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INTRODUCED BY Hilborn House BILL NO. 216 Denny
Aggona
Hertel Wiseman Beckin Bill Wilson Sando Jergeson Julice

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE YEARS REQUIRED FOR VESTING IN THE SHERIFFS' RETIREMENT SYSTEM; INCREASING THE SERVICE RETIREMENT, DISABILITY, AND DEATH BENEFIT; INCREASING MEMBER AND EMPLOYER CONTRIBUTIONS; REPEALING THE INVOLUNTARY RETIREMENT BENEFIT; AMENDING SECTIONS 19-7-301, 19-7-403, 19-7-404, 19-7-502, 19-7-503, AND 19-7-901, MCA; REPEALING SECTION 19-7-504, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 19-7-301, MCA, is amended to read:

"19-7-301. Membership -- inactive vested members -- inactive nonvested members. (1) ~~Every~~ Each sheriff is required to become a member of the sheriffs' retirement system unless the sheriff was a member of the public employees' retirement system on July 1, 1974, in which case the sheriff may at the sheriff's option become a member of the sheriffs' retirement system.

(2) An investigator is required to become a member of the sheriffs' retirement system unless the investigator was a member of the public employees' retirement system on July 1, 1993, in which case the investigator has the option of becoming a member of the sheriffs' retirement system.

(3) All sheriffs and investigators who become members of the sheriffs' retirement system ~~must~~ shall remain members so long as they are actively employed in an eligible capacity, except as provided in 19-7-1101.

(4) A member with at least ~~45~~ 5 years of membership service who terminates service and does not take a refund of the member's accumulated contributions is an inactive vested member and retains the right to purchase service and to receive a retirement benefit under the provisions of this chapter.

(5) A member with less than ~~45~~ 5 years of membership service who terminates service and leaves the member's accumulated contributions in the pension trust fund is an inactive nonvested member and is not eligible for any benefits from the retirement system. An inactive nonvested member is eligible only for a refund of the member's accumulated contributions."

1 **Section 2.** Section 19-7-403, MCA, is amended to read:

2 **"19-7-403. Member's contributions deducted.** (1) ~~Every~~ Each member shall contribute into the
3 pension trust fund ~~7.865%~~ 9.245% of the member's monthly compensation, which must be deposited to
4 the member's credit in the pension trust fund.

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

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

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

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18 **Section 3.** Section 19-7-404, MCA, is amended to read:

19 **"19-7-404. Employer contributions.** (1) The employer shall pay monthly ~~8.535%~~ 9.535% of each
20 member's gross compensation into the pension trust fund created by this chapter.

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

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

28 **"19-7-502. Early retirement option.** A member with ~~15~~ at least 5 years of membership service and
29 who has not met the minimum eligibility requirements for service retirement may retire with an early
30 retirement benefit commencing no sooner than the first day of the month following the member's 50th

1 birthday. The early retirement benefit must be calculated to be the actuarial equivalent of the member's
2 retirement benefit as otherwise accrued, based upon payment commencing when the member would have
3 completed 20 years of membership service or reached age 60, whichever event would have occurred first."
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5 **Section 5.** Section 19-7-503, MCA, is amended to read:

6 **"19-7-503. Service retirement benefit.** (1) The amount of any service retirement benefit granted
7 to a member is ~~2.0834%~~ 2.5% of the member's final average salary for each year of service credit.

8 (2) If a member dies after retirement and had not elected an optional retirement benefit provided
9 for in 19-7-1001, the member's designated beneficiary must be paid the excess, if any, of the member's
10 accumulated contributions at the time of retirement less payments made to the retired member."
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12 **Section 6.** Section 19-7-901, MCA, is amended to read:

13 **"19-7-901. Payments in case of death before retirement.** If a member dies before retirement, the
14 member's designated beneficiary may elect one of the following options for which the member qualified
15 and the designated beneficiary qualifies:

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

18 (2) a survivorship benefit equal to ~~2.0834%~~ 2.5% of the member's final average salary for each
19 year of service credit actuarially reduced from age 65 or the date on which the member would have
20 completed 20 years of membership service, whichever provides a larger retirement benefit; or

21 (3) a survivorship benefit that is no less than one-half of the member's final average salary if the
22 board finds that the member died as a direct and proximate result of injuries received in the course of
23 employment."
24

25 **NEW SECTION. Section 7. Repealer.** Section 19-7-504, MCA, is repealed.

26
27 **NEW SECTION. Section 8. Effective date.** [This act] is effective July 1, 1997.

28 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0216, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill that increases the service and disability retirement benefits and the survivor benefits paid by the Sheriffs' Retirement System (SRS).

ASSUMPTIONS:

1. SRS payroll totaled \$17.9 million in FY 96 and, without this legislation, is expected to increase at an annual rate of 6.9%. State employees who are members of this system will average 6% and 7% of payroll during each year of the next biennium, respectively.
2. The average pay for an SRS member with 20 or more years of service is \$37,500/year. The average pay for a new hire is less than \$26,000/year.
3. The benefit increases provided in this bill are expected to result in up to 50 additional retirements during the next biennium. Each additional member who retires with 20 years of service, the county will save approximately \$11,500 in salary with a resultant slowing of the projected payroll increases to an annual rate of 6% per year.
4. Employer contributions to the SRS will increase by 1% of covered payrolls; employee contributions will increase by 2.18% of salary.
5. Employer paid personnel benefits are 19% of salary under current law and will increase to 20% of salary under proposed law.

| | <u>FY98</u> <u>Difference</u> | <u>FY99</u> <u>Difference</u> |
|---|----------------------------------|----------------------------------|
| <u>FISCAL IMPACT:</u> | | |
| <u>Expenditures:</u> | | |
| Personal services (01) | (\$100) | (\$15,500) |
| <u>Revenues:</u> | | |
| General Fund | -0- | -0- |
| SRS Pension Trust Fund | \$617,800 | \$626,100 |
| <u>Net Impact on Fund Balance (Revenue - expenditures):</u> | | |
| General Fund (01) | (\$100) | (\$15,500) |
| SRS Pension Trust Fund* | -0- | -0- |

*Although additional contributions will be made to the SRS pension trust fund, when netted against the actuarial cost of increased benefits to be paid out, the actuarial net effect will average \$0 each year.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

County Sheriffs' Departments will pay increased contributions to the retirement system which will be more than offset by other personnel cost savings associated with earlier retirements of career employees who are replaced by new hires (e.g., savings on salary and benefits as a percentage of the lower salaries). Total estimated net savings to county governments is \$2,000 in FY98 and \$205,000 in FY99.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Average length of career service of SRS members is expected to decrease by 2 to 5 years. The savings shown above is contingent on the assumption that about 25 employees retire each year. After the initial wave of retirements in the first biennium, it is predicted that the volume will slow in the following years.

TECHNICAL NOTES:

This bill needs to be coordinated with HB 170 and LC 607, among others.

Dave Lewis 1-17-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Chase Hibbard 1/18/97
CHASE HIBBARD, PRIMARY SPONSOR DATE

Fiscal Note for HB0216, as introduced

HB 216

1 HOUSE BILL NO. 216

2 INTRODUCED BY HIBBARD, CRIPPEN, SIMPKINS, BARTLETT, DENNY, HAGENER, HERTEL, WISEMAN,
3 DEVLIN, WILSON, SANDS, JERGESON, QUILICI

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6 SHERIFFS' RETIREMENT SYSTEM; INCREASING THE SERVICE RETIREMENT, DISABILITY, AND DEATH
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8 RETIREMENT BENEFIT; SUPERSEDING THE UNFUNDED MANDATE LAW; AMENDING SECTIONS 19-7-301,
9 19-7-403, 19-7-404, 19-7-502, 19-7-503, AND 19-7-901, MCA; REPEALING SECTION 19-7-504, MCA;
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19 (2) An investigator is required to become a member of the sheriffs' retirement system unless the
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21 investigator has the option of becoming a member of the sheriffs' retirement system.

22 (3) All sheriffs and investigators who become members of the sheriffs' retirement system ~~must~~
23 shall remain members so long as they are actively employed in an eligible capacity, except as provided in
24 19-7-1101.

25 (4) A member with at least ~~45~~ 5 years of membership service who terminates service and does not
26 take a refund of the member's accumulated contributions is an inactive vested member and retains the right
27 to purchase service and to receive a retirement benefit under the provisions of this chapter.

28 (5) A member with less than ~~45~~ 5 years of membership service who terminates service and leaves
29 the member's accumulated contributions in the pension trust fund is an inactive nonvested member and
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23 (2) If the required contribution to the retirement system exceeds the funds available to a county
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25 assessable property within the county that is sufficient to raise the amount of revenue needed to meet the
26 county's obligation. This tax may be in addition to the annual rate of taxation allowed by law to be levied
27 by the county."

28

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

30 **"19-7-502. Early retirement option.** A member with ~~45~~ at least 5 years of membership service and

1 who has not met the minimum eligibility requirements for service retirement may retire with an early
 2 retirement benefit commencing no sooner than the first day of the month following the member's 50th
 3 birthday. The early retirement benefit must be calculated to be the actuarial equivalent of the member's
 4 retirement benefit as otherwise accrued, based upon payment commencing when the member would have
 5 completed 20 years of membership service or reached age 60, whichever event would have occurred first."

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

8 **"19-7-503. Service retirement benefit.** (1) The amount of any service retirement benefit granted
 9 to a member is ~~2.0834%~~ 2.5% of the member's final average salary for each year of service credit.

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

13
 14 **Section 6.** Section 19-7-901, MCA, is amended to read:

15 **"19-7-901. Payments in case of death before retirement.** If a member dies before retirement, the
 16 member's designated beneficiary may elect one of the following options for which the member qualified
 17 and the designated beneficiary qualifies:

18 (1) a lump-sum payment of the accumulated contributions standing to the member's credit at the
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20 (2) a survivorship benefit equal to ~~2.0834%~~ 2.5% of the member's final average salary for each
 21 year of service credit actuarially reduced from age 65 or the date on which the member would have
 22 completed 20 years of membership service, whichever provides a larger retirement benefit; or

23 (3) a survivorship benefit that is no less than one-half of the member's final average salary if the
 24 board finds that the member died as a direct and proximate result of injuries received in the course of
 25 employment."

26
 27 **NEW SECTION. SECTION 7. UNFUNDED MANDATE LAW SUPERSEDED. THE PROVISIONS OF**
 28 **[THIS ACT] EXPRESSLY SUPERSEDE AND MODIFY THE REQUIREMENTS OF 1-2-112 THROUGH 1-2-116.**

29
 30 **NEW SECTION. Section 8. Repealer.** Section 19-7-504, MCA, is repealed.

HOUSE BILL NO. 216

INTRODUCED BY HIBBARD, CRIPPEN, SIMPKINS, BARTLETT, DENNY, HAGENER, HERTEL, WISEMAN,
DEVLIN, WILSON, SANDS, JERGESON, QUILICI

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE YEARS REQUIRED FOR VESTING IN THE
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19-7-403, 19-7-404, 19-7-502, 19-7-503, AND 19-7-901, MCA; REPEALING SECTION 19-7-504, MCA;
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Section 1. Section 19-7-301, MCA, is amended to read:

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sheriff is required to become a member of the sheriffs' retirement system unless the sheriff was a member
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option become a member of the sheriffs' retirement system.

(2) An investigator is required to become a member of the sheriffs' retirement system unless the
investigator was a member of the public employees' retirement system on July 1, 1993, in which case the
investigator has the option of becoming a member of the sheriffs' retirement system.

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to purchase service and to receive a retirement benefit under the provisions of this chapter.

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is not eligible for any benefits from the retirement system. An inactive nonvested member is eligible only

1 for a refund of the member's accumulated contributions."

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3 **Section 2.** Section 19-7-403, MCA, is amended to read:

4 "**19-7-403. Member's contributions deducted.** (1) ~~Every~~ Each member shall contribute into the
5 pension trust fund ~~7.865%~~ 9.245% of the member's monthly compensation, which must be deposited to
6 the member's credit in the pension trust fund.

7 (2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954,
8 as amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable
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18 contributions picked up by the employer and remit the total of the contributions to the board."

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21 "**19-7-404. Employer contributions.** (1) The employer shall pay monthly ~~8.535%~~ 9.535% of each
22 member's gross compensation into the pension trust fund created by this chapter.

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24 from general revenue sources, a county may budget, levy, and collect annually a special tax on the
25 assessable property within the county that is sufficient to raise the amount of revenue needed to meet the
26 county's obligation. This tax may be in addition to the annual rate of taxation allowed by law to be levied
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29 **Section 4.** Section 19-7-502, MCA, is amended to read:

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 5 completed 20 years of membership service or reached age 60, whichever event would have occurred first."

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8 "19-7-503. **Service retirement benefit.** (1) The amount of any service retirement benefit granted
 9 to a member is ~~2.0834%~~ 2.5% of the member's final average salary for each year of service credit.

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 11 for in 19-7-1001, the member's designated beneficiary must be paid the excess, if any, of the member's
 12 accumulated contributions at the time of retirement less payments made to the retired member."

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 14 **Section 6.** Section 19-7-901, MCA, is amended to read:

15 "19-7-901. **Payments in case of death before retirement.** If a member dies before retirement, the
 16 member's designated beneficiary may elect one of the following options for which the member qualified
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 21 year of service credit actuarially reduced from age 65 or the date on which the member would have
 22 completed 20 years of membership service, whichever provides a larger retirement benefit; or

23 (3) a survivorship benefit that is no less than one-half of the member's final average salary if the
 24 board finds that the member died as a direct and proximate result of injuries received in the course of
 25 employment."

26
 27 **NEW SECTION. SECTION 7. UNFUNDED MANDATE LAW SUPERSEDED. THE PROVISIONS OF**
 28 **[THIS ACT] EXPRESSLY SUPERSEDE AND MODIFY THE REQUIREMENTS OF 1-2-112 THROUGH 1-2-116.**

29
 30 **NEW SECTION. Section 8. Repealer.** Section 19-7-504, MCA, is repealed.

1 NEW SECTION. **Section 9. Effective date.** [This act] is effective July 1, 1997.

2 -END-

1 HOUSE BILL NO. 216

2 INTRODUCED BY HIBBARD, CRIPPEN, SIMPKINS, BARTLETT, DENNY, HAGENER, HERTEL, WISEMAN,
3 DEVLIN, WILSON, SANDS, JERGESON, QUILICI

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE YEARS REQUIRED FOR VESTING IN THE
6 SHERIFFS' RETIREMENT SYSTEM; INCREASING THE SERVICE RETIREMENT, DISABILITY, AND DEATH
7 BENEFIT; INCREASING MEMBER AND EMPLOYER CONTRIBUTIONS; REPEALING THE INVOLUNTARY
8 RETIREMENT BENEFIT; SUPERSEDING THE UNFUNDED MANDATE LAW; AMENDING SECTIONS 19-7-301,
9 19-7-403, 19-7-404, 19-7-502, 19-7-503, AND 19-7-901, MCA; REPEALING SECTION 19-7-504, MCA;
10 AND PROVIDING AN EFFECTIVE DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13
14 **Section 1.** Section 19-7-301, MCA, is amended to read:

15 **"19-7-301. Membership -- inactive vested members -- inactive nonvested members.** (1) ~~Every~~ Each
16 sheriff is required to become a member of the sheriffs' retirement system unless the sheriff was a member
17 of the public employees' retirement system on July 1, 1974, in which case the sheriff may at the sheriff's
18 option become a member of the sheriffs' retirement system.

19 (2) An investigator is required to become a member of the sheriffs' retirement system unless the
20 investigator was a member of the public employees' retirement system on July 1, 1993, in which case the
21 investigator has the option of becoming a member of the sheriffs' retirement system.

22 (3) All sheriffs and investigators who become members of the sheriffs' retirement system ~~must~~
23 shall remain members so long as they are actively employed in an eligible capacity, except as provided in
24 19-7-1101.

25 (4) A member with at least ~~45~~ 5 years of membership service who terminates service and does not
26 take a refund of the member's accumulated contributions is an inactive vested member and retains the right
27 to purchase service and to receive a retirement benefit under the provisions of this chapter.

28 (5) A member with less than ~~45~~ 5 years of membership service who terminates service and leaves
29 the member's accumulated contributions in the pension trust fund is an inactive nonvested member and
30 is not eligible for any benefits from the retirement system. An inactive nonvested member is eligible only

1 for a refund of the member's accumulated contributions."

2

3 **Section 2.** Section 19-7-403, MCA, is amended to read:

4 **"19-7-403. Member's contributions deducted.** (1) ~~Every~~ Each member shall contribute into the
5 pension trust fund ~~7.865%~~ 9.245% of the member's monthly compensation, which must be deposited to
6 the member's credit in the pension trust fund.

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

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

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

19

20 **Section 3.** Section 19-7-404, MCA, is amended to read:

21 **"19-7-404. Employer contributions.** (1) The employer shall pay monthly ~~8.535%~~ 9.535% of each
22 member's gross compensation into the pension trust fund created by this chapter.

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

28

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

30 **"19-7-502. Early retirement option.** A member with ~~45~~ at least 5 years of membership service and

1 who has not met the minimum eligibility requirements for service retirement may retire with an early
 2 retirement benefit commencing no sooner than the first day of the month following the member's 50th
 3 birthday. The early retirement benefit must be calculated to be the actuarial equivalent of the member's
 4 retirement benefit as otherwise accrued, based upon payment commencing when the member would have
 5 completed 20 years of membership service or reached age 60, whichever event would have occurred first."

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

8 **"19-7-503. Service retirement benefit.** (1) The amount of any service retirement benefit granted
 9 to a member is ~~2.0834%~~ 2.5% of the member's final average salary for each year of service credit.

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

13
 14 **Section 6.** Section 19-7-901, MCA, is amended to read:

15 **"19-7-901. Payments in case of death before retirement.** If a member dies before retirement, the
 16 member's designated beneficiary may elect one of the following options for which the member qualified
 17 and the designated beneficiary qualifies:

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

20 (2) a survivorship benefit equal to ~~2.0834%~~ 2.5% of the member's final average salary for each
 21 year of service credit actuarially reduced from age 65 or the date on which the member would have
 22 completed 20 years of membership service, whichever provides a larger retirement benefit; or

23 (3) a survivorship benefit that is no less than one-half of the member's final average salary if the
 24 board finds that the member died as a direct and proximate result of injuries received in the course of
 25 employment."

26
 27 **NEW SECTION. SECTION 7. UNFUNDED MANDATE LAW SUPERSEDED. THE PROVISIONS OF**
 28 **[THIS ACT] EXPRESSLY SUPERSEDE AND MODIFY THE REQUIREMENTS OF 1-2-112 THROUGH 1-2-116.**

29
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