

1 HOUSE BILL NO. 454

2 INTRODUCED BY B. MCCHESENEY

3 BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

4
5
6 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FUNDING FOR THE PUBLIC EMPLOYEES'
7 RETIREMENT SYSTEM; PROVIDING THAT THE UNALLOCATED PORTION OF COAL SEVERANCE TAX
8 COLLECTIONS IS STATUTORILY APPROPRIATED TO THE PUBLIC EMPLOYEES' DEFINED BENEFIT
9 RETIREMENT PLAN; REVISING THE ALLOCATION OF INTEREST INCOME FROM THE COAL TAX
10 PERMANENT FUND AND PROVIDING A STATUTORY APPROPRIATION OF A PORTION OF THE INTEREST
11 INCOME TO THE PUBLIC EMPLOYEES' DEFINED BENEFIT RETIREMENT PLAN; AMENDING THE
12 TERMINATION DATE FOR THE TRANSFER OF CERTAIN MONEY FROM THE COAL SEVERANCE TAX
13 BOND FUND TO THE TREASURE STATE ENDOWMENT FUND AND THE TREASURE STATE ENDOWMENT
14 REGIONAL WATER SYSTEM FUND; TEMPORARILY INCREASING EMPLOYEE AND EMPLOYER
15 CONTRIBUTIONS TO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM; PROVIDING AN APPROPRIATION
16 TO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR EACH YEAR OF THE BIENNIUM; AMENDING
17 SECTIONS 15-35-108, 17-5-703, 19-3-315, 19-3-316, AND 19-3-2117, MCA; AMENDING SECTION 6,
18 CHAPTER 495, LAWS OF 1999, AND SECTIONS 15 AND 16, CHAPTER 389, LAWS OF 2011; AND
19 PROVIDING AN EFFECTIVE DATE."

20
21 WHEREAS, Article VIII, section 15, of the Montana Constitution requires that "Public retirement systems
22 shall be funded on an actuarially sound basis" and that "Public retirement system assets, including income and
23 actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held
24 in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses"; and

25 WHEREAS, the unprecedented collapse of the financial markets in 2008 through 2009 and the
26 subsequent slow rate of economic recovery have resulted in little or no prospect that current statutory contribution
27 rates together with future market returns will be sufficient to fund the Public Employees' Retirement System on
28 an actuarially sound basis, and current contributions remain insufficient to pay the past and future accruals of
29 retirement benefits for members currently in the system; and

30 WHEREAS, failure to return the system to a position of actuarially sound funding places the benefits to

1 be paid to current system participants in jeopardy and results in collection of employee contributions for which
 2 future benefits may not be guaranteed; and

3 WHEREAS, the current and increasing level of unfunded liabilities has the potential to compromise the
 4 credit ratings of the state of Montana and of local government entities, including public school districts; and

5 WHEREAS, because reasonable increases in employer contributions and reasonable reductions in
 6 benefits for future participants alone will not be sufficient to return the system to a position of actuarially sound
 7 funding, a reasonable increase in contributions for current participants is necessary to help return the system to
 8 a position of actuarially sound funding; and

9 WHEREAS, during the past two legislative sessions and interims, the Legislature, interim committees,
 10 the retirement system board and staff, and the Governor's office have analyzed and enacted alternatives for
 11 returning the system to a position of actuarially sound funding without raising contract impairment issues for
 12 current members, which have failed to reduce system costs enough to restore the system to actuarial soundness;
 13 and

14 WHEREAS, in light of significant strains on the Montana economy, on state and local government
 15 budgets, and on taxpayers, a modest supplemental contribution rate increase of 1% imposed on current
 16 members, with an appropriate mechanism to terminate the supplemental contribution rate as system funding
 17 improves and in conjunction with additional employer and state contributions, is, pursuant to the language of U.S.
 18 Trust Company of New York v. New Jersey, 431 U.S. 1 (1977), concerning contract impairment, reasonable and
 19 necessary, is for a valid public purpose, and is the least impairing alternative available to the Legislature as it
 20 seeks to fulfill its constitutional obligation to ensure that the retirement system is funded in an actuarially sound
 21 manner.

22

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

24

25 **Section 1.** Section 15-35-108, MCA, is amended to read:

26 ~~"15-35-108. (Temporary) Disposal of severance taxes. Severance taxes collected under this chapter~~
 27 ~~must, in accordance with the provisions of 17-2-124, be allocated as follows:~~

28 ~~———(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,~~
 29 ~~section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under~~
 30 ~~17-6-203(6) and invested by the board of investments as provided by law.~~

1 ~~————(2) The amount of 12% of coal severance tax collections is allocated to the long-range building program~~
2 ~~account established in 17-7-205.~~

3 ~~————(3) The amount of 5.46% must be credited to an account in the state special revenue fund to be allocated~~
4 ~~by the legislature for provision of basic library services for the residents of all counties through library federations~~
5 ~~and for payment of the costs of participating in regional and national networking, conservation districts, and the~~
6 ~~Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account.~~
7 ~~Money may not be transferred from this account to another account other than the general fund. Beginning July~~
8 ~~1, 2012, any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.~~

9 ~~————(4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks~~
10 ~~acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses,~~
11 ~~must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas~~
12 ~~described in 23-1-102.~~

13 ~~————(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable~~
14 ~~resource loan debt service fund.~~

15 ~~————(6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art~~
16 ~~in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding~~
17 ~~unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other~~
18 ~~cultural and aesthetic projects.~~

19 ~~————(7) The amount of 5.8% through September 30, 2013, and beginning October 1, 2013, the amount of~~
20 ~~2.9% must be credited to the coal natural resource account established in 90-6-1001(2):~~

21 ~~————(8) After the allocations are made under subsections (2) through (7), \$250,000 for the fiscal year must~~
22 ~~be credited to the coal and uranium mine permitting and reclamation program account established in 82-4-244.~~

23 ~~————(9) (a) Subject to subsection (9)(b), all other revenue from severance taxes collected under the~~
24 ~~provisions of this chapter must be credited to the general fund of the state:~~

25 ~~————(b) The interest income from \$140 million of the coal severance tax permanent fund that is deposited~~
26 ~~in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:~~

27 ~~————(i) \$65,000 to the cooperative development center;~~

28 ~~————(ii) \$625,000 for the growth through agriculture program provided for in Title 90, chapter 9;~~

29 ~~————(iii) \$1.275 million to the research and commercialization state special revenue account created in~~
30 ~~90-3-1002, of which \$375,000 per year is appropriated for fiscal years 2012 and 2013 to the department of~~

1 commerce for the small business state matching grant program authorized in 90-1-117 to provide matching grants
 2 for small business innovation research and small business technology transfer, \$125,000 per year is appropriated
 3 for fiscal years 2012 and 2013 to the high-performance supercomputing program in the department of commerce;
 4 and \$300,000 per year is appropriated for fiscal years 2012 and 2013 to the board of regents for the development
 5 of energy and natural resources doctoral programs at Montana tech of the university of Montana;

6 ~~—— (iv) to the department of commerce:~~

7 ~~—— (A) \$125,000 for a small business development center;~~

8 ~~—— (B) \$50,000 for a small business innovative research program;~~

9 ~~—— (C) \$425,000 for certified regional development corporations;~~

10 ~~—— (D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman;~~

11 and

12 ~~—— (E) \$300,000 for export trade enhancement. (Terminates June 30, 2013--sec. 5, Ch. 459, L. 2009.)~~

13 **15-35-108. (Effective July 1, 2013 Temporary) Disposal of severance taxes.** Severance taxes
 14 collected under this chapter must, in accordance with the provisions of 17-2-124, be allocated as follows:

15 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,
 16 section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under
 17 17-6-203(6) and invested by the board of investments as provided by law.

18 (2) The amount of 12% of coal severance tax collections is allocated to the long-range building program
 19 account established in 17-7-205.

20 (3) The amount of 5.46% must be credited to an account in the state special revenue fund to be allocated
 21 by the legislature for provision of basic library services for the residents of all counties through library federations
 22 and for payment of the costs of participating in regional and national networking, conservation districts, and the
 23 Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account.
 24 Money may not be transferred from this account to another account other than the general fund. ~~Beginning July~~
 25 ~~1, 2012, any~~ Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

26 (4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks
 27 acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses,
 28 must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas
 29 described in 23-1-102.

30 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable

1 resource loan debt service fund.

2 (6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art
3 in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding
4 unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other
5 cultural and aesthetic projects.

6 (7) The amount of 5.8% through September 30, 2013, and beginning October 1, 2013, the amount of
7 2.9% must be credited to the coal natural resource account established in 90-6-1001(2).

8 (8) After the allocations are made under subsections (2) through (7), \$250,000 for the fiscal year must
9 be credited to the coal and uranium mine permitting and reclamation program account established in 82-4-244.

10 (9) (a) Subject to subsection (9)(b), all other revenue from severance taxes collected under the
11 provisions of this chapter must be credited to the general fund of the state and is statutorily appropriated, as
12 provided in 17-7-502, on July 1 each year to the trust fund for the public employees' retirement system defined
13 benefit plan established pursuant to 19-3-103.

14 (b) The interest income from ~~\$140 million~~ of the coal severance tax permanent fund that is deposited
15 in the general fund is statutorily appropriated, as provided in 17-7-502, on ~~an annual basis~~ July 1 each year as
16 follows:

17 (i) \$65,000 to the cooperative development center;

18 (ii) ~~\$1.25 million~~ \$625,000 for the growth through agriculture program provided for in Title 90, chapter 9;

19 (iii) ~~\$3.65~~ \$1.275 million to the research and commercialization state special revenue account created
20 in 90-3-1002;

21 (iv) to the department of commerce:

22 (A) \$125,000 for a small business development center;

23 (B) \$50,000 for a small business innovative research program;

24 (C) \$425,000 for certified regional development corporations;

25 (D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman;

26 and

27 (E) \$300,000 for export trade enhancement; and

28 (v) up to \$21 million to the public employees' retirement system defined benefit plan trust fund.

29 (Terminates June 30, 2019--secs. 2, 3, Ch. 459, L. 2009.)

30 **15-35-108. (Effective July 1, 2019) Disposal of severance taxes.** Severance taxes collected under

1 this chapter must, in accordance with the provisions of 17-2-124, be allocated as follows:

2 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,
3 section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under
4 17-6-203(6) and invested by the board of investments as provided by law.

5 (2) The amount of 12% of coal severance tax collections is allocated to the long-range building program
6 account established in 17-7-205.

7 (3) The amount of 5.46% must be credited to an account in the state special revenue fund to be allocated
8 by the legislature for provision of basic library services for the residents of all counties through library federations
9 and for payment of the costs of participating in regional and national networking, conservation districts, and the
10 Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account.
11 Money may not be transferred from this account to another account other than the general fund. ~~Beginning July~~
12 ~~1, 2012, any~~ Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

13 (4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks
14 acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses,
15 must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas
16 described in 23-1-102.

17 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable
18 resource loan debt service fund.

19 (6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art
20 in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding
21 unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other
22 cultural and aesthetic projects.

23 (7) The amount of 2.9% must be credited to the coal natural resource account established in
24 90-6-1001(2).

25 (8) After the allocations are made under subsections (2) through (7), \$250,000 for the fiscal year must
26 be credited to the coal and uranium mine permitting and reclamation program account established in 82-4-244.

27 (9) (a) All Subject to subsection (9)(b), all other revenue from severance taxes collected under the
28 provisions of this chapter must be credited to the general fund of the state and is statutorily appropriated, as
29 provided in 17-7-502, on July 1 each year to the trust fund for the public employees' retirement system defined
30 benefit plan pursuant to 19-3-103.

1 (b) Up to \$24 million of the interest income from the coal severance tax permanent fund that is deposited
2 to the general fund is statutorily appropriated, as provided in 17-7-502, on July 1 each year to the public
3 employees' retirement system defined benefit plan trust fund."

4

5 **Section 2.** Section 17-5-703, MCA, is amended to read:

6 **"17-5-703. (Temporary) Coal severance tax trust funds.** (1) The trust established under Article IX,
7 section 5, of the Montana constitution is composed of the following funds:

8 (a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal
9 severance tax must be deposited;

10 (b) a treasure state endowment fund;

11 (c) a treasure state endowment regional water system fund;

12 (d) a coal severance tax permanent fund;

13 (e) a coal severance tax income fund; and

14 (f) a big sky economic development fund.

15 (2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet all
16 principal and interest payments on bonds payable from the coal severance tax bond fund during the next 12
17 months and retain that amount in the coal severance tax bond fund.

18 (b) The amount in the coal severance tax bond fund in excess of the amount required in subsection
19 (2)(a) must be transferred from that fund as provided in subsections (3) and (4).

20 (3) (a) Until June 30, ~~2020~~ 2016, the state treasurer shall quarterly transfer to the treasure state
21 endowment fund 50% of the amount in the coal severance tax bond fund in excess of the amount that is specified
22 in subsection (2) to be retained in the fund.

23 (b) Until June 30, ~~2020~~ 2016, the state treasurer shall quarterly transfer to the treasure state endowment
24 regional water system fund 25% of the amount in the coal severance tax bond fund in excess of the amount that
25 is specified in subsection (2) to be retained in the fund.

26 (c) The state treasurer shall monthly transfer from the treasure state endowment fund to the treasure
27 state endowment special revenue account the amount of earnings, excluding unrealized gains and losses,
28 required to meet the obligations of the state that are payable from the account in accordance with 90-6-710.
29 Earnings not transferred to the treasure state endowment special revenue account must be retained in the
30 treasure state endowment fund.

1 (d) The state treasurer shall monthly transfer from the treasure state endowment regional water system
2 fund to the treasure state endowment regional water system special revenue account the amount of earnings,
3 excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the
4 account for regional water systems authorized under 90-6-715. Earnings not transferred to the treasure state
5 endowment regional water system special revenue account must be retained in the treasure state endowment
6 regional water system fund.

7 (4) (a) From July 1, 2005, through June 30, 2025, the state treasurer shall quarterly transfer to the big
8 sky economic development fund 25% of the amount in the coal severance tax bond fund in excess of the amount
9 that is specified in subsection (2) to be retained in the fund.

10 (b) The state treasurer shall monthly transfer from the big sky economic development fund to the
11 economic development special revenue account, provided for in 90-1-205, the amount of earnings, excluding
12 unrealized gains and losses, required to meet the obligations of the state that are payable from the account in
13 accordance with 90-1-204. Earnings not transferred to the economic development special revenue account must
14 be retained in the big sky economic development fund.

15 (5) Any amount in the coal severance tax bond fund in excess of the amount that is specified in
16 subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be
17 deposited in the coal severance tax permanent fund. (Terminates June 30, ~~2020~~ 2016--secs. 15, 16, Ch. 389,
18 L. 2011.)

19 **17-5-703. (Effective July 1, ~~2020~~ 2016) Coal severance tax trust funds.** (1) The trust established
20 under Article IX, section 5, of the Montana constitution is composed of the following funds:

21 (a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal
22 severance tax must be deposited;

23 (b) a treasure state endowment fund;

24 (c) a coal severance tax permanent fund;

25 (d) a coal severance tax income fund; and

26 (e) a big sky economic development fund.

27 (2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet all
28 principal and interest payments on bonds payable from the coal severance tax bond fund during the next 12
29 months and retain that amount in the coal severance tax bond fund.

30 (b) The amount in the coal severance tax bond fund in excess of the amount required in subsection

1 (2)(a) must be transferred from that fund as provided in subsections (3) and (4).

2 (3) (a) Until June 30, ~~2020~~ 2016, the state treasurer shall quarterly transfer to the treasure state
3 endowment fund 50% of the amount in the coal severance tax bond fund in excess of the amount that is specified
4 in subsection (2) to be retained in the fund.

5 (b) The state treasurer shall monthly transfer from the treasure state endowment fund to the treasure
6 state endowment special revenue account the amount of earnings, excluding unrealized gains and losses,
7 required to meet the obligations of the state that are payable from the account in accordance with 90-6-710.
8 Earnings not transferred to the treasure state endowment special revenue account must be retained in the
9 treasure state endowment fund.

10 (4) (a) From July 1, 2005, through June 30, 2025, the state treasurer shall quarterly transfer to the big
11 sky economic development fund 25% of the amount in the coal severance tax bond fund in excess of the amount
12 that is specified in subsection (2) to be retained in the fund.

13 (b) The state treasurer shall monthly transfer from the big sky economic development fund to the
14 economic development special revenue account, provided for in 90-1-205, the amount of earnings, excluding
15 unrealized gains and losses, required to meet the obligations of the state that are payable from the account in
16 accordance with 90-1-204. Earnings not transferred to the economic development special revenue account must
17 be retained in the big sky economic development fund.

18 (5) Any amount in the coal severance tax bond fund in excess of the amount that is specified in
19 subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be
20 deposited in the coal severance tax permanent fund."

21

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

23 **"19-3-315. Member's contribution to be deducted.** (1) (a) ~~Each~~ Except as provided in subsection (2),
24 each member's contribution is:

25 ~~— (i) for a member hired prior to July 1, 2011, 6.9% of the member's compensation; and~~

26 ~~— (ii) for a member hired on or after July 1, 2011, 7.9% of the member's compensation.~~

27 (b) ~~For members hired on or after July 1, 2011, the~~ The board shall ~~periodically~~ annually review the
28 required contributions and recommend future adjustments to the legislature as needed to maintain the
29 amortization schedule set by the board for the payment of the system's unfunded liability.

30 (2) Each member's contribution must be reduced to 6.9% on January 1 following the system's annual

1 actuarial valuation if the valuation determines that reducing the employee contribution pursuant to this subsection
 2 and reducing the employer contribution pursuant to 19-3-316(4) would not cause the system's amortization period
 3 to exceed 25 years.

4 ~~(2)~~(3) Payment of salaries or wages less the contribution is full and complete discharge and acquittance
 5 of all claims and demands for the service rendered by members during the period covered by the payment,
 6 except their claims to the benefits to which they may be entitled under the provisions of this chapter.

7 ~~(3)~~(4) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code, 26 U.S.C.
 8 414(h)(2), shall pick up and pay the contributions that would be payable by the member under subsection (1) or
 9 (2) for service rendered after June 30, 1985.

10 ~~(4)~~(5) (a) The member's contributions picked up by the employer must be designated for all purposes
 11 of the retirement system as the member's contributions, except for the determination of a tax upon a distribution
 12 from the retirement system.

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

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

17 ~~(5)~~(6) The member's contributions picked up by the employer must be payable from the same source
 18 as is used to pay compensation to the member and must be included in the member's wages, as defined in
 19 19-1-102, and compensation. The employer shall deduct from the member's compensation an amount equal to
 20 the amount of the member's contributions picked up by the employer and remit the total of the contributions to
 21 the board."

22

23 **Section 4.** Section 19-3-316, MCA, is amended to read:

24 **"19-3-316. Employer contribution rates.** (1) Each employer shall contribute to the system. Except as
 25 provided in subsection (2), the employer shall pay as employer contributions 6.9% of the compensation paid to
 26 all of the employer's employees plus any additional contribution under subsection (3), except for those employees
 27 properly excluded from membership. Of employer contributions made under this subsection for both defined
 28 benefit plan and defined contribution plan members, a portion must be allocated for educational programs as
 29 provided in 19-3-112. Employer contributions for members under the defined contribution plan must be allocated
 30 as provided in 19-3-2117.

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

3 (3) Subject to subsection (4), each employer shall contribute to the system an additional employer
4 contribution equal to ~~0.27%~~ 1.27% of the compensation paid to all of the employer's employees, except for those
5 employees properly excluded from membership.

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

9 (b) The employer contribution required under subsection (3) terminates on ~~July 1~~ January 1 following
10 the board's receipt of the system's actuarial valuation if:

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

14 ~~——(ii) terminating the additional employer contribution pursuant to this subsection (4)(b) and reducing the~~
15 ~~employee contribution pursuant to 19-3-315(2) would not cause the system's amortization period as of the most~~
16 ~~recent actuarial valuation to exceed 25 years."~~

17

18 **Section 5.** Section 19-3-2117, MCA, is amended to read:

19 **"19-3-2117. Allocation of contributions and forfeitures.** (1) The member contributions made under
20 19-3-315 and additional contributions paid by the member for the purchase of service must be allocated to the
21 plan member's retirement account.

22 (2) Subject to adjustment by the board as provided in 19-3-2121, of the employer contributions under
23 19-3-316 received:

24 (a) an amount equal to:

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

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

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

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

30 (b) on July 1, 2009, continuing until the additional employer contributions terminate pursuant to ~~19-3-316~~

1 19-3-316(4)(b), 0.27% of compensation must be allocated in the following order:

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

3 (ii) to the long-term disability plan trust fund to provide disability benefits to eligible members; and

4 (c) on July 1, 2013, continuing until the additional employer contributions terminate pursuant to

5 19-3-316(4)(b), 1% of compensation must be allocated to the defined benefit plan unfunded liabilities.

6 (3) Forfeitures of employer contributions and investment income on the employer contributions may not
7 be used to increase a member's retirement account. The board shall allocate the forfeitures under 19-3-2116 to
8 meet the plan's administrative expenses, including startup expenses."

9

10 **Section 6.** Section 6, Chapter 495, Laws of 1999, is amended to read:

11 "**Section 6. Termination.** [This act] terminates June 30, ~~2013~~ 2016."

12

13 **Section 7.** Section 15, Chapter 389, Laws of 2011, is amended to read:

14 "**Section 15.** Section 6, Chapter 495, Laws of 1999, is amended to read:

15 "**Section 6. Termination.** [This act] terminates June 30, ~~2013~~ 2020 2016.""

16

17 **Section 8.** Section 16, Chapter 389, Laws of 2011, is amended to read:

18 "**Section 16.** Section 1, Chapter 70, Laws of 2001, is amended to read:

19 "**Section 1.** Section 6, Chapter 495, Laws of 1999, is amended to read:

20 "**Section 6. Termination.** [~~This act~~] [This act] ~~terminates~~ terminates June 30, ~~2013~~ 2016 2020 2016.""

21

22 NEW SECTION. **Section 9. Appropriations.** (1) For the fiscal year beginning July 1, 2013, there is

23 appropriated for the purpose of making the additional employer contributions in [section 4]:

24 (a) to the office of budget and program planning the following amounts from the indicated fund:

25 (i) \$1,870,019 from the general fund;

26 (ii) \$1,688,905 from the state special revenue fund;

27 (iii) \$1,149,658 from the federal special revenue fund; and

28 (iv) \$669,831 from other funds; and

29 (b) to the Montana university system from the general fund, \$548,527.

30 (2) For the fiscal year beginning July 1, 2014, there is appropriated for the purpose of making the

1 additional employer contributions in [section 4]:

2 (a) to the office of budget and program planning the following amounts from the indicated fund:

3 (i) \$1,870,019 from the general fund;

4 (ii) \$1,688,905 from the state special revenue fund;

5 (iii) \$1,149,658 from the federal special revenue fund; and

6 (iv) \$669,831 from other funds; and

7 (b) to the Montana university system from the general fund, \$548,527.

8

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

12

13 NEW SECTION. **Section 11. Effective date.** [This act] is effective July 1, 2013.

14

- END -