

HOUSE BILL 56

Introduced by Grady

12/29	Introduced
12/29	Referred to State Administration
12/31	Fiscal Note Requested
1/07	First Reading
1/09	Fiscal Note Received
1/10	Fiscal Note Printed
	Died in Committee

1 HOUSE BILL NO. 56
 2 INTRODUCED BY GRADY
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR AN ANNUAL
 5 ADJUSTMENT TO THE MINIMUM MONTHLY RETIREMENT ALLOWANCE FOR
 6 CERTAIN MEMBERS OF THE GAME WARDENS' RETIREMENT SYSTEM;
 7 INCREASING THE STATE'S CONTRIBUTION TO COVER COSTS OF THE
 8 ANNUAL ADJUSTMENT; AMENDING SECTIONS 19-8-504 AND 19-8-816,
 9 MCA; AND PROVIDING AN EFFECTIVE DATE."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 19-8-816, MCA, is amended to read:

13 "19-8-816. **Minimum monthly retirement allowance.** (1)
14 The following members who retired before July 1, 1989, or
15 their beneficiaries are eligible to receive a minimum
16 monthly retirement allowance as provided in subsection (2):

17 (a) a member who is 55 years of age or older and who is
18 receiving a service retirement allowance, unless he is
19 employed in a position covered by a retirement system under
20 Title 19, chapters 3 through 13;

21 (b) a member who is receiving a disability retirement
22 allowance; and

23 (c) a beneficiary receiving a survivorship allowance.

24 (2) (a) Except as provided in subsection (2)(b), on
25 July 17-1989 of each year, the monthly retirement allowance

1 of a member eligible under subsection (1) may not be less
2 than 2% of a probationary state game warden's base salary on
3 ~~July 17-1989~~ for that year, for each year of the member's
4 creditable service.

5 (b) A monthly retirement allowance increased under
6 subsection (2)(a) may not exceed 60% of a probationary state
7 game warden's base salary on July 17-1989 of each year."

8 **Section 2.** Section 19-8-504, MCA, is amended to read:

9 "19-8-504. **State's contribution.** Each month the state
10 treasurer shall pay to the account, out of the department of
11 fish, wildlife, and parks ~~moneys funds~~, a sum equal to ~~7-15%~~
12 7.85% of the total of all members' salaries, and out of the
13 ~~moneys money~~ collected as fines and forfeited bonds under
14 the provisions of 87-1-601 or ~~moneys money~~ distributed under
15 3-10-601(4), all ~~such those~~ collections are statutorily
16 appropriated to the account until the unfunded liability in
17 the account is solvent and a verification statement to that
18 effect is given to the state treasurer by the board."

19 NEW SECTION. **Section 3.** **Effective date.** [This act] is
20 effective July 1, 1991.

-End-



STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0056, as introduced.

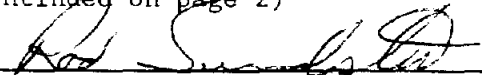
DESCRIPTION OF PROPOSED LEGISLATION:

This bill increases the state contribution to the game wardens retirement system from 7.15% of member's salaries to 7.85% or a 0.70% increase


ASSUMPTIONS:

1. Each July 1, retirement benefits for Game Wardens' Retirement System (GWRS) retirees who retired before July 1, 1989, or their beneficiaries, will be increased if the current benefit being paid is below the minimum benefit provided in this bill. The minimum benefit is to be calculated by multiplying the former member's years of creditable service X 2% of a probationary state game warden's base salary on July 1 of that year.
2. Since the minimum benefit is limited to those retired prior to July 1, 1989, no new eligibles will be added and the additional benefits will be paid over a finite period which should end by 2035.
3. Current GWRS retirement, disability and death benefit statutes provide for appropriate actuarial reductions to be made to the retirement benefits of specific recipients. This legislation as introduced does not provide for the appropriate actuarial reduction to be applied to the minimum benefit. Therefore, each eligible recipient will receive the full 2% X years of credible service under this benefit enhancement, even if they had only received 50% or less of the full regular retirement benefit because of the option chosen at retirement. This legislation could increase a recipient's benefit by more than 800%.
4. There are currently 58 persons receiving retirement benefit from the GWRS. Of those, 56 were retired prior to July 1, 1989, and will be eligible to receive the minimum benefit at some point. Of these eligible, 30 are expected to be eligible for the minimum benefit during the next biennium.
5. The average GWRS retiree has 26.75 years of service. Based on a projected 4.5% increase in the base salary for a probationary game warden during each year of the next biennium, the average minimum benefit will be approximately \$776/month in FY92 and \$811/month in FY93. For those 30 GWRS recipients who are currently receiving less than the projected minimum benefit during the next biennium, the average retirement benefit is \$747/month. The number of recipients actually receiving a benefit during enhancement will increase in future years as the benefits of those retired prior to 7/1/89 fall below the minimum benefit as it is recalculated each year in the future.
6. An actuarial valuation of the impact of this legislation on the GWRS has determined the additional cost to provide this minimum monthly benefit to current retirees and their beneficiaries would be an additional 6.28% of salaries. (The lump-sum present value of this benefit enhancement is \$2,722,343 if paid on July 1, 1991.) However, the legislation as written only provides for an increase on 0.7% in employer contribution rates. Therefore, the legislation will result in a shortfall in funding for the GWRS pension trust fund in the amount of 5.58% of total salaries each year.

(continued on page 2)


ROD SUNDSTED, BUDGET DIRECTOR
Office of Budget and Program Planning

1-8-91
DATE


ED GRADY, PRIMARY SPONSOR
Fiscal Note For HB0056, as introduced

1-9-91
DATE

HB 56

Fiscal Note for HB0056, as introduced

Form BD-15

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7. FY92 and FY93 payrolls for the GWRS are based on the Nov. 1990 reports submitted to the GWRS, assuming a 4.5% increase each year of the next biennium. In FY92 the total annualized game warden payroll is estimated at \$2,598,608 and in FY93 \$2,715,546.

	FY92	FY93
8. Total employer contributions to GWRS without bill (7.15% of salaries)	\$ 185,800	\$ 194,162
Total employer contributions to GWRS with bill (7.85% of salaries)	<u>203,991</u>	<u>213,170</u>
Additional employer contributions to be paid (0.7% of salaries)	\$ 18,191	\$ 19,008

FISCAL IMPACT:

Fish, Wildlife and Parks:

	<u>FY 92</u>			<u>FY 93</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Expenditures:</u>						
Personal Services	185,800	203,991	18,191	194,162	213,170	19,008
<u>Funding:</u>						
State Special (02)	185,800	203,991	18,191	194,162	213,170	19,008

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION

Based upon the changes made by this bill, the actuary calculations of the employer contribution to the GWRS should be 13.43% of salaries. During the next biennium, and thereafter, the system will not be actuarially sound by the following amounts:

Total employer contributions to GWRS required (13.43% of salaries)	\$ 348,993	\$ 364,698
Total employer contributions to GWRS with bill (7.85% of salaries)	<u>203,991</u>	<u>213,170</u>
Shortfall in funding GWRS (5.58% of salaries)	\$ 145,002	\$ 151,528

Technical Notes:

The bill, as drafted, does not provide for an actuarial reduction to be applied to the minimum benefit for those retirees (and their surviving beneficiaries) when the actual retirement benefit received by these persons has been actuarially reduced to reflect the optional retirement benefit chosen. The bill, as drafted, will also pay the full minimum benefit to the beneficiary of an Option 1 retiree who may be receiving a monthly allowance actuarially calculated on the balance remaining of the member's actuarial present value of their retirement benefits. While these consequences may not have been intentional, without amendments, this legislation will provide the benefits as cost in this fiscal note.

If amendments are added so that actuarial reductions would be made to the minimum benefits of those members who elected the optional forms of payments and that surviving beneficiaries receiving the remainder on account would not be eligible for the minimum benefit, the required funding on this bill would be reduced by 1.33% of salaries. Therefore, the required additional employer contributions would be an additional 4.25% of salaries above the 7.85% provided in the bill, increasing the employer contribution to 12.10% of game warden salaries.