

House BILL NO. 306

INTRODUCED BY

Raymond Forrester *Opp* *Malvin*
Quibbe *Forrester* *Grady* *Roe*

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE SERVICE RETIREMENT BENEFITS PAYABLE UNDER THE SHERIFFS' RETIREMENT SYSTEM; REDUCING THE NUMBER OF YEARS OF SERVICE REQUIRED FOR NORMAL AND EARLY RETIREMENT ELIGIBILITY; ELIMINATING THE AGE REQUIREMENT FOR NORMAL SERVICE RETIREMENT; ELIMINATING THE PERCENT OF SALARY LIMIT ON THE AMOUNT OF A NORMAL SERVICE RETIREMENT BENEFIT; INCREASING THE BENEFIT PAID TO SURVIVORS; INCREASING EMPLOYER AND EMPLOYEE CONTRIBUTION RATES TO FUND THE BENEFIT CHANGES; AMENDING SECTIONS 19-7-403, 19-7-404, 19-7-501, 19-7-502, 19-7-503, 19-7-504, AND 19-7-901, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 19-7-403, MCA, is amended to read:

"19-7-403. Member's contributions deducted. (1) Every member shall contribute into the pension trust fund ~~7%~~ 7.865% of the member's monthly compensation, which must be deposited to the member's credit in the pension trust fund.

(2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954, as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable by the member under subsection (1) for service rendered after June 30, 1985.

(3) The member's contributions picked up by the employer must be designated for all purposes of the retirement system as the member's contributions, except for the determination of a tax upon a distribution from the retirement system. These contributions must become part of the member's accumulated contributions but must be accounted for separately from those previously accumulated.

(4) The member's contributions picked up by the employer must be payable from the same source as is used to pay compensation to the member and must be included in the member's wages as defined in 19-1-102 and salary as used to define the member's final average salary in 19-7-101. The employer shall deduct from the member's compensation an amount equal to the amount of the member's contributions picked up by the employer and remit the total of the contributions to the board."

1 **Section 2.** Section 19-7-404, MCA, is amended to read:

2 "**19-7-404. Employer contributions.** (1) The employer shall pay monthly ~~7.67%~~ 8.535% of each
3 member's gross compensation into the pension trust fund created by this chapter.

4 (2) If the required contribution to the retirement system exceeds the funds available to a county
5 from general revenue sources, a county may budget, levy, and collect annually a special tax on the
6 assessable property within the county that is sufficient to raise the amount of revenue needed to meet the
7 county's obligation. This tax may be in addition to the annual rate of taxation allowed by law to be levied
8 by the county."

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10 **Section 3.** Section 19-7-501, MCA, is amended to read:

11 "**19-7-501. Eligibility and application for service retirement -- commencement of benefit.** (1) ~~(a)~~ A
12 member ~~initially elected or appointed before July 1, 1989,~~ who has completed at least ~~24~~ 20 years of
13 membership service may retire on a service retirement benefit.

14 ~~(b) A member initially elected or appointed on or after July 1, 1989, who has completed at least~~
15 ~~24 years of membership service, reached the age of 50 years, and terminated service may retire on a~~
16 ~~service retirement benefit.~~

17 (2) A member electing to retire shall apply in writing to the board.

18 (3) (a) Except as provided in subsections (3)(b) and (3)(c), the retirement benefit may commence
19 on the first day of the month following the member's last day of service or, if requested by the inactive
20 member in writing, on the first day of the month following receipt of the written application.

21 (b) The retirement benefit for an eligible inactive member must commence no later than the first
22 day of the month following the member's 65th birthday.

23 (c) If an elected official's term of office expires before the 15th day of the month, the official may
24 elect to retire on the first day of the last month of the term of office. An official electing this option may
25 not earn service or compensation for purposes of final average salary under the retirement system in that
26 month, and compensation earned in that month is not subject to employer or member contributions."

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28 **Section 4.** Section 19-7-502, MCA, is amended to read:

29 "**19-7-502. Early retirement option.** A member with 15 years of membership service ~~who has~~
30 ~~reached age 50~~ may retire with an early retirement benefit commencing no sooner than the first day of the

1 month following the member's 50th birthday. The early retirement benefit must be calculated to be the
2 actuarial equivalent of the member's retirement benefit as otherwise accrued, based upon payment
3 commencing when the member would have completed ~~24~~ 20 years of membership service or reached age
4 60, whichever event would have occurred first."

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6 **Section 5.** Section 19-7-503, MCA, is amended to read:

7 **"19-7-503. Service retirement benefit.** (1) The amount of any service retirement benefit granted
8 to a member ~~with 24 years or less of membership service~~ is 2.0834% of the member's final average salary
9 for each year of service credit, ~~up to a maximum of 50% of final average salary.~~

10 (2) ~~The member's retirement benefit must be increased for any member who contributes after 24~~
11 ~~years of service credit by 1.35% of the member's final average salary for each year of service credit in~~
12 ~~excess of 24 years, up to a maximum of 60% of the member's final average salary.~~

13 ~~(3) If a member dies after retirement and had not elected an optional retirement benefit provided~~
14 ~~for in 19-7-1001, the member's designated beneficiary must be paid the excess, if any, of the member's~~
15 ~~accumulated contributions at the time of retirement less payments made to the retired member."~~

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17 **Section 6.** Section 19-7-504, MCA, is amended to read:

18 **"19-7-504. Involuntary retirement benefit.** If a member is involuntarily discontinued from service
19 after having completed 5 years of membership service but before reaching retirement age eligibility under
20 19-7-501, the member must, upon filing an application, be paid in one of the following ways:

21 (1) the full amount of the member's accumulated contributions; or

22 (2) a retirement benefit beginning on the member's 50th birthday, calculated under the provisions
23 of 19-7-502."

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25 **Section 7.** Section 19-7-901, MCA, is amended to read:

26 **"19-7-901. Payments in case of death before retirement.** If a member dies before retirement, the
27 member's designated beneficiary ~~is entitled to~~ may elect one of the following options for which the member
28 qualified and the designated beneficiary qualifies:

29 (1) a lump-sum payment of the accumulated contributions standing to the member's credit at the
30 member's death;

1 (2) a ~~retirement~~ survivorship benefit ~~based on 2% of~~ equal to 2.0834% of the member's the final
2 average salary for each year of service credit ~~up to a maximum of 25 years, actuarially reduced on an~~
3 ~~actuarially equivalent basis~~ from age 65 or the date the member would have completed ~~25~~ 20 years of
4 membership service, whichever provides a larger retirement benefit; or

5 (3) a ~~retirement~~ survivorship benefit ~~based on that is no less than~~ one-half of the member's final
6 average salary if the board finds that the member died as a direct and proximate result of injuries received
7 in the course of employment."

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9 NEW SECTION. Section 8. Coordination instruction. If ____ Bill No. ____ [LC 772] is passed and
10 approved and if it amends sections 19-7-403 and 19-7-404 to fund a guaranteed annual benefit adjustment,
11 then the employee contribution rate in [section 1 of this act], amending 19-7-403, must be 8.67% and the
12 employer contribution rate in [section 2 of this act], amending 19-7-404, must be 9.34%.

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14 NEW SECTION. Section 9. Effective date. [This act] is effective on July 1, 1995.

15

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0306, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill increasing retirement benefits in the Sheriffs' Retirement System (SRS) for persons retiring on or after 7/1/95 through eliminating the age requirement for normal service retirement eligibility; reducing the years required for regular and early service retirement eligibility from 24 to 20 years; increasing the formula for accruing benefits after 24 years of service (from 1.35% to 2.0834%); and increasing employer and employee contributions to pay for the change.

ASSUMPTIONS:

1. The actuarial cost of the benefit increases is an additional 1.73% of salaries of active members. The proposal splits this increase equally between employers and employees.
2. On June 30, 1994, there were 552 members of the SRS, with a total annual payroll of \$15.9 million. The average salary of members was \$28,748. Over the past 5 years, the average SRS member's salary has increased by an average annual rate of 5.6%; assume average salaries will increase by 3% each year in the future. Projected payroll is \$16,060,945 in FY96 and \$16,542,773 in FY97.
3. The salaries of state justice agents who are members of the SRS average 3.6% of total payroll. Of those state expenses, assume 40% will be general fund expenses.

FISCAL IMPACT: (see also technical note)

Expenditures:

<u>Department of Justice:</u>	<u>FY 1996</u>	<u>FY 1997</u>
General Fund	\$2,001	\$2,061
Non-General Fund	<u>3,000</u>	<u>3,090</u>
Total State	\$5,001	\$5,151

Revenues:

<u>SRS Pension Trust Fund:</u>	<u>FY 1996</u>	<u>FY 1997</u>
Employer Contributions		
County Contributions	\$133,926	\$137,944
State Contributions	5,001	5,151
Employee Contributions	138,927	143,095
Investment Income	<u>11,114</u>	<u>34,565</u>
Total SRS Revenues (09)	\$288,968	\$320,755

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Estimated increase in county employer contributions is \$133,926 in FY96 and \$137,944 in FY97 (see SRS revenues above). The average annual increased expenditure per SRS member will be \$252 in FY96 and \$259 in FY97.

LONG RANGE EFFECTS OF PROPOSED LEGISLATION:

HB306 provides for full actuarial funding of the proposed increased benefit payments.

(continued)

 Dave Lewis 1-27-95
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

 Harriet Hayne
 HARRIET HAYNE, PRIMARY SPONSOR DATE

TECHNICAL NOTE:

HB306 contains coordination instructions (section 8) in the event that HB268 is approved (the Governor's proposed legislation for guaranteed annual benefit adjustments or "GABA"). If both HB306 and HB268 are approved, the employee and employer contribution rates would be further increased. The revised, total fiscal impact of HB306 would be as follows:

Expenditures:

Department of Justice:	<u>FY 1996</u>	<u>FY 1997</u>
General Fund	\$3,863	\$3,979
Non-General Fund	<u>5,792</u>	<u>5,966</u>
Total State	\$9,655	\$9,945

Revenues:

SRS Pension Trust Fund:	<u>FY 1996</u>	<u>FY 1997</u>
Employer Contributions		
County Contributions	\$258,562	\$266,320
State Contributions	9,655	9,945
Employee Contributions	268,217	276,264
Investment Income	<u>21,457</u>	<u>66,732</u>
Total SRS Revenues (09)	\$557,892	\$619,261

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INTRODUCED BY

Haynes Forrester Orr Melvin
Dickson Lamborn Prody Rose

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3 member's gross compensation into the pension trust fund created by this chapter.

4 (2) If the required contribution to the retirement system exceeds the funds available to a county
5 from general revenue sources, a county may budget, levy, and collect annually a special tax on the
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18 (3) (a) Except as provided in subsections (3)(b) and (3)(c), the retirement benefit may commence
19 on the first day of the month following the member's last day of service or, if requested by the inactive
20 member in writing, on the first day of the month following receipt of the written application.

21 (b) The retirement benefit for an eligible inactive member must commence no later than the first
22 day of the month following the member's 65th birthday.

23 (c) If an elected official's term of office expires before the 15th day of the month, the official may
24 elect to retire on the first day of the last month of the term of office. An official electing this option may
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INTRODUCED BY

Layne Forester *Erin Malvin*
Debbie Fambro *Grady Rose*

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26 (4) The member's contributions picked up by the employer must be payable from the same source
27 as is used to pay compensation to the member and must be included in the member's wages as defined
28 in 19-1-102 and salary as used to define the member's final average salary in 19-7-101. The employer shall
29 deduct from the member's compensation an amount equal to the amount of the member's contributions
30 picked up by the employer and remit the total of the contributions to the board."

1 **Section 2.** Section 19-7-404, MCA, is amended to read:

2 "**19-7-404. Employer contributions.** (1) The employer shall pay monthly ~~7.67%~~ 8.535% of each
3 member's gross compensation into the pension trust fund created by this chapter.

4 (2) If the required contribution to the retirement system exceeds the funds available to a county
5 from general revenue sources, a county may budget, levy, and collect annually a special tax on the
6 assessable property within the county that is sufficient to raise the amount of revenue needed to meet the
7 county's obligation. This tax may be in addition to the annual rate of taxation allowed by law to be levied
8 by the county."

9

10 **Section 3.** Section 19-7-501, MCA, is amended to read:

11 "**19-7-501. Eligibility and application for service retirement -- commencement of benefit.** (1) ~~(a)~~ A
12 member ~~initially elected or appointed before July 1, 1989,~~ who has completed at least ~~24~~ 20 years of
13 membership service may retire on a service retirement benefit.

14 ~~(b) A member initially elected or appointed on or after July 1, 1989, who has completed at least~~
15 ~~24 years of membership service, reached the age of 50 years, and terminated service may retire on a~~
16 ~~service retirement benefit.~~

17 (2) A member electing to retire shall apply in writing to the board.

18 (3) (a) Except as provided in subsections (3)(b) and (3)(c), the retirement benefit may commence
19 on the first day of the month following the member's last day of service or, if requested by the inactive
20 member in writing, on the first day of the month following receipt of the written application.

21 (b) The retirement benefit for an eligible inactive member must commence no later than the first
22 day of the month following the member's 65th birthday.

23 (c) If an elected official's term of office expires before the 15th day of the month, the official may
24 elect to retire on the first day of the last month of the term of office. An official electing this option may
25 not earn service or compensation for purposes of final average salary under the retirement system in that
26 month, and compensation earned in that month is not subject to employer or member contributions."

27

28 **Section 4.** Section 19-7-502, MCA, is amended to read:

29 "**19-7-502. Early retirement option.** A member with 15 years of membership service ~~who has~~
30 ~~reached age 50~~ may retire with an early retirement benefit commencing no sooner than the first day of the

1 month following the member's 50th birthday. The early retirement benefit must be calculated to be the
 2 actuarial equivalent of the member's retirement benefit as otherwise accrued, based upon payment
 3 commencing when the member would have completed ~~24~~ 20 years of membership service or reached age
 4 60, whichever event would have occurred first."

5

6 **Section 5.** Section 19-7-503, MCA, is amended to read:

7 **"19-7-503. Service retirement benefit.** (1) The amount of any service retirement benefit granted
 8 to a member ~~with 24 years or less of membership service~~ is 2.0834% of the member's final average salary
 9 for each year of service credit, ~~up to a maximum of 50% of final average salary.~~

10 (2) ~~The member's retirement benefit must be increased for any member who contributes after 24~~
 11 ~~years of service credit by 1.35% of the member's final average salary for each year of service credit in~~
 12 ~~excess of 24 years, up to a maximum of 60% of the member's final average salary.~~

13 ~~(3)~~ If a member dies after retirement and had not elected an optional retirement benefit provided
 14 for in 19-7-1001, the member's designated beneficiary must be paid the excess, if any, of the member's
 15 accumulated contributions at the time of retirement less payments made to the retired member."

16

17 **Section 6.** Section 19-7-504, MCA, is amended to read:

18 **"19-7-504. Involuntary retirement benefit.** If a member is involuntarily discontinued from service
 19 after having completed 5 years of membership service but before reaching retirement ~~age~~ eligibility under
 20 19-7-501, the member must, upon filing an application, be paid in one of the following ways:

21 (1) the full amount of the member's accumulated contributions; or

22 (2) a retirement benefit beginning on the member's 50th birthday, calculated under the provisions
 23 of 19-7-502."

24

25 **Section 7.** Section 19-7-901, MCA, is amended to read:

26 **"19-7-901. Payments in case of death before retirement.** If a member dies before retirement, the
 27 member's designated beneficiary ~~is entitled to~~ may elect one of the following options for which the member
 28 qualified and the designated beneficiary qualifies:

29 (1) a lump-sum payment of the accumulated contributions standing to the member's credit at the
 30 member's death;

