SENATE BILL NO. 122

INTRODUCED BY F. MANDEVILLE

A BILL FOR AN ACT ENTITLED: “AN ACT REVISING THE ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION RATE FOR THE HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM, THE SHERIFFS' RETIREMENT SYSTEM, AND THE GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM; ADDING A MINIMUM RATE FOR THE ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION RATE; ADDING A MAXIMUM ANNUAL DECREASE TO THE ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION RATE; AMENDING SECTIONS 19-6-404, 19-7-404, AND 19-8-504, MCA; AND PROVIDING AN EFFECTIVE DATE.”

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

Section 1. 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 <u>and a maximum annual decrease of no more than 0.5% in any year</u>. <u>The employer contribution rate may not be set lower than 38.33%.</u>

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

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

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

(3) 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 2. 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 <u>and a maximum annual decrease of no more than 0.5% in any year</u>. <u>The employer contribution rate may not be set lower than 13.115%.</u>

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

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

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

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

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

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

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

(4) 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 19-8-504, 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 <u>and a</u>

maximum annual decrease of no more than 0.5% in any year. The employer contribution rate may not be set lower than 10.56%.

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

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

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

(3) 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."

<u>NEW SECTION.</u> **Section 4. Effective date.** [This act] is effective July 1, 2025.

- END -