# HOUSE BILL NO. 372

INTRODUCED BY GOULD BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD

IN THE HOUSE

JANUARY 23, 1991

INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.

FIRST READING.

FEBRUARY 5, 1991 COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.

POSTED ON CONSENT CALENDAR.

FEBRUARY 6, 1991 CONSENT CALENDAR, QUESTIONS AND ANSWERS.

ENGROSSING REPORT.

FEBRUARY 7, 1991 THIRD READING, PASSED. AYES, 100; NOES, 0.

TRANSMITTED TO SENATE.

ON STATE ADMINISTRATION.

IN THE SENATE

FEBRUARY 8, 1991

FIRST READING.

FEBRUARY 13, 1991 COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.

POSTED ON CONSENT CALENDAR.

INTRODUCED AND REFERRED TO COMMITTEE

FEBRUARY 15, 1991 CONSENT CALENDAR, QUESTIONS AND ANSWERS.

FEBRUARY 16, 1991 THIRD READING, CONCURRED IN. AYES, 49; NOES, 0.

RETURNED TO HOUSE.

IN THE HOUSE

FEBRUARY 18, 1991

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

LC 0525/01

MSE BILL NO. 372 1 2 INTRODUCED BY ~ 3 BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD 4 5 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING A CITY 6 JOINING THE FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM TO PAY 7 EXCESS UNFUNDED LIABILITIES; REMOVING THE REQUIREMENT FOR A 8 SEPARATE VALUATION OF UNFUNDED LIABILITIES OF ALL PRIOR 9 PLANS AS OF JULY 1, 1986; AMENDING SECTION 19-13-503, MCA; 10 AND PROVIDING AN EFFECTIVE DATE."

11

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

13 Section 1. Section 19-13-503, MCA, is amended to read: \*19-13-503. Unfunded liabilities. (1) The legislature 14 15 finds and declares that many cities operating under prior 16 plans have excess and unfunded liabilities, and the 17 liabilities cannot be amortized by the percentage 18 contributions set forth in this chapter.

(2) The administrator shall, on-or-before-October  $\pm_7$ 19 20 1986 within 6 months after a city is granted membership in 21 the plan, determine the excess and unfunded liability of 22 each city participating-in-the-plan-created-by-this--chapter 23 the city's previous plan. For-each city-determined-by If the 24 administrator determines that the city to-have has an excess 25 and unfunded liability under a prior previous plan that 7-as

1 of-July-17-19867 is not funded by sums on deposit or funds available for deposit with the administrator, the state 2 3 auditor city shall pay an additional sum over a period of time from-the-premium-taxes-on-insurance-risks-enumerated-in 4 19-11-512 to amortize each the city's excess liability. 5 6 (3)--If--the--administrator--determines--that--the-state 7 auditor--is--paying--an--amount--in--excess--of--the--amount necessary-to-amortize--each--city's--liabilities--under--the 8 9 prior-plan-and-under-this-chapter7-the-administrator-shall 10 credit-the-accounts-of--the--administrator--for--the--excess 11 payments. 12 (4) (3) For each city with an unfunded liability, any 13 portion of the member, the employer, and state contributions 14 that exceeds the amount necessary to maintain the current

level of unfunded liability must be applied to the reduction 16 of the unfunded liability."

NEW SECTION. Section 2. Effective date. [This act] is 17

effective July 1, 1991. 18

15

-End-

-2-

INTRODUCED BILL

# STATE OF MONTANA - FISCAL NOTE

#### Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0372, as introduced.

## DESCRIPTION OF PROPOSED LEGISLATION:

An act requiring a city joining the firefighters' unified retirement system to pay excess unfunded liabilities; and removing the requirement for a separate valuation of unfunded liabilities of all prior plans as of July 1, 1986.

#### ASSUMPTIONS:

- 1. A city joining the Firefighters' Unified Retirement System (FURS) after July 1, 1991, would be required to pay any excess unfunded liabilities of its previous retirement plan. These previously unfunded liabilities would not therefore increase the total unfunded liabilities of FURS and no increased contributions from the state or other cities participating in FURS would be required.
- 2. No cities are requesting inclusion into the FURS at this time; therefore, no cost savings can be projected for the next biennium.
- 3. At the point in time when a city with a local fire pension plan joins the system, an actuarial valuation of that local system will be required. The Public Employees' Retirement Division will pay the cost of this valuation from its operating budget. The actuarial valuation will cost from \$5,000 to \$7,500.
- 4. This bill eliminates a provision for a separate actuarial valuation of prior plan assets as of July 1, 1986. If the separate valuation were required, it could cost approximately \$10,000. No savings is projected for the next biennium since the retirment system maintains a separate valuation is unnecessary under current law.

### FISCAL IMPACT:

No impact can be projected for the next biennium.

#### EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No local impact is anticipated.

### LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Over the long term, this bill will prevent unfunded liabilities of a local pension plan from being transferred to the statewide pension fund. This will limit the potential liability of the state and other cities while maintaining the actuarial soundness of the Firefighters' Unified Retirement System.

DATE

ROD SUNDSTED, BUDGET DIRECTOR Office of Budget and Program Planning

R. BUDD GOULD, PRIMARY SPONSOR HB 372 Fiscal Note for <u>HRO</u>BURN as introduced

LC 0525/01

SF BILL NO. 372 1 INTRODUCED BY 2 3 BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD 4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING A CITY 5 6 JOINING THE FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM TO PAY 7 EXCESS UNFUNDED LIABILITIES; REMOVING THE REQUIREMENT FOR A 8 SEPARATE VALUATION OF UNFUNDED LIABILITIES OF ALL PRIOR 9 PLANS AS OF JULY 1, 1986; AMENDING SECTION 19-13-503, MCA; 10 AND PROVIDING AN EFFECTIVE DATE."

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19 (2) The administrator shall, on-or-before-October-17
20 1986 within 6 months after a city is granted membership in
21 the plan, determine the excess and unfunded liability of
22 each city participating-in-the-plan-created-by-this--chapter
23 the city's previous plan. For-each city-determined-by If the
24 administrator determines that the city to-have has an excess
25 and unfunded liability under a prior previous plan that 7-as

1 of-July-17-19867 is not funded by sums on deposit or funds 2 available for deposit with the administrator, the state 3 auditor city shall pay an additional sum over a period of 4 time from-the-premium-taxes-on-insurance-risks-enumerated-in 5 19-11-512 to amortize each the city's excess liability.

6 (3)--If--the--administrator--determines--that--the-state 7 auditor--is--paying--an--amount--in--excess--of--the--amount 8 necessary-to-amortize--each--city's--liabilities--under--the 9 prior--plan--and-under-this-chapter7-the-administrator-shall 10 credit-the-accounts-of--the--administrator--for--the--excess 11 payments:

12 (4)(3) For each city with an unfunded liability, any 13 portion of the member, the employer, and state contributions 14 that exceeds the amount necessary to maintain the current 15 level of unfunded liability must be applied to the reduction 16 of the unfunded liability."

17 NEW SECTION. Section 2. Effective date. [This act] is

18 effective July 1, 1991.

-End-

THIRD READING -2- **NO 312** CONSENT CALENDAR HB 0372/02

HB 0372/02

1	HOUSE BILL NO. 372	1	of-July-17-19867 is not funded by sums on deposit or funds
2	· INTRODUCED BY GOULD	2	available for deposit with the administrator, the state
3	BY REQUEST OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD	3	auditor city shall pay an additional sum over a period of
4		4	time from-the-premium-taxes-on-insurance-risks-enumerated-in
5	A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING A CITY	5	19-11-512 to amortize each the city's excess liability.
6	JOINING THE FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM TO PAY	6	<del>(3)1ftheadministratordeterminesthatthe-state</del>
7	EXCESS UNFUNDED LIABILITIES; REMOVING THE REQUIREMENT FOR A	7	auditorispayinganamountinexcessoftheamount
8	SEPARATE VALUATION OF UNFUNDED LIABILITIES OF ALL PRIOR	8	necessary-to-amortizeeachcity-sliabilitiesunderthe
9	PLANS AS OF JULY 1, 1986; AMENDING SECTION 19-13-503, MCA;	9	priorplanand-under-this-chaptery-the-administrator-shall
10	AND PROVIDING AN EFFECTIVE DATE."	10	credit-the-accounts-oftheadministratorfortheexcess
11		11	payments-
12	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	12	<pre>t+f(3) For each city with an unfunded liability, any</pre>
13	Section 1. Section 19-13-503, MCA, is amended to read:	13	portion of the member, the employer, and state contributions
14	<b>19-13-503. Unfunded liabilities.</b> (1) The legislature	14	that exceeds the amount necessary to maintain the current
15	finds and declares that many cities operating under prior	15	level of unfunded liability must be applied to the reduction
16	plans have excess and unfunded liabilities, and the	16	of the unfunded liability."
17	liabilities cannot be amortized by the percentage	17	NEW SECTION. Section 2. Effective date. [This act] is
18	contributions set forth in this chapter.	18	effective July 1, 1991.
19	(2) The administrator shall, on-or-before-October-17		-End-
20	1986 within 6 months after a city is granted membership in		
21	the plan, determine the excess and unfunded liability of		
22	each city participating-in-the-plan-created-by-thischapter		
23	the city's previous plan. Por-each city-determined-by If the		
24	administrator determines that the city to-have has an excess		
25	and unfunded liability under a <del>prior</del> previous plan that7-as		
			REFERENCE BIL

REFERENCE BILL HB 372 CONSENT CALENDAR

-2-

Nontana Legislative Council