <u>SALARY</u>	<u>AVERAGE</u> <u>INCENTIVE</u>
Employees with > 5 years and < 10	6	\$ 28,292	\$ 4,106
Employees with > 10 years and < 15	7	28,207	8,188
Employees with 15 years or more	<u>26</u>	30,828	13,423
TOTAL	39		

3. Given the small number of employees eligible under this proposal and the uncertain effect other legislative proposals could have on the number of employees who may take advantage of the termination incentive, it is difficult to estimate the fiscal impact. Assume 25% of those eligible will terminate and receive the incentive.

	<u>TOTAL</u> <u>ELIGIBLE</u>	<u>100%</u> <u>ELECT</u>	<u>25%</u> <u>ELECT</u>
Employees with > 5 years and < 10	6	\$ 24,638	\$ 6,159
Employees with > 10 years and < 15	7	57,316	14,329
Employees with 15 years or more	<u>26</u>	<u>333,382</u>	<u>83,345</u>
TOTAL	39	\$415,336	\$103,833

4. The termination incentive may be paid, at the request of the employee, in 12 equal installments ending no later than June 30, 1997.
5. The cash incentive will be paid to eligible employees over a 12-month period by the employer from the savings created by the termination of the employee. These savings are due to vacancy savings generated between termination of the retiring employee and replacement and the reduced salary and longevity costs of less senior replacement employees over the remainder of the biennium.
6. There will be no impact on the teachers retirement system as no additional contributions will be paid into the system after the employee is terminated.

FISCAL IMPACT: There will be no net fiscal impact as the costs of the incentive will be covered through related savings.

David Lewis 1-15-95

Red Menahan

DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

RED MENAHAN, PRIMARY SPONSOR DATE
Fiscal Note for HB0106, as introduced

HB 106

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House BILL NO. 106

INTRODUCED BY Tim Mahoney, Shea, Brady, Ahner

BY REQUEST OF THE OFFICE OF PUBLIC INSTRUCTION AND THE OFFICE OF BUDGET AND
PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A TERMINATION INCENTIVE TO CERTAIN STATE
EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM WHO ARE ELIGIBLE TO RETIRE AND WHO
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teachers' retirement system on February 1, 1995, and who is employed by the state is entitled to the
voluntary termination incentive provided in subsection (2) if:

(a) the employee is eligible for retirement under 19-20-801 or 19-20-802; and

(b) the employee:

(i) voluntarily terminates on or after June 25, 1995, but on or before July 5, 1996; or

(ii) is involuntarily terminated because of a reduction in force on or after [the effective date of this
act] but before June 25, 1995.

(2) The termination incentive paid to a terminating eligible employee must be an amount equal to
1 year of the combined member and employer contributions established in 19-20-602 and 19-20-605 for
each 5 years of creditable service within the teachers' retirement system, not to exceed the amount of
combined contributions for 3 years. An employer shall use the employee's final year contract or salary to
calculate the incentive amount.

(3) A member who terminates employment under the provisions of subsection (1) and who returns
to employment in a position in the teachers' retirement system, except as provided in 19-20-804, shall
refund the voluntary termination incentive to the terminating state agency.

(4) To qualify for the termination incentive authorized in this section, the participant shall notify

1 the state in writing of an intent to terminate employment no later than 30 days prior to termination or
2 December 31, 1995, whichever is earlier.

3 (5) An employee of the university system or of the commissioner of higher education is excluded
4 from [section 2] and this section.

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6 **NEW SECTION. Section 2. Use of termination incentive -- installment payments authorized.** (1)
7 If the eligible employee elects to use the termination incentive paid under [section 1], in whole or in part,
8 to enhance retirement benefits, the employer contributions to the teachers' retirement system required
9 under 19-20-101(5)(d) are included in the total amount of termination incentive paid to the employee.

10 (2) The provisions of this section apply only to a termination incentive and do not relieve an
11 employer from making any contributions defined in 19-20-101(5)(d).

12 (3) The termination incentive may be paid, upon request of the employee, in 12 equal installments
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15 **NEW SECTION. Section 3. Codification instruction.** [Sections 1 and 2] are intended to be codified
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1 HOUSE BILL NO. 106

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