

1 SENATE BILL NO. 56

2 INTRODUCED BY M. CUFFE

3 BY REQUEST OF THE STATE ADMINISTRATION AND VETERANS' AFFAIRS INTERIM COMMITTEE

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING SUPPLEMENTAL EMPLOYER CONTRIBUTIONS TO
6 RETIREMENT SYSTEMS; EXTENDING AND INCREASING THE SUPPLEMENTAL EMPLOYER
7 CONTRIBUTION RATE FOR THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM; ADDING
8 SUPPLEMENTAL EMPLOYER CONTRIBUTION RATES FOR THE HIGHWAY PATROL OFFICERS'
9 RETIREMENT SYSTEM, THE SHERIFFS' RETIREMENT SYSTEM, AND THE GAME WARDENS' AND
10 PEACE OFFICERS' RETIREMENT SYSTEM; AMENDING SECTIONS 19-3-316, 19-6-404, 19-7-404, AND 19-
11 8-504, MCA; AND PROVIDING AN EFFECTIVE DATE."

12
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14
15 **Section 1.** Section 19-3-316, MCA, is amended to read:

16 **"19-3-316. Employer contribution rates.** (1) Each employer shall contribute to the system. Except
17 as provided in subsection (2), the employer shall pay as employer contributions 6.9% of the compensation paid
18 to all of the employer's employees plus any additional contribution under subsection (3), except for those
19 employees properly excluded from membership. Of employer contributions made under this subsection for both
20 defined benefit plan and defined contribution plan members, a portion must be allocated for educational
21 programs as provided in 19-3-112. Employer contributions for members under the defined contribution plan
22 must be allocated as provided in 19-3-2117.

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

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

28 (b) The percentage of compensation to be contributed under subsection (3)(a) is 1.27% for fiscal

year 2014 and increases by 0.1% each fiscal year through ~~fiscal year 2024~~ fiscal year 2035. For fiscal years beginning after ~~June 30, 2024,~~ June 30, 2025, the percentage of compensation to be contributed under subsection (3)(a) is ~~2.27%~~ 3.27%.

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

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

Section 2. Section 19-6-404, MCA, is amended to read:

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

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

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

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

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

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

1 liability; and

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

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

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

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

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

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

22 (b) The percentage of compensation to be contributed under subsection (3)(a) is 0.1% for fiscal
23 year 2026 and increases by 0.1% each fiscal year through fiscal year 2035. For fiscal years beginning after
24 June 30, 2035, the percentage of compensation to be contributed under subsection (3)(a) is 1%.

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

28 (b) The employer contribution required under subsection (3) terminates on July 1 following the

board's receipt of the system's actuarial valuation if the actuarial valuation determines that terminating the additional employer contribution pursuant to this subsection (4)(b) would not cause the amortization period to exceed 25 years.

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

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

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

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

"19-7-404. Employer contributions -- definitions. (1) From July 1, 2023, through June 30, 2024, each employer shall pay 13.115% of the compensation paid to all of the employer's employees.

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

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

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

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

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

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

(ii) If the June 30, 2023, actuarial valuation determines the system's amortization period is less

1 than 25 years, then the closed amortization period used for the purposes of subsection (2)(c)(i) must be that
2 amortization period.

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

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

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

15 (b) (i) A county may impose a mill levy to fund the employer contribution required under
16 subsections (1) and (2). The mill levy is not subject to 15-10-420(1) or to approval at an election under 15-10-
17 425.

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

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

22 (4) (a) Subject to subsection (5), each employer shall contribute to the system an additional
23 employer contribution equal to the percentage specified in subsection (4)(b) of the compensation paid to all of
24 the employer's employees, except for those members properly excluded from membership.

25 (b) The percentage of compensation to be contributed under subsection (4)(a) is 0.1% for fiscal
26 year 2026 and increases by 0.1% each fiscal year through fiscal year 2035. For fiscal years beginning after
27 June 30, 2035, the percentage of compensation to be contributed under subsection (4)(a) is 1%.

28 (5) (a) The board shall review annually the additional employer contribution provided for under

subsection (4) and recommend adjustments to the legislature as needed to maintain the amortization schedule set by the board for payment of the system's unfunded liabilities.

(b) The employer contribution required under subsection (4) terminates on July 1 following the board's receipt of the system's actuarial valuation if the actuarial valuation determines that terminating the additional employer contribution pursuant to this subsection (5)(b) and reducing the member contributions pursuant to 19-7-403(1)(b) would not cause the amortization period to exceed 25 years.

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

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

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

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

"19-8-504. Employer's contribution -- definitions. (1) From July 1, 2023, through June 30, 2024, the employer shall pay as employer contributions 10.56% of the compensation paid to all of the employer's employees, except those properly excluded from membership.

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

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

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

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

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

(c) (i) Except as provided in subsection (2)(c)(ii), the contribution rate under subsection (2)(b)(i) for

1 the legacy unfunded liability must be the amount required on a level percent basis to amortize the legacy
2 unfunded liability attributable to the employer's employees over a closed 25-year amortization period beginning
3 July 1, 2023.

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

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

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

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

18 (b) The percentage of compensation to be contributed under subsection (3)(a) is 0.1% for fiscal
19 year 2026 and increases by 0.1% each fiscal year through fiscal year 2035. For fiscal years beginning after
20 June 30, 2035, the percentage of contribution to be contributed under subsection (3)(a) is 1%.

21 (4) (a) The board shall review annually the additional employer contribution 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 contribution required under subsection (3) terminates on July 1 following the
25 board's receipt of the system's actuarial valuation if the actuarial valuation determines that terminating the
26 additional employer contribution pursuant to this subsection (4)(b) would not cause the amortization period to
27 exceed 25 years.

28 (3)(5) For the purposes of this section, the following definitions apply:

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

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

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5 NEW SECTION. **Section 5. Effective date.** [This act] is effective July 1, 2025.

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