

1 **** BILL NO. ****
2 INTRODUCED BY ****
3 BY REQUEST OF THE ****
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PENSION LAWS; REPEALING THE ACTUARIALLY
6 DETERMINED EMPLOYER CONTRIBUTION RATE FOR THE JUDGES' RETIREMENT SYSTEM, THE
7 HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM, THE SHERIFFS' RETIREMENT SYSTEM, AND
8 THE GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM; REVISING RETIREMENT
9 CRITERIA FOR THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM AND THE SHERIFFS'
10 RETIREMENT SYSTEM; PROVIDING A STATUTORY APPROPRIATION; PROVIDING AN
11 APPROPRIATION; AMENDING SECTIONS 15-10-420, 17-7-502, 19-2-405, 19-2-409, 19-5-404, 19-6-404, 19-
12 6-501, 19-7-403, 19-7-404, 19-7-501, AND 19-8-504, MCA; PROVIDING EFFECTIVE DATES; AND
13 PROVIDING A RETROACTIVE APPLICABILITY DATE."
14

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
16

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

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

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

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

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

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

- 9 (i) annexation of real property and improvements into a taxing unit;
- 10 (ii) construction, expansion, or remodeling of improvements;
- 11 (iii) transfer of property into a taxing unit;
- 12 (iv) subdivision of real property; and
- 13 (v) transfer of property from tax-exempt to taxable status.

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

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

- 18 (i) a change in the boundary of a tax increment financing district;
- 19 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or
- 20 (iii) the termination of a tax increment financing district.

21 (b) If a tax increment financing district terminates prior to the certification of taxable values as
22 required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax
23 increment financing district terminates. If a tax increment financing district terminates after the certification of
24 taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the
25 following tax year.

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

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

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

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

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

7 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes
8 received under 15-6-131 and 15-6-132.

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

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

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

13 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for
14 purposes of 15-10-109, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated
15 by the department may not exceed the mill levy limits established in those sections. The mill calculation must
16 be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the
17 calculation must be rounded up to the nearest tenth of a mill.

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

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

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

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

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

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

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

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

28 (viii) a levy used to fund the sheriffs' retirement system under ~~19-7-404(3)(b)~~ 19-7-404(2)(b); or

1 (ix) a governmental entity from levying mills for the support of an airport authority in existence prior
2 to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past.
3 The levy under this subsection (9)(a)(ix) is limited to the amount in the resolution creating the authority.

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

6 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-
7 11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
8 authority in either of the previous 2 years and the airport or airport authority has not been appropriated
9 operating funds by a county or municipality during that time.

10 (11) The department may adopt rules to implement this section. The rules may include a method for
11 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
12 improvements, or newly taxable value in a governmental unit."
13

14 **Section 2.** Section 17-7-502, MCA, is amended to read:

15 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
16 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without
17 the need for a biennial legislative appropriation or budget amendment.

18 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with
19 both of the following provisions:

20 (a) The law containing the statutory authority must be listed in subsection (3).

21 (b) The law or portion of the law making a statutory appropriation must specifically state that a
22 statutory appropriation is made as provided in this section.

23 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120; 5-
24 11-407; 5-13-403; 5-13-404; 7-4-2502; 7-4-2924; 7-32-236; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-2-
25 807; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-3-316; 10-3-802; 10-3-1304; 10-4-304; 10-4-310; 15-1-121;
26 15-1-142; 15-1-143; 15-1-218; 15-1-2302; 15-31-165; 15-31-1004; 15-31-1005; 15-35-108; 15-36-332; 15-37-
27 117; 15-39-110; 15-65-121; 15-70-128; 15-70-131; 15-70-132; 15-70-433; 16-11-119; 16-11-509; 17-3-106; 17-
28 3-212; 17-3-222; 17-3-241; 17-6-101; 17-6-214; 17-7-133; 17-7-215; 18-11-112; 19-3-319; 19-3-320; [19-6-404](#);

1 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 19-20-607; 19-21-
 2 203; 20-3-369; 20-7-1709; 20-8-107; 20-9-250; 20-9-534; 20-9-622; [20-15-328]; 20-26-617; 20-26-1503; 22-1-
 3 327; 22-3-116; 22-3-117; [22-3-1004]; 23-4-105; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 30-10-
 4 1004; 37-43-204; 37-50-209; 37-54-113; 39-71-503; 41-5-2011; 42-2-105; 44-4-1101; 44-4-1506; 44-12-213;
 5 44-13-102; 50-1-115; 53-1-109; 53-6-148; 53-9-113; 53-24-108; 53-24-206; 60-5-530; 60-11-115; 61-3-321; 61-
 6 3-415; 67-1-309; 69-3-870; 69-4-527; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 75-26-308; 76-13-150; 76-
 7 13-151; 76-13-417; 76-17-103; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-11-518; 80-11-1006; 81-1-112; 81-
 8 1-113; 81-2-203; 81-7-106; 81-7-123; 81-10-103; 82-11-161; 85-20-1504; 85-20-1505; [85-25-102]; 87-1-603;
 9 87-5-909; 90-1-115; 90-1-205; 90-1-504; 90-6-331; and 90-9-306.

10 (4) There is a statutory appropriation to pay the principal, interest, premiums, and any costs or fees
 11 associated with issuing, paying, securing, redeeming, or defeasing all bonds, notes, or other obligations, as due
 12 in the ordinary course or when earlier called for redemption or defeased, that have been authorized and issued
 13 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
 14 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined
 15 by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have
 16 statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the
 17 inclusion of 19-20-604 terminates contingently when the amortization period for the teachers' retirement
 18 system's unfunded liability is 10 years or less; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410
 19 terminates contingently upon the death of the last recipient eligible under 19-6-709(2) for the supplemental
 20 benefit provided by 19-6-709; pursuant to sec. 5, Ch. 383, L. 2015, the inclusion of 85-25-102 is effective on
 21 occurrence of contingency; pursuant to sec. 6, Ch. 423, L. 2015, the inclusion of 22-3-116 and 22-3-117
 22 terminates June 30, 2025; pursuant to sec. 4, Ch. 122, L. 2017, the inclusion of 10-3-1304 terminates
 23 September 30, 2025; pursuant to sec. 1, Ch. 213, L. 2017, the inclusion of 90-6-331 terminates June 30, 2027;
 24 pursuant to sec. 10, Ch. 374, L. 2017, the inclusion of 76-17-103 terminates June 30, 2027; pursuant to secs.
 25 11, 12, and 14, Ch. 343, L. 2019, the inclusion of 15-35-108 terminates June 30, 2027; pursuant to sec. 1, Ch.
 26 408, L. 2019, the inclusion of 17-7-215 terminates June 30, 2029; pursuant to secs. 1, 2, 3, Ch. 139, L. 2021,
 27 the inclusion of 53-9-113 terminates June 30, 2027; pursuant to sec. 8, Ch. 200, L. 2021, the inclusion of 10-4-
 28 310 terminates July 1, 2031; pursuant to secs. 3, 4, Ch. 404, L. 2021, the inclusion of 30-10-1004 terminates

1 June 30, 2027; pursuant to sec. 5, Ch. 548, L. 2021, the inclusion of 50-1-115 terminates June 30, 2025;
 2 pursuant to secs. 5 and 12, Ch. 563, L. 2021, the inclusion of 22-3-1004 is effective July 1, 2027; pursuant to
 3 sec. 1, Ch. 20, L. 2023, sec. 2, Ch. 20, L. 2023, and sec. 3, Ch. 20, L. 2023, the inclusion of 81-1-112, 81-1-
 4 113, and 81-7-106 terminates June 30, 2029; pursuant to sec. 9, Ch. 44, L. 2023, the inclusion of 15-1-142
 5 terminates December 31, 2025; pursuant to sec. 10, Ch. 47, L. 2023, the inclusion of 15-1-2302 terminates
 6 June 30, 2025; pursuant to sec. 2, Ch. 374, L. 2023, the inclusion of 10-3-802 terminates June 30, 2031;
 7 pursuant to sec. 12, Ch. 558, L. 2023, the inclusion of 20-9-250 terminates December 31, 2029; pursuant to
 8 sec. 4, Ch. 621, L. 2023, the inclusion of 22-1-327 terminates July 1, 2029; pursuant to sec. 24, Ch. 722, L.
 9 2023, the inclusion of 17-7-133 terminates June 30, 2027; pursuant to sec. 10, Ch. 758, L. 2023, the inclusion
 10 of 44-4-1506 terminates June 30, 2027; and pursuant to sec. 10, Ch. 764, L. 2023, the inclusion of 15-1-143
 11 terminates December 31, 2025.)"

12

13 **Section 3.** Section 19-2-405, MCA, is amended to read:

14 **"19-2-405. Employment of actuary -- annual investigation and valuation.** (1) The board shall
 15 retain a competent actuary who is an enrolled member of the American academy of actuaries and who is
 16 familiar with public systems of pensions. The actuary is the technical adviser of the board on matters regarding
 17 the operation of the retirement systems.

18 (2) The board shall require the actuary to make and report on an annual actuarial investigation into
 19 the suitability of the actuarial tables used by the retirement systems and an actuarial valuation of the assets and
 20 liabilities of each defined benefit plan that is a part of the retirement systems.

21 (3) The normal cost contribution rate, which is funded by required employee contributions and a
 22 portion of the required employer contributions to each defined benefit retirement plan, must be calculated as the
 23 level percentage of members' salaries that will actuarially fund benefits payable under a retirement plan as
 24 those benefits accrue in the future.

25 (4) The unfunded liability contribution rate, which is entirely funded by a portion of the required
 26 employer contributions to the retirement plan, must be calculated as the level percentage of current and future
 27 defined benefit plan members' salaries that will amortize the unfunded actuarial liabilities of the retirement plan
 28 over a reasonable period of time, not to exceed 30 years, as determined by the board, ~~except as provided in~~

1 ~~19-5-404, 19-6-404, 19-7-404, and 19-8-504.~~

2 (5) The board shall require the actuary to conduct and report on a periodic actuarial investigation
3 into the actuarial experience of the retirement systems and plans.

4 (6) The board may require the actuary to conduct any valuation necessary to administer the
5 retirement systems and the plans subject to this chapter.

6 (7) The board shall provide copies of the reports required pursuant to subsections (2) and (5) to
7 the state administration and veterans' affairs interim committee and to the legislature pursuant to 5-11-210.

8 (8) The board shall require the actuary to prepare for each employer participating in a retirement
9 system the disclosures or the information required to be included in the disclosures as required by law and by
10 the governmental accounting standards board or its generally recognized successor."
11

12 **Section 4.** Section 19-2-409, MCA, is amended to read:

13 **"19-2-409. Plans to be funded on actuarially sound basis -- definition.** (1) As required by Article
14 VIII, section 15, of the Montana constitution, each system must be funded on an actuarially sound basis. For
15 the purposes of this section, "actuarially sound basis" means that contributions to each retirement plan must be
16 sufficient to pay the full actuarial cost of the plan.

17 (2) (a) For a defined benefit plan, the full actuarial cost includes both the normal cost of providing
18 benefits as they accrue in the future and the cost of amortizing unfunded liabilities over a scheduled period of
19 no more than 30 years, ~~except that with respect to the judges' retirement system, the highway patrol officers'~~
20 ~~retirement system, the sheriffs' retirement system, and the game wardens' and peace officers' retirement~~
21 ~~system, the unfunded liabilities must be paid over the periods provided for in 19-5-404, 19-6-404, 19-7-404, and~~
22 ~~19-8-504, respectively.~~

23 (b) For the defined contribution plan, the full actuarial cost is the contribution defined by law that is
24 payable to an account on behalf of the member."
25

26 **Section 5.** Section 19-5-404, MCA, is amended to read:

27 **"19-5-404. State employer contribution—definitions.** ~~(1)(a) Beginning July 1, 2023, (1) Except as~~
28 ~~provided in subsections (2) and (3).~~ the state shall pay as employer contributions ~~an actuarially determined~~

1 ~~employer contribution that is determined annually by the public employees' retirement board's actuary in~~
2 ~~accordance with the provisions of this section and part of the plan's annual actuarial valuation 14.0% of the~~
3 ~~compensation paid to all of the employer's employees, except those properly excluded from membership. This~~
4 ~~actuarially determined employer contribution is effective July 1 following the annual actuarial valuation~~
5 ~~completed in the prior calendar year.~~

6 (b) ~~— The actuarially determined employer contribution must be the sum of the following contribution~~
7 ~~rates minus the employee contribution provided for in 19-5-402:~~

8 (i) ~~— the contribution rate determined under subsection (1)(c) to pay for the contemporary unfunded~~
9 ~~liability; and~~

10 (ii) ~~— the contribution rate determined under subsection (1)(d) to pay for the normal cost of benefits~~
11 ~~as they accrue.~~

12 (c) ~~— The contribution rate under subsection (1)(b)(i) for the contemporary unfunded liability must be~~
13 ~~the amount required on a level percentage basis to pay the annual contemporary unfunded liabilities~~
14 ~~attributable to the employer's employees over a layered amortization schedule so that each fiscal year's~~
15 ~~contemporary unfunded liability is amortized over a closed 10-year period, starting with the contemporary~~
16 ~~unfunded liability for the fiscal year ending June 30, 2024.~~

17 (d) ~~— The contribution rate under subsection (1)(b)(ii) for the normal cost of benefits as they accrue~~
18 ~~must be the amount required on a level percentage basis to pay the normal cost of benefits as determined in~~
19 ~~the annual actuarial valuation as the benefits accrue for each of the employer's employees.~~

20 (2) (a) ~~Beginning July 1, 2024, the state shall contribute monthly from the natural resources~~
21 ~~operations special state revenue account, established in 15-38-301, to the judges' pension trust fund an~~
22 ~~actuarially determined employer contribution that is determined annually by the public employees' retirement~~
23 ~~board's actuary in accordance with the provisions of this section and part of the plan's annual actuarial~~
24 ~~valuation for the chief water court judge. This actuarially determined employer contribution is effective July 1~~
25 ~~following the annual actuarial valuation completed in the prior calendar year.~~

26 (b) ~~— The actuarially determined employer contribution must be the sum of the following contribution~~
27 ~~rates minus the employee contribution provided in 19-5-402:~~

28 (i) ~~— the contribution rate determined under subsection (2)(c) to pay for the contemporary unfunded~~

1 liability; and

2 (ii) ~~the contribution rate determined under subsection (2)(d) to pay for the normal cost of benefits~~
3 ~~as they accrue.~~

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

9 (d) ~~The contribution rate under subsection (2)(b)(ii) for the normal cost of benefits as they accrue~~
10 ~~must be the amount required on a level percentage basis to pay the normal cost of benefits as determined in~~
11 ~~the annual actuarial valuation as the benefits accrue for each of the employer's employees.~~

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

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

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

16 (2) Except as provided in subsection (3), the state shall contribute monthly from the natural
17 resources operations state special revenue account, established in 15-38-301, to the judges' pension trust fund
18 an amount equal to 14.0% of the compensation paid to the chief water court judge. The judiciary shall include in
19 its budget and shall request for legislative appropriation an amount necessary to defray the state's portion of the
20 costs of this section.

21 (3) If, based on the most recently available actuarial study for the judges' retirement system, the
22 funded ratio of the plan drops below 120% funded, the employer contribution rates in subsections (1) and (2)
23 must be increased to 25.81%."

24

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

26 **"19-6-404. State employer contribution -- ~~definitions statutory appropriation.~~** ~~(1)(a) From July 1,~~
27 ~~2023, through June 30, 2024, the~~ The state shall pay as employer contributions 38.33% of compensation paid
28 to all of the employer's employees, except those properly excluded from membership, from the following

1 sources:

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

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

6 ~~(b) Beginning July 1, 2023, and each fiscal year thereafter, the state treasurer shall transfer~~
7 ~~\$500,000 from the state special revenue fund provided for in 17-2-102 to the highway patrol officers' retirement~~
8 ~~pension trust fund by August 15. This transfer must terminate when the public employees' retirement board's~~
9 ~~actuary determines that the funded ratio for the highway patrol officers' pension system is 100% funded.~~

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

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

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

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

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

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

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

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

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

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

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

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

13
14 **Section 7.** Section 19-6-501, MCA, is amended to read:

15 **"19-6-501. Eligibility for service retirement benefit.** (1) ~~(a)~~ Subject to a member's right to a refund
16 of the member's accumulated contributions under Title 19, chapter 2, part 6, a member ~~hired on or before June~~
17 ~~30, 2023~~, is eligible to receive a nonforfeitable service retirement benefit under 19-6-502 after completing 20
18 years or more of membership service and terminating service.

19 ~~(b) — Subject to a member's right to a refund of the member's accumulated contributions under Title~~
20 ~~19, chapter 2, part 6, a member hired on or after July 1, 2023, is eligible to receive a nonforfeitable service~~
21 ~~retirement benefit under 19-6-502 after completing 20 years or more of membership service, reaching the age~~
22 ~~of 50, and terminating service.~~

23 (2) For purposes of compliance with section 411 of the Internal Revenue Code, 26 U.S.C. 411, a
24 vested member ~~is treated as having~~ who has attained the later of age 50 or the completion of 20 years of
25 membership service has attained normal retirement age and has a nonforfeitable right to the member's service
26 retirement."

27
28 **Section 8.** Section 19-7-403, MCA, is amended to read:

1 **"19-7-403. Member's contributions deducted.** (1) (a) Subject to subsection (1)(b), each member's
2 contribution is 10.495% of the member's compensation.

3 (b) The member's contribution required under this subsection (1) must be reduced to 9.245% on
4 July 1 following the board's receipt of the system's actuarial valuation if ~~the report shows that the funded ratio~~
5 ~~for the sheriffs' retirement system is at least 100%;~~

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

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

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

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

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

24 **Section 9.** Section 19-7-404, MCA, is amended to read:

25 **"19-7-404. Employer contributions—definitions.** (1) ~~From July 1, 2023, through June 30, 2024,~~
26 ~~each~~ (1) Each employer shall pay ~~13.115%~~ 9.535% of the compensation paid to all of the employer's
27 employees plus any additional contribution under subsection (3), except for those employees properly excluded
28 from membership.

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

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

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

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

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

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

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

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

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

28 ~~(3)(2)~~ (a) If the required contributions under ~~subsections (1) and (2)~~ subsections (1) and (3)(a) exceed

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

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

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

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

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

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

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

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

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

19 ~~(b) 3.00% of the compensation paid to all of the employer's employees, except for those~~
20 ~~employees properly excluded from membership.~~

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

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

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

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

3
4 **Section 10.** Section 19-7-501, MCA, is amended to read:

5 **"19-7-501. Eligibility for service retirement.** (1) ~~(a)~~ Subject to a member's right to a refund of the
6 member's accumulated contributions under Title 19, chapter 2, part 6, a member ~~hired on or before June 30,~~
7 ~~2023,~~ who has completed at least 20 years of membership service is eligible for a nonforfeitable service
8 retirement benefit under 19-7-503.

9 ~~(b) Subject to a member's right to a refund of the member's accumulated contributions under Title~~
10 ~~19, chapter 2, part 6, a member hired on or after July 1, 2023, who has completed at least 20 years of~~
11 ~~membership service and reached 50 years of age is eligible for a nonforfeitable service retirement benefit under~~
12 ~~19-7-503.~~

13 (2) For purposes of compliance with section 411 of the Internal Revenue Code, 26 U.S.C. 411, a
14 vested member ~~described in subsection (1)(a) or (1)(b) is treated as having attained normal retirement age and~~
15 who has attained the later of age 50 or the completion of 20 years of membership service has attained normal
16 retirement age and has a nonforfeitable right to the member's service retirement."

17
18 **Section 11.** Section 19-8-504, MCA, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

27
28 **NEW SECTION. Section 12. Appropriation.** There is appropriated \$4,010,463 from the X fund to the

1 department of justice for the fiscal year beginning July 1, 2025, for the Montana highway patrol employer
2 contribution.

3
4 **NEW SECTION. Section 13. Effective dates.** (1) Except as provided in subsection (2), [this act] is
5 effective July 1, 2025.

6 (2) [Sections [7 and 10] are effective on passage and approval.

7
8 **NEW SECTION. Section 14. Retroactive applicability.** [Sections 7 and 10] apply retroactively,
9 within the meaning of 1-2-109, to members of the highway patrol officers' retirement system and the sheriffs'
10 retirement system hired on or after July 1, 2023.

11 - END -

DRAFT