

1 HOUSE BILL NO. 323

2 INTRODUCED BY T. MOORE

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS RELATED TO THE FUNDING OF
5 THE PUBLIC EMPLOYEE RETIREMENT SYSTEMS; REVISING CONTRIBUTIONS IN THE PUBLIC
6 EMPLOYEES' RETIREMENT SYSTEM AND THE TEACHERS' RETIREMENT SYSTEM TO PROVIDE FOR
7 AN ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION; REVISING THE EMPLOYER
8 CONTRIBUTION TO THE DEFINED CONTRIBUTION PLAN OF THE PUBLIC EMPLOYEES' RETIREMENT
9 SYSTEM; AMENDING SECTIONS 19-2-405, 19-2-409, 19-3-315, 19-3-316, 19-3-319, 19-3-1605, 19-3-2117,
10 19-20-501, 19-20-604, 19-20-605, 19-20-607, 19-20-608, 19-20-609, AND 19-21-214, MCA; AND PROVIDING
11 AN EFFECTIVE DATE."

12

13 WHEREAS, Montana's current statutory funding approach to Montana's public employee retirement
14 systems and the current funding policies adopted by the Public Employees' Retirement Board and Teachers'
15 Retirement Board is based on a 30-year maximum single layer amortization period for unfunded liabilities; and

16 WHEREAS, contribution rates are currently fixed rates set in statute, which means legislation is
17 required to increase contributions if the contribution rates are insufficient to keep the amortization period under
18 30 years and continue to lower the amortization period each year; and

19 WHEREAS, a layered amortization funding policy and automatic adjustments in contribution rates to
20 ensure contributions are sufficient to continue to pay down unfunded liabilities in a more expeditious and fiscally
21 disciplined manner would significantly reduce the long-term costs of the public employee retirement systems;
22 and

23 WHEREAS, the Public Employees' Retirement System (PERS) and the Teachers' Retirement System
24 (TRS) are the largest statewide public employee retirement systems and account for the majority of public
25 retirement system liabilities, with the PERS unfunded liabilities of \$2.13 billion with a current amortization period
26 of 35 years and the TRS unfunded liabilities of \$1.96 billion with a current amortization period of 29 years.

27

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

1

2 **Section 1.** Section 19-2-405, MCA, is amended to read:

3 **"19-2-405. Employment of actuary -- annual investigation and valuation.** (1) The board shall
4 retain a competent actuary who is an enrolled member of the American academy of actuaries and who is
5 familiar with public systems of pensions. The actuary is the technical adviser of the board on matters regarding
6 the operation of the retirement systems.

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

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

14 (4) ~~(a)~~—The unfunded liability contribution rate, which is entirely funded by a portion of the required
15 employer contributions to the retirement plan, must be calculated as the level percentage of current and future
16 defined benefit plan members' salaries that will amortize the unfunded actuarial liabilities of the retirement plan
17 over a reasonable period of time, not to exceed 30 years, as determined by the board, except as provided in
18 19-3-316 for the public employees' retirement system's defined benefit plan.

19 ~~(b)~~—~~In determining the amortization period under subsection (4)(a) for the public employees' retirement~~
20 ~~system's defined benefit plan, the actuary shall take into account the plan choice rate contributions to be made~~
21 ~~to the defined benefit plan pursuant to 19-3-2117 and 19-21-214.~~

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

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

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

28 (8) The board shall require the actuary to prepare for each employer participating in a retirement

1 system the disclosures or the information required to be included in the disclosures as required by law and by
 2 the governmental accounting standards board or its generally recognized successor."

3

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

5 **"19-2-409. Plans to be funded on actuarially sound basis -- definition.** As required by Article VIII,
 6 section 15, of the Montana constitution, each system must be funded on an actuarially sound basis. For
 7 purposes of this section, "actuarially sound basis" means that contributions to each retirement plan must be
 8 sufficient to pay the full actuarial cost of the plan. For a defined benefit plan, the full actuarial cost includes both
 9 the normal cost of providing benefits as they accrue in the future and the cost of amortizing unfunded liabilities
 10 over a scheduled period of no more than 30 years, except that with respect to the public employees' retirement
 11 system's defined benefit plan, the unfunded liabilities must be paid over the periods provided for under 19-3-
 12 316. For the defined contribution plan, the full actuarial cost is the contribution defined by law that is payable to
 13 an account on behalf of the member."

14

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

16 **"19-3-315. Member's contribution to be deducted.** (1)–(a) Except as provided in subsection (2),
 17 each member's contribution is 7.9% of the member's compensation.

18 ~~(b) The board shall annually review the required contributions and recommend future adjustments to~~
 19 ~~the legislature as needed to maintain the amortization schedule set by the board for the payment of the~~
 20 ~~system's unfunded liability.~~

21 (2) Each member's contribution must be reduced to 6.9% on January 1 following the ~~system's defined~~
 22 ~~benefit plan's~~ annual actuarial valuation if the valuation determines that the plan's funded ratio is at least 100%
 23 and reducing the employee contribution pursuant to this subsection and ~~reducing the employer contribution~~
 24 ~~pursuant to 19-3-316(4) terminating the employer supplemental contribution pursuant to 19-3-319(3)~~ would not
 25 cause the ~~system's amortization period to exceed 25 years~~ plan's funded ratio to be less than 100%.

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

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

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

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

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

11 (6) The member's contributions picked up by the employer must be payable from the same source as
 12 is used to pay compensation to the member and must be included in the member's wages, as defined in 19-1-
 13 102, and compensation. The employer shall deduct from the member's compensation an amount equal to the
 14 amount of the member's contributions picked up by the employer and remit the total of the contributions to the
 15 board."

16

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

18 **"19-3-316. Employer contribution rates -- definitions.** (1) Beginning July 1, 2021, through June 30,
 19 2022, each employer shall contribute to the defined benefit plan an amount equal to 9.48% of the compensation
 20 of each of the employer's employees who are members of the defined benefit plan, except for those employees
 21 properly excluded from membership. Of employer contributions made under this subsection for both defined
 22 benefit plan and defined contribution plan members, a portion must be allocated for educational programs as
 23 provided in 19-3-112.

24 (2) (a) Beginning July 1, 2022, each ~~Each~~ employer shall contribute to the defined benefit plan the
 25 actuarially determined employer contribution that is determined annually by the system's actuary in accordance
 26 with the provisions of this section as part of the plan's annual actuarial valuation. This actuarially determined
 27 employer contribution is effective July 1 following the annual actuarial valuation completed in the prior calendar
 28 year.

1 **(b) The actuarially determined employer contribution must be the sum of the following contribution**
2 **rates, minus the employee contribution provided in 19-3-315 and the state contributions provided in 19-3-319**
3 **and 19-3-320:**

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

5 **(ii) the contribution rate determined under subsection (2)(d) to pay for contemporary unfunded**
6 **liabilities;**

7 **(iii) the contribution rate determined under subsection (2)(e) to pay for the normal cost of benefits as**
8 **they accrue; and**

9 **(iv) a contribution of 0.04% of compensation for the employer's covered employees for the education**
10 **program under section 19-3-112.**

11 **(c) (i) The contribution rate under subsection (2)(b)(i) for the legacy unfunded liability must be the**
12 **amount required on a level percent of compensation basis to amortize the legacy unfunded liability attributable**
13 **to the employer's covered employees over a closed 30-year amortization period beginning July 1, 2021, except**
14 **as provided in subsection (2)(c)(ii).**

15 **(ii) If the June 30, 2021, actuarial valuation determines the system's amortization period is less than 30**
16 **years, then the closed amortization period used for the purposes of subsection (2)(c)(i) must be that**
17 **amortization period.**

18 **(d) The contribution rate under subsection (2)(b)(ii) for the contemporary unfunded liability must be**
19 **the amount required on a level dollar basis to pay the annual contemporary unfunded liabilities attributable to**
20 **the employer's covered employees over a layered amortization schedule so that each fiscal year's**
21 **contemporary unfunded liability is amortized over a closed 10-year period, starting with the contemporary**
22 **unfunded liability for the fiscal year ending June 30, 2022.**

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

27 **(3) (a) Beginning July 1, 2021, each employer shall contribute to the defined contribution plan an**
28 **amount equal to 8.87% of the compensation of each of the employer's employees who are members of the**

1 defined contribution plan. The employer's contribution must be reduced to 6.9% on January 1 following the
 2 defined benefits plan's annual actuarial valuation if the valuation determines that the defined benefit plan's
 3 funded ratio is at least 100% without the employer supplemental contribution under 19-3-319(3). Of employer
 4 contributions made under this subsection (3)(a) for defined contribution plan members, a portion must be
 5 allocated for educational programs as provided in 19-3-112.

6 (b) The employer contribution under subsection (3)(a) must be allocated as provided in 19-3-2117.

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

8 (a) "Contemporary unfunded liability" means the defined benefit plan's annual fiscal year actuarial
 9 losses smoothed over 5 years starting with the fiscal year ending June 30, 2017.

10 (b) "Covered employee" means an employee who, pursuant to the provisions of this chapter, is
 11 employed in a position covered by the retirement system and a member of the defined benefit plan.

12 (c) "Legacy unfunded liability" means the unfunded liability of the defined benefit plan as of June 30,
 13 2021. system. Except as provided in subsection (2), the employer shall pay as employer contributions 6.9% of
 14 the compensation paid to all of the employer's employees plus any additional contribution under subsection (3),
 15 except for those employees properly excluded from membership. Of employer contributions made under this
 16 subsection for both defined benefit plan and defined contribution plan members, a portion must be allocated for
 17 educational programs as provided in 19-3-112. Employer contributions for members under the defined
 18 contribution plan must be allocated as provided in 19-3-2117.

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

21 ~~(3) (a) Subject to subsection (4), each employer shall contribute to the system an additional employer~~
 22 ~~contribution equal to the percentage specified in subsection (3)(b) of the compensation paid to all of the~~
 23 ~~employer's employees, except for those employees properly excluded from membership.~~

24 ~~(b) The percentage of compensation to be contributed under subsection (3)(a) is 1.27% for fiscal year~~
 25 ~~2014 and increases by 0.1% each fiscal year through fiscal year 2024. For fiscal years beginning after June 30,~~
 26 ~~2024, the percentage of compensation to be contributed under subsection (3)(a) is 2.27%.~~

27 ~~(4) (a) The board shall annually review the additional employer contribution provided for under~~
 28 ~~subsection (3) and recommend adjustments to the legislature as needed to maintain the amortization schedule~~

1 ~~set by the board for payment of the system's unfunded liabilities.~~

2 ~~(b) The employer contribution required under subsection (3) terminates on January 1 following the~~
 3 ~~board's receipt of the system's actuarial valuation if the actuarial valuation determines that terminating the~~
 4 ~~additional employer contribution pursuant to this subsection (4)(b) and reducing the employee contribution~~
 5 ~~pursuant to 19-3-315(2) would not cause the amortization period to exceed 25 years."~~

6

7 **Section 5.** Section 19-3-319, MCA, is amended to read:

8 **"19-3-319. State contributions for local government and school district employers.** (1) The
 9 Subject to subsection (3), the state shall contribute monthly from the general fund to the pension trust fund a
 10 sum equal to 0.1% of the compensation paid to all employees of local government entities and school districts
 11 on and after July 1, 1997, except those employees properly excluded from membership.

12 (2) ~~(a)~~ Subject to subsection ~~(2)(b)~~ (3), in addition to the contribution required under subsection (1),
 13 the state shall contribute monthly from the general fund to the pension trust fund a sum equal to 0.27% of the
 14 compensation paid to all employees of school districts except for those employees properly excluded from
 15 membership.

16 ~~(b)(3)~~ The additional contribution under subsection ~~(2)(a)~~ terminates when the additional contribution
 17 under 19-3-316(3) terminates contributions in this section terminate January 1 following the defined benefit
 18 plan's annual actuarial valuation if the valuation determines that the plan's funded ratio is at least 100% and
 19 terminating the contribution pursuant to this subsection and reducing the employee contribution pursuant to 19-
 20 3-315(2) would not cause the funded ratio to be less than 100%.

21 ~~(3)(4)~~ The board shall certify amounts due under this section on a monthly basis, and the state
 22 treasurer shall transfer those amounts to the pension trust fund within 1 week. The payments in this section are
 23 statutorily appropriated as provided in 17-7-502."

24

25 **Section 6.** Section 19-3-1605, MCA, is amended to read:

26 **"19-3-1605. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2), on January 1 of
 27 each year, the permanent monthly benefit payable during the preceding January to each recipient who is
 28 eligible under subsection (3) must be increased by the applicable percentage provided in subsection (4).

1 (2) (a) If a recipient's benefit payable during the preceding January has been increased by one or
 2 more adjustments not provided for in this section and the adjustments amount to less than an annualized
 3 increase of the applicable percentage provided in subsection (4), then the recipient's benefit must be adjusted
 4 by an amount that will provide a total annualized increase of the applicable percentage in the benefit paid since
 5 the preceding January.

6 (b) If a recipient's benefit payable during the preceding January has been increased by one or more
 7 adjustments not provided for in this section and the increases amount to more than an annualized increase of
 8 the applicable percentage provided in subsection (4), then the benefit increase provided under this section must
 9 be 0%.

10 (c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the
 11 original payee that occurred since the preceding January, the new recipient's monthly benefit must be
 12 increased to the applicable percentage provided in subsection (4)(b) more than the amount that the contingent
 13 annuitant would have received had the contingent annuitant received a benefit during the preceding January.

14 (3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the
 15 minimum annual benefit adjustment provided for in this section if the benefit's commencement date is at least
 16 12 months prior to January 1 of the year in which the adjustment is to be made.

17 (4) (a) Subject to subsection (5), the applicable percentage rate is 1.5% for benefit recipients hired or
 18 assuming office:

19 (i) before July 1, 2007;

20 (ii) on or after July 1, 2007, and prior to July 1, 2013, if the benefit recipient is an existing member of a
 21 benefit plan for which the applicable percentage before July 1, 2013, was either 3% or 1.5%; or

22 (iii) on or after July 1, 2013.

23 (b) The applicable percentage rate for a contingent annuitant described in subsection (2)(c) is the
 24 same as the applicable percentage rate applicable to the original payee under subsection (4)(a).

25 (5) ~~(a) Except as provided in subsection (5)(b), if~~ If the most recent actuarial valuation of the
 26 retirement system shows that retirement system liabilities are less than 90% funded, the applicable percentage
 27 rate in subsection (4) must be reduced by 0.1% for each 2% below that 90% funding level.

28 ~~(b) If the amortization period is 40 years or greater, the applicable percentage rate is 0% and the~~

1 retirement allowance may not be increased.

2 (6) The board shall adopt rules to administer the provisions of this section."

3

4 **Section 7.** Section 19-3-2117, MCA, is amended to read:

5 **"19-3-2117. Allocation of contributions and forfeitures.** (1) The member contributions made under
6 19-3-315 and additional contributions paid by the member for the purchase of service must be allocated to the
7 plan member's retirement account.

8 (2) ~~Subject to subsections (3) and (4), of the~~ The employer contributions contribution received under
9 19-3-316(2) ~~received:~~

10 (a) ~~an amount equal to~~ must be allocated as follows:

11 (i) ~~4.19%~~ the percentage of compensation amount specified under 19-3-316(3)(a) minus the
12 amounts specified in subsections (2)(b) and (2)(c) of this section must be allocated to the member's retirement
13 account;

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

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

16 and

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

19 (b) ~~on July 1, 2009, continuing until the additional employer contributions terminate pursuant to 19-3-~~
20 ~~316(4)(b), the percentage specified in subsection (3) of this section of compensation must be allocated to the~~
21 ~~defined benefit plan to eliminate the plan choice rate unfunded actuarial liability;~~

22 (c) ~~on July 1, 2013, and continuing until June 30, 2015, an amount equal to 1% of compensation must~~
23 ~~be allocated to the defined benefit plan unfunded liabilities; and~~

24 (d) ~~on July 1, 2015, and continuing until the plan choice rate unfunded actuarial liability in the defined~~
25 ~~benefit plan is fully paid, an amount equal to 1% of compensation must be allocated to the defined benefit plan~~
26 ~~as part of the plan choice rate. Effective the first full pay period in the month following the board's verification~~
27 ~~that the plan choice rate unfunded actuarial liability is paid off, the amount equal to 1% of compensation must~~
28 ~~be allocated to the member's retirement account until the additional employer contributions terminate pursuant~~

1 ~~to 19-3-316(4)(b).~~

2 ~~(3) The percentage of compensation to be contributed under subsection (2)(b) is 0.27% for fiscal year~~
 3 ~~2014 and increases by 0.1% each fiscal year through fiscal year 2024. For fiscal years beginning after June 30,~~
 4 ~~2024, the percentage of compensation to be contributed under subsection (2)(b) is 1.27%.~~

5 ~~(4) Effective the first full pay period in the month following the board's verification that the plan choice~~
 6 ~~rate unfunded actuarial liability is paid off, the 2.37% of compensation in subsection (2)(a)(ii) and the~~
 7 ~~percentage of compensation in subsection (3), if any, must be allocated to the member's retirement account.~~

8 ~~(5)(3) Forfeitures of employer contributions and investment income on the employer contributions~~
 9 ~~may not be used to increase a member's retirement account. The board shall allocate the forfeitures under 19-~~
 10 ~~3-2116 to meet the plan's administrative expenses, including startup expenses."~~

11

12 **Section 8.** Section 19-20-501, MCA, is amended to read:

13 **"19-20-501. Financial administration of money.** The members of the retirement board are the
 14 trustees of all money collected for the retirement system, and as trustees, they shall provide for the financial
 15 administration of the money as provided in Article VIII, section 15, of the Montana constitution in the following
 16 manner:

17 (1) The money must be invested and reinvested by the state board of investments.

18 (2) The retirement board shall annually establish the rate of regular interest.

19 (3) In accordance with the provisions of ~~19-20-605(8)~~ 19-20-605(7), the amount to be credited to each
 20 reserve must be allocated from the interest and other earnings on the money of the retirement system actually
 21 realized during the preceding fiscal year, less the amount allocated to administrative expenses. The
 22 administrative expenses of the retirement system, less amortization of intangible assets, may not exceed 1.5%
 23 of retirement benefits paid.

24 (4) The state treasurer is the custodian of the collected retirement system money and of the securities
 25 in which the money is invested.

26 (5) For purposes of Article VIII, section 12, of the Montana constitution, all the reserves established by
 27 part 6 of this chapter must be accounts in the pension trust fund type of the treasury fund structure of the state.

28 (6) Benefits and refunds to eligible recipients are payable pursuant to a contract as contained in

1 statute. Unless specifically provided for by statute, the contract does not contain revisions to statutes after the
2 time of retirement or termination."

3

4 **Section 9.** Section 19-20-604, MCA, is amended to read:

5 **"19-20-604. (Temporary) State contributions -- termination.** The state shall contribute monthly
6 from the general fund to the pension trust fund a sum equal to 0.11% of the compensation of members
7 participating in the system on or after July 1, 1999. The contributions are statutorily appropriated, as provided in
8 17-7-502, to the pension trust fund. The state contribution provided for in this section terminates when the
9 amortization period for the system's legacy unfunded liability, as defined in 19-20-605, is 10 years or less
10 according to the system's latest actuarial valuation. The board shall certify amounts due under this section on a
11 monthly basis. The state treasurer shall transfer the certified amounts to the pension trust fund within 1 week.
12 (Terminates on occurrence of contingency--sec. 10, Ch. 360, L. 1999.)"

13

14 **Section 10.** Section 19-20-605, MCA, is amended to read:

15 **"19-20-605. Pension accumulation account -- employer's contribution.** (1) The pension
16 accumulation account is the account in which the reserves for payment of retirement allowances and benefits
17 must be accumulated and from which retirement allowances and benefits must be paid to retirees or their
18 beneficiaries. Employer contributions to the pension accumulation account must be made as provided in 19-20-
19 609 and this section.

20 ~~(2) Except as provided in subsection (3), for each member employed during the whole or part of the~~
21 ~~preceding payroll period, the employer shall pay into the pension accumulation account an amount equal to~~
22 ~~9.85% of total earned compensation, plus the supplemental contribution required under 19-20-609.~~

23 ~~(3) For each member employed by a school district, an education cooperative, a county, or a~~
24 ~~community college during the whole or part of the preceding payroll period, the employer shall pay into the~~
25 ~~pension accumulation account an amount equal to 7.47% of total earned compensation, plus the supplemental~~
26 ~~contribution required under 19-20-609.~~

27 (2) (a) Each employer shall pay into the pension accumulation account an amount equal to the
28 actuarially determined employer contribution that is determined annually by the system's actuary in accordance

1 with the provisions of this section as part of the plan's annual actuarial valuation. The actuarially determined
2 employer contribution is effective July 1 following the annual actuarial valuation completed in the prior calendar
3 year.

4 (b) The actuarially determined employer contribution must be the sum of the following contribution
5 rates, minus the member contributions provided in 19-20-602 and 19-20-608 and the state contributions
6 provided in 19-20-607:

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

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

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

12 (c) (i) The contribution rate under subsection (2)(b)(i) for the legacy unfunded liability must be the
13 amount required on a level percent of compensation basis to amortize the legacy unfunded liability attributable
14 to the employer's covered employees over a closed 30-year period beginning July 1, 2021, except as provided
15 in subsection (2)(c)(ii).

16 (ii) If the June 30, 2021, actuarial valuation determines the system's amortization period is less than 30
17 years, then the closed amortization period used for the purposes of subsection (2)(c)(i) must be that
18 amortization period.

19 (d) The contribution rate under subsection (2)(b)(ii) for the contemporary unfunded liability must be
20 the amount required on a level dollar basis to pay the total of the annual contemporary unfunded liabilities
21 attributable to the employer's covered employees over a layered amortization schedule so that each fiscal
22 year's contemporary unfunded liability is amortized over a closed 10-year period, starting with the contemporary
23 unfunded liability for the fiscal year ending June 30, 2022.

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

28 (4)(3) Beginning July 1, 2013, for each retired member who returns to covered employment under the

1 provisions of 19-20-731 during all or part of the preceding payroll period, the employer shall pay into the
 2 pension accumulation account an amount equal to 9.85% of the total earned compensation paid to the retired
 3 member, plus the supplemental contribution required under 19-20-609.

4 ~~(5)(4)~~ If the employer is a district or community college district, the trustees shall budget and pay for
 5 the employer's contribution under the provisions of 20-9-501.

6 ~~(6)(5)~~ If the employer is the superintendent of public instruction, a public institution of the state of
 7 Montana, a unit of the Montana university system, or the Montana state school for the deaf and blind, the
 8 legislature shall appropriate to the employer an adequate amount to allow the payment of the employer's
 9 contribution.

10 ~~(7)(6)~~ If the employer is a county, the county commissioners shall budget and pay for the employer's
 11 contribution in the manner provided by law for the adoption of a county budget and for payments under the
 12 budget.

13 ~~(8)(7)~~ All interest and other earnings realized on the money of the retirement system must be credited
 14 to the pension accumulation account, and the amount required to allow regular interest on the annuity savings
 15 account must be transferred to that account from the pension accumulation account.

16 ~~(9)(8)~~ The board may transfer from the pension accumulation account to the expense account an
 17 amount necessary to cover expenses of administration.

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

19 (a) "Contemporary unfunded liability" means the system's annual fiscal year actuarial losses
 20 smoothed over 5 years starting with the fiscal year ending June 30, 2017.

21 (b) "Covered employee" means an employee who, pursuant to the provisions of this chapter, is
 22 employed in a position covered by the retirement system and a member of the system.

23 (c) "Legacy unfunded liability" means the unfunded liability of the system as of June 30, 2021."
 24

25 **Section 11.** Section 19-20-607, MCA, is amended to read:

26 **"19-20-607. Supplemental state contribution -- appropriation.** (1) (a) Each month, the state shall
 27 contribute, as a supplemental contribution to the teachers' retirement system, from the general fund to the
 28 pension trust fund an amount equal to 2.38% of the total earned compensation of active members of the

1 following employers listed in ~~19-20-605(3)~~ participating in the system:

2 ~~(i) a school district;~~

3 ~~(ii) an education cooperative;~~

4 ~~(iii) a county; or~~

5 ~~(iv) a community college.~~

6 (b) (i) Except as provided in subsection (1)(b)(ii), beginning July 1, 2013, and on each July 1
7 thereafter, the state shall contribute from the general fund to the pension trust fund \$25 million as a
8 supplemental contribution to the teachers' retirement system.

9 (ii) If the legislative finance committee determines that the board has failed to provide a sufficient
10 report pursuant to 19-20-216, it shall recommend that \$5 million be subtracted from the amount allocated in
11 subsection (1)(b)(i) subject to legislative approval.

12 (2) The contributions are statutorily appropriated, as provided in 17-7-502, to the pension trust fund.
13 The board shall determine and shall certify to the state treasurer amounts due under this section on a monthly
14 basis. The state treasurer shall transfer the certified amounts to the pension trust fund within 1 week following
15 receipt of the certification from the board."

16

17 **Section 12.** Section 19-20-608, MCA, is amended to read:

18 **"19-20-608. Member supplemental contribution -- actuarially determined adjustments --**

19 **effective dates.** (1) ~~(a)~~ Subject to ~~subsections (1)(b) and (1)(c)~~ subsection (2), a tier one member shall
20 contribute to the retirement system a supplemental amount equal to 1% of the member's earned compensation.

21 ~~(b) The board may decrease the tier one member supplemental contribution if:~~

22 ~~(i) the average funded ratio of the system based on the last three actuarial valuations is equal to or~~
23 ~~greater than 90%; and~~

24 ~~(ii) the period necessary to amortize all liabilities of the system based on the most recent annual~~
25 ~~actuarial valuation is less than 15 years.~~

26 ~~(c) Following one or more decreases in the supplemental contribution rate pursuant to subsection~~
27 ~~(1)(b), the board may increase the supplemental contribution to a rate not to exceed 1% if:~~

28 ~~(i) the average funded ratio of the system based on the last three annual actuarial valuations is equal~~

1 to or less than 80%; and

2 (ii) ~~the period necessary to amortize all liabilities of the system based on the most recent annual~~
3 ~~actuarial valuation is greater than 20 years.~~

4 (2) The member supplemental contribution under subsection (1) terminates January 1 following the
5 annual actuarial valuation if the valuation determines that the plan's funded ratio is at least 100% and
6 terminating the supplemental member contribution pursuant to this subsection and terminating the employer
7 contribution pursuant to 19-20-609(2) would not cause the system's funded ratio to be less than 100%.

8 ~~(2) (a) Subject to subsection (2)(b), on or after January 1, 2023, the board may require a tier two~~
9 ~~member to contribute to the retirement system a supplemental amount if:~~

10 ~~(i) the average funded ratio of the system based on the last three annual actuarial valuations is equal~~
11 ~~to or less than 80%;~~

12 ~~(ii) the period necessary to amortize all liabilities of the system based on the latest annual actuarial~~
13 ~~valuation is greater than 20 years; and~~

14 ~~(iii) a state or employer contribution rate increase or a flat dollar contribution to the retirement system~~
15 ~~trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by~~
16 ~~the board pursuant to this subsection (2)(a).~~

17 ~~(b) A tier two member supplemental contribution increase under this subsection (2) may not:~~

18 ~~(i) exceed 0.5% of earned compensation; and~~

19 ~~(ii) result in an aggregate tier two member contribution rate of more than 9.15% when added to the~~
20 ~~normal contribution rate required under 19-20-602.~~

21 ~~(c) Following imposition of a supplemental contribution rate increase under this subsection (2), the~~
22 ~~board may decrease the supplemental contribution rate if:~~

23 ~~(i) the average funded ratio of the system based on the previous three annual actuarial valuations is~~
24 ~~equal to or greater than 90%; and~~

25 ~~(ii) the period necessary to amortize all liabilities of the system based on the latest annual actuarial~~
26 ~~valuation is less than 15 years.~~

27 ~~(3) After the board has actuarially determined the need to impose, increase, or decrease a~~
28 ~~supplemental contribution rate under this section, the imposition, increase, or decrease is effective on the first~~

1 day of July following the board's determination."

2

3 **Section 13.** Section 19-20-609, MCA, is amended to read:

4 **"19-20-609. Employer's supplemental contribution -- actuarially determined adjustments. (1)**

5 (a) Subject to ~~subsections (1)(b) through (1)(d)~~ subsection (2), each employer shall contribute to the retirement
6 system a supplemental amount equal to the percentage specified in subsection (1)(b) of total earned
7 compensation of each member employed during the whole or part of the preceding payroll period.

8 (b) The percentage of compensation to be contributed under subsection (1)(a) is 1% for fiscal year
9 2014 and increases by 0.1% each fiscal year through fiscal year 2024. For fiscal years beginning after June 30,
10 2024, the percentage of compensation to be contributed under subsection (1)(a) is 2%.

11 (2) The supplemental contribution under subsection (1) terminates January 1 following the annual
12 actuarial valuation if the valuation determines that the system's funded ratio is at least 100% and terminating
13 the employer contribution pursuant to this subsection and terminating the tier one member supplemental
14 contribution pursuant to 19-20-608(2) would not cause the system's funded ratio to be less than 100%.

15 ~~(c) The board may decrease the employer's supplemental contribution if:~~

16 ~~(i) the average funded ratio of the system based on the last three actuarial valuations is equal to or~~
17 ~~greater than 90%;~~

18 ~~(ii) the period necessary to amortize all liabilities of the system based on the most recent annual~~
19 ~~actuarial valuation is less than 15 years; and~~

20 ~~(iii) the guaranteed annual benefit adjustment has been increased to the maximum allowed under 19-~~
21 ~~20-719.~~

22 ~~(d) Following one or more decreases in the supplemental contribution rate pursuant to subsection~~
23 ~~(1)(c), the board may increase the supplemental contribution to a rate not to exceed 1% if:~~

24 ~~(i) the average funded ratio of the system based on the last three annual actuarial valuations is equal~~
25 ~~to or less than 80%; and~~

26 ~~(ii) the period necessary to amortize all liabilities of the system based on the most recent annual~~
27 ~~actuarial valuation is greater than 20 years.~~

28 ~~(2) After the board has actuarially determined the need to impose, increase, or decrease a~~

1 supplemental contribution rate under this section, the imposition, increase, or decrease is effective on the first
 2 day of July following the board's determination."

3

4 **Section 14.** Section 19-21-214, MCA, is amended to read:

5 **"19-21-214. Contributions and allocations for employees in positions covered under public**
 6 **employees' retirement system.** (1) The contribution rates for employees in positions covered under the public
 7 employees' retirement system who elect to become program members pursuant to 19-3-2112 are as follows:

8 (a) the member's contribution rate must be the rate provided in 19-3-315; and

9 (b) the employer's contribution rate must be the rate provided in 19-3-316(3).

10 (2) ~~Subject to subsections (3) and (4), of the~~ The employer's contribution received under 19-3-316(3):

11 ~~(a) an amount equal to~~ must be allocated as follows:

12 ~~(i)(a) 4.49%~~ the percentage of compensation amount specified under 19-3-316(3)(a) minus the

13 amount specified in subsection (2)(b) of this section must be allocated to the participant's program account;

14 ~~(ii) 2.37% of compensation must be allocated to the defined benefit plan under the public employees'~~
 15 ~~retirement system as the plan choice rate; and~~

16 ~~(iii)(b) 0.04% of compensation must be allocated to the education fund pursuant to 19-3-112(1)(b);~~

17 ~~(b) on July 1, 2009, continuing until the additional employer contributions terminate pursuant to 19-3-~~
 18 ~~316(4)(b), an amount equal to 0.27% of compensation must be allocated to the defined benefit plan to eliminate~~
 19 ~~the plan choice rate unfunded actuarial liability;~~

20 ~~(c) on July 1, 2013, and continuing until June 30, 2015, an amount equal to 1% of compensation must~~
 21 ~~be allocated to the defined benefit plan unfunded liabilities; and~~

22 ~~(d) on July 1, 2015, and continuing until the plan choice rate unfunded actuarial liability in the defined~~
 23 ~~benefit plan is fully paid, an amount equal to 1% of compensation must be allocated to the defined benefit plan~~
 24 ~~as part of the plan choice rate. Effective the first full pay period in the month following the board's verification~~
 25 ~~that the plan choice rate unfunded actuarial liability is paid off, the amount equal to 1% of compensation must~~
 26 ~~be allocated to the member's retirement account until the additional employer contributions terminate pursuant~~
 27 ~~to 19-3-316(4)(b).~~

28 ~~(3) The percentage of compensation amount to be allocated under subsection (2)(b) must be~~

1 increased by 0.1% each fiscal year through fiscal year 2024. For fiscal years beginning after June 30, 2024, the
2 percentage of compensation amount to be allocated under subsection (2)(b) must be 1.27%.

3 ~~(4) Effective the first full pay period in the month following the board's verification that the plan choice~~
4 ~~rate unfunded actuarial liability is paid off, amounts equal to the 2.37% of compensation in subsection (2)(a)(ii)~~
5 ~~and the percentage of compensation in subsection (2)(b), if any, must be allocated to the member's retirement~~
6 ~~account."~~

7

8 **NEW SECTION. Section 15. Effective date.** [This act] is effective June 30, 2021.

9

- END -