

MINUTES OF THE MEETING  
SENATE STATE ADMINISTRATION COMMITTEE  
MARCH 19, 1977

The meeting was called to order by Senator Towe, Chairman, at 11:00 a.m. in Room 410 of the Capitol Building. Committee members present were Senators Towe, Brown, Rasmussen, Story, Blaylock, and Devine. Senator Jergeson arrived late.

The following bills were discussed:   HB 512  
  HB 565  
  HB 263  
  HB 63

HOUSE BILL 512

Representative Metcalf, District 31, sponsor of the bill, stated the purpose of the bill is to establish a record retention program for the executive department records in the Montana Historical Society.

PROPOSERS

Brian Cockhill, Archivist, Montana Historical Society, presented his testimony to the committee in favor of the bill. (attached #1)

Representative Metcalf presented suggested amendments to the committee (attached #2).

There being no further proposers and no opponents, the hearing was closed.

HOUSE BILL 565

Representative Eudaily, District 100, stated the purpose of the bill is to increase the pension paid to retired teachers who retired before 1971. It represents an approximate \$38 per month increase. He also submitted some proposed amendments to the committee for their consideration. (see attached #3)

PROPOSERS

Helen McGregor, President of the Montana Retired Teachers Association, and Chairman of the National Retired Teachers and AARP Legislative Committee, presented her written testimony to the committee in support of the bill.

Wayne Buchanen, Montana School Boards Association, presented his written testimony in support of the bill.

Elton Hendrickson, actuary, stated the cost of the pension increase will rapidly decrease over the next ten years due to the age of the retirees.

There being no further proposers and no opponents, the hearing was closed.

Senator Blaylock moved to amend the bill as per the attached committee report. THE MOTION CARRIED UNANIMOUSLY.

Senator Blaylock moved House Bill 565 Be Concurred In As Amended. THE MOTION CARRIED UNANIMOUSLY.

HOUSE BILL 263

Representative Kimble, District 94, stated the purpose of the bill is to provide a partial service pension for paid firemen with ten or more years of active duty.

PROPOSERS

Al Sampson, Montana Firemen's Association, presented a letter from Alton Hendrickson, (attached # 4), and spoke in support of the bill.

Al Thielen, City Manager, Helena, stated his support of the bill.

There being no further proposers and no opponents to the bill, the hearing was closed.

Senator Story moved House Bill 263 Be Concurred In . THE MOTION CARRIED UNANIMOUSLY.

HOUSE BILL 63

Tom Harrison presented the bill to the committee by request and in the absence of the sponsor, Representative Bardanoue. He stated it is a recodification bill relating to the Police Retirement Laws and contains no substantive changes. (Mr. Harrison was representing the Police Protective Association.)

There were no proposers and no opponents to the bill and the hearing was closed.

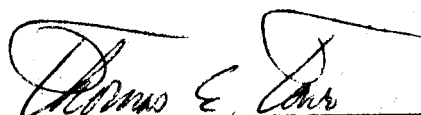
Senator Jergeson moved House Bill 63 Be Concurred In. THE MOTION CARRIED UNANIMOUSLY.

APPOINTMENTS

Senator Brown moved to reconsider the action on the appointment of George Lackman to the position of Commissioner of Agriculture. THE MOTION CARRIED UNANIMOUSLY.

After discussion, Senator Jergeson moved the appointment be not confirmed. THE MOTION CARRIED WITH SENATORS TOWE, BLAYLOCK, DEVINE VOTING NO AND SENATORS JERGESON, BROWN, RASMUSSEN, AND STORY VOTING YES.

There being no further business, the meeting adjourned to reconvene March 21, 1977.

  
\_\_\_\_\_  
Thomas E. Towe, Chairman

## ROLL CALL

COMMITTEE

45th LEGISLATIVE SESSION - - 1977

Date 5/11/1

[illegible]

SENATE STATE ADMINISTRATION COMMITTEE

BILL

VISITORS' REGISTER

DATE 5/17/50

NAME	REPRESENTING	BILL #	(check one)	
			SUPPORT	OPPOSE
W. J. Johnson	Montana State Teachers	263	✓	
El. Sampson	Mont ST Fire Assoc.	263	✓	
Retired Teachers		565	✓	
Retired Teacher		565	✓	
Margaret Bleier	Lobbyist Ret. Teachers	565	✓	
Charles P. Johnson	Retired Teacher HB	565	✓	
Barndgruber	" "	565	✓	
Olya Keen	" "	565	✓	
Longley Thurst	" "	565	✓	
Byrdie A. Ansett		565	✓	
Barrell L. Neal	" "	565	✓	
Mark Kinnear	Retired Teacher	565	✓	
Arnold L. Erickson	" "	565	✓	
Joseph W. David	" "	565	✓	
Bill Church	Dept of Admin	512	✓	
Ernest Conbill	Historical Society	512	✓	
Harriet C. McLaughlin	" "	512	✓	
John Woodford	Sec of State	512	✓	
Lay & Sohn J	Mont State Firemen's Assoc	263	✓	
James Buchanan	Mont Sch Bk Assn	565	✓	
Wm P. Kendrick	Teacher Retirement	565	✓	
Harriett Wright	Student	565	✓	
Harriett Wright	Self	565	✓	
Will Chaney	Retired	565	✓	

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

COMMITTEE

VISITORS' REGISTER

DATE \_\_\_\_\_

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

H.B. 512  
Senate State Administration Committee  
March 19, 1977

Mr. Chairman, and Members of the Committee --

My name is Brian Cockhill, I am State Archivist for the Montana Historical Society.

My support of this bill is the result of a growing awareness that such action is long overdue. The 41st Legislative Assembly (1969) declared in the passage of the State Archives act that "it is the public policy of the state of Montana that noncurrent records of permanent value to the state should be preserved and protected;...and that to that end that the people may receive maximum benefit from a knowledge of state affairs, the state should preserve its noncurrent records of permanent value for study and research." Despite this declaration, problems have continued to occur where official records of elected executive officers are concerned. In my position with the Historical Society I see these problems frequently and firsthand. The primary difficulty that has arisen is the problem faced with the records of outgoing governors. In the past, these records have been treated as personal property and removed when the individual left office, following the federal pattern. A pattern of assumed private ownership, I might add, that has come under serious scrutiny in the last four years. I would argue that there is no validity to the private ownership concept, for the records were generated through the expenditure of public funds and in the pursuance of state business. As a consequence, the state archives has not received a complete set of records of a governor's administration since the term of John Bonner, which ended in 1952. We did receive some of Governor Aronson's records, but these were of an incomplete nature and donated ten years after the completion of his last term of office. Neither have we received the records of the first full-time lieutenant governor.

This situation, I would argue, frustrates not only historical research but efficient administration of government. I would like to mention two examples of governmental administration problems which have arisen. Recently, a department of state wanted a copy of an executive order, issued in 1964, which dealt with their operational responsibilities. Inadvertantly, the order had not been filed with the Secretary of State and the State Archives was, therefore, asked to provide a copy. We could not, for the records of that administration had been kept by the outgoing governor. To this time, I do not believe a copy of that order has been located. Another example arose when the Secretary of State was asked to provide a copy of a pardon to an individual who had left the state after serving a sentence in the state penitentiary. He had received a pardon and needed substantiation for personal reasons. His record of pardon had been destroyed with other old records in the late-1950's, and the last resort was the governor's records for that era. Because of non-deposit, the necessary document could not be provided. It is problems of this nature which have prompted this proposed legislation. Similar situations, in the future, can only be avoided by the declaration that these records too are public property.

Such a declaration of state ownership would work no hardship on the individual officeholder, for we are not asking for their personal papers. Neither would they lose anything of a monetary nature, for the records have little value except for historical and governmental purposes. Such records cannot be used for tax purposes because the federal tax law of 1969 precludes their deduction as a gift.

The bill is a relatively simple one. It defines the records subject to the act, establishes procedures for their deposit and care, and limits matters of removal, time of deposit and restrictions. You will also note that there is

a proviso allowing the retention of records in an office after the change of officials to allow continuity of operations. This is particularly important in the case of the Secretary of State who has separate records keeping responsibilities which are recognized by this provision. Continuity is also generally important, and this proviso in the bill would insure some ease of transfer of responsibility where partisanship might otherwise interfere.

I hope you will approve this bill for I believe it does have merit as a means of aiding the efficiency and service of government while insuring the existence of historically valuable records.

I will be happy to answer any questions the committee may have.

Thank you.



42  
PROPOSED AMENDMENTS TO HOUSE BILL NO. 512

Requested by the Office of the Secretary of State -  
Concurred in by the Montana Historical Society  
March 10, 1977

1. Amend page 2, section 3, subsection (1), line 13.  
Following: "records"  
Strike: "not retained in office space"  
Insert: "transferred to the custody of the State Archives"
2. Amend page 2, section 3, subsection (3), line 20.  
Following: "records"  
Insert: "in the custody of the State Archives"
3. Amend page 2, section 3, subsection (4), line 23.  
Following: "records"  
Insert: "in the custody of the State Archives"
4. Amend page 3, section 4, subsection (1), line 9.  
Following: "the"  
Strike: "continuing"  
Insert: "current" [this change is to conform to similar language  
in the Records Management legislation, S.B. 288]
5. Amend page 3, section 4, subsection (2), line 14.  
Following: "THE"  
Strike: "CONTINUING"  
Insert: "current" [same reason as above]
6. Amend page 4, section 4.  
Following: line 7  
Insert: "(5) Any question concerning the transfer or other status of  
official records arising between the State Archives and an elected  
official's office shall be decided by a three-fourths vote of the  
members of the State Records Committee."

1. Amend title, Page 1, Line 7.  
Following: "1971;"  
Insert: "Providing funding for the increase;"
2. Amend title, Page 1, Line 8.  
Following: "SECTION"  
Insert: "75-6207 AND"
3. Amend Page 12, Section 2, Lines 6 - 15.  
Following: "Section 2."  
Insert: "Section 75-6207, R.C.M. 1947, is amended to read as follows:

"75-6207. Method of financing. The retirement board shall establish and maintain the following funds in which all of the assets of the retirement system shall be credited according to the purpose for which the assets are held.

(1) Annuity savings fund. The annuity savings fund shall be a fund in which the contributions from the members to provide for their annuities shall be accumulated in individual accounts for each member. Contributions to and payments from the annuity savings fund shall be made in the following manner.

(a) Each employer shall deduct from the compensation of each active member on each and every payroll of such member for each and every payroll period subsequent to the date on which such member became a member an amount equal to ~~six-and-one-eighth-percent-(6-1/8%)~~ 6.187% of such member's earnable compensation, but no employer shall make any deductions for annuity purposes from the compensation of a member who has attained the age of sixty (60) and rendered thirty (30) years of creditable service if such member elects not to contribute.

(b) Such deductions shall be made notwithstanding that the minimum compensation provided by law for a member may be reduced thereby. Every member shall be deemed to consent and agree to the deductions prescribed by this section; and payment of salary or compensation less the deductions shall be a full and complete discharge of all claims whatsoever for the services rendered by such persons during the period covered by such payment except as to the benefits provided by the retirement system.

(c) In addition to the contributions deducted from compensation and subject to the approval of the retirement board, and member may redeposit in the annuity savings fund by a single payment or by an increased rate of contribution an amount equal to the accumulated contributions plus interest in the amount the contributions would have earned had the contributions not been withdrawn, or any part thereof, which he had previously withdrawn. The accumulated contributions

of a member withdrawn by him, or paid to his estate or to his designated beneficiary in event of his death shall be paid from the annuity savings fund, and an amount equivalent to the difference between the accumulated contributions calculated at regular interest and the amount paid shall be transferred to the pension accumulation fund. Upon the retirement of a member his accumulated contributions shall be transferred from the annuity savings fund to the annuity reserve fund.

(2) Annuity reserve fund. The annuity reserve fund shall be the fund in which shall be held the reserves on all annuities in force and from which shall be paid all annuities and all benefits in lieu of annuities. Should a beneficiary retired on account of disability be restored to active service with a compensation not less than his average final compensation at the time of his last retirement, his annuity reserve shall be transferred from the annuity reserve fund to the annuity savings fund and credited to his individual account therein.

(3) Pension accumulation fund. The pension accumulation fund shall be the fund in which shall be accumulated all reserves for the payment of all pensions and from which pensions and benefits in lieu thereof shall be paid to or on account of beneficiaries credited with prior service. Contributions to and payments from the pension accumulation fund shall be made as follows:

(a) Each employer shall pay into the pension accumulation fund an amount equal to ~~six-and-one-fourth-percent-(6-1/4%)~~ 6.312% of the earnable compensation of each member employed during the whole or part of the preceding payroll period.

(b) If the employer is a district or community college district, the trustees shall budget and pay for the employer's contribution under the provision of section 75-7204.

(c) If the employer is the superintendent of public instruction, a public institution of the state of Montana, a unit of the Montana university system or the Montana state deaf and blind school, the legislative assembly shall appropriate to each employer an adequate amount to allow the payment of the employer's contribution.

(d) If the employer is a county, the county commissioners shall budget and pay for the employer's contribution in the manner provided by law for the adoption of a county budget and for payments under such budget.

(e) All interest and other earnings realized on the moneys of the retirement system shall be credited to the pension accumulation fund and the amounts required to allow regular interest on the annuity savings fund, and the annuity reserve fund shall be transferred to the respective funds from the pension accumulation fund.

(f) All pensions and benefits in lieu thereof, including pensions payable under section 75-6218, shall be paid from the pension accumulation fund.

(g) The retirement board may in its discretion transfer to and from the pension accumulation fund the amount of any surplus or deficit which may develop in the reserve creditable to the annuity reserve fund, as shown by actuarial valuation, and also such expenses as hereinafter provided.

(4) Expense fund. The expense fund shall be the fund to which shall be credited all moneys for the administrative expenses of the retirement system and from which the expenses of administration of the retirement system shall be paid exclusive of amounts payable as retirement allowances or other benefits. The retirement board shall determine annually the amount required for the expense fund to defray the administrative expense in the ensuing fiscal year and shall credit such an amount to the expense from interest and other earnings realized on the moneys of the retirement system.

ADDRESS: 1139 W. Mercury St - Butte Montana

REPRESENTING WHOM? MR R T A

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

I am Helen McGregor of Butte  
President of the Montana  
Retired Teachers Association  
and Chairman of the NRTA-  
AARP Joint Legislation Committee.  
I am speaking for H.B.  
565. This bill is the  
result of months of effort  
on the part of the Montana  
Retired Teachers.

In October of last year  
during the Montana State  
Convention in Billings  
the assembly voted  
unanimously to seek an  
adjustment in the amount  
of retirement pension paid  
to those teachers who had  
retired prior to 1971. You  
may recall this was the  
year when the big break

came in the a month ago  
by the Montana Teachers  
Pension Board. In the

Billings meeting two very  
important facts surfaced.  
The retired teacher's agreed  
not to ask for a cut of  
having adjustment in their  
own pensions in order  
that those in greatest  
need might receive help.

Rather an unusual action  
at this time - don't you agree?

With this as a mandate  
I as President with the  
Legislative Committee started  
to get the needed facts.

I am sure that you as  
State Senators know, but  
I did not, that the amount  
of a pension paid to a  
retired teacher was

unavailable from the  
Teachers Retirement System.  
This is in the interest of  
privacy - and in this we  
are in agreement. But to  
get the needed information,  
a letter was sent to each  
of the more than 3600  
retirees with a list of  
questions to be answered.  
Only those teachers who  
had retired before 1971 were  
asked to respond to such  
questions as: full name, the  
number of years taught in  
Montana, the year of retirement,  
the amount of the teacher's  
pension and if Soc. Sec.  
was received.

There are 2200 in this  
group - ages ranging from  
mid 90's downward. I started  
receiving answers to these  
questions within five days



4 after they were sent out,  
and at the time we put our  
material together about 1250  
had responded. Of these  
members 256 had a full  
pension of 35 or more years  
of teaching. 892 had more  
than 10 years but less than  
the 35 required for full pension.  
There were at least 100 of the  
answers that could not be  
classified as the responses  
were ambiguous. Since  
these figures were compiled  
I have received letters in  
many many more and the  
total has grown to well over  
1400.

Each letter has been  
filed: first as to year of  
retirement - 1940, then the  
number of years taught, the  
amount of pension paid and  
the full name.

" These lists I have read and  
of you may see one of the  
names except the names  
of the retirees. This I promised  
to keep in confidence (for  
the sake of privacy) and  
then I shall do.

We realized at the beginning  
that saying the average  
pension paid was what  
ever it is - means nothing.  
What is important is that  
amount actually received  
by the retired teacher. I  
have taken at random  
a few examples and I am  
not duplicating any from  
the printed sheet you may  
have seen. Of the 253 now  
listed as receiving full pension  
the lowest is \$125 per month  
paid to a teacher who retired  
in 1954 after teaching between

I think there are hundreds  
more - and this is the group  
whose teaching made it  
possible for many of us  
to be where we are today.

The notes added to some  
of these letters are heart-  
breaking. The last I received  
came on Tuesday of this  
week & I ended it saying

I taught for 20 years in  
Montana but I have been  
too ill to take care of mine  
sooner. Please try to keep  
me.

It is this we are trying  
to do. Thank you all.

6  
He and 45 years Old here you get  
are as for cases:

Teacher A - retired in 1966 after 35 yrs and  
gets \$152.06

Teacher B. retired in 1955 after 13 yrs  
and receives \$212.15

Teacher C. retired in 1961 after 35 yrs  
and receives \$204.45

Teacher D. retired in 1958 after 11 yrs  
and receives \$112.15

These are just examples of those  
you taught 35 or more years,  
a magnificent pension - but  
there are so many more  
you perhaps will be shocked  
of the fact 35 years - 27 years is  
quite a while to teach and for  
this amount of years one teacher  
who retired in 1959 got \$200.75

These are examples of the  
lowest paid for full retirement

Ralph C. Henry

DATE: Mar. 19, 1977


PO Box 993, Helena, Mont.

Nelenz 442-3289

Mont. Ret. Teachers - Ret. Persons

565

SUPPORT?



OPPOSE? \_\_\_\_\_

\_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Hence this bill is of no financial interest.

I feel that those teachers retired before 1971 get a better break than we post-1971 retirees are getting.

As a matter of history, the Montana teachers retirement system was set up in 1937. Before that there was a system of sorts, ~~xxxxxx~~ <sup>teachers</sup> put \$1 a month into the fund, and upon retirement were rewarded accordingly. The 1937 system set up a fund ~~into~~ <sup>to</sup> which teachers and school districts contributed.

During these years and for quite a number of years thereafter, the top-paying classroom ~~job~~ <sup>jobs in education</sup> paid around \$100 a month and the administrator was the plutocrat at possibly \$175 per month. <sup>\*</sup> Around this time waitresses in Helena received more income than teachers.

Around the late 1960's there occurred a boom in teaching salaries, coincident with a boom in all prices and salaries, and in 1971 a system of retirement was mandated by the Legislature that permitted a favorable retirement, generally adequate for the present unless a retiree had developed a Rolls-Royce custom of living, which was hardly likely.

For the present, then, and I emphasize for the present, educators retirement is adequate. Teachers today are covered by social security in addition to ~~xxxxxxxxxxxx~~ teachers retirement. Social security developed during the late 1950's and early 1960's, in many cases slowly so that many of our pre-1971 retirees have no social security. Even today there may be some schools which are not under social security.

As I have said, this bill means nothing to me financially. It is an effort to do something for an unfortunate segment of the retired from my profession too many of whom ~~xxxxxxxxxx~~ do not have life too well today.

<sup>\*</sup>

Ralph Henry

NAME: Gerald J. Erickson DATE: 3/19/77

ADDRESS: 1006 Allison Ave, Helena

PHONE: 442-8598

REPRESENTING WHOM? Montana Relined Packer

APPEARING ON WHICH PROPOSAL: H.B. 565

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: See accompanying information sheet.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

PROPOSED ADJUSTMENT IN PENSIONS  
FOR  
LONG TIME RETIRED TEACHERS

In October, during the State Convention of the Montana Retired Teachers, the Assembly voted unanimously to seek an adjustment in the pensions for only those retiring before 1971. The representatives of the 1400 who retired in 1971, or later, agreed not to ask for a cost of living adjustment in order that those in greatest need would receive help.

As the pension income of retired teachers is not available (should not be in the interest of privacy) The Montana Retired Teacher's Association, contacted all of the 3600 retirees, by letter. Those who retired prior to 1971 were asked to respond giving the years of teaching, the years retired, the amount of their teacher's pension and whether they receive social security.

There are some 2200 in this older group and 1248 responded to the request. Two hundred and fifty-six of those who answered have a full pension with 35 or more years of teaching. Eight hundred and ninety-two have more than 10 years but less than the 35 years, while 100 of the responses could not be tallied as the answer was ambiguous.

With the cost of living having increased 61% since 1969 we find many of the older retired teachers in a most desperate situation. Some adjustment was made for them in 1971 and all retirees were given 3% adjustments in 1974, 1975 and 1976. For the older retired group these adjustments have been less than adequate for two reasons:

- 1) Prior to the late 60's, salaries were very low which made their salary base very small.
- 2) The 3% (total 9%) while most helpful to those more recently retired provided very little to the older group. The minimum for a full retirement was \$200, so in three years they have received a total increase of approximately \$20 per month.

Here are a few examples of teacher retirement incomes:

- 1) Miss A retired in 1956 after 45 years of teaching and has a pension providing \$268.88 per month.
- 2) Miss B retired in 1960 after 36 years of teaching with a pension of \$216.91.
- 3) Mr. C retired in 1964 as the Superintendent of one of our larger school systems. After 40 years in school work his pension is \$379.

These are but a few examples. Many of the partial pensions have more than 20 years of service but receive appreciably smaller payments.

In meeting with the Executive Secretaries of the Montana School Boards Association and the Montana School Administrators Association, unofficial support was given to this proposal. This is as far as they could go with the action of their respective boards.

The cost of this proposal if added to the pension contributions of the active teachers and the school districts will be .124 of 1% a year. This, approximately 1/8 of 1% will cost the \$10,000 teacher, \$6.20 per year, with the same cost to the school district.



**PROPOSED ADJUSTMENT IN THE PENSIONS OF MONTANA RETIRED TEACHERS  
THIS WILL INVOLVE SOME 2200 OF THE 3600 RETIRED TEACHERS**

In 1971 the Montana Teachers Retirement Law was rewritten to provide more substantial benefits. The Montana Retired Teachers Association has voted to ask for a pension adjustment only for those who retired before 1971, with the greatest adjustment for those who have been retired for the greater number of years.

This is the proposal:

- 1) One dollar per month for each year of creditable service.
- 2) Two dollars per month for each year retired prior to 1971. (for those with a partial pension the amount in this second item will be multiplied by the years taught over 30)

Example: A teacher with 20 years of teaching and retired for 15 years prior to 1971.

Item 1,  $1 \times 20 = \$20$  per month  
Item 2,  $15 \times 2 = 30 \div 20/30 = \$20$  per month  
Total pension adjustment - \$40 per month

HENDRICKSON & BIRD, INC.

PENSION SERVICES

1820 11th Ave.  
Helena, Mont. 59601  
(406) 442-5141

Consulting Actuarial Administrative

December 28, 1976

Mr. Owen L. Morris  
Executive Secretary  
Teacher's Retirement System  
1500 East Sixth Avenue  
Helena, Montana 59601

Dear Bud:

As requested, I have valued the cost of providing the additional benefits proposed by the Montana Retired Teachers Association. The results are as follows:

Lump Sum Cost of Increase (one time only)	\$6,922,630
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Percentage of Salary Required to Fund Costs Over 40 Years	.124%
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If no additional contributions were made to fund the benefit increases, the amortization period for unfunded past service liability would be extended by 2 years.

Sincerely,

Alton P. Hendrickson, ASA

mac

cc: Mr. A. G. Erickson  
Mr. Ralph Henry

# MONROE SCHOOL

Arizona and Second Streets

Butte, Montana 59701

John McMeekin  
Principal

Phone 723-9340  
Area 406

March 11, 1977

Senate Administrative Committee  
Capitol Building  
Helena, MT 59601

The Monroe Elementary School staff, Butte, MT, supports the passage  
of H.B. 565.

*James J. Gleason John A. McMeekin*  
*Regina M. Ling*  
*Edna L. Davenport*  
*Sharon M. Sprunger*  
*John Kelly*  
*Joan Moyle*  
*Andrew L. O'Brien*  
*Red W. Steiner*  
*Mary Kay Hornoly*  
*Antonette Mahoney*  
*Ired V. Gzovich*  
*Patricia J. Radmacher*  
*Dorothy Hunt*  
*Emily M. Evans*

# STANDING COMMITTEE REPORT

March 19

1977

MR. President

We, your committee on State Administration

having had under consideration House Bill No. 565

Respectfully report as follows: That House Bill No. 565,  
third reading, be amended as follows:

1. Amend title, ~~page 1~~, line 7.

Following: "1971;"

Insert: "PROVIDING FUNDING FOR THE INCREASE;"

2. Amend title, ~~page 1~~, line 8.

Following: "SECTION"

Insert: "75-6207 AND"

3. Amend page 12, section 2, line 15.

Following: line 15.

Insert: "Section 3. Section 75-6207, R.C.M. 1947, is amended to read  
as follows:

"75-6207. Method of financing. The retirement board shall establish  
and maintain the following funds in which all of the assets of the  
retirement system shall be credited according to the purpose for which  
the assets are held.

DO PASS  
XXXXXX

(1) Annuity savings fund. The annuity savings fund shall be a fund in which the contributions from the members to provide for their annuities shall be accumulated in individual accounts for each member. Contributions to and payments from the annuity savings fund shall be made in the following manner.

(a) Each employer shall deduct from the compensation of each active member on each and every payroll of such member for each and every payroll period subsequent to the date on which such member became a member an amount equal to ~~six-and-one-eighth-percent-(6-1/8%)~~ 6.187% of such member's earnable compensation, but no employer shall make any deductions for annuity purposes from the compensation of a member who has attained the age of sixty (60) and rendered thirty (30) years of creditable service if such member elects not to contribute.

(b) Such deductions shall be made notwithstanding that the minimum compensation provided by law for a member may be reduced thereby. Every member shall be deemed to consent and agree to the deductions prescribed by this section, and payment of salary or compensation less the deductions shall be a full and complete discharge of all claims whatsoever for the services rendered by such persons during the period covered by such payment except as to the benefits provided by the retirement system.

(c) In addition to the contributions deducted from compensation and subject to the approval of the retirement board, a member may redeposit in the annuity savings fund by a single payment or by an increased rate of contribution an amount equal to the accumulated contributions plus interest in the amount the contributions would have earned had the contributions not been withdrawn, or any part thereof, which he had previously withdrawn. The accumulated contributions of a member withdrawn by him, or paid to his estate or to his designated beneficiary in event of his death shall be paid from the annuity savings fund, and an amount equivalent to the difference between the accumulated contributions calculated at regular interest and the amount paid shall be transferred to the pension accumulation fund. Upon the retirement of a member his accumulated contributions shall be transferred from the annuity savings fund to the annuity reserve fund.

(2) Annuity reserve fund. The annuity reserve fund shall be the fund in which shall be held the reserves on all annuities in force and from which shall be paid all annuities and all benefits in lieu of annuities. Should a beneficiary retired on account of disability be restored to active service with a compensation not less than his average final compensation at the time of his last retirement, his annuity reserve shall be transferred from the annuity reserve fund to the annuity savings fund and credited to his individual account therein.

(3) Pension accumulation fund. The pension accumulation fund shall be the fund in which shall be accumulated all reserves for the payment of all pensions and from which pensions and benefits in lieu thereof shall be paid to or on account of beneficiaries credited with prior service. Contributions to and payments from the pension accumulation fund shall be made as follows:

(a) Each employer shall pay into the pension accumulation fund an amount equal to ~~six-and-one-fourth-percent-(6-1/4%)~~ 6.312% of the earnable compensation of each member employed during the whole or part of the preceding payroll period.

(b) If the employer is a district or community college district, the trustees shall budget and pay for the employer's contribution under the provision of section 75-7204.

(c) If the employer is the superintendent of public instruction, a public institution of the state of Montana, a unit of the Montana university system or the Montana state deaf and blind school, the legislative assembly shall appropriate to each employer an adequate amount to allow the payment of the employer's contribution.

(d) If the employer is a county, the county commissioners shall budget and pay for the employer's contribution in the manner provided by law for the adoption of a county budget and for payments under such budget.

3. All interest and other earnings realized on the moneys of the retirement system shall be credited to the pension accumulation fund and the amounts required to allow regular interest on the annuity savings fund, and the annuity reserve fund shall be transferred to the respective funds from the pension accumulation fund.

(f) All pensions and benefits in lieu thereof, including pensions payable under section 75-6218, shall be paid from the pension accumulation fund.

(g) The retirement board may in its discretion transfer to and from the pension accumulation fund the amount of any surplus or deficit which may develop in the reserve creditable to the annuity reserve fund, as shown by actuarial valuation, and also such expenses as hereinafter provided.

(4) Expense fund. The expense fund shall be the fund to which shall be credited all moneys for the administrative expenses of the retirement system and from which the expenses of administration of the retirement system shall be paid exclusive of amounts payable as retirement allowances or other benefits. The retirement board shall determine annually the amount required for the expense fund to defray the administrative expense in the ensuing fiscal year and shall credit such an amount to the expense from interest and other earnings realized on the moneys of the retirement system."

any deductions for equality purposes from the compensation of a member who has attained the age of sixty (60) and reached thirty (30) years of creditable service if such member elects not to contribute. Such deduction shall be made notwithstanding that the

AND AS SO AMENDED, BE CONCURRED IN

AND AS SO AMENDED, BE CONCURRED INTO a member may be deemed to have consented to the provisions of this section and agree to the deductions to be made by this section and payment of salary or compensation hereunder shall be a full and complete discharge of all claims for services rendered by such persons during the term of such employment except as to the amount payable by the

1. The collection to the credit of the fund shall be the responsibility of the member.  
 2. The approval of the fund shall be the responsibility of the member.  
 3. The fund shall be used for the purpose of saving the fund.

Sen. Thomas E. Towe, Chairman

NAME: HL Sampson DATE: 3-19-77

ADDRESS: 828 Rollins

PHONE: 443-4344

REPRESENTING WHOM? Mont State Fire Assoc.

APPEARING ON WHICH PROPOSAL: H. B 263

DO YOU: SUPPORT? X AMEND?        OPPOSE?       

COMMENTS: This would take care of a  
present inequity in the retire ment system.  
Presently a ~~person~~ fire fighter prior to  
20 years service has no vesting and  
after 20 year service has full  
vesting.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

# HENDRICKSON & BIRD, INC.

## PENSION SERVICES

Consulting • Actuarial • Administrative

1820 Eleventh Avenue  
Helena, Montana 59601  
(406) 442-5141

January 25, 1977

Mr. Al Sampson  
Fire Department Relief Association

Re: Actuarial Cost of H.B. 263

Dear Al:

H.B. 263 provides that a fireman who leaves the Association after the completion of at least five years of service would be entitled to the accrued portion of his retirement benefit, with payments commencing at age 50. In my opinion the cost of this provision would be minimal, if any, for several reasons:

- 1) From past experience of the Fire Department Relief Association, the number of terminations among firemen is relatively small. The majority of terminated firemen have had less than five years of service at the time of termination. In these cases no benefits would be available under the provisions of H.B. 263.
- 2) Retirement benefits are based upon compensation during the final year of employment. Members who terminate prior to normal retirement age would not receive credit for any salary increases which may have otherwise occurred between their date of termination and their normal retirement date. Thus, their benefits would be proportionately less than for members who stay for the full term of employment.
- 3) Any member receiving retirement benefits under H.B. 263 would not be covered under the cost of living provision which is currently available to members who retire after a full term of employment.
- 4) The cost of each fireman's retirement benefit is to be funded annually throughout his employment. H.B. 263 would only provide him with the benefit which had accrued at the time of his termination. This benefit would essentially be equal to the amount of funds which have accumulated on his behalf.

Sincerely,

  
Alton P. Hendrickson, ASA

ejh



ment, the vested benefit is generally based on a corresponding final salary determined at the date of termination of employment. To be eligible for a vested benefit, an employee must meet certain requirements as to age, service, or both. For example, an employee must have worked for five years under the California Public Employees Retirement System to qualify. Under the New York State Employees Retirement System, ten years of service, including five years of membership service, are required before vested benefits are available.

In several provinces of Canada, pension benefit acts are in effect which, among other things, require vesting for employees who are age 45 and have 10 years of service. One significant change has been brought about in the vesting provisions of Canadian plans as a result of this legislation. Where these laws apply, an employee who has qualified for vesting in a contributory plan cannot withdraw his contributions upon termination of employment and thereby forfeit his vested rights. Without this restriction, contributory plans generally have conditional vesting, vesting which occurs only if the employee leaves his accumulated contributions with the system at termination of employment. Any measurement of the financial effect of a vesting provision is thus substantially affected by the likelihood of forfeiture of vesting by withdrawal of accumulated contributions.

In this regard, a study made of the United States Civil Service Retirement System showed that over three quarters of those eligible for vesting forfeited their rights to a deferred benefit by withdrawing their contributions upon termination of employment.<sup>4</sup> A large number of these forfeitures were of relatively minor amounts of accrued benefits, since the Civil Service System requires only 5 years of service for vesting. Nevertheless, even among those with 20 years of service, over one third of the terminating employees took their contributions instead of a future benefit. Their proclivity for taking the "bird in the hand" was further shown in a separate study

<sup>4</sup> Joseph Krislov, "Forfeiture of Civil Service Retirement Benefits," *Social Security Bulletin* (October 1961), pp. 18-21.

Estimated Monthly Retirement Allowance  
(At Age 60 and Over)

REGULAR RETIREMENT OPTION

Final Compensation (Estimate average of 3 highest yrs of Salary)										
Years of Service	300	400	500	600	700	800	900	1000	1100	1200
5	\$ 25	\$ 33	\$ 41	\$ 50	\$ 58	\$ 66	\$ 75	\$ 83	\$ 91	\$ 100
6	30	40	50	60	70	80	90	100	110	120
7	35	46	58	70	81	93	105	116	128	140
8	40	53	66	80	93	106	120	133	146	160
9	45	60	75	90	105	120	135	150	165	180
10	50	66	83	100	116	133	150	166	183	200
11	55	73	91	110	128	146	165	183	201	220
12	60	80	100	120	140	160	180	200	220	240
13	65	86	108	130	151	173	195	216	238	260
14	70	93	116	140	163	186	210	233	256	280
15	75	100	125	150	175	200	225	250	275	300
16	80	106	133	160	186	213	240	266	293	320
17	85	113	141	170	198	226	255	283	311	340
18	90	120	150	180	210	240	270	300	330	360
19	95	126	158	190	221	253	285	316	348	380
20	100	133	166	200	233	266	300	333	366	400
21	105	140	175	210	245	280	315	350	385	420
22	110	146	183	220	256	293	330	366	403	440
23	115	153	191	230	268	306	345	383	421	460
24	120	160	200	240	280	320	360	400	440	480
25	125	166	208	250	291	333	375	416	458	500
26	130	173	216	260	303	346	390	433	476	520
27	135	180	225	270	315	360	405	450	495	540
28	140	186	233	280	326	373	420	466	513	560
29	145	193	241	290	338	386	435	483	531	580
30	150	200	250	300	350	400	450	500	550	600

For retirements between the ages of 55 and 60 apply the following percentages to the appropriate monthly allowance shown above:

Age	Percent
55	.67
56	.72
57	.78
58	.85
59	.92

(For Further Information Write to the Administrator)

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

2. <sup>line 10</sup> 10% Conditional Vesting. You may take your money and forfeit rights or you may leave your contribution until normal retirement age and then draw an actual benefit.

2 Pg 3 - line 7-14. Example - Man goes to work age 23 - works 10 year salary at 400<sup>00</sup> per month - 17 years later at age 50 he would start receiving  $\frac{10}{20}$  of  $\frac{1}{2}$  of 400<sup>00</sup> or = 100 per month. provided he did not withdraw his contribution. Remember not build up 5% people may want to

3. Pg 4 line 4 - His partial Pension shall not increase. This makes costs static:

SS has vesting after 5 years

4. PERS. Has full vesting after 5 years. Enclosed Hand out.

5. Incorporated Volunteer fireman have vesting after 10 years. 11-1925

6. Unincorporated Volunteers have full vesting after 10 years. Neither contribute to the system 11-2023

7. ALR Private Systems by Federal law must be vested

\* R-R. has vesting after 10 years.

8. The reamended federal law that has been introduced in Congress has a mandatory 5 year vesting.

9. Alton Hendrickson - Acting for the State of Moil. Enclosed letter says that even with 5 year vesting is minimal cost - 10 year - will even greatly reduce this.

10. Retirement Systems for Public Employees by Thomas Bleakney of the firm Millman + Robertson Inc. Seattle Wash. Pg 69. Confirms that conditional vesting is of very low cost.

11. It ~~is~~ ~~seems~~ would appear that it is some what unfair that if a person puts in 19 + years he ~~is~~ is eligible to receive no benefits and if he puts in 20<sup>+</sup> years he is eligible for all benefits. Thus the justification for Partial Pension.

12. The Turn over in Fire Depts is very low - probably the lowest of all public employees. Thus very little financial impact.

This Bill would help the firefighter who after 10 plus years is forced to move due to family illness or who got fired or laid off possible thru no fault of his own. In cases of dismissal the city council sits as jury. ~~We feel~~

We feel this is a fair legislation to ~~replace~~ <sup>repair</sup> a part ~~enough~~ in the pension plan and is very minimal cost if any.

~~The actuary report put out 4 years ago from an analysis by the actuary and the combined system based on approx 41 years basis.~~

The actuary report put out 4 years ago showed that the combined system was actually sound on approx 41 year basis.

6% — 10% — City Millage

# STANDING COMMITTEE REPORT

March 19

19 77

MR. President

We, your committee on State Administration

having had under consideration House

Bill No. 263

Respectfully report as follows: That House Bill No. 263

~~DO PASS~~ BE CONCURRED IN

*Ed.*

Chairman.

# STANDING COMMITTEE REPORT

March 19

1977

MR. President

We, your committee on State Administration

having had under consideration House Bill No. 63

Respectfully report as follows: That House Bill No. 63

~~DO PASS~~ BE CONCURRED IN