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\*\*\*\* Bill No. \*\*\*\*  
Introduced By \*\*\*\*\*  
By Request of the \*\*\*\*\*

A Bill for an Act entitled: "An Act revising the funding of the public employees' retirement system; providing that the unallocated portion of coal severance tax collections be statutorily appropriated to the public employees' defined benefit retirement plan; revising employee and employer contributions to the system's defined benefit and defined contribution plans; providing for an additional actuarially determined contribution from local government and school district employers with employees covered under the system's defined benefit plan; amending sections 15-35-108, 19-3-315, and 19-3-316, MCA; and providing an effective date."

Be it enacted by the Legislature of the State of Montana:

**Section 1.** Section 15-35-108, MCA, is amended to read:

~~"15-35-108. (Temporary) Disposal of severance taxes.~~

~~Severance taxes collected under this chapter must, in accordance with the provisions of 17-2-124, be allocated as follows:~~  
~~— (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.~~

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1 ~~—— (2) The amount of 12% of coal severance tax collections is~~  
2 ~~allocated to the long-range building program account established~~  
3 ~~in 17-7-205.~~

4 ~~—— (3) The amount of 5.46% must be credited to an account in~~  
5 ~~the state special revenue fund to be allocated by the legislature~~  
6 ~~for provision of basic library services for the residents of all~~  
7 ~~counties through library federations and for payment of the costs~~  
8 ~~of participating in regional and national networking,~~  
9 ~~conservation districts, and the Montana Growth Through~~  
10 ~~Agriculture Act. Expenditures of the allocation may be made only~~  
11 ~~from this account. Money may not be transferred from this account~~  
12 ~~to another account other than the general fund. Beginning July 1,~~  
13 ~~2012, any unreserved fund balance at the end of each fiscal year~~  
14 ~~must be deposited in the general fund.~~

15 ~~—— (4) The amount of 1.27% must be allocated to a permanent~~  
16 ~~fund account for the purpose of parks acquisition or management.~~  
17 ~~Income from this permanent fund account, excluding unrealized~~  
18 ~~gains and losses, must be appropriated for the acquisition,~~  
19 ~~development, operation, and maintenance of any sites and areas~~  
20 ~~described in 23-1-102.~~

21 ~~—— (5) The amount of 0.95% must be allocated to the debt~~  
22 ~~service fund type to the credit of the renewable resource loan~~  
23 ~~debt service fund.~~

24 ~~—— (6) The amount of 0.63% must be allocated to a trust fund~~  
25 ~~for the purpose of protection of works of art in the capitol and~~  
26 ~~for other cultural and aesthetic projects. Income from this trust~~  
27 ~~fund account, excluding unrealized gains and losses, must be~~

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1 ~~appropriated for protection of works of art in the state capitol~~  
2 ~~and for other cultural and aesthetic projects.~~

3 ~~—— (7) The amount of 5.8% through September 30, 2013, and~~  
4 ~~beginning October 1, 2013, the amount of 2.9% must be credited to~~  
5 ~~the coal natural resource account established in 90-6-1001(2).~~

6 ~~—— (8) After the allocations are made under subsections (2)~~  
7 ~~through (7), \$250,000 for the fiscal year must be credited to the~~  
8 ~~coal and uranium mine permitting and reclamation program account~~  
9 ~~established in 82-4-244.~~

10 ~~—— (9) (a) Subject to subsection (9)(b), all other revenue~~  
11 ~~from severance taxes collected under the provisions of this~~  
12 ~~chapter must be credited to the general fund of the state.~~

13 ~~—— (b) The interest income from \$140 million of the coal~~  
14 ~~severance tax permanent fund that is deposited in the general~~  
15 ~~fund is statutorily appropriated, as provided in 17-7-502, on an~~  
16 ~~annual basis as follows:~~

17 ~~—— (i) \$65,000 to the cooperative development center;~~

18 ~~—— (ii) \$625,000 for the growth through agriculture program~~  
19 ~~provided for in Title 90, chapter 9;~~

20 ~~—— (iii) \$1.275 million to the research and commercialization~~  
21 ~~state special revenue account created in 90-3-1002, of which~~  
22 ~~\$375,000 per year is appropriated for fiscal years 2012 and 2013~~  
23 ~~to the department of commerce for the small business state~~  
24 ~~matching grant program authorized in 90-1-117 to provide matching~~  
25 ~~grants for small business innovation research and small business~~  
26 ~~technology transfer, \$125,000 per year is appropriated for fiscal~~  
27 ~~years 2012 and 2013 to the high-performance supercomputing~~

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1 ~~program in the department of commerce, and \$300,000 per year is~~  
2 ~~appropriated for fiscal years 2012 and 2013 to the board of~~  
3 ~~regents for the development of energy and natural resources~~  
4 ~~doctoral programs at Montana tech of the university of Montana;~~  
5 ~~—— (iv) to the department of commerce;~~

6 ~~—— (A) \$125,000 for a small business development center;~~

7 ~~—— (B) \$50,000 for a small business innovative research~~  
8 ~~program;~~

9 ~~—— (C) \$425,000 for certified regional development~~  
10 ~~corporations;~~

11 ~~—— (D) \$200,000 for the Montana manufacturing extension center~~  
12 ~~at Montana state university-Bozeman; and~~

13 ~~—— (E) \$300,000 for export trade enhancement. (Terminates June~~  
14 ~~30, 2013--sec. 5, Ch. 459, L. 2009.)~~

15 **15-35-108. (~~Effective July 1, 2013~~ Temporary) Disposal of**  
16 **severance taxes.** Severance taxes collected under this chapter  
17 must, in accordance with the provisions of 17-2-124, be allocated  
18 as follows:

19 (1) Fifty percent of total coal severance tax collections  
20 is allocated to the trust fund created by Article IX, section 5,  
21 of the Montana constitution. The trust fund money must be  
22 deposited in the fund established under 17-6-203(6) and invested  
23 by the board of investments as provided by law.

24 (2) The amount of 12% of coal severance tax collections is  
25 allocated to the long-range building program account established  
26 in 17-7-205.

27 (3) The amount of 5.46% must be credited to an account in

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1 the state special revenue fund to be allocated by the legislature  
2 for provision of basic library services for the residents of all  
3 counties through library federations and for payment of the costs  
4 of participating in regional and national networking,  
5 conservation districts, and the Montana Growth Through  
6 Agriculture Act. Expenditures of the allocation may be made only  
7 from this account. Money may not be transferred from this account  
8 to another account other than the general fund. ~~Beginning July 1,~~  
9 ~~2012, any~~ Any unreserved fund balance at the end of each fiscal  
10 year must be deposited in the general fund.

11 (4) The amount of 1.27% must be allocated to a permanent  
12 fund account for the purpose of parks acquisition or management.  
13 Income from this permanent fund account, excluding unrealized  
14 gains and losses, must be appropriated for the acquisition,  
15 development, operation, and maintenance of any sites and areas  
16 described in 23-1-102.

17 (5) The amount of 0.95% must be allocated to the debt  
18 service fund type to the credit of the renewable resource loan  
19 debt service fund.

20 (6) The amount of 0.63% must be allocated to a trust fund  
21 for the purpose of protection of works of art in the capitol and  
22 for other cultural and aesthetic projects. Income from this trust  
23 fund account, excluding unrealized gains and losses, must be  
24 appropriated for protection of works of art in the state capitol  
25 and for other cultural and aesthetic projects.

26 (7) The amount of 5.8% through September 30, 2013, and  
27 beginning October 1, 2013, the amount of 2.9% must be credited to

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1 the coal natural resource account established in 90-6-1001(2).

2 (8) After the allocations are made under subsections (2)  
3 through (7), \$250,000 for the fiscal year must be credited to the  
4 coal and uranium mine permitting and reclamation program account  
5 established in 82-4-244.

6 (9) (a) Subject to subsection (9)(b), all other revenue  
7 from severance taxes collected under the provisions of this  
8 chapter ~~must be credited to the general fund of the state~~ is  
9 statutorily appropriated to the trust fund for the public  
10 employees' retirement system defined benefit plan established  
11 pursuant to 19-3-103.

12 (b) The interest income from \$140 million of the coal  
13 severance tax permanent fund that is deposited in the general  
14 fund is statutorily appropriated, as provided in 17-7-502, on an  
15 annual basis as follows:

16 (i) \$65,000 to the cooperative development center;

17 (ii) ~~\$1.25 million~~ \$625,000 for the growth through  
18 agriculture program provided for in Title 90, chapter 9;

19 (iii) ~~\$3.65~~ \$1.275 million to the research and  
20 commercialization state special revenue account created in  
21 90-3-1002;

22 (iv) to the department of commerce:

23 (A) \$125,000 for a small business development center;

24 (B) \$50,000 for a small business innovative research  
25 program;

26 (C) \$425,000 for certified regional development  
27 corporations;

1           (D) \$200,000 for the Montana manufacturing extension center  
2 at Montana state university-Bozeman; and

3           (E) \$300,000 for export trade enhancement. (Terminates June  
4 30, 2019--secs. 2, 3, Ch. 459, L. 2009.)

5           **15-35-108. (Effective July 1, 2019) Disposal of severance**  
6 **taxes.** Severance taxes collected under this chapter must, in  
7 accordance with the provisions of 17-2-124, be allocated as  
8 follows:

9           (1) Fifty percent of total coal severance tax collections  
10 is allocated to the trust fund created by Article IX, section 5,  
11 of the Montana constitution. The trust fund money must be  
12 deposited in the fund established under 17-6-203(6) and invested  
13 by the board of investments as provided by law.

14           (2) The amount of 12% of coal severance tax collections is  
15 allocated to the long-range building program account established  
16 in 17-7-205.

17           (3) The amount of 5.46% must be credited to an account in  
18 the state special revenue fund to be allocated by the legislature  
19 for provision of basic library services for the residents of all  
20 counties through library federations and for payment of the costs  
21 of participating in regional and national networking,  
22 conservation districts, and the Montana Growth Through  
23 Agriculture Act. Expenditures of the allocation may be made only  
24 from this account. Money may not be transferred from this account  
25 to another account other than the general fund. ~~Beginning July 1,~~  
26 ~~2012, any~~ Any unreserved fund balance at the end of each fiscal  
27 year must be deposited in the general fund.

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1           (4) The amount of 1.27% must be allocated to a permanent  
2 fund account for the purpose of parks acquisition or management.  
3 Income from this permanent fund account, excluding unrealized  
4 gains and losses, must be appropriated for the acquisition,  
5 development, operation, and maintenance of any sites and areas  
6 described in 23-1-102.

7           (5) The amount of 0.95% must be allocated to the debt  
8 service fund type to the credit of the renewable resource loan  
9 debt service fund.

10          (6) The amount of 0.63% must be allocated to a trust fund  
11 for the purpose of protection of works of art in the capitol and  
12 for other cultural and aesthetic projects. Income from this trust  
13 fund account, excluding unrealized gains and losses, must be  
14 appropriated for protection of works of art in the state capitol  
15 and for other cultural and aesthetic projects.

16          (7) The amount of 2.9% must be credited to the coal natural  
17 resource account established in 90-6-1001(2).

18          (8) After the allocations are made under subsections (2)  
19 through (7), \$250,000 for the fiscal year must be credited to the  
20 coal and uranium mine permitting and reclamation program account  
21 established in 82-4-244.

22          (9) All other revenue from severance taxes collected under  
23 the provisions of this chapter ~~must be credited to the general~~  
24 ~~fund of the state~~ is statutorily appropriated to the trust fund  
25 for the public employees' retirement system defined benefit plan  
26 established pursuant to 19-3-103."

27 {Internal References to 15-35-108:



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1	2-17-805	17-7-205	17-7-502	17-7-502
2	22-2-301	22-2-304	22-2-321	23-1-108
3	76-15-530	82-4-244	90-6-1001	}

4

5           **Section 2.** Section 19-3-315, MCA, is amended to read:

6           **"19-3-315. Member's contribution to be deducted.** (1) (a)

7 ~~Each~~ Except as provided in subsection (2), each member's

8 contribution is:

9 ~~— (i) for a member hired prior to July 1, 2011, 6.9% of the~~  
10 ~~member's compensation; and~~

11 ~~— (ii) for a member hired on or after July 1, 2011, 7.9% of~~  
12 ~~the member's compensation.~~

13           (b) ~~For members hired on or after July 1, 2011, the~~ The  
14 board shall ~~periodically~~ annually review the required  
15 contributions and recommend future adjustments to the legislature  
16 as needed to maintain the amortization schedule set by the board  
17 for the payment of the system's unfunded liability.

18           (2) Each member's contribution is 6.9% on July 1 following  
19 the system's annual actuarial valuation if:

20           (i) the valuation determines that the period required to  
21 amortize the system's liabilities is less than 25 years; and

22           (ii) reducing the employee contribution would not cause the  
23 amortization period to exceed 25 years.

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

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

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

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

15           (c) In the case of a member of the defined contribution  
16 plan, these contributions must be allocated as provided in  
17 19-3-2117.

18           ~~(5)~~(6) The member's contributions picked up by the employer  
19 must be payable from the same source as is used to pay  
20 compensation to the member and must be included in the member's  
21 wages, as defined in 19-1-102, and compensation. The employer  
22 shall deduct from the member's compensation an amount equal to  
23 the amount of the member's contributions picked up by the  
24 employer and remit the total of the contributions to the board."

25 {*Internal References to 19-3-315:*  
26 19-2-1004    19-3-511        19-3-2117    19-21-214 }

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

2           **"19-3-316. Employer contribution rates.** (1) Each employer  
3 shall contribute to the system. Except as provided in subsection  
4 (2), the employer shall pay as employer contributions ~~6.9%~~ 7.9%  
5 of the compensation paid to all of the employer's employees plus  
6 any additional contribution under subsection (3), except for  
7 those employees properly excluded from membership. Of employer  
8 contributions made under this subsection for both defined benefit  
9 plan and defined contribution plan members, a portion must be  
10 allocated for educational programs as provided in 19-3-112.  
11 Employer contributions for members under the defined contribution  
12 plan must be allocated as provided in 19-3-2117.

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

17           (3) Subject to subsection (4), each employer shall  
18 contribute to the system an additional employer contribution  
19 equal to 0.27% of the compensation paid to all of the employer's  
20 employees, except for those employees properly excluded from  
21 membership.

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

27           (b) The employer contribution required under subsection (3)

1 terminates on July 1 following the board's receipt of the  
2 system's actuarial valuation if:

3 (i) the actuarial valuation determines that the period  
4 required to amortize the system's unfunded liabilities, including  
5 adjustments made for any benefit enhancements enacted by the  
6 legislature after the valuation, is less than 25 years; and

7 (ii) terminating the additional employer contribution would  
8 not cause the amortization period as of the most recent actuarial  
9 valuation to exceed 25 years."

10 {*Internal References to 19-3-316:*  
11 19-3-108 19-3-112 19-3-319 19-3-511  
12 19-3-2117 19-3-2117 19-21-214 19-21-214  
13 20-9-501 }

14

15 NEW SECTION. **Section 4. Local employer actuarial**

16 **contributions.** (1) On July 1 of each year, in addition to the  
17 employer contribution required under 19-3-316, each local  
18 governmental entity and school district employer shall contribute  
19 to the defined benefit plan an amount certified by the board to  
20 be that employer's share of the actuarially determined  
21 contribution as of the system's latest annual actuarial  
22 valuation.

23 (2) For purposes of subsection (1), "actuarially determined  
24 contribution" means the contribution amount determined by the  
25 board's actuary to be required, in addition to all other  
26 statutory contributions, to amortize the defined benefit plan's  
27 unfunded liabilities in 30 years.

28

