

Amendment - 1st Reading/2nd House-blue - Requested by: Janet Ellis - (S) Finance and Claims

- 2023

68th Legislature 2023

Drafter: Rebecca Power,

HB0569.002.003

1 HOUSE BILL NO. 569
2 INTRODUCED BY T. MOORE
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PENSION LAWS; PROVIDING
5 SUPPLEMENTAL FUNDING FOR THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM, THE
6 SHERIFFS' RETIREMENT SYSTEM, AND THE GAME WARDENS' AND PEACE OFFICERS' RETIREMENT
7 SYSTEM TO AMORTIZE THE SYSTEMS IN 25 YEARS; PROVIDING APPROPRIATIONS; REVISING
8 CONTRIBUTIONS IN THE JUDGES' RETIREMENT SYSTEM, THE HIGHWAY PATROL OFFICERS'
9 RETIREMENT SYSTEM, THE SHERIFFS' RETIREMENT SYSTEM, AND THE GAME WARDENS' AND
10 PEACE OFFICERS' RETIREMENT SYSTEM TO PROVIDE FOR AN ACTUARIALLY DETERMINED
11 CONTRIBUTION; REVISING RETIREMENT CRITERIA FOR NEW MEMBERS IN THE SHERIFFS'
12 RETIREMENT SYSTEM AND THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM; AMENDING
13 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-
14 501, AND 19-8-504, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

17
18 NEW SECTION. SECTION 1. HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM APPROPRIATION. THERE IS
19 APPROPRIATED \$27.6 MILLION FROM THE GENERAL FUND TO THE MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD
20 FOR THE FISCAL YEAR BEGINNING JULY 1, 2023, TO AMORTIZE THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM IN
21 25 YEARS.

22
23 NEW SECTION. SECTION 2. SHERIFFS' RETIREMENT SYSTEM APPROPRIATION. THERE IS APPROPRIATED
24 \$26.8 MILLION FROM THE GENERAL FUND TO THE MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD FOR THE FISCAL
25 YEAR BEGINNING JULY 1, 2023, TO AMORTIZE THE SHERIFFS' RETIREMENT SYSTEM IN 25 YEARS.

26
27 NEW SECTION. SECTION 3. GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM. THERE IS

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

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

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

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

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

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

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

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

22

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

24 **"19-6-501.—Eligibility for service retirement benefit. (1) (a) Subject to a member's right to a refund**
25 **of the member's accumulated contributions under Title 19, chapter 2, part 6, a member hired on or before June**
26 **30, 2023, is eligible to receive a nonforfeitable service retirement benefit under 19-6-502 after completing 20**
27 **years or more of membership service and terminating service.**

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

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

9
10 **Section 10.** Section 19-7-403, MCA, is amended to read:

11 **"19-7-403. Member's contributions deducted.** (1) (a) Subject to subsection (1)(b), each member's
12 contribution is 10.495% of the member's compensation.

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

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

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

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

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

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1 ~~contributions equal to:~~

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

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

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

9 ~~(b) The employer contributions required under subsection (3) terminate on July 1 following the board's~~
10 ~~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 that become effective after the valuation,~~
13 ~~is less than 25 years; and~~

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

16

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

18 **"19-7-501. Eligibility for service retirement. (1) (a) Subject to a member's right to a refund of the**
19 **member's accumulated contributions under Title 19, chapter 2, part 6, a member hired on or before June 30,**
20 **2023, who has completed at least 20 years of membership service is eligible for a nonforfeitable service**
21 **retirement benefit under 19-7-503.**

22 **(b) Subject to a member's right to a refund of the member's accumulated contributions under Title**
23 **19, chapter 2, part 6, a member hired on or after July 1, 2023, who has completed at least 20 years of**
24 **membership service and reached 50 years of age is eligible for a nonforfeitable service retirement benefit under**
25 **19-7-503.**

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

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

3

4 **Section 12.** Section 19-8-504, MCA, is amended to read:

5 **"19-8-504. Employer's contribution -- definitions.** (1) ~~The~~ From July 1, 2023, through June 30,
6 2024, the employer shall pay as employer contributions 9% ~~13.65%~~ 10.56% of the compensation paid to all of
7 the employer's employees, except those properly excluded from membership. ~~The department of fish, wildlife,~~
8 ~~and parks shall include in its budget and shall request for legislative appropriation an amount necessary to~~
9 ~~defray the state's portion of the costs of this section.~~

10 (2) (a) Beginning July 1, 2024, each employer 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.

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

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