

HOUSE BILL NO. 597

INTRODUCED BY S. REICHNER

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE STATE PUBLIC EMPLOYEE RETIREMENT
5 SYSTEMS; PROHIBITING RETIRED MEMBERS WHO RECEIVE RETIREMENT BENEFITS FROM A STATE
6 RETIREMENT SYSTEM FROM BEING MEMBERS OF CERTAIN OTHER RETIREMENT SYSTEMS;
7 REQUIRING EMPLOYER CONTRIBUTIONS AND STATE SUPPLEMENTAL CONTRIBUTIONS IF AN
8 EMPLOYER HIRES A PERSON WHO IS PROHIBITED FROM MEMBERSHIP IN A RETIREMENT SYSTEM;
9 INCREASING EMPLOYEE CONTRIBUTIONS FOR ALL MEMBERS OF CERTAIN RETIREMENT SYSTEMS;
10 AMENDING SECTIONS 19-3-315, 19-7-403, 19-8-502, AND 19-20-602, MCA; AND PROVIDING AN
11 EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

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15 **NEW SECTION. Section 1. Retired member of another system prohibited from membership --**
16 **employer contributions required -- supplemental contributions.** (1) (a) A person who is a member of another
17 retirement system provided for in this title and is receiving a monthly benefit based on that service may not be
18 a member of the public employees' retirement system.

19 (b) The prohibition in this section does not apply to a person earning or receiving a benefit pursuant to
20 Title 19, chapters 17 through 19.

21 (2) A person prohibited from membership pursuant to subsection (1) is not required to make and the
22 employer will not withhold employee contributions due under this chapter from the compensation paid to the
23 person.

24 (3) An employer employing a person who is prohibited from membership pursuant to subsection (1) shall
25 make the employer contributions required by 19-3-316 as a percentage of compensation paid to the person who
26 is prohibited from membership.

27 (4) The state shall contribute any supplemental state contributions otherwise required under this chapter
28 as a percentage of the compensation paid to the person prohibited from membership pursuant to subsection (1).
29

30 **NEW SECTION. Section 2. Retired member of another system prohibited from membership --**



1 **employer contributions required.** (1) (a) A person who is a member of another retirement system provided for
2 in this title and is receiving a monthly benefit based on that service may not be a member of the sheriffs'
3 retirement system.

4 (b) The prohibition in this section does not apply to a person earning or receiving a benefit pursuant to
5 Title 19, chapters 17 through 19.

6 (2) A person prohibited from membership pursuant to subsection (1) is not required to make and the
7 employer will not withhold employee contributions due under this chapter from the compensation paid to the
8 person.

9 (3) An employer employing a person who is prohibited from membership pursuant to subsection (1) shall
10 make the employer contributions required by 19-7-404 as a percentage of compensation paid to the person who
11 is prohibited from membership.

12
13 **NEW SECTION. Section 3. Retired member of another system prohibited from membership --**

14 **employer contributions required.** (1) (a) A person who is a member of another retirement system provided for
15 in this title and is receiving a monthly benefit based on that service may not earn service credit in the game
16 wardens' and peace officers' retirement system.

17 (b) The prohibition in this section does not apply to a person earning or receiving a benefit pursuant to
18 Title 19, chapters 17 through 19.

19 (2) A person prohibited from membership pursuant to subsection (1) is not required to make and the
20 employer will not withhold employee contributions due under this chapter from the compensation paid to the
21 person.

22 (3) An employer employing a person who is prohibited from membership pursuant to subsection (1) shall
23 make the employer contributions required by 19-8-504 as a percentage of compensation paid to the person who
24 is prohibited from membership.

25
26 **NEW SECTION. Section 4. Retired member of another system prohibited from membership --**

27 **employer contributions required -- supplemental contributions.** (1) (a) A person who was a member of
28 another retirement system provided for in this title and is receiving a monthly benefit based on that service may
29 not accumulate creditable service in the teachers' retirement system.

30 (b) The prohibition in this section does not apply to a person earning or receiving a benefit pursuant to

1 Title 19, chapters 17 through 19.

2 (2) A person prohibited from membership pursuant to subsection (1) is not required to make and the
3 employer will not withhold employee contributions due under this chapter from the compensation paid to the
4 person.

5 (3) An employer employing a person who is prohibited from membership pursuant to subsection (1) shall
6 make the employer contributions required by 19-20-605 as a percentage of compensation paid to the person who
7 is prohibited from membership.

8 (4) The state shall contribute any supplemental state contributions otherwise required under this chapter
9 as a percentage of the compensation paid to the person prohibited from earning a second retirement benefit
10 pursuant to subsection (1).

11

12 **Section 5.** Section 19-3-315, MCA, is amended to read:

13 **"19-3-315. Member's contribution to be deducted.** (1) Each Except as provided in [section 1], each
14 member's contribution is ~~6.9%~~ 7.9% of the member's compensation.

15 (2) Payment of salaries or wages less the contribution is full and complete discharge and acquittance
16 of all claims and demands for the service rendered by members during the period covered by the payment,
17 except their claims to the benefits to which they may be entitled under the provisions of this chapter.

18 (3) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code, 26 U.S.C.
19 414(h)(2), shall pick up and pay the contributions that would be payable by the member under subsection (1) for
20 service rendered after June 30, 1985.

21 (4) (a) The member's contributions picked up by the employer must be designated for all purposes of
22 the retirement system as the member's contributions, except for the determination of a tax upon a distribution
23 from the retirement system.

24 (b) In the case of a member of the defined benefit plan, these contributions must become part of the
25 member's accumulated contributions but must be accounted for separately from those previously accumulated.

26 (c) In the case of a member of the defined contribution plan, these contributions must be allocated as
27 provided in 19-3-2117.

28 (5) The member's contributions picked up by the employer must be payable from the same source as
29 is used to pay compensation to the member and must be included in the member's wages, as defined in
30 19-1-102, and compensation. The employer shall deduct from the member's compensation an amount equal to

1 the amount of the member's contributions picked up by the employer and remit the total of the contributions to
2 the board."

3

4 **Section 6.** Section 19-7-403, MCA, is amended to read:

5 **"19-7-403. Member's contributions deducted.** (1) Each Except as provided in [section 2], each
6 member's contribution is ~~9.245%~~ 10.245% of the member's compensation.

7 (2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954, as
8 amended and applicable on July 1, 1985, shall pick up and pay the contributions that would be payable by the
9 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 the
11 retirement system as the member's contributions, except for the determination of a tax upon a distribution from
12 the retirement system. These contributions must become part of the member's accumulated contributions but
13 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 as
15 is used to pay compensation to the member and must be included in the member's wages, as defined in
16 19-1-102, and salary as used to define the member's highest average compensation in 19-7-101. The employer
17 shall deduct from the member's compensation an amount equal to the amount of the member's contributions
18 picked up by the employer and remit the total of the contributions to the board."

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20 **Section 7.** Section 19-8-502, MCA, is amended to read:

21 **"19-8-502. Member's contribution.** (1) Each Except as provided in [section 3], each member's
22 contribution is ~~40.56%~~ 11.56% of the member's compensation.

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

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

30 (4) The member's contributions picked up by the employer must be payable from the same source as

1 is used to pay compensation to the member and must be included in the member's wages, as defined in
2 19-1-102, and the member's compensation as used to define the member's highest average compensation in
3 19-8-101. The employer shall deduct from the member's compensation an amount equal to the amount of the
4 member's contributions picked up by the employer and remit the total of the contributions to the board."

5

6 **Section 8.** Section 19-20-602, MCA, is amended to read:

7 **"19-20-602. Annuity savings account -- member's contribution.** (1) The annuity savings account is
8 an account in which the contributions for the members to provide for their retirement allowance or benefits must
9 be accumulated in individual accounts for each member. ~~The~~ Except as provided in [section 4], the normal
10 contribution of each member is ~~7.15%~~ 8.15% of the member's earned compensation.

11 (2) Contributions to and payments from the annuity savings account must be made in the following
12 manner:

13 (a) Each employer, pursuant to section 414(h)(2) of the Internal Revenue Code:

14 (i) shall pick up and pay the contributions that would be payable by the member under this subsection
15 (2) for service rendered after June 30, 1985;

16 (ii) shall pick up and pay the contributions that would be paid in the manner provided in 19-20-716; and

17 (iii) may pick up and pay the contributions that would be payable by the member pursuant to 19-20-415.

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

22 (c) The member's contributions picked up by the employer must be payable from the same source as
23 is used to pay compensation to the member and must be included in the member's earned compensation as
24 defined in 19-20-101. The employer shall deduct from the member's compensation an amount equal to the
25 amount of the member's contributions picked up by the employer and remit the total of the contributions to the
26 retirement board.

27 (d) The deductions must be made notwithstanding that the minimum compensation provided by law for
28 a member may be reduced by the deductions. Each member is considered to consent to the deductions
29 prescribed by this section, and payment of salary or compensation less the deductions is a complete discharge
30 of all claims for the services rendered by the member during the period covered by the payment, except as to the

1 benefits provided by the retirement system.

2 (3) The accumulated contributions of a member withdrawn by the member or paid to the member's estate
3 or to the member's designated beneficiary in event of the member's death must be paid from the annuity savings
4 account. Upon the retirement of a member, the member's accumulated contributions must be transferred from
5 the annuity savings account to the pension accumulation account."

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7 **NEW SECTION. Section 9. Codification instruction.** (1) [Section 1] is intended to be codified as an
8 integral part of Title 19, chapter 3, part 4, and the provisions of Title 19, chapter 3, part 4, apply to [section 1].

9 (2) [Section 2] is intended to be codified as an integral part of Title 19, chapter 7, part 3, and the
10 provisions of Title 19, chapter 7, part 3, apply to [section 2].

11 (3) [Section 3] is intended to be codified as an integral part of Title 19, chapter 8, part 3, and the
12 provisions of Title 19, chapter 8, part 3, apply to [section 3].

13 (4) [Section 4] is intended to be codified as an integral part of Title 19, chapter 20, part 3, and the
14 provisions of Title 19, chapter 20, part 3, apply to [section 4].

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16 **NEW SECTION. Section 10. Severability.** If a part of [this act] is invalid, all valid parts that are
17 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,
18 the part remains in effect in all valid applications that are severable from the invalid applications.

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20 **NEW SECTION. Section 11. Effective date.** [This act] is effective July 1, 2011.

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22 **NEW SECTION. Section 12. Applicability.** [Sections 1 through 4] apply to retired members hired on
23 or after [the effective date of this act].

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