

1 HOUSE BILL NO. 383

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6 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING FUNDING FOR THE SHERIFFS' RETIREMENT
7 SYSTEM SO IT WILL BE ACTUARIALLY SOUND; INCREASING EMPLOYEE AND EMPLOYER
8 CONTRIBUTION RATES; INCREASING LENGTH OF MEMBERSHIP SERVICE FOR BENEFITS FOR
9 EMPLOYEESHIREDONORAFTERJULY 1, 2017; TERMINATING THE CONTRIBUTION INCREASES WHEN
10 CERTAIN ACTUARIAL CONDITIONS ARE MET; EXEMPTING THE EMPLOYER CONTRIBUTION INCREASE
11 FROM THE COUNTY MILL LEVY CAP; AMENDING SECTIONS 15-10-420, 19-7-403, ~~AND~~ 19-7-404, 19-7-501,
12 19-7-502, 19-7-601, AND 19-7-901, MCA; AND PROVIDING AN EFFECTIVE DATE."
13

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
15

16 **Section 1.** Section 15-10-420, MCA, is amended to read:

17 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
18 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
19 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3
20 years. The maximum number of mills that a governmental entity may impose is established by calculating the
21 number of mills required to generate the amount of property tax actually assessed in the governmental unit in the
22 prior year based on the current year taxable value, less the current year's newly taxable value, plus one-half of
23 the average rate of inflation for the prior 3 years.

24 (b) A governmental entity that does not impose the maximum number of mills authorized under
25 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between
26 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority
27 carried forward may be imposed in a subsequent tax year.

28 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of
29 inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using
30 the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

1 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional
2 levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly
3 taxable property.

4 (3) (a) For purposes of this section, newly taxable property includes:

5 (i) annexation of real property and improvements into a taxing unit;

6 (ii) construction, expansion, or remodeling of improvements;

7 (iii) transfer of property into a taxing unit;

8 (iv) subdivision of real property; and

9 (v) transfer of property from tax-exempt to taxable status.

10 (b) Newly taxable property does not include an increase in value that arises because of an increase in
11 the incremental value within a tax increment financing district.

12 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
13 release of taxable value from the incremental taxable value of a tax increment financing district because of:

14 (i) a change in the boundary of a tax increment financing district;

15 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

16 (iii) the termination of a tax increment financing district.

17 (b) If a tax increment financing district terminates prior to the certification of taxable values as required
18 in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment
19 financing district terminates. If a tax increment financing district terminates after the certification of taxable values
20 as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

21 (c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was
22 constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current
23 year market value of that property less the previous year market value of that property.

24 (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real
25 property that results in the property being taxable as class four property under 15-6-134 or as nonqualified
26 agricultural land as described in 15-6-133(1)(c).

27 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

28 (a) school district levies established in Title 20; or

29 (b) a mill levy imposed for a newly created regional resource authority.

30 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received

1 under 15-6-131 and 15-6-132.

2 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

3 (a) may increase the number of mills to account for a decrease in reimbursements; and

4 (b) may not increase the number of mills to account for a loss of tax base because of legislative action
5 that is reimbursed under the provisions of 15-1-121(7).

6 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes
7 of 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the
8 department may not exceed the mill levy limits established in those sections. The mill calculation must be
9 established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the
10 calculation must be rounded up to the nearest tenth of a mill.

11 (9) (a) The provisions of subsection (1) do not prevent or restrict:

12 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

13 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;

14 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;

15 (iv) a levy for the support of a study commission under 7-3-184;

16 (v) a levy for the support of a newly established regional resource authority;

17 (vi) the portion that is the amount in excess of the base contribution of a governmental entity's property
18 tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703; ~~or~~

19 (vii) a levy for reimbursing a county for costs incurred in transferring property records to an adjoining
20 county under 7-2-2807 upon relocation of a county boundary; or

21 (viii) a levy used to fund the sheriffs' retirement system under 19-7-404(2)(b).

22 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
23 actually assessed in a subsequent year.

24 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402,
25 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
26 authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating
27 funds by a county or municipality during that time.

28 (11) The department may adopt rules to implement this section. The rules may include a method for
29 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
30 improvements, or newly taxable value in a governmental unit."

1

2 **Section 2.** Section 19-7-403, MCA, is amended to read:

3 **"19-7-403. Member's contributions deducted.** (1) (a) Each Subject to subsection (1)(b), each
 4 member's contribution is ~~9.245%~~ 10.245% of the member's compensation.

5 (b) The member's contribution required under subsection (1) must be reduced to 9.245% on July 1
 6 following 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 that become effective after the valuation, is less than 25 years; and

9 (ii) reducing the member contributions and terminating the additional employer contributions pursuant
 10 to 19-7-404(4)(b) would not cause the system's amortization period as of the most recent actuarial valuation to
 11 exceed 25 years.

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

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

19 (4) The member's contributions picked up by the employer must be payable from the same source as
 20 is used to pay compensation to the member and must be included in the member's wages, as defined in
 21 19-1-102, and salary as used to define the member's highest average compensation in 19-7-101. The employer
 22 shall deduct from the member's compensation an amount equal to the amount of the member's contributions
 23 picked up by the employer and remit the total of the contributions to the board."

24

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

26 **"19-7-404. Employer contributions.** (1) Each employer shall pay 9.535% of the compensation paid to
 27 all of the employer's employees plus any additional contribution under subsection (3), except for those employees
 28 properly excluded from membership.

29 (2) (a) If the required contribution to the retirement system exceeds contributions under subsections (1)
 30 and (3)(a) exceed the funds available to a county from general revenue sources, a county may, subject to

1 15-10-420, budget, levy, and collect annually a tax on the taxable value of all taxable property within the county
2 that is sufficient to raise the amount of revenue needed to meet the county's obligation.

3 (b) (i) A county may impose a mill levy to fund the employer contribution required under subsection
4 (3)(b). The mill levy is not subject to 15-10-420(1) or to approval at an election under 15-10-425.

5 (ii) Each year prior to implementing a levy under subsection (2)(b)(i), after notice of the hearing given
6 under 7-1-2121, a public hearing must be held regarding any proposed increase.

7 (iii) If a levy pursuant to this subsection (2)(b) is decreased or ceases to be levied, the revenue may not
8 be combined with the revenue determined in 15-10-420(1)(a).

9 (3) Subject to subsection (4), each employer shall contribute to the system ~~an~~ additional employer
10 ~~contribution~~ contributions equal to:

11 (a) 0.58% of the compensation paid to all of the employer's employees, except for those employees
12 properly excluded from membership; and

13 (b) 3% of the compensation paid to all of the employer's employees, except for those employees properly
14 excluded from membership.

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

18 (b) The employer ~~contribution~~ contributions required under subsection (3) ~~terminates~~ terminate on July
19 1 following the board's receipt of the system's actuarial valuation if:

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

23 (ii) terminating the additional employer contribution contributions and reducing the member contributions
24 pursuant to 19-7-403(1)(b) would not cause the amortization period as of the most recent actuarial valuation to
25 exceed 25 years."

26

27 **SECTION 4. SECTION 19-7-501, MCA, IS AMENDED TO READ:**

28 **"19-7-501. Eligibility for service retirement.** (1) Subject to a member's right to a refund of the
29 member's accumulated contributions under Title 19, chapter 2, part 6, a member hired prior to July 1, 2017, who
30 has completed at least 20 years of membership service or a member hired on or after July 1, 2017, who has

1 completed at least 25 years, is eligible for a nonforfeitable service retirement benefit under 19-7-503.

2 (2) For purposes of compliance with section 411 of the Internal Revenue Code, 26 U.S.C. 411, a vested
3 member who has attained the later of age 50 or the completion of membership service of 20 years for a member
4 hired prior to July 1, 2017, or of 25 years for a member hired on or after July 1, 2017, of membership service has
5 attained normal retirement age and has a nonforfeitable right to the member's service retirement."
6

7 **SECTION 5.** SECTION 19-7-502, MCA, IS AMENDED TO READ:

8 "**19-7-502. Retirement option.** (1) (a) A member hired prior to July 1, 2017, with at least 5 but less than
9 20 years of membership service may retire with a retirement benefit commencing no sooner than the first day of
10 the month following the member's 50th birthday.

11 (b) A member hired on or after July 1, 2017, with at least 5 but less than 25 years of membership service
12 may retire with a retirement benefit commencing no sooner than the first day of the month following the member's
13 50th birthday.

14 (2) (a) The retirement benefit must be calculated to be the actuarial equivalent of the member's service
15 retirement benefit as otherwise accrued, based upon payment commencing when the member hired before July
16 1, 2017, would have completed 20 years of membership service or reached age 60, whichever event would have
17 occurred first.

18 (b) The retirement benefit must be calculated to be the actuarial equivalent of the member's service
19 retirement benefit as otherwise accrued, based upon payment commencing when the member hired on or after
20 July 1, 2017, would have completed 25 years of membership service or reached age 60, whichever event would
21 have occurred first."
22

23 **SECTION 6.** SECTION 19-7-601, MCA, IS AMENDED TO READ:

24 "**19-7-601. Disability retirement benefit.** (1) Except as provided in subsection (2), a vested member
25 who becomes disabled must be granted a disability retirement benefit that is the actuarial equivalent of the
26 service retirement benefit under 19-7-503 standing to the member's credit at the time of the member's disability
27 retirement.

28 (2) A vested or nonvested member who becomes disabled as a direct result of the member's service in
29 the line of duty must be granted a disability retirement benefit as follows:

30 (a) A member hired prior to July 1, 2017, who becomes disabled:

1 ~~(a)~~(i) before completing 20 years of membership service must receive a disability retirement benefit equal
2 to one-half the member's highest average compensation; or

3 ~~(b)~~(ii) after completing 20 years or more of membership service must receive a disability retirement
4 benefit equal to 2.5% of the member's highest average compensation for each year of service credit.

5 **(b) A member hired on or after July 1, 2017, who becomes disabled:**

6 **(i) before completing 25 years of membership service must receive a disability retirement benefit equal**
7 **to one-half the member's highest average compensation; or**

8 **(ii) after completing 25 years or more of membership service must receive a disability retirement benefit**
9 **equal to 2.5% of the member's highest average compensation for each year of service credit."**

10

11 **SECTION 7. SECTION 19-7-901, MCA, IS AMENDED TO READ:**

12 **"19-7-901. Payments in case of death before retirement.** If a member dies before retirement, the
13 member's designated beneficiary may elect one of the following options for which the member qualified and for
14 which the designated beneficiary qualifies:

15 (1) a lump-sum payment of the accumulated contributions standing to the member's credit at the
16 member's death;

17 (2) a survivorship benefit equal to 2.5% of the member's highest average compensation for each year
18 of service credit actuarially reduced from age 60 or the date on which the member would have completed 20
19 years of membership service for a member hired prior to July 1, 2017, or 25 years of membership service for a
20 member hired on or after July 1, 2017, whichever provides a larger retirement benefit; or

21 (3) a survivorship benefit that is no less than one-half of the member's highest average compensation
22 if the board finds that the member died as a direct and proximate result of injuries received in the course of
23 employment."

24

25 **NEW SECTION. Section 8. Effective date.** [This act] is effective July 1, 2017.

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