

1 \_\_\_\_\_ BILL NO. \_\_\_\_\_

2 INTRODUCED BY \_\_\_\_\_  
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE PUBLIC EMPLOYEES' RETIREMENT BOARD  
5 AND THE TEACHERS' RETIREMENT BOARD TO CONDUCT ANNUAL ACTUARIAL VALUATIONS; AND  
6 AMENDING SECTIONS 19-2-405, 19-3-2121, 19-20-203, AND 19-20-719 MCA."

7  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9  
10 **Section 1.** Section 19-2-405, MCA, is amended to read:

11 **"19-2-405. Employment of actuary -- ~~biennial~~ annual investigation and valuation.** (1) The board  
12 shall retain a competent actuary who is an enrolled member of the American academy of actuaries and who is  
13 familiar with public systems of pensions. The actuary is the technical advisor of the board on matters regarding  
14 the operation of the retirement systems.

15 (2) The board shall require the actuary to make ~~a biennial~~ an annual actuarial investigation into the  
16 suitability of the actuarial tables used by the retirement systems and an actuarial valuation of the assets and  
17 liabilities of each defined benefit plan that is a part of the retirement systems.

18 (3) The normal cost contribution rate, which is funded by required employee contributions and a portion  
19 of the required employer contributions to each defined benefit retirement plan, must be calculated as the level  
20 percentage of members' salaries that will actuarially fund benefits payable under a retirement plan as those  
21 benefits accrue in the future.

22 (4) (a) The unfunded liability contribution rate, which is entirely funded by a portion of the required  
23 employer contributions to the retirement plan, must be calculated as the level percentage of current and future  
24 defined benefit plan members' salaries that will amortize the unfunded actuarial liabilities of the retirement plan  
25 over a reasonable period of time, not to exceed 30 years, as determined by the board.

26 (b) In determining the amortization period under subsection (4)(a) for the public employees' retirement  
27 system's defined benefit plan, the actuary shall take into account the plan choice rate contributions to be made  
28 to the defined benefit plan pursuant to 19-3-2117 and 19-21-203.

29 (5) The board shall require the actuary to conduct a periodic actuarial investigation into the actuarial  
30 experience of the retirement systems and plans.



1 (6) The board may require the actuary to conduct any valuation necessary to administer the retirement  
2 systems and the plans subject to this chapter."

3

4 **Section 2.** Section 19-3-2121, MCA, is amended to read:

5 **"19-3-2121. Determination and adjustment of plan choice rate and contribution allocations.** (1)

6 The board shall periodically review the sufficiency of the plan choice rate and shall adjust the allocation of  
7 contributions under 19-3-2117 as specified in this section. The board shall collect and maintain the data  
8 necessary to comply with this section.

9 (2) The plan choice rate set in 19-3-2117(2)(b) must be adjusted as provided in this section, taking into  
10 account:

11 (a) as determined under subsection (3), the change in the normal cost contribution rate in the defined  
12 benefit plan that is the result of member selection of the defined contribution plan; and

13 (b) as determined under subsection (4), the sufficiency of the plan choice rate to actuarially fund the  
14 defined contribution plan member's appropriate share of the defined benefit plan's unfunded liabilities.

15 (3) The change in the normal cost contribution rate must be an amount equal to the difference between  
16 the normal cost contribution rate in the defined benefit plan that would have resulted if all system members  
17 remained in the defined benefit plan and the normal cost contribution rate in the defined benefit plan for the actual  
18 members of the defined benefit plan, multiplied by the compensation paid to all of the members in the defined  
19 benefit plan, divided by the compensation paid to all of the members in the defined contribution plan. The  
20 measurements under this subsection must be based on the defined benefit plan in effect on the effective date  
21 of the defined contribution plan until the board determines that the defined benefit plan has been amended in a  
22 manner that significantly affects plan choices available to system members. After a board determination that the  
23 defined benefit plan has been significantly changed, the measurements in this subsection with respect to  
24 members entering the system after the significant change must be made on the basis of the defined benefit plan,  
25 as amended.

26 (4) The sufficiency of the plan choice rate to actuarially fund the appropriate share of the defined benefit  
27 plan's unfunded liabilities must be determined as follows:

28 (a) The board shall determine the number of years required to actuarially fund the defined benefit plan's  
29 unfunded liabilities as of the June 30, 1998, actuarial valuation, which must be the initial schedule for the defined  
30 contribution plan to actuarially fund the plan's share of the unfunded liabilities. The board shall reduce the

1 schedule by 1 year each biennium.

2 (b) During each ~~subsequent~~ annual actuarial valuation of the defined benefit plan conducted pursuant  
3 to 19-2-405, the board shall determine whether the plan choice rate minus the amount provided in subsection  
4 (2)(a) of this section is sufficient to pay the unfunded liability obligations within the schedule determined under  
5 subsection (4)(a) of this section. If the amount is insufficient to fund the liability over a period of 10 years longer  
6 than the scheduled period or is more than sufficient to fund the liability over a period of 10 years earlier than the  
7 scheduled period, the board shall determine to the nearest 0.1% the amount of the increase or decrease in the  
8 plan choice rate that is required to actuarially fund the liabilities according to the established schedule.

9 (5) If the board determines that the plan choice rate should be increased or decreased, the plan choice  
10 rate under 19-3-2117(2)(b) must be increased or decreased accordingly. If the plan choice rate is increased, the  
11 allocation of employer contributions to member accounts under 19-3-2117(2)(a) must be decreased by that  
12 amount. If the plan choice rate is decreased, the allocation of employer contributions to member accounts under  
13 19-3-2117(2)(a) must be increased by that amount.

14 (6) If the board determines that the contribution rate to the disability plan under 19-3-2117(2)(d) should  
15 be increased, the employer contribution to each member's account under 19-3-2117(2)(a) must be decreased  
16 by that amount. If the board determines that the contribution rate to the disability plan under 19-3-2117(2)(d)  
17 should be decreased, the employer contribution to each member's account under 19-3-2117(2)(a) must be  
18 increased by that amount.

19 (7) By November 1 of the year of a determination pursuant to this section that the allocation of employer  
20 contributions under 19-3-2117(2) must be changed, the board shall notify system members, participating  
21 employers, employee and employer organizations, the governor, and the legislature of its determination and of  
22 the changes required.

23 (8) Effective January 1 of the year after the regular legislative session that immediately follows a  
24 determination under this section, the plan choice rate and the allocation of contributions under 19-3-2117(2) must  
25 be adjusted according to the board's determination."  
26

27 **Section 3.** Section 19-20-203, MCA, is amended to read:

28 **"19-20-203. Officers and employees of retirement board.** (1) It is the duty of the retirement board to:

29 (a) elect a presiding officer from its membership;

30 (b) appoint a secretary, who may be one of its members;

1 (c) employ technical or administrative employees who are necessary for the transaction of the business  
2 of the retirement system and establish their compensation pursuant to Title 2, chapter 18; and

3 (d) designate an actuary who meets the qualifications established by the retirement board to assist the  
4 retirement board with the technical actuarial aspects of the operation of the retirement system, which includes  
5 establishing mortality and service tables and making an annual actuarial investigation ~~at least once every 5 years~~  
6 into the mortality, service, and compensation experience of the members and beneficiaries of the retirement  
7 system.

8 (2) A quorum of the board is three members."  
9

10 **Section 4.** Section 19-20-719, MCA, is amended to read:

11 **"19-20-719. Guaranteed annual benefit adjustment -- rulemaking.** (1) Subject to subsection (3), on  
12 January 1 of each year, the retirement allowance payable to each recipient who is eligible under subsection (2)  
13 must be increased by 1.5%.

14 (2) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided  
15 for in this section if the retiree has received at least 36 monthly retirement benefit payments prior to January 1  
16 of the year in which the adjustment is to be made.

17 (3) On ~~January 1, 2002,~~ and January 1 of each year following the system's ~~biennial~~ annual valuation,  
18 the board may increase the annual benefit adjustment provided in subsection (1) until a maximum of 3% is  
19 guaranteed if:

20 (a) the period required to amortize the system's actuarial unfunded liability, as determined by the most  
21 recent ~~biennial~~ annual valuation, adjusted for any benefit enhancement enacted by the legislature since the most  
22 recent ~~biennial~~ annual valuation, is less than 25 years;

23 (b) sufficient funds are available to increase the guaranteed annual benefit adjustment by at least 0.1%;  
24 and

25 (c) the increase granted by the board would not cause the amortization period, as of the most recent  
26 valuation, to exceed 25 years.

27 (4) The board shall adopt rules to administer the provisions of this section."  
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