

## 1 SENATE BILL NO. 113

2 INTRODUCED BY L. JENT

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE PERCENTAGE OF THE RETIREMENT FUND  
5 BUDGET THAT A SCHOOL DISTRICT IS ALLOWED TO KEEP AS A RETIREMENT FUND OPERATING  
6 RESERVE; TRANSFERRING EXCESS RESERVE FUNDS TO THE TEACHERS' RETIREMENT SYSTEM AND  
7 THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM; AMENDING SECTION 20-9-501, MCA; AND PROVIDING  
8 AN EFFECTIVE DATE."

9

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

11

12 **Section 1.** Section 20-9-501, MCA, is amended to read:

13 **"20-9-501. Retirement costs and retirement fund.** (1) The trustees of a district or the management  
14 board of a cooperative employing personnel who are members of the teachers' retirement system or the public  
15 employees' retirement system, who are covered by unemployment insurance, or who are covered by any federal  
16 social security system requiring employer contributions shall establish a retirement fund for the purposes of  
17 budgeting and paying the employer's contributions to the systems as provided in subsection (2)(a). The district's  
18 or the cooperative's contribution for each employee who is a member of the teachers' retirement system must  
19 be calculated in accordance with Title 19, chapter 20, part 6. The district's or the cooperative's contribution for  
20 each employee who is a member of the public employees' retirement system must be calculated in accordance  
21 with 19-3-316. The district's or the cooperative's contributions for each employee covered by any federal social  
22 security system must be paid in accordance with federal law and regulation. The district's or the cooperative's  
23 contribution for each employee who is covered by unemployment insurance must be paid in accordance with Title  
24 39, chapter 51, part 11.

25 (2) (a) The district or the cooperative shall pay the employer's contributions to the retirement, federal  
26 social security, and unemployment insurance systems from the retirement fund for the following:

27 (i) a district employee whose salary and health-related benefits, if any health-related benefits are  
28 provided to the employee, are paid from state or local funding sources;

29 (ii) a cooperative employee whose salary and health-related benefits, if any health-related benefits are  
30 provided to the employee, are paid from the cooperative's interlocal cooperative fund if the fund is supported

1 solely from districts' general funds and state special education allowable cost payments, pursuant to 20-9-321,  
2 or are paid from the miscellaneous programs fund, provided for in 20-9-507, from money received from the  
3 medicaid program, pursuant to 53-6-101;

4 (iii) a district employee whose salary and health-related benefits, if any health-related benefits are  
5 provided to the employee, are paid from the district's school food services fund provided for in 20-10-204;

6 (iv) a district employee whose salary and health-related benefits, if any health-related benefits are  
7 provided to the employee, are paid from the district impact aid fund, pursuant to 20-9-514; and

8 (v) for the 2011 biennium only, a district employee whose salary and health-related benefits, if any  
9 health-related benefits are provided to the employee, are budgeted in the district general fund but are paid from  
10 state fiscal stabilization funds received pursuant the American Recovery and Reinvestment Act of 2009, Public  
11 Law 111-5.

12 (b) For an employee whose benefits are not paid from the retirement fund, the district or the cooperative  
13 shall pay the employer's contributions to the retirement, federal social security, and unemployment insurance  
14 systems from the funding source that pays the employee's salary.

15 (3) The trustees of a district required to make a contribution to a system referred to in subsection (1) shall  
16 include in the retirement fund of the final budget the estimated amount of the employer's contribution. After the  
17 final retirement fund budget has been adopted, the trustees shall pay the employer contributions to the systems  
18 in accordance with the financial administration provisions of this title.

19 (4) When the final retirement fund budget has been adopted, the county superintendent shall establish  
20 the levy requirement by:

21 (a) determining the sum of the money available to reduce the retirement fund levy requirement by adding:

22 (i) any anticipated money that may be realized in the retirement fund during the ensuing school fiscal  
23 year;

24 (ii) oil and natural gas production taxes;

25 (iii) coal gross proceeds taxes under 15-23-703;

26 (iv) any fund balance available for reappropriation as determined by subtracting the amount of the  
27 end-of-the-year fund balance earmarked as the retirement fund operating reserve for the ensuing school fiscal  
28 year by the trustees from the end-of-the-year fund balance in the retirement fund. The retirement fund operating  
29 reserve may not be more than ~~35%~~ 20% of the final retirement fund budget for the ensuing school fiscal year and  
30 must be used for the purpose of paying retirement fund warrants issued by the district under the final retirement

1 fund budget.

2 (v) any other revenue anticipated that may be realized in the retirement fund during the ensuing school  
3 fiscal year, excluding any guaranteed tax base aid.

4 (b) notwithstanding the provisions of subsection (9), subtracting the money available for reduction of the  
5 levy requirement, as determined in subsection (4)(a), from the budgeted amount for expenditures in the final  
6 retirement fund budget.

7 (5) The county superintendent shall:

8 (a) total the net retirement fund levy requirements separately for all elementary school districts, all high  
9 school districts, and all community college districts of the county, including any prorated joint district or special  
10 education cooperative agreement levy requirements; and

11 (b) report each levy requirement to the county commissioners on the fourth Monday of August as the  
12 respective county levy requirements for elementary district, high school district, and community college district  
13 retirement funds.

14 (6) The county commissioners shall fix and set the county levy or district levy in accordance with  
15 20-9-142.

16 (7) The net retirement fund levy requirement for a joint elementary district or a joint high school district  
17 must be prorated to each county in which a part of the district is located in the same proportion as the district ANB  
18 of the joint district is distributed by pupil residence in each county. The county superintendents of the counties  
19 affected shall jointly determine the net retirement fund levy requirement for each county as provided in 20-9-151.

20 (8) The net retirement fund levy requirement for districts that are members of special education  
21 cooperative agreements must be prorated to each county in which the district is located in the same proportion  
22 as the special education cooperative budget is prorated to the member school districts. The county  
23 superintendents of the counties affected shall jointly determine the net retirement fund levy requirement for each  
24 county in the same manner as provided in 20-9-151, and the county commissioners shall fix and levy the net  
25 retirement fund levy for each county in the same manner as provided in 20-9-152.

26 (9) The county superintendent shall calculate the number of mills to be levied on the taxable property  
27 in the county to finance the retirement fund net levy requirement by dividing the amount determined in subsection  
28 (5)(a) by the sum of:

29 (a) the amount of guaranteed tax base aid that the county will receive for each mill levied, as certified  
30 by the superintendent of public instruction; and

1 (b) the taxable valuation of the district divided by 1,000.

2 (10) The levy for a community college district may be applied only to property within the district.

3 (11) The county superintendent of each county shall submit a report of the revenue amounts used to  
4 establish the levy requirements for county school funds supporting elementary and high school district retirement  
5 obligations to the superintendent of public instruction not later than the second Monday in September. The report  
6 must be completed on forms supplied by the superintendent of public instruction."  
7

8 NEW SECTION. **Section 2. Transfer of excess school district retirement fund reserves to**  
9 **retirement systems.** (1) On August 1, 2011, the trustees of a district that maintains a retirement fund as provided  
10 in 20-9-501 shall transfer to the teachers' retirement system and the public employees' retirement system the  
11 excess funds generated by the reduction of allowable reserves from 35% to 20%.

12 (2) To determine the amounts to be transferred to each retirement system as required by subsection (1),  
13 the trustees of a district shall use the same ratio of the payments made to the retirement systems in fiscal year  
14 2010.  
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16 NEW SECTION. **Section 3. Effective date.** [This act] is effective July 1, 2011.

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