

RETURNED TO HOUSE.

IN THE HOUSE

APRIL 16, 1991

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *House* BILL NO. *760*
 2 INTRODUCED BY *Bamberley Smith Gilbert*
 3 *John S. Bondy* HARP *Johnston*
 4 *John S. Bondy* HARP *Johnston*

4 A BILL FOR AN ACT ENTITLED: "AN ACT EQUALIZING THE AMOUNT
 5 OF CERTAIN DISABILITY RETIREMENT ALLOWANCE PAYMENTS TO
 6 MEMBERS OF THE FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM HIRED
 7 AFTER JULY 1, 1981, WITH THE ALLOWANCE PAYMENTS TO MEMBERS
 8 HIRED BEFORE JULY 1, 1981; AND AMENDING SECTION 19-13-803,
 9 MCA."
 10

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

12 **Section 1.** Section 19-13-803, MCA, is amended to read:

13 "19-13-803. Amount of disability retirement allowance.

14 (1) A member hired before July 1, 1981, who is eligible
 15 under 19-13-802:

16 (a) before completing 20 years of service shall receive
 17 a disability retirement allowance equal to one-half the
 18 monthly compensation last received by the member for his
 19 services as an active firefighter;

20 (b) after completing 20 years or more of service shall
 21 receive the disability retirement allowance provided in
 22 subsection (1)(a) increased at a rate of 1% for each year in
 23 excess of 20, up to a maximum of 60% of the monthly
 24 compensation last received by the member.

25 (2) A member hired on or after July 1, 1981, who is

1 eligible under 19-13-802:

2 (a) before completing 25 years of service shall receive
 3 a disability retirement allowance equal to one-half his
 4 final-average-salary the monthly compensation last received
 5 by the member for his services as an active firefighter;

6 (b) after completing 25 years or more of service shall
 7 receive the disability retirement allowance provided in
 8 subsection (2)(a) increased at a rate of 2% for each year in
 9 excess of 25, up to a maximum of 5 years of additional
 10 service."

-End-



INTRODUCED BILL
 HB 760

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0760, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:


An act equalizing the amount of certain disability retirement allowance payments to members of the Firefighters' Unified Retirement System (FURS) hired after July 1, 1981, with the allowance payments to members hired before July 1, 1981; and amending section 19-13-803, MCA.

ASSUMPTIONS:

1. Currently a disabled firefighter receives a disability allowance equal to one-half his final average salary which is the average of his last 36 months salary.
2. Under the proposed legislation, a firefighter hired after June 30, 1981, who becomes disabled will receive a monthly disability retirement allowance equal to one-half the monthly compensation he last received as an active firefighter. The proposed revisions would cause a 15% to 25% increase in benefit payments.
3. An actuarial valuation of the Firefighters' Unified Retirement System (FURS) determined that the amortized cost of the proposed benefit enhancements will be \$163,000. The actuary concluded that an additional contribution equal to .29% of active members' salaries would be required to fund the proposed benefit enhancements.
4. Projected payrolls for FURS are \$10,841,507 in FY92 and \$11,329,375 in FY93. The additional contributions required to actuarially fund the benefit enhancement would be \$31,440 in FY92 and \$32,855 in FY93.
5. The proposed legislation does not provide the additional contributions required to fund the benefit enhancement. Therefore, the proposed benefit enhancements will increase the unfunded liability of the FURS trust fund.
5. The 1990 actuarial valuation of the FURS indicates an unfunded liability of \$55,689,839, which was \$1 million over the 1988 unfunded liability. The proposed legislation increases the term to amortize the unfunded liability from 33.54 years to over 34 years.
6. Projected disability retirement of FURS members are two members in FY92 and one member in FY93. The proposed legislation will increase the average disability benefit payments from \$12,000 per year to \$15,000 per year.

FISCAL IMPACT:

see next page


ROD SUNDESTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning 2-16-91

BERVYL C. "BERV" KIMBERLEY, PRIMARY SPONSOR DATE

Fiscal Note for HB0760, as introduced

HB 760

Note Request, HB0760, as introduced

Form BD-15

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FISCAL IMPACT:

F.U.R.S.:

	<u>FY 92</u>			<u>FY 93</u>		
<u>Expenditures:</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Benefits and Claims	0	7,500	7,500	0	3,000	3,000
<u>Funding:</u>						
Expendable Trust	0	7,500	7,500	0	3,000	3,000

NOTE:

FURS actuary indicates the proposed legislation creates an additional unfunded liability of (\$31,440) in FY92 and (32,855) in FY93.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The Firefighters' Unified Retirement System is actuarially the weakest public retirement system administered by the Public Employees' Retirement Board. The statewide system was enacted in 1981 because many local fire pension systems had huge unfunded liabilities. Some systems did not have sufficient funds to pay monthly pension benefits. During the past 10 years, significant funding has been required in order to keep the system actuarially sound. Creating new excess unfunded liabilities will further weaken the marginal position of this system. Payment of pension benefits is ultimately the responsibility of the state and, therefore, could become an obligation of the general fund.

TECHNICAL NOTES:

The proposed legislation does not contain any provisions for increasing state, employer or member contributions to fund the proposed benefit enhancements. Contribution rates should be increased by .29% in order to actuarially fund the proposed enhancements to disability retirement benefits.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0760, second reading.

DESCRIPTION OF PROPOSED LEGISLATION:


An act equalizing the amount of certain disability retirement allowance payments to members of the Firefighters' Unified Retirement System (FURS) hired after July 1, 1981, with the allowance payments to members hired before July 1, 1981; increasing the state contribution rate; amending sections 19-13-604 and 19-13-803, MCA; and providing an effective date.

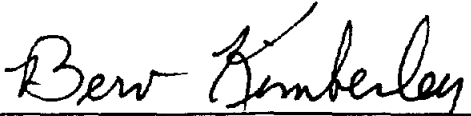
ASSUMPTIONS:

1. A firefighter hired on or after July 1, 1981 who becomes disabled will receive a monthly disability retirement allowance equal to one-half the monthly compensation he last received as an active firefighter. Under current law, a disabled firefighter would receive a disability allowance equal to one-half his final average salary, which is the average of his last 36 months salary.
2. An actuarial valuation of the Firefighters' Unified Retirement System (FURS) has determined that an additional contribution equal to .29% of active members' salaries would be required to fund the benefit enhancements created by this legislation and to amortize the additional unfunded liability of \$163,000 created by this bill.
3. Projected total annual payrolls for FURS during the next biennium are: \$10,841,507 (FY92) and \$11,329,375 (FY93). The additional contributions required to actuarially fund the benefit enhancement are: \$31,440 (FY92) and \$32,855 (FY93).
4. The bill, as amended, provides the additional contributions required to fund the benefit enhancement in the form of an additional .29% of total covered payroll which will come from increased statutory appropriations from the state insurance premium tax fund. Since funds not statutorily appropriated from this fund flow as revenue to the general fund, additional state contributions provided in this bill will reduce general fund revenues.
5. During the next biennium, it is expected that 3 members of the FURS will retire on a disability allowance; 2 during FY92 and 1 during FY93. Each of those members will receive benefit enhancements under this legislation for the remainder of their and their beneficiary(ies) lifetimes (a period which could extend from 25 to 45 years for each disability retiree). Under current law, and assuming annual individual salary increases averaging 3% over the next biennium, the average disability benefit would be \$12,600/year. Under proposed law the enhanced benefit would be approximately \$13,100/year. Assume the average disability retirement date will be December 31 of each year of the next biennium. If salaries increase more than 3%, benefits paid will increase over what are shown in this fiscal note.

FISCAL IMPACT:

see next page


ROD SUNDSTED, BUDGET DIRECTOR 3-13-91 DATE
Office of Budget and Program Planning


BERVYL C. "BERV" KIMBERLEY, PRIMARY SPONSOR 3-15-91 DATE

Fiscal Note for HB0760, second reading

H B 760-2

Note Request, HB0760, second reading

Form BD-15

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FISCAL IMPACT:

FURS Pension Trust Fund:

	<u>FY 92</u>			<u>FY 93</u>		
<u>Expenditures:</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Benefits and Claims	0	500	500	0	1,250	1,250
<u>Funding:</u>						
Expendable Trust	0	500	500	0	1,250	1,250

State Auditor:

Expenditures:

Transfers to FURS						
From Premium Tax	0	31,440	31,440	0	32,885	32,885
Transfers to General Fund	<u>17,848,120</u>	<u>17,816,680</u>	<u>(31,440)</u>	<u>18,580,676</u>	<u>18,547,791</u>	<u>(32,885)</u>
Total	17,848,120	17,848,120	0	18,580,676	18,580,676	0

Revenues:

FURS Pension Trust Fund:

Transfers to FURS	0	31,440	31,440	0	32,885	32,885
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General Fund Impact:

Reverted Premium Tax Receipts (decrease)			(31,440)			(32,855)
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LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

While the impact on benefit payments is expected to be minimal in the 1993 biennium, the effect will compound every year in the future as new disability retirees are added to previous year's benefit recipients.

Because the amount of the monthly disability retirement benefit will be higher than the monthly full service retirement benefit for persons hired after July 1, 1981, there may be increases in applications for disability retirement benefits in this retirement system. Or, there may be legislation proposed in the future in increase service retirement benefits to the same level as disability retirement benefits.

HB 760-2

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

1 HOUSE BILL NO. 760
2 INTRODUCED BY KIMBERLEY, DRISCOLL, GILBERT,
3 ZOOK, J. RICE, GRADY, SCOTT, HARP, JACOBSON,
4 RYE, STRIZICH, SQUIRES, FRANKLIN
5

6 A BILL FOR AN ACT ENTITLED: "AN ACT EQUALIZING THE AMOUNT
7 OF CERTAIN DISABILITY RETIREMENT ALLOWANCE PAYMENTS TO
8 MEMBERS OF THE FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM HIRED
9 AFTER JULY 1, 1981, WITH THE ALLOWANCE PAYMENTS TO MEMBERS
10 HIRED BEFORE JULY 1, 1981; AND INCREASING THE STATE
11 CONTRIBUTION RATE; AMENDING SECTIONS 19-13-604 AND
12 19-13-803, MCA; AND PROVIDING AN EFFECTIVE DATE."
13

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
15 SECTION 1. SECTION 19-13-604, MCA, IS AMENDED TO READ:

16 "19-13-604. State contribution. The state shall make
17 its contributions through the state auditor from the premium
18 taxes on the insurance risks enumerated in 19-11-512. These
19 payments shall be made annually to the administrator after
20 the end of each fiscal year but no later than September 1
21 from the gross premium taxes after deduction for
22 cancellations and returned premiums. The payment is
23 statutorily appropriated as provided in 17-7-502. The
24 administrator shall notify the auditor of the annual
25 compensation, excluding overtime, holiday payments, shift

1 differential payments, compensatory time payments, and
2 payments in lieu of sick leave, paid to all active members
3 during the preceding year, and effective July 1, 1981, the
4 state's contribution is 12% of this compensation. This
5 contribution shall increase to 15% effective July 1, 1982,
6 to 18% effective July 1, 1983, and to 22.98% effective July
7 1, 1985, and to 23.27% effective July 1, 1991. As soon as
8 practicable after receipt of the state contribution, the
9 administrator shall deposit it with the state treasurer."

10 **Section 2.** Section 19-13-803, MCA, is amended to read:

11 "19-13-803. Amount of disability retirement allowance.
12 (1) A member hired before July 1, 1981, who is eligible
13 under 19-13-802:

14 (a) before completing 20 years of service shall receive
15 a disability retirement allowance equal to one-half the
16 monthly compensation last received by the member for his
17 services as an active firefighter;

18 (b) after completing 20 years or more of service shall
19 receive the disability retirement allowance provided in
20 subsection (1)(a) increased at a rate of 1% for each year in
21 excess of 20, up to a maximum of 60% of the monthly
22 compensation last received by the member.

23 (2) A member hired on or after July 1, 1981, who is
24 eligible under 19-13-802:

25 (a) before completing 25 years of service shall receive



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1 a disability retirement allowance equal to one-half his
2 final-average-salary the monthly compensation last received
3 by the member for his services as an active firefighter;

4 (b) after completing 25 years or more of service shall
5 receive the disability retirement allowance provided in
6 subsection (2)(a) increased at a rate of 2% for each year in
7 excess of 25, up to a maximum of 5 years of additional
8 service."

9 NEW SECTION. SECTION 3. EFFECTIVE DATE. [THIS ACT] IS
10 EFFECTIVE JULY 1, 1991.

-End-

RE-REFERRED AND HB 0760/02
 APPROVED BY COMMITTEE
 ON APPROPRIATIONS

1 HOUSE BILL NO. 760

2 INTRODUCED BY KIMBERLEY, DRISCOLL, GILBERT,
 3 ZOOK, J. RICE, GRADY, SCOTT, HARP, JACOBSON,
 4 RYE, STRIZICH, SQUIRES, FRANKLIN

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 11 CONTRIBUTION RATE; AMENDING SECTION SECTIONS 19-13-604 AND
 12 19-13-803, MCA; AND PROVIDING AN EFFECTIVE DATE."
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 24 eligible under 19-13-802:

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1 a disability retirement allowance equal to one-half his
2 ~~final-average-salary~~ the monthly compensation last received
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4 (b) after completing 25 years or more of service shall
5 receive the disability retirement allowance provided in
6 subsection (2)(a) increased at a rate of 2% for each year in
7 excess of 25, up to a maximum of 5 years of additional
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9 NEW SECTION. SECTION 3. EFFECTIVE DATE. [THIS ACT] IS
10 EFFECTIVE JULY 1, 1991.

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