

HOUSE BILL NO. 96

INTRODUCED BY F. WILMER

BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT IMPROVING THE ACTUARIAL FUNDING STATUS OF CERTAIN PUBLIC EMPLOYEE RETIREMENT SYSTEMS BY TEMPORARILY INCREASING EMPLOYER CONTRIBUTIONS TO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM, THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM, THE SHERIFFS' RETIREMENT SYSTEM, AND THE GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM; AMENDING SECTIONS 19-3-316, 19-3-2117, 19-6-404, 19-7-404, 19-8-504, AND 19-21-214, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 19-3-316, MCA, is amended to read:

"19-3-316. Employer contribution rates. (1) Each employer shall contribute to the system. Except as provided in subsection (2), the employer shall pay ~~as an employer contributions~~ contribution of 6.9% of the compensation paid to all of the employer's employees, except those employees properly excluded from membership, plus any additional temporary employer contribution required under subsection (3), ~~except for those employees properly excluded from membership.~~ Of the total employer contributions made under this subsection for both defined benefit plan and defined contribution plan members, a portion must be allocated for educational programs as provided in 19-3-112. Employer contributions for members under the defined contribution plan must be allocated as provided in 19-3-2117.

(2) Local government and school district employer contributions must be the total employer contribution rate provided in subsection (1) minus the state contribution rates under 19-3-319.

(3) Subject to subsection (4), each employer shall contribute to the system ~~an additional a temporary~~ employer contribution equal to ~~0.27%~~ the following percentage of the compensation paid to all of the employer's employees, except for those employees properly excluded from membership:

(a) beginning July 1, 2013, through June 30, 2014, 0.52%;

(b) beginning July 1, 2014, through June 30, 2015, 0.77%;

(c) beginning July 1, 2015, through June 30, 2016, 1.02%; and

1 (d) beginning July 1, 2016, 1.27%.

2 (4) (a) The board shall periodically review the ~~additional~~ temporary employer contribution rate provided
3 for under subsection (3) and recommend adjustments to the legislature as needed to ~~maintain~~ sustain the
4 amortization schedule set by the board for payment of the system's unfunded liabilities.

5 (b) The temporary employer contribution required under subsection (3) terminates on July 1 following
6 the board's receipt of the system's actuarial valuation if:

7 (i) the actuarial valuation determines that the period required to amortize the system's unfunded
8 liabilities, including adjustments made for any benefit enhancements enacted by the legislature after the valuation,
9 is less than 25 years; and

10 (ii) terminating the ~~additional~~ temporary employer contribution would not cause the amortization period
11 as of the most recent actuarial valuation to exceed 25 years."

12

13 **Section 2.** Section 19-3-2117, MCA, is amended to read:

14 **"19-3-2117. Allocation of contributions and forfeitures.** (1) The member contributions made under
15 19-3-315 and additional contributions paid by the member for the purchase of service must be allocated to the
16 plan member's retirement account.

17 (2) Subject to adjustment by the board as provided in 19-3-2121, of the employer contributions under
18 19-3-316 received:

19 (a) an amount equal to:

20 (i) 4.19% of compensation must be allocated to the member's retirement account;

21 (ii) 2.37% of compensation must be allocated to the defined benefit plan as the plan choice rate;

22 (iii) 0.04% of compensation must be allocated to the education fund as provided in 19-3-112(1)(b); and

23 (iv) 0.3% of compensation must be allocated to the long-term disability plan trust fund established
24 pursuant to 19-3-2141; and

25 (b) ~~on July 1, 2009, continuing until the additional employer contributions terminate pursuant to 19-3-316,~~
26 ~~0.27% of compensation~~ the temporary employer contribution paid under 19-3-316(3) must be allocated in the
27 following order:

28 (i) to the defined benefit plan to eliminate the plan choice rate unfunded actuarial liability; and

29 (ii) to the long-term disability plan trust fund to provide disability benefits to eligible members.

30 (3) Forfeitures of employer contributions and investment income on the employer contributions may not

1 be used to increase a member's retirement account. The board shall allocate the forfeitures under 19-3-2116 to
 2 meet the plan's administrative expenses, including startup expenses."

3

4 **Section 3.** Section 19-6-404, MCA, is amended to read:

5 **"19-6-404. ~~State employer contribution~~ Employer and state contributions -- statutory**
 6 **appropriation.** ~~(1) The state shall pay as employer contributions 36.33%. The following contributions must be~~
 7 ~~paid to the pension trust fund as a percentage of compensation paid to all of the employer's employees, except~~
 8 ~~those employees properly excluded from membership, from the following sources:~~

9 ~~(1)(a) an amount employer contribution~~ equal to 26.15% of the total compensation of the members, which
 10 is payable, as appropriated by the legislature, from the same source that is used to pay compensation to the
 11 members; and

12 ~~(2)(b) an amount a state contribution~~ equal to 10.18% of the total compensation of the members, which
 13 is statutorily appropriated, as provided in 17-7-502, from the general fund to the pension trust fund.

14 ~~(2) Subject to subsection (3), the employer shall contribute to the pension trust fund the following~~
 15 ~~temporary contribution as a percentage of the compensation paid to all of the employer's employees, except~~
 16 ~~those employees properly excluded from membership, which is payable, as appropriated by the legislature, from~~
 17 ~~the same source that is used to pay compensation to the members:~~

18 ~~(a) beginning July 1, 2013, through June 30, 2014, 0.25%;~~

19 ~~(b) beginning July 1, 2014, through June 30, 2015, 0.50%;~~

20 ~~(c) beginning July 1, 2015, through June 30, 2016, 0.75%; and~~

21 ~~(d) beginning July 1, 2016, 1%.~~

22 ~~(3) (a) The board shall periodically review the temporary contribution provided for under subsection (2)~~
 23 ~~and recommend adjustments to the legislature as needed to sustain the amortization schedule set by the board~~
 24 ~~for payment of the system's unfunded liabilities.~~

25 ~~(b) The temporary contribution required under subsection (2) terminates on July 1 following the board's~~
 26 ~~receipt of the system's actuarial valuation if:~~

27 ~~(i) the actuarial valuation determines that the period required to amortize the system's unfunded liabilities,~~
 28 ~~including adjustments made for any benefit enhancements enacted by the legislature after the valuation, is less~~
 29 ~~than 25 years; and~~

30 ~~(ii) terminating the contribution would not cause the amortization period as of the most recent actuarial~~

1 valuation to exceed 25 years."

2

3 **Section 4.** Section 19-7-404, MCA, is amended to read:

4 **"19-7-404. Employer contributions.** (1) Each employer shall pay a contribution of 9.535% of the
5 compensation paid to all of the employer's employees, except those employees properly excluded from
6 membership, plus any ~~additional~~ temporary employer contribution under subsection (3), ~~except for those~~
7 ~~employees properly excluded from membership~~.

8 (2) If the required ~~contribution~~ contributions to the retirement system ~~exceeds~~ exceed the funds available
9 to a county from general revenue sources, a county may, subject to 15-10-420, budget, levy, and collect annually
10 a tax on the taxable value of all taxable property within the county that is sufficient to raise the amount of revenue
11 needed to meet the county's obligation.

12 (3) Subject to subsection (4), each employer shall contribute to the system ~~an additional~~ the following
13 temporary employer contribution ~~equal to 0.58%~~ as a percentage of the compensation paid to all of the
14 employer's employees, except for those employees properly excluded from membership:

15 (a) beginning July 1, 2013, through June 30, 2014, 0.83%;

16 (b) beginning July 1, 2014, through June 30, 2015, 1.08%;

17 (c) beginning July 1, 2015, through June 30, 2016, 1.33%; and

18 (d) beginning July 1, 2016, 1.58%.

19 (4) (a) The board shall periodically review the ~~additional~~ temporary employer contribution provided for
20 under subsection (3) and recommend adjustments to the legislature as needed to ~~maintain~~ sustain the
21 amortization schedule set by the board for payment of the system's unfunded liabilities.

22 (b) The temporary employer contribution required under subsection (3) terminates on July 1 following
23 the board's receipt of the system's actuarial valuation if:

24 (i) the actuarial valuation determines that the period required to amortize the system's unfunded
25 liabilities, including adjustments made for any benefit enhancements enacted by the legislature after the valuation,
26 is less than 25 years; and

27 (ii) terminating the ~~additional~~ temporary employer contribution would not cause the amortization period
28 as of the most recent actuarial valuation to exceed 25 years."

29

30 **Section 5.** Section 19-8-504, MCA, is amended to read:

1 **"19-8-504. Employer's contribution.** (1) The Each employer shall pay as an employer contributions
2 contribution of 9% of the compensation paid to all of the employer's employees, except those employees properly
3 excluded from membership.

4 (2) Subject to subsection (3), each employer shall contribute to the pension trust fund the following
5 temporary contribution as a percentage of the compensation paid to all of the employer's employees, except
6 those employees properly excluded from membership:

7 (a) beginning July 1, 2013, through June 30, 2014, 0.25%;

8 (b) beginning July 1, 2014, through June 30, 2015, 0.50%;

9 (c) beginning July 1, 2015, through June 30, 2016, 0.75%; and

10 (d) beginning July 1, 2016, 1%.

11 (3) (a) The board shall periodically review the temporary contribution provided for under subsection (2)
12 and recommend adjustments to the legislature as needed to sustain the amortization schedule set by the board
13 for payment of the system's unfunded liabilities.

14 (b) The temporary contribution required under subsection (2) terminates on July 1 following the board's
15 receipt of the system's actuarial valuation if:

16 (i) the actuarial valuation determines that the period required to amortize the system's unfunded liabilities,
17 including adjustments made for any benefit enhancements enacted by the legislature after the valuation, is less
18 than 25 years; and

19 (ii) terminating the temporary contribution would not cause the amortization period as of the most recent
20 actuarial valuation to exceed 25 years.

21 (4) The department of fish, wildlife, and parks shall include in its budget and shall request for legislative
22 appropriation an amount necessary to defray the state's portion of the costs of this section."

23

24 **Section 6.** Section 19-21-214, MCA, is amended to read:

25 **"19-21-214. Contributions and allocations for employees in positions covered under the public**
26 **employees' retirement system.** (1) The contribution rates for employees in positions covered under the public
27 employees' retirement system who elect to become program members pursuant to 19-3-2112 are as follows:

28 (a) the member's contribution rate must be the rate provided in 19-3-315; and

29 (b) the employer's contribution rate must be the rate provided in 19-3-316.

30 (2) Subject to subsection (3), of the employer's contribution:

- 1 (a) an amount equal to:
- 2 (i) 4.49% of compensation must be allocated to the participant's program account;
- 3 (ii) 2.37% of compensation must be allocated to the defined benefit plan under the public employees'
- 4 retirement system as the plan choice rate; and
- 5 (iii) 0.04% of compensation must be allocated to the education fund pursuant to 19-3-112(1)(b); and
- 6 (b) ~~on beginning July 1, 2009~~ beginning July 1, 2013, and continuing until the additional temporary employer contributions
- 7 ~~terminate pursuant to 19-3-316, 0.27% of compensation~~ the temporary contribution provided for in 19-3-316(3)
- 8 must be allocated to the defined benefit plan to eliminate the plan choice rate unfunded actuarial liability.
- 9 (3) The allocations under subsection (2) are subject to adjustment by the public employees' retirement
- 10 board, but only as described in and in a manner consistent with the express provisions of 19-3-2121."
- 11

12 NEW SECTION. **Section 7. Effective date.** [This act] is effective July 1, 2013.

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