

## 1 HOUSE BILL NO. 112

2 INTRODUCED BY AHNER

3 BY REQUEST OF THE TEACHERS' RETIREMENT BOARD

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A BIENNIAL POSTRETIREMENT ADJUSTMENT  
6 FOR RETIRED TEACHERS; PROVIDING A STATE CONTRIBUTION; REVISING ELIGIBILITY REQUIREMENTS;  
7 AMENDING SECTIONS 19-20-711, 19-20-712, AND 19-20-713, MCA; AND PROVIDING AN IMMEDIATE  
8 EFFECTIVE DATE."

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

11  
12 NEW SECTION. **Section 1. State contribution -- biennial postretirement adjustment.** (1) The state  
13 shall contribute monthly to the pension trust fund a sum equal to 0.40% of the compensation reported to  
14 the retirement system each month.

15 (2) The amount received by the retirement system under subsection (1) must be deposited into a  
16 reserve fund to be used in each odd-numbered year to pay a postretirement adjustment pursuant to  
17 19-20-713.

18  
19 **Section 2.** Section 19-20-711, MCA, is amended to read:

20 "**19-20-711. Eligibility for postretirement adjustment.** (1) Except as provided in subsection (2), a  
21 ~~member retiree~~ or beneficiary is eligible to receive a postretirement adjustment, as provided in 19-20-713,  
22 if ~~he~~ the retiree or beneficiary is receiving a:

23 (a) ~~service is receiving a monthly~~ retirement allowance and is ~~55~~ 60 years of age or older on or  
24 before June 30 in the year that the postretirement adjustment is made; ~~or and~~

25 ~~(b) disability or survivorship allowance.~~

26 ~~(2) A member or beneficiary is ineligible to receive a postretirement adjustment under subsection~~  
27 ~~(1) unless he has been receiving a monthly service, disability, or survivorship~~

28 (b) has been receiving the monthly retirement allowance for at least 24 60 consecutive months on  
29 or before June 30 in the year that the adjustment is made."

1           **Section 3.** Section 19-20-712, MCA, is amended to read:

2           **"19-20-712. Funding for postretirement adjustment -- reserve fund.** (1) At the end of each fiscal  
3 year, the board shall determine the total investment income ~~earned~~ minus any unrealized gains or losses  
4 on the retirement fund for that fiscal year. From this amount, the board shall subtract the:

5           (a) ~~actuarial amount required to fund the retirement system for the fiscal year~~ amount equivalent  
6 to the actuarially required investment yield; and

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

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

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

11           (3) Subject to the restrictions contained in subsections (4) and (5), the board shall annually use  
12 90% of the amount in the reserve fund provided for in subsection (2)(b) to pay a postretirement adjustment  
13 to eligible ~~members~~ retirees or beneficiaries under 19-20-713.

14           (4) If the amount in the reserve fund is insufficient to provide an average monthly postretirement  
15 adjustment of at least \$1 under 19-20-713, an adjustment may not be made in that calendar year.

16           (5) The amount available for payment of the postretirement ~~allowance~~ adjustment under 19-20-713  
17 is limited to an amount that would provide a percentage increase ~~in the average service, disability, or~~  
18 ~~survivorship allowance of all eligible members, when combined with the postretirement adjustment,~~ that  
19 is equal to or less than the percentage increase for the previous calendar year in the annual average  
20 consumer price index for urban wage earners and workers compiled by the bureau of labor statistics, United  
21 States department of labor, or its successor agency."

22

23           **Section 4.** Section 19-20-713, MCA, is amended to read:

24           **"19-20-713. Payment and amount of postretirement adjustment.** (1) Effective January 1 ~~of~~  
25 following each year that funds are available under 19-20-712 and in each odd-numbered year that funds  
26 are available pursuant to [section 1], a ~~member~~ retiree or beneficiary eligible under 19-20-711 ~~shall~~ must  
27 receive a postretirement adjustment in the form of a monthly benefit payable for life.

28           (2) The board shall calculate the amount of the postretirement allowance payable to an eligible  
29 ~~member~~ retiree or beneficiary by:

30           (a) dividing the amount available under 19-20-712(3) and [section 1] for payment of the

1 postretirement allowance by the total accumulated years of service for all eligible ~~members~~ retirees and  
2 beneficiaries;

3 (b) multiplying the quotient obtained in subsection (2)(a) by the ~~member's~~ retiree's total years of  
4 service at the time of retirement;

5 (c) dividing the product obtained in subsection (2)(b) by a factor for calculating a monthly ~~annuity~~  
6 retirement allowance from actuarial tables adopted by the board; and

7 (d) applying the provisions contained in subsections (3) and (4).

8 (3) If a ~~member~~ retiree had elected to receive an optional retirement allowance, the amount of ~~his~~  
9 the retiree's postretirement allowance must be adjusted by the appropriate optional factor.

10 (4) If more than one beneficiary is receiving a ~~member's~~ retiree's retirement allowance, the  
11 postretirement adjustment must be divided in the same manner as the ~~member's~~ retiree's retirement  
12 allowance."

13

14 NEW SECTION. Section 5. Codification instruction. [Section 1] is intended to be codified as an  
15 integral part of Title 19, chapter 20, part 7, and the provisions of Title 19, chapter 20, part 7, apply to  
16 [section 1].

17

18 NEW SECTION. Section 6. Effective date. [This act] is effective on passage and approval.

19

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0112, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

The legislation provides funding for a biennial postretirement adjustment for retired teachers who are at least age 60 and have been retired for at least 5 years.

ASSUMPTIONS:

1. On an annual basis, the state general fund contributions to the Teachers' Retirement System (TRS) are approximately equal to the amount of state income tax paid by retired teachers. The state income tax liability associated with benefits paid in excess of the \$3,600 exclusion to retired members of the Teachers' Retirement System for tax year 1994 was \$1,694,612, or approximately 0.40 percent of the total payroll reported for active members.
2. State income taxes paid by retired members of the Teachers' Retirement System will continue to be approximately 0.40 percent of the total payroll of active members.
3. The estimated total payroll for active members to be reported in each year of the 1999 biennium will be: 1998 - \$517,640,200 and 1999 - \$533,345,808.
4. The bill provides for a state contribution equal to 0.40 percent of the compensation reported to the TRS. The estimated contributions from the general fund will be \$2,070,560 (.0040 x \$517,640,200) in fiscal year 1998 and \$2,133,383 (.0040 x \$533,345,808) in fiscal year 1999.
5. The bill provides that the postretirement adjustments funded by state general fund contributions must be paid out beginning in each odd-numbered year in the form of a monthly benefit for life. The Department of Revenue determined that for TRS retirees for tax year 1994, the ratio of the tax liability on benefit payments divided by total benefit payments was 2.89 percent. Therefore, approximately 2.89 percent of the increased monthly benefits paid under this bill may be estimated to be returned to the general fund in the form of income tax revenue. The general fund revenue is estimated to be minimal for fiscal year 1999 and not subject to reasonable estimate in subsequent fiscal years.

FISCAL IMPACT:

Expenditures:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
General fund contributions (01)	\$2,070,560	\$2,133,383

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

1. The state general fund contributions to the Teachers' Retirement System will continue to increase as total member compensation reported to the system increases due to increase in salaries and the number of members participating in the system.
2. All benefit adjustments provided under this bill will be fully funded and will not result in increased unfunded liabilities for the TRS.

*Dave Lewis* 1-11-97  
 DAVE LEWIS, BUDGET DIRECTOR DATE  
 Office of Budget and Program Planning

*Chris Ahner*  
 CHRIS AHNER, PRIMARY SPONSOR DATE

Fiscal Note for HB0112, as introduced

HB 112

HOUSE BILL NO. 112

INTRODUCED BY AHNER, LYNCH, VAN VALKENBURG, BECK, HALLIGAN, WATERMAN, HERTEL,  
BARTLETT, LAWSON, SCHMIDT, MENAHAN, ROSE, HARPER, J. JOHNSON, MASOLO, SQUIRES,  
KITZENBERG, COCCHIARELLA, GALVIN, HARRINGTON, HIBBARD, PAVLOVICH, SHEA

BY REQUEST OF THE TEACHERS' RETIREMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A BIENNIAL AN AD HOC POSTRETIREMENT  
ADJUSTMENT FOR RETIRED TEACHERS; PROVIDING A STATE CONTRIBUTION; REVISING ELIGIBILITY  
REQUIREMENTS; AMENDING SECTIONS 19-20-711, 19-20-712, AND SECTION 19-20-713, MCA; 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. State contribution -- biennial AD HOC postretirement adjustment. (1)

The state shall contribute ~~monthly~~ \$2 MILLION to the pension trust fund ~~a sum equal to 0.40% of the~~  
~~compensation reported to the retirement system each month~~ ON JANUARY 1, 1998.

(2) The amount received by the retirement system under subsection (1) must be deposited into a  
reserve fund to be used ~~in each odd-numbered year~~ to pay a postretirement adjustment pursuant to  
19-20-713. AN ADJUSTMENT MADE UNDER THIS SECTION IS NOT SUBJECT TO 19-20-712.

(3) A BENEFIT RECIPIENT IS ELIGIBLE TO RECEIVE AN AD HOC ADJUSTMENT PAYABLE WITH  
THE RECIPIENT'S JANUARY 1998 BENEFIT IF THE RECIPIENT IS AT LEAST 60 YEARS OF AGE AND THE  
RETIRED MEMBER HAS BEEN OR WAS RETIRED FOR AT LEAST 10 YEARS.

~~Section 2. Section 19-20-711, MCA, is amended to read:~~

~~"19-20-711. Eligibility for postretirement adjustment. (1) Except as provided in subsection (2), a  
member retiree or beneficiary is eligible to receive a postretirement adjustment, as provided in 19-20-713,  
if he the retiree or beneficiary is receiving a:~~

~~(a) service is receiving a monthly retirement allowance and is 55-60 years of age or older on or  
before June 30 in the year that the postretirement adjustment is made; or and~~

~~(b) disability or survivorship allowance.~~

1           ~~(2) A member or beneficiary is ineligible to receive a postretirement adjustment under subsection~~  
 2 ~~(1) unless he has been receiving a monthly service, disability, or survivorship~~  
 3 ~~(b) has been receiving the monthly retirement allowance for at least 24 60 consecutive months on~~  
 4 ~~or before June 30 in the year that the adjustment is made."~~

5  
 6           ~~Section 3. Section 19-20-712, MCA, is amended to read:~~

7           ~~"19-20-712. Funding for postretirement adjustment reserve fund. (1) At the end of each fiscal~~  
 8 ~~year, the board shall determine the total investment income earned minus any unrealized gains or losses~~  
 9 ~~on the retirement fund for that fiscal year. From this amount, the board shall subtract the:~~

10           ~~(a) actuarial amount required to fund the retirement system for the fiscal year amount equivalent~~  
 11 ~~to the actuarially required investment yield; and~~

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

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

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

16           ~~(3) Subject to the restrictions contained in subsections (4) and (5), the board shall annually use~~  
 17 ~~90% of the amount in the reserve fund provided for in subsection (2)(b) to pay a postretirement adjustment~~  
 18 ~~to eligible members retirees or beneficiaries under 19-20-713.~~

19           ~~(4) If the amount in the reserve fund is insufficient to provide an average monthly postretirement~~  
 20 ~~adjustment of at least \$1 under 19-20-713, an adjustment may not be made in that calendar year.~~

21           ~~(5) The amount available for payment of the postretirement allowance adjustment under 19-20-713~~  
 22 ~~is limited to an amount that would provide a percentage increase in the average service, disability, or~~  
 23 ~~survivorship allowance of all eligible members, when combined with the postretirement adjustment, that~~  
 24 ~~is equal to or less than the percentage increase for the previous calendar year in the annual average~~  
 25 ~~consumer price index for urban wage earners and workers compiled by the bureau of labor statistics, United~~  
 26 ~~States department of labor, or its successor agency."~~

27  
 28           ~~Section 2. Section 19-20-713, MCA, is amended to read:~~

29           ~~"19-20-713. Payment and amount of postretirement adjustment. (1) Effective January 1 of~~  
 30 ~~following each year that funds are available under 19-20-712 and in each odd-numbered year that funds~~

1 ~~are available~~ pursuant to [section 1], a ~~member retiree~~ or beneficiary eligible under 19-20-711 AND  
 2 [SECTION 1] ~~shall~~ must receive a postretirement adjustment in the form of a monthly benefit payable for  
 3 life.

4 (2) The board shall calculate the amount of the postretirement allowance payable to an eligible  
 5 ~~member retiree~~ or beneficiary by:

6 (a) dividing the amount available under 19-20-712(3) and [section 1] for payment of the  
 7 postretirement allowance by the total accumulated years of service for all eligible ~~members~~ retirees and  
 8 beneficiaries;

9 (b) multiplying the quotient obtained in subsection (2)(a) by the ~~member's~~ retiree's total years of  
 10 service at the time of retirement;

11 (c) dividing the product obtained in subsection (2)(b) by a factor for calculating a monthly ~~annuity~~  
 12 retirement allowance from actuarial tables adopted by the board; and

13 (d) applying the provisions contained in subsections (3) and (4).

14 (3) If a ~~member retiree~~ had elected to receive an optional retirement allowance, the amount of ~~his~~  
 15 the retiree's postretirement allowance must be adjusted by the appropriate optional factor.

16 (4) If more than one beneficiary is receiving a ~~member's~~ retiree's retirement allowance, the  
 17 postretirement adjustment must be divided in the same manner as the ~~member's~~ retiree's retirement  
 18 allowance."

19  
 20 **NEW SECTION. Section 3. Codification instruction.** [Section 1] is intended to be codified as an  
 21 integral part of Title 19, chapter 20, part 7, and the provisions of Title 19, chapter 20, part 7, apply to  
 22 [section 1].

23  
 24 **NEW SECTION. Section 4. Effective date.** [This act] is effective on passage and approval.

25  
 26 **NEW SECTION. SECTION 5. TERMINATION. [THIS ACT] TERMINATES JULY 1, 1998.**

27 -END-