HOUSE BILL NO. 569

INTRODUCED BY T. MOORE

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PENSION LAWS; PROVIDING SUPPLEMENTAL FUNDING FOR THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM, THE SHERIFFS' RETIREMENT SYSTEM, AND THE GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM TO AMORTIZE THE SYSTEMS IN 25 YEARS; PROVIDING APPROPRIATIONS; REVISING CONTRIBUTIONS IN THE JUDGES' RETIREMENT SYSTEM, THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM, THE SHERIFFS' RETIREMENT SYSTEM, AND THE GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM TO PROVIDE FOR AN ACTUARIALLY DETERMINED CONTRIBUTION; REVISING RETIREMENT CRITERIA FOR NEW MEMBERS IN THE SHERIFFS' RETIREMENT SYSTEM AND THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM; AMENDING SECTIONS 15-10-420, 17-7-502, 19-2-405, 19-2-409, 19-5-404, 19-6-404, 19-6-501, 19-7-403, 19-7-404, 19-7-501, AND 19-8-504, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. **Section 1. Highway patrol officers' retirement system appropriation.** There is appropriated $27.6 million from the general fund to the Montana public employees' retirement board for the fiscal year beginning July 1, 2023, to amortize the highway patrol officers' retirement system in 25 years.

NEW SECTION. **Section 2. Sheriffs' retirement system appropriation.** There is appropriated $26.8 million from the general fund to the Montana public employees' retirement board for the fiscal year beginning July 1, 2023, to amortize the sheriffs' retirement system in 25 years.

NEW SECTION. **Section 3. Game wardens' and peace officers' retirement system.** There is losses smoothed over 5 years starting with the fiscal year ending June 30, 2019.

(b) "Legacy unfunded liability" means the unfunded liability of the plan as of June 30, 2023.

(Subsections ~~(4) and (5)~~ (3) AND (4) terminate June 30, 2023--sec. 3, Ch. 272, L. 2021.)"

**Section 9.** Section 19-6-404, MCA, is amended to read:

"**19-6-404. State employer contribution -- ~~statutory appropriation~~ definitions.** (1) (a) ~~The~~ From July 1, 2023, through June 30, 2024, the state shall pay as employer contributions ~~38.33%~~ ~~43.48%~~ 38.33% of compensation paid to all of the employer's employees, except those properly excluded from membership.~~, from the following sources:~~

~~(1) an amount equal to 28.15% of the total compensation of the members, which is payable, as appropriated by the legislature, from the same source that is used to pay compensation to the members; and~~

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

(b) Beginning July 1, 2023, and each fiscal year thereafter, the state treasurer shall transfer $500,000 from the state special revenue fund provided for in 17-2-102 to the highway patrol officers' retirement pension trust fund by August 15. This transfer must terminate when the public employees' retirement board's actuary determines that the funded ratio for the highway patrol officers' pension system is 100% funded.

(2) (a) Beginning July 1, 2024, the state shall pay as employer contributions an actuarially determined employer contribution that is determined annually by the public employees' retirement board's actuary in accordance with the provisions of this section and part of the plan's annual actuarial valuation. This actuarially determined employer contribution is effective July 1 following the annual actuarial valuation completed in the prior calendar year with a maximum annual increase of no more than 0.5% in any year.

(b) The actuarially determined employer contribution must be the sum of the following contribution rates minus the employee contribution provided for in 19-6-402:

(i) the contribution rate determined under subsection (2)(c) to pay off the legacy unfunded liability;

(ii) the contribution rate determined under subsection (2)(d) to pay for the contemporary unfunded liability; and

(iii) the contribution rate determined under subsection (2)(e) to pay for the normal cost of benefits as they accrue.

(c) (i) Except as provided in subsection (2)(c)(ii), the contribution rate under subsection (2)(b)(i) for the legacy unfunded liability must be the amount required on a level percent basis to amortize the legacy unfunded liability attributable to the employer's employees over a closed 25-year amortization period beginning July 1, 2023.

(ii) If the June 30, 2023, actuarial valuation determines the system's amortization period is less than 25 years, then the closed amortization period used for the purposes of subsection (2)(c)(i) must be that amortization period.

(d) The contribution rate under subsection (2)(b)(ii) for the contemporary unfunded liability must be the amount required on a level percent basis to pay the annual contemporary unfunded liabilities attributable to the employer's employees over a layered amortization schedule so that each fiscal year's contemporary unfunded liability is amortized over a closed 10-year period, starting with the contemporary unfunded liability for the fiscal year ending June 30, 2024.

(e) The contribution rate under subsection (2)(b)(iii) for the normal cost of benefits as they accrue must be the amount required on a level percent basis to pay the normal cost of benefits as determined in the annual actuarial valuation as the benefits accrue for each of the employer's employees.

(3) For the purposes of this section, the following definitions apply:

(a) "Contemporary unfunded liability" means the plan's annual fiscal year actuarial gains and losses smoothed over 5 years starting with the fiscal year ending June 30, 2019.

(b) "Legacy unfunded liability" means the unfunded liability of the plan as of June 30, 2023."

**SECTION 10.** SECTION 19-6-501, MCA, IS AMENDED TO READ:

"**19-6-501. Eligibility for service retirement benefit.** (1) (a) Subject to a member's right to a refund of the member's accumulated contributions under Title 19, chapter 2, part 6, a member hired on or before June 30, 2023, is eligible to receive a nonforfeitable service retirement benefit under 19-6-502 after completing 20 years or more of membership service and terminating service.

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

**Section 12.** Section 19-7-404, MCA, is amended to read:

"**19-7-404. Employer contributions -- definitions.** (1) ~~Each~~ From July 1, 2023, through June 30, 2024, each employer shall pay ~~9.535%~~ ~~13.385%~~ 13.115% of the compensation paid to all of the employer's employees ~~plus any additional contribution under subsection (3), except for those employees properly excluded from membership~~.

(2) (a) Beginning July 1, 2024, each employer shall pay as employer contributions an actuarially determined employer contribution that is determined annually by the public employees' retirement board's actuary in accordance with the provisions of this section and part of the plan's annual actuarial valuation. This actuarially determined employer contribution is effective July 1 following the annual actuarial valuation completed in the prior calendar year with a maximum annual increase of no more than 0.5% in any year.

(b) The actuarially determined employer contribution must be the sum of the following contribution rates minus the employee contribution provided for in 19-7-403:

(i) the contribution rate determined under subsection (2)(c) to pay off the legacy unfunded liability;

(ii) the contribution rate determined under subsection (2)(d) to pay for the contemporary unfunded liability; and

(iii) the contribution rate determined under subsection (2)(e) to pay for the normal cost of benefits as they accrue.

(c) (i) Except as provided in subsection (2)(c)(ii), the contribution rate under subsection (2)(b)(i) for the legacy unfunded liability must be the amount required on a level percent basis to amortize the legacy unfunded liability attributable to the employer's employees over a closed 25-year amortization period beginning July 1, 2023.

(ii) If the June 30, 2023, actuarial valuation determines the system's amortization period is less than 25 years, then the closed amortization period used for the purposes of subsection (2)(c)(i) must be that amortization period.

(d) The contribution rate under subsection (2)(b)(ii) for the contemporary unfunded liability must be the amount required on a level percent basis to pay the annual contemporary unfunded liabilities attributable to the employer's employees over a layered amortization schedule so that each fiscal year's contemporary unfunded liability is amortized over a closed 10-year period, starting with the contemporary unfunded liability for the fiscal year ending June 30, 2024.

(e) The contribution rate under subsection (2)(b)(iii) for the normal cost of benefits as they accrue must be the amount required on a level percent basis to pay the normal cost of benefits as determined in the annual actuarial valuation as the benefits accrue for each of the employer's employees.

~~(2)~~(3) (a) If the required contributions under ~~subsections (1) and (3)(a)~~ subsections (1) and (2) exceed the funds available to a county from general revenue sources, a county may, subject to 15-10-420, budget, levy, and collect annually a tax on the taxable value of all taxable property within the county that is sufficient to raise the amount of revenue needed to meet the county's obligation.

(b) (i) A county may impose a mill levy to fund the employer contribution required under ~~subsection (3)(b)~~ subsections (1) and (2). The mill levy is not subject to 15-10-420(1) or to approval at an election under 15-10-425.

(ii) Each year prior to implementing a levy under subsection ~~(2)(b)(i)~~ (3)(b)(i), after notice of the hearing given under 7-1-2121, a public hearing must be held regarding any proposed increase.

(iii) If a levy pursuant to this subsection ~~(2)(b)~~ (3)(b) is decreased or ceases to be levied, the revenue may not be combined with the revenue determined in 15-10-420(1)(a).

(4) For the purposes of this section, the following definitions apply:

(a) "Contemporary unfunded liability" means the plan's annual fiscal year actuarial gains and losses smoothed over 5 years starting with the fiscal year ending June 30, 2019.

(b) "Legacy unfunded liability" means the unfunded liability of the plan as of June 30, 2023.

~~(3) Subject to subsection (4), each employer shall contribute to the system additional employer~~

~~contributions equal to:~~

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

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

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

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

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

~~(ii) terminating the additional employer contributions and reducing the member contributions pursuant to 19-7-403(1)(b) would not cause the amortization period to exceed 25 years.~~"

**SECTION 13.** SECTION 19-7-501, MCA, IS AMENDED TO READ:

"**19-7-501. Eligibility for service retirement.** (1) (a) Subject to a member's right to a refund of the member's accumulated contributions under Title 19, chapter 2, part 6, a member hired on or before June 30, 2023, who has completed at least 20 years of membership service is eligible for a nonforfeitable service retirement benefit under 19-7-503.

(b) Subject to a member's right to a refund of the member's accumulated contributions under Title 19, chapter 2, part 6, a member hired on or after July 1, 2023, who has completed at least 20 years of membership service and reached 50 years of age is eligible for a nonforfeitable service retirement benefit under 19-7-503.

(2) For purposes of compliance with section 411 of the Internal Revenue Code, 26 U.S.C. 411, a vested member ~~who has attained the later of age 50 or the completion of 20 years of membership service has~~

~~attained normal retirement age and~~ described in subsection (1)(a) or (1)(b) is treated as having attained normal retirement age and has a nonforfeitable right to the member's service retirement."

**Section 14.** Section 19-8-504, MCA, is amended to read:

"**19-8-504. Employer's contribution -- definitions.** (1) ~~The~~ From July 1, 2023, through June 30, 2024, the employer shall pay as employer contributions ~~9%~~ ~~13.65%~~ 10.56% of the compensation paid to all of the employer's employees, except those properly excluded from membership. ~~The department of fish, wildlife, and parks shall include in its budget and shall request for legislative appropriation an amount necessary to defray the state's portion of the costs of this section.~~

(2) (a) Beginning July 1, 2024, each employer shall pay as employer contributions an actuarially determined employer contribution that is determined annually by the public employees' retirement board's actuary in accordance with the provisions of this section and part of the plan's annual actuarial valuation. This actuarially determined employer contribution is effective July 1 following the annual actuarial valuation completed in the prior calendar year with a maximum annual increase of no more than 0.5% in any year.

(b) The actuarially determined employer contribution must be the sum of the following contribution rates minus the employee contribution provided in 19-8-502:

(i) the contribution rate determined under subsection (2)(c) to pay off the legacy unfunded liability;

(ii) the contribution rate determined under subsection (2)(d) to pay for the contemporary unfunded liability; and

(iii) the contribution rate determined under subsection (2)(e) to pay for the normal cost of benefits as they accrue.

(c) (i) Except as provided in subsection (2)(c)(ii), the contribution rate under subsection (2)(b)(i) for the legacy unfunded liability must be the amount required on a level percent basis to amortize the legacy unfunded liability attributable to the employer's employees over a closed 25-year amortization period beginning July 1, 2023.

(ii) If the June 30, 2023, actuarial valuation determines the system's amortization period is less than 25 years, then the closed amortization period used for the purposes of subsection (2)(c)(i) must be that amortization period.

(d) The contribution rate under subsection (2)(b)(ii) for the contemporary unfunded liability must be the amount required on a level percent basis to pay the annual contemporary unfunded liabilities attributable to the employer's employees over a layered amortization schedule so that each fiscal year's contemporary unfunded liability is amortized over a closed 10-year period, starting with the contemporary unfunded liability for the fiscal year ending June 30, 2024.

(e) The contribution rate under subsection (2)(b)(iii) for the normal cost of benefits as they accrue must be the amount required on a level percent basis to pay the normal cost of benefits as determined in the annual actuarial valuation as the benefits accrue for each of the employer's employees.

(3) For the purposes of this section, the following definitions apply:

(a) "Contemporary unfunded liability" means the plan's annual fiscal year actuarial gains and losses smoothed over 5 years starting with the fiscal year ending June 30, 2019.

(b) "Legacy unfunded liability" means the unfunded liability of the plan as of June 30, 2023."

NEW SECTION. **SECTION 15. SEVERABILITY.** IF A PART OF [THIS ACT] IS INVALID, ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID PART REMAIN IN EFFECT. IF A PART OF [THIS ACT] IS INVALID IN ONE OR MORE OF ITS APPLICATIONS, THE PART REMAINS IN EFFECT IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE INVALID APPLICATIONS.

NEW SECTION. **Section 16. Effective date.** [This act] is effective July 1, 2023.

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