

STATE ADMINISTRATION
MARCH 10, 1981
RM 436

The meeting of the House State Administration Committee was called to order at 8:00 a.m. on March 10, 1981, with Chairman Jerry Feda Presiding. All members were present except Representative Kropp who was excused.

Chairman Feda opened the meeting to a hearing on SB 184.

SENATE BILL 184-SPONSOR, Senator Hazelbaker, introduced this bill at the request of the Public Employees' Retirement Board. This bill revises the provisions relating to the Sheriffs' Retirement System including the payment of early and involuntary retirement allowances and death benefits.

PROPOSERS

JOHN SCULLY, representing the Sheriffs' and Peace Officers' Assoc.

LARRY NACHTSHEIM, P.E.R.D., appeared in support of this legislation. A copy of his prepared testimony is attached and is EXHIBIT 1 of the minutes.

JOHN ONSTAD, Montana Sheriffs' Assoc., arose and stated his support of this bill.

OPPOSERS

There were no opposers present.

QUESTIONS BY THE COMMITTEE:

Sales: The fiscal note indicates a slight cost.

Nachtsheim: The cost will be minimal.

Briggs: Will this be retroactive?

Nachtsheim: I do not believe so. This is addressed in section 4.

Senator Hazelbaker closed the hearing on Senate Bill 184.

SENATE BILL 64-SPONSOR, Senator Elliott, introduced this bill which prohibits a claimant from receiving total disability compensation benefits when he is receiving retirement social security benefits or when his disability social security benefits are converted to retirement benefits. It also states that the liability of the insurer for payment of disability compensation benefits ends when the claimant is considered retired. Senator Elliott said that the original intent of the workers compensation benefits was to replace earnings lost due to disability on the job not to be a retirement system. He gave an illustration of how the system would work. (Black-board illustration) The information provided in this illustration was very similar to the testimony submitted by Mr. Lory Lewis. See exhibit 2.

PROPONENTS

DAVID HUNTER, Department of Labor & Industry, appeared in support of the bill and stated two points. First, a person applying for retirement disability has chosen not to be in the job market therefore, should not be entitled to the same benefits as a person in the job market. Second, this bill would keep workmen's compensation from becoming a retirement system.

LOURY LEWIS, Workmen's Compensation Division, submitted a memorandum by the Workers' Compensation Division regarding SB 64 expressing its reasons for supporting the proposed bill. A copy of this is attached and is EXHIBIT 2 of the minutes.

GEORGE WOOD, Executive Secretary of the Montana Self-Insurers Assoc., arose in support of SB 64. A copy of his prepared testimony is attached and is EXHIBIT 3 of the minutes.

ROBERT HELDING, Montana Wood Products Assoc., stated support of the bill by the association and also stated support of the bill for the Montana Chamber at the request of Mr. Boles.

KEITH OLSEN, Montana Logging Assoc., commented that if this bill does not pass Workers' Compensation will become a retirement program, rates will go up and this will result in a loss of jobs for many Montanan's. He read a prepared statement to the committee. EXHIBIT 11

SB 64 (cont.)

LARRY HUSS, representing the Montana Contractors Assoc., stated support of this bill.

PAUL KELLER, American Insurance Assoc., arose and stated support of this bill.

CLYDE SMITH, representing the logging contractors, testified in support of SB 64.

BILL KURKPATRICK, Champion International, Missoula, concurred with other proponents of this bill.

IRVIN E. DELLINGER, Executive Secretary, Montana Building Material Dealers' Assoc., arose in support of SB 64. A copy of his statement is attached and is EXHIBIT 4 of the minutes.

BUD PILLEN, Workers' Compensation, stated support of SB 64.

BILL HANLEY, Hanley Timber Company, arose in support of this legislation.

OPPONENTS

JERRY DRISCOLL, from Laborers Local 98, Billings, testified in opposition to SB 64. A copy of his testimony is attached and is EXHIBIT 5 of the minutes.

JAMES MURRAY, Montana AFL-CIO, stated that he was the member of the governor's committee on Workers' Compensation, that vetoed this bill. The reason I vetoed this bill, he stated, is because it is such a bad bill. SB 64 will deny benefits to members who are drawing social security retirement benefits if those persons were totally disabled. Under current Montana law, he stated, the social security disability benefits are offset by 50% by workers' compensation. That means that for every \$2 received from social security disability benefits, workers' compensation is reduced by \$1. Under the current system, he stated, a retiree is not going to get rich especially when the person has to provide for medical care to compensate his disability. The number of people in Montana who are currently drawing both permanent disability from workers' compensation and also social security retirement benefits is about 85. "Why should we pick on this small group of totally disabled people. We should be helping them."

SB 64 (cont.)

TOM RYAN, Montana Senior Citizens' Assoc., stated that this bill is supported by people who work for the state who are suppose to be serving us and by the people from the industry where we were injured.

MIKE MELOY, Montana Trial Law Assoc., stated that the whole workers' compensation system is a "trade off" system set up by an employer and the employee to eliminate fault and provide a means of compensating the employee for injuries received on the job. The wage received under compensation benefits is "fixed" at 60% of the wage the person received not to exceed an average hourly rate of about \$1.90 an hour. The benefits that this bill addresses are very low. He stated that the opponents would have the committee believe that there is another benefit available that starts replacing the total disability benefit when a person starts receiving retirement disability but that is not what the bill says. The bill says that when the person is retired and starts receiving social security retirement benefits the liability of the insurer is ended for the payment of such compensation benefits.

LINDA ANDERSON, representing Senior Advocates, stated that this bill is based on the assumption that most people retire at the age of 65. In this day many people cannot afford to retire at that age. 99% of the workers' compensation cases are settled in a lump sum settlement. What this bill does is reduce the amount of time a person is able to barter for lost wages. We are concerned about the person from the ages of about 55 to 60 who is injured on the job and has to negotiate for wages until he reaches the age of 65. We find this very unfair to the population of that age group in Montana.

QUESTIONS BY THE COMMITTEE:

Sales: Is there anything retroactive about this bill that would affect those 85 people who are currently covered by these benefits?

Lewis: No there would not be. I believe they would still receive the same benefits as they do now.

SB 64 (cont.)

Pistoria: Is the governor's office behind this bill.

Hunter: The understanding is that if they have any objections they would notify me. My assumption is that the governor will sign this bill if it gets to his desk.

Following further discussion by the committee, Senator Elliott closed the hearing on SB 64. He stated that this bill is an attempt to maintain the integrity of the workers' compensation law.

SENATE BILL 135-SPONSOR, Senator Regan, introduced this bill which revises the provision permitting a member of the Teachers' Retirement System to purchase service credits for employment while on leave. To qualify this leave time as creditable service, a teacher must contribute an amount equal to the combined employer and employee contributions plus interest for each year of service. If a member is on leave for two years or less, the compensation used to compute the required contribution is the annual compensation received by the member immediately before taking leave. If a member is on leave for over two years, the compensation used for computation is the annual compensation received during his first full year's teaching salary after his return from leave.

OPPONENTS

BOB JOHNSON, Teachers' Retirement System, arose in support of this bill. A copy of his prepared statement is attached and is EXHIBIT 6 of the minutes.

QUESTIONS BY THE COMMITTEE:

Hanson: Mr. Johnson, are you suggesting that this bill would leave it wide open for teachers to try and buy back military service.

Johnson: Yes

McBride: In how many cases has someone taken time off for military service?

Johnson: Not very many. Most military service is put in before their teaching starts.

McBride: Then this is not a valid argument.

Senator Regan closed the hearing on SB 135. She said that she wanted to point out two things. First, most people who buy back military time have been in the service first so they buy it at entry level and also it is not only younger teachers that would go back to school for additional education. Many superintendents want teachers for administration who have experience. This bill was amended in the Senate to answer all the objections and passed 50 to 0.

SENATE BILL 449-SPONSOR, Senator Turnage, introduced this bill requested by the Senate Legislative Administration Committee. The bill revises the laws concerning public employee deferred compensation plans. Provisions in this act outline permissive investments for the plan including investment in a state deferred compensation investment fund, grant rulemaking authority to the Department of Administration or the appropriate officer of a political subdivision to establish rules to administer the plans, permit a political subdivision to become a contracting employer in the state-administered deferred compensation program, and describe the procedure for a political subdivision to participate in the state plan. This bill also permits the Department of Administration to hire auditors, marketing representatives, or consultants to provide administrative services for the state plan. Senator Turnage passed out a sheet entitled, "Status of State Deferred Compensation Accounts". A copy of this is attached and is EXHIBIT 7 of the minutes. Also attached is a copy of an INFORMATION SHEET submitted by representative Turnage. This is attached and is EXHIBIT 8 of the minutes. This sheet is a summarization of his testimony.

PROPONENTS

DAVE EVENSON, State Personnel Division, stated that one thing to keep in mind about deferred compensation is that by federal codes the compensation is a state asset until distributed to the participant. This is different than many other tax sheltered programs. He said that there is approximately \$6 million dollars in the program that the state employees have now and the program is growing. He stated that the division has an arrangement with the company, Nation Wide, on the fixed annuity. Any moneys that were invested after January 1, of this year are earning a rate of 10.4%. Moneys that were invested prior to this are earning a rate of 8.5%. He referred to the "Status Sheet" passed out by Senator Turnage.

SB 449 (cont.)

Mr. Evenson's testimony was presented in a question-answer type manner, with Senator Turnage asking the questions and Mr. Evenson answering the questions for the committee's information. Some of the questions and answers were as follows:

Turnage: Explain what Montana Benefits is.

Evenson: Montana Benefits is a firm located here in Helena. It is a firm that was set up to administer the deferred compensation program in Montana. They also have contracts with other states. After Montana Benefits notifies us of the amount of money the employee wants to invest it is sent to Nationwide. They invest the money in whatever program the employee has chosen. They have a contract with the state to return a fixed guarantee.

Turnage: How does the employee get the money back?

Evenson: Under three or four conditions; Separation of service, death or disability, retirement or an unforeseeable emergency. This program is primarily designed for long term savings and consequently should not be considered for most short term needs.

Turnage: Are there penalties for early withdrawal.

Evenson: There are some penalties depending on when the individual withdraws his money.

Turnage: Are the investments secured or guaranteed by federal deposit insurance corporation or what?

Evenson: The insurance industry is regulated and they have to insure their assets.

Turnage: What if the insurance company failed?

Evenson: Then it would fall back on the state because it is considered state money until paid to the participant.

Turnage: So then the state is really the guarantor. This is one of the reasons why the state requests more state control.

Evenson: Current law does not allow the state to enter into administration of this program. With this bill we would not have to change our current relationship with Montana Benefits but we would have the option to do so.

SB 449 (cont.)

Turnage: What does Montana Benefits get out of this.

Evenson: They get a commission on each contract that they give to Nationwide. I believe it is currently 3.75% of the moneys invested is returned to Montana Benefits.

Turnage: This has got to take away from the employees investments then.

GREGORY T. MURRAY, President of Montana Benefits, gave a brief history of the development of the industry. He passed out a folder to each of the members, containing information about the company and the state deferred compensation plan. A copy of this information is attached to the minutes. He stated that another name the committee will hear is G.T. Murray and Co., registered broker dealer. He said that he wanted to emphasize that the program to include this company is regulated by the Securities and Exchange Commission, the National Assoc. of Securities Dealers and the state regulatory Agencies. Mr. Murray stated that he is a proponent of the bill but he has a couple points of reservation. First there is no fiscal note attached to the bill that states how much it will cost to implement the state investment option and secondly there is no fiscal note attached that states how much it will cost to add the political subdivisions to the state program. We have contacted all of the political subdivisions of this state and they have not been desirous of joining a program that is identical to the state program as it stands now.

TOM SCHNEIDER, Montana Public Employees' Assoc., stated that he is in support of the bill but wanted to address the inclusion of political subdivisions. He said that one of the desires expressed by the committee in dealing with HB 45 which dealt with cost-of-living for retirees, was the desire that employees should take care of themselves and try to offset inflation by investing their own money. We consider this to be a very viable option. One of the problems with this is that local government in many areas does not have the time, people or expertise to set up these programs and we feel that by enacting this bill (SB 449) the state could help the local subdivisions and get everyone involved in a program where the federal government is, through taxes, assisting in the investment of funds.

ED SHEEHY, JR., Montana Association of Life Underwriters, stated that they have been concerned with the administration of the deferred compensation program since it originated..

SB 449 (cont)

In fact, he stated, we were involved with some litigation with the Department of Administration over the administration of this program. The question we have always had is how Montana Benefits can have an exclusive program with the state to administer this program. We would like to see this program under the control of the Dept. of Administration.

OPPONENTS

There were no opponents present to testify on SB 449.

QUESTIONS BY THE COMMITTEE:

Pistoria: How many other states have similar plans?

Evenson: About two-thirds of the states have enacted plans of some type and the rest of the states are considering it.

Spilker: I have trouble understanding why the money belongs to the state, since they do not contribute anything, and why they should be involved in the administration of the program.

Evenson: The revenue act of 1978 establishes deferred compensation programs for public employees and one of the conditions is that the money is a state asset until claimed by the participant.

Turnage: The state is liable for the money.

Spilker: The employees contribution is going to pay for the administration of the program regardless of who administers the program.

Turnage: There is no way that the state has, under the current law, of effectively auditing these funds.

McBride: You say the state is liable but in section 7 page 9 it states that there shall be no liability on the part of the state or a political subdivision for losses incurred by any eligible deferred compensation plan established under this act.

Evenson: This would probably be correctly written if it said the state is not liable for losses on investment earnings. They would be liable for the original investment.

SB 449 (cont.)

Spilker: This has got to cost money and there is no fiscal note on this bill.

Trish Moore: We were asked to submit budget information if this type of legislation should be asked for. We estimated 1.5 FTE's, \$12,000 for the first year and \$4,000 for the second year to set up a computer system. So there would be \$32,000 to \$39,000 that would be set up in a revolving account for this type of program.

Senator Turnage closed the hearing on SB 449. He said that the system as it is, is not fair to the employees or the Life Underwriters. This should be spread out not locked into Montana Benefits.

SENATE BILL 232-SPONSOR, Senator Stimatz, introduced this bill at the request of the Public employees' Retirement Board. This bill increases the employer contribution rate from 5.90% to 6.2% to include administrative costs in the employer contribution for the Public Employees' Retirement System. It also requires the employer to pay the \$1 membership fee for each member on January 1, of each year rather than July 1.

PROPOSERS

LARRY NACHTSHEIM, Public Employees' Retirement Division, appeared in support of this bill. A copy of his prepared statement is attached and is EXHIBIT 9 of the minutes.

OPPOSERS

There were no opposers present to testify on SB 232.

QUESTIONS BY THE COMMITTEE:

McBride: What is the repealer for?

Stimatz: This is putting the 3/10% (excess contributions) in section 303 into section 301 of the law.

Senator Stimatz closed the hearing on SB 232. He said this is a simple bill but is necessary to clear up some difficulties that now exist between the auditor and the retirement system.

SENATE BILL 450-SPONSOR, Senator McCallum, introduced this bill that permits a member of the Public Employees' Highway Patrolemen's, Sheriffs', Game Wardens', or Municipal Police Officers' Retirement Systems to transfer service time between retirement plans. To qualify service earned under another plan, a member must contribute an amount equal to the actuarial cost of granting the service minus the employer's contribution.

PROPOSERS

LARRY NACHTSHEIM, P.E.R.D., stated that this bill provides mobility among the systems administered by the P.E.R.D. The cost is provided in the bill. The employer contribution will be transferred from the other system, and the difference is to be paid by the employee. A copy of a summarization of his statement is attached and is EXHIBIT 10 of the minutes.

JOHN ONSTAD, Montana Sheriff's Assoc., concurred with testimony given in support of this bill.

OPPOSERS

There were none.

QUESTIONS BY THE COMMITTEE:

There were no questions.

Senator McCallum closed the hearing on SB 450.

EXECUTIVE SESSION:

SENATE BILL 450

BE CONCURRED IN

Representative Phillips made a motion that SB 450 BE CONCURRED IN. A vote carried unanimously.

Representative Phillips was assigned to carry SB 450 in the House.

SENATE BILL 184

BE CONCURRED IN

Representative Sales made a motion that SB 184 BE CONCURRED IN. A vote carried unanimously.

Representative Sales was assigned to carry SB 184 in the House.

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EXECUTIVE SESSION (cont.)

SENATE BILL 232

BE CONCURRED IN
AS AMENDED

Lois Menzies, committee researcher, pointed out to the committee that there should be a coordination section in the bill which would read as follows:

Section 3. Coordination section. If both this act and HB 45, introduced in the 47th legislature, are passed and approved, the percentate amount contained in 19-3-801 shall reflect the sum of the increases in the employer contribution provided in HB 45 and this act.

Representative Sales moved the amendment. A vote was taken and carried with one member voting no. (Smith) and 4 members absent.

Representative Mueller made a motion that SB 232 BE CONCURRED IN AS AMENDED. A vote was taken and carried unanimously.

Representative Mueller was assigned to carry SB 232 in the House.

SENATE BILL 135

BE NOT CONCURRED IN

Representative Sales moved that SB 135 BE NOT CONCURRED IN. A vote was taken and carried unanimously with those present.

SENATE BILL 449

Representative Spilker suggested to the committee that senate bill 449 be held for further information and a possible fiscal note.

A motion was made to adjourn at 11:00 a.m.

Respectfully submitted,



G. C. "JERRY" FEDA, Chairman

Cathy Martin-Secretary

LC 320

3/10

SB 184

PURPOSE: An Act to generally clarify and revise certain sections of the Sheriffs' Retirement System regarding retirement options and death benefits.

Section 1. More clearly defines the actuarial reduction for members retiring prior to normal retirement age.

Section 2. This is the involuntary retirement provision which currently provides an actuarial equivalent benefit without stating age or the method of actuarial reduction. The limit to this provision would provide an involuntary retirement benefit at age 55 using the actuarial reduction defined in Section 1.

Section 3. This is the death benefit payment section and it has been amended to provide a benefit of 25% of salary for beneficiaries for sheriffs who were killed in the line of duty.

PROS AND CONS: Section 1 has been amended only to clarify the language. Current hearings in the Highway Patrolmen's Retirement System have led us to believe this language is ambiguous and not specific enough to administer equitably.

Section 2. The involuntary provision had basically the same problems as the early retirement provision and we feel the recommended amendment will clarify and provide administrative guidelines in interpreting the involuntary retirement provision.

Section 3. The death benefit payment in the Sheriffs' System currently has a provision for offset against Workers' Comp. benefit in a duty-related death with the level of payments under the Workers' Comp. section. The offset completely eliminates any payments from the retirement system. Therefore, beneficiaries for Sheriffs in a duty-related situation receive no benefit from the Sheriffs' Retirement System. The proposed amendment would provide two forms of benefits: One for a member who dies before they eligible for retirement. Section 3 provides a benefit of 2% of final salary for each year of service up to a maximum of 25 years of service. This benefit reduced actuarially from age 65. The second form of benefit provides 25% of salary for the beneficiary of a member whom the Board finds to be deceased due

to an employment-related accident.

PROS AND CONS: The first two sections are to clean up language and provide a statutory basis for actuarial reductions for earlier and voluntary retirement benefits. The third section provides a new death benefit as the old benefit did not lend itself to equitable administration.

FINANCIAL IMPACT: The financial impact of the bill has not been measured by the actuary but since the inception of this system in 1974, we have had two duty-related deaths.

PRIOR LEGISLATIVE HISTORY: Sections 1 and 2 have been amended to agree with amendments offered in the Highway Patrolmen's Retirement System providing basically the same early retirement and involuntary retirement provisions.

Section 3 has been amended several times attempting to find an equitable death benefit payment for beneficiaries of a deceased sheriff.

EXAMPLES OF HARM: Under the current provisions the sheriff of Beaverhead County who died as a result of a heart attack while conducting a search in a mountainous area of Beaverhead County. His beneficiary would not be eligible for a benefit under the current Sheriffs' Retirement System as his wife would receive payments from the Workers' Comp. in excess of what he would be eligible for in the Sheriffs' Retirement System, therefore, there is no payment from the Sheriffs' Retirement System.

INTERESTED PARTIES: The Montana Sheriffs' Association.

MEMORANDUM BY THE WORKERS' COMPENSATION DIVISION
REGARDING SENATE BILL NO. 64, AN ACT TO PROVIDE
THAT TOTAL DISABILITY COMPENSATION BENEFITS WILL
TERMINATE WHEN A CLAIMANT RECEIVES RETIREMENT
SOCIAL SECURITY BENEFITS OR DISABILITY SOCIAL SECURITY
BENEFITS ARE CONVERTED TO RETIREMENT BENEFITS
AND THE CLAIMANT IS DEEMED RETIRED.

The Workers' Compensation Division wishes to explain its reasons for supporting the proposed bill.

The Workers' Compensation Act currently provides for the payment of total disability benefits for the duration of the worker's total permanent disability. This amendment would provide for the termination of total disability workers' compensation benefits in cases where the claimant is deemed to be retired and no longer in the open labor market.

Payment of disability benefits to a worker who has elected retirement is not consistent with the underlying philosophy and intent of the Montana Workers' Compensation Act. Workers' compensation commentators are in universal agreement that the distinctive feature of this compensation system, by contrast with tort liability, is that its awards are made not for physical injury as such, but for disability produced by such injury. The measure of that disability is usually in the difference between the claimant's earning ability before the injury and his earning ability after the injury. The function of the Workers' Compensation Act is well understood; it is to provide support for industrially disabled workers during periods of actual disability and for their dependents in the event of occupationally related death, together with hospital, medical and funeral expenses. This being the case, loss of earnings or diminution of earning capacity are impossible to assess when normal retirement age has been reached, in that it becomes impossible to compare current earning ability with previous earning ability.

The proposed legislation will eliminate payment of total disability benefits after date of retirement. Temporary total and partial disability benefits would remain to properly compensate a worker for temporary disability and for physical impairment that may exist.

It should also be noted that the Montana Supreme Court has suggested in at least one case that the intent of the legislature should be clarified in reference to payment of compensation when loss of earnings is not a factor when a worker has removed himself from the labor market through retirement.

WBD/nmb

gross weekly earnings = \$150.00 (a) *
 weekly permanent total rate = \$100 = PT rate (b)
 average estimated S.S. benefits age 62 = \$264.00 monthly
 average estimated S.S. benefits age 65 = \$330.00 monthly

Determination S.S. offset @ \$264.00 monthly

x 12 months
\$3,168.00
 ÷ 52.14 weeks
60.76 /week from SS..... (c)
 ÷ 50% offset
 - 30.38 week SS offset..... (d)
 +100.00 PT rate
69.62 = PT offset rate..... (e)

vs

100.00 weekly partial rate (f)

age 65 gross weekly earning \$150.00

PT	100.00 weekly
SS Offset	<u>37.97 weekly</u>
PT offset rate	\$ 62.03 weekly

vs

Partial	\$100.00 weekly
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Effects of Senate Bill 64

Retirement at Age 62 - Social Security Discounted by 20%

Gross Earnings	Permanent Total Rate	Partial Rate	Social Security Benefits	Social Security Offset Rate	Permanent Total Offset Rate	Amt. Payable at Retirement/SS Benefits & PT Offset Rate (c+e)	Amt. Payable at Retirement/SS Benefits without offset applied (b+c)	Amt. Payable if SB 64 Passed (c+f)
(a)	(b)	(f)	(c)	(d)	(e)			
\$150.00	\$100.00	\$100.00	\$ 60.76	\$30.38	\$69.62	\$130.38	\$160.76	\$160.76
175.00	116.67	109.50	70.43	35.21	81.46	151.89	187.10	179.93
200.00	133.34	109.50	80.09	40.05	93.29	174.19	214.24	190.40
250.00	166.68	109.50	89.76	44.88	121.80	211.56	256.44	199.26
300.00	200.01	109.50	99.42	49.71	150.30	249.72	299.43	208.92
328.50	219.00	109.50	119.68	59.84	159.16	278.84	338.68	229.18

* Letters a f correspond to data on page 1

** Above amounts are on a weekly basis

Effects of Senate Bill 64

Retirement at Age 65

Gross Earnings	Permanent Total Rate	Partial Rate	Social Security Benefits	S.S. + PT with offset prior to Retirement at Age 65 (c+e)	S.S. + PT (b+c)	Amount Payable if SB 64 passed (f+c)
(a)	(b)	(f)	(c)			
\$150.00	\$100.00	\$100.00	\$ 75.95	\$130.38	\$175.95	\$175.95
175.00	116.67	109.50	90.22	151.89	206.89	199.72
200.00	133.34	109.50	104.49	174.19	237.83	213.99
250.00	166.68	109.50	118.76	211.56	285.44	228.26
300.00	200.01	109.50	133.03	249.72	333.04	242.53
328.50	219.00 (max. allowed)	109.50 (max. allowed)	149.60	278.84	368.60	259.10

MONTANA SELF-INSURERS ASSOCIATION

Box 2899
MISSOULA, MONTANA 59806
(406) 543-7195

SENATE BILL 64

MY NAME IS GEORGE WOOD AND I AM EXECUTIVE SECRETARY OF THE MONTANA SELF-INSURERS ASSOCIATION. I RISE IN SUPPORT OF SENATE BILL 64.

THE PRESENT WORKERS' COMPENSATION ACT PROVIDES FOR PAYMENT OF COMPENSATION BENEFITS TO A TOTALLY DISABLED WORKER AT A MAXIMUM WEEKLY COMPENSATION RATE OF \$219.00 OR \$11,419.32. THE BENEFITS ARE PAID FOR THE LENGTH OF THE DISABILITY, WHICH COULD BE LIFETIME BENEFITS.

THE INJURED WORKER MAY ALSO BE ENTITLED TO SOCIAL SECURITY DISABILITY BENEFITS. IF SO, THE MONTANA WORKERS' COMPENSATION BENEFITS ARE REDUCED BY ONE-HALF OF THE SOCIAL SECURITY DISABILITY BENEFITS WHICH HE RECEIVES AT THE TIME OF HIS ORIGINAL ENTITLEMENT AND COST OF LIVING INCREASES, GRANTED BY THE SOCIAL SECURITY ACT, ARE NOT CONSIDERED. THAT IS, THE OFFSET IS NOT TAKEN ON COST OF LIVING INCREASES.

THE MAXIMUM SOCIAL SECURITY DISABILITY BENEFIT, AT THE PRESENT TIME, IS APPROXIMATELY ^{653.06} \$600.00 A MONTH FOR THE INJURED WORKER AND ONE-HALF OF THAT OR \$300.00 FOR THE SPOUSE.

ASSUME A TOTALLY DISABLED WORKER WHO IS ENTITLED TO THE MAXIMUM WORKERS' COMPENSATION BENEFIT OF \$219.00 WEEKLY AND THE MAXIMUM SOCIAL SECURITY DISABILITY BENEFIT OF \$600.00 AND THAT THE SPOUSE IS ENTITLED TO THE \$300.00 MONTHLY BENEFIT. THE BENEFITS PAYABLE WOULD BE:

SOCIAL SECURITY	\$207.12 WEEKLY
OFFSET (ONE-HALF) \$103.56	
WORKERS' COMPENSATION (\$219.00 - \$103.56)	<u>\$115.44</u> WEEKLY
TOTAL BENEFIT (TAX FREE)	<u>\$322.56</u> WEEKLY

THIS IS AN ANNUAL BENEFIT OF \$16,819.25 (TAX FREE)

WHEN A TOTALLY DISABLED WORKER REACHES AGE 65, THE SOCIAL SECURITY BENEFITS ARE CHANGED TO RETIREMENT BENEFITS. THERE IS NO CHANGE IN THE AMOUNT OF THE BENEFITS, JUST A CHANGE IN THE CLASSIFICATION. THE MONTANA WORKERS' COMPENSATION ACT DOES NOT PROVIDE FOR A REDUCTION (OFFSET) OF WORKERS' COMPENSATION BENEFITS WHEN SOCIAL SECURITY RETIREMENT BENEFITS ARE PAID.

ASSUME THE SAME INJURED WORKER REACHES THE AGE OF 65. I WILL USE THE SAME SOCIAL SECURITY BENEFITS EVEN THOUGH THEY WOULD BE INCREASED BY THE AMOUNT OF COST OF LIVING INCREASES GRANTED BY THE SOCIAL SECURITY ACT. THE INCREASES VARY DEPENDING ON THE COST OF LIVING INDEX. THE LAST INCREASE WAS ABOUT 13%.

SOCIAL SECURITY BENEFITS	\$207.12 WEEKLY
WORKERS' COMPENSATION BENEFITS	<u>\$219.00</u> WEEKLY
TOTAL BENEFITS (TAX FREE)	<u>\$426.12</u> WEEKLY

THIS IS AN ANNUAL BENEFIT OF \$22,219.18 OR AN INCREASE OF \$5,399.93 SIMPLY FOR REACHING AGE 65. INCIDENTALLY, THE INJURED WORKER NEED EARN ONLY \$328.50 WEEKLY OR \$17,128.98 ANNUALLY TO BE ENTITLED TO THE MAXIMUM WORKERS' COMPENSATION WEEKLY BENEFIT.

THE UNINJURED FELLOW EMPLOYEE WHO RETIRES AT AGE 65 WOULD RECEIVE, WITH THE BENEFITS PAYABLE TO THE SPOUSE, A MAXIMUM OF \$900.00 MONTHLY OR \$10,800.00 ANNUALLY IN SOCIAL SECURITY BENEFITS.

SENATE BILL 64 PROVIDES FOR THE TERMINATION OF TOTAL DISABILITY BENEFITS UNDER THE WORKERS' COMPENSATION ACT WHEN THE INJURED WORKER

RECEIVES RETIREMENT SOCIAL SECURITY BENEFITS. IT DOES PROVIDE THAT THE INJURED WORKER COULD RECEIVE BENEFITS FOR PERMANENT PARTIAL DISABILITY, MAXIMUM WEEKLY RATE PRESENTLY IS \$109.50. PERMANENT PARTIAL DISABILITY BENEFITS ARE PAID FOR A MAXIMUM OF 500 WEEKS OR 9.6 YEARS.

UNDER SENATE BILL 64, THE WORKER AND THE SPOUSE, AT AGE 65, WOULD RECEIVE BENEFITS AS FOLLOWS:

SOCIAL SECURITY	\$207.12 WEEKLY
WORKERS' COMPENSATION	<u>\$109.50 WEEKLY</u>
TOTAL BENEFITS (TAX FREE)	<u>\$316.82 WEEKLY</u>

THIS IS AN ANNUAL BENEFIT OF \$16,519.95 WHICH IS 96% OF THE TAXABLE EARNINGS NECESSARY TO DRAW THE MAXIMUM TAX FREE WORKERS' COMPENSATION BENEFITS. THE BENEFITS WOULD EXCEED THE EARNINGS AFTER TAXES.

IF A WORKER IS RETIRED AND RECEIVING SOCIAL SECURITY RETIREMENT BENEFITS, BENEFITS WOULD BE PAID ON ANNUAL EARNINGS OF THE WORKER, WHICH ARE LIMITED UNDER THE SOCIAL SECURITY ACT.

SENATE BILL 64 DOES NOT PROVIDE FOR TERMINATION OF WORKERS' COMPENSATION BENEFITS FOR TOTAL DISABILITY FOR AN INJURED WORKER WHO IS NOT RECEIVING SOCIAL SECURITY RETIREMENT BENEFITS. THESE WORKERS WOULD RECEIVE THE SAME BENEFITS FOR TOTAL DISABILITY AS AN INJURED WORKER WHO HAS NOT REACHED AGE 65. AN INJURED WORKER, AGE 65 OR OLDER, WOULD NEED TO APPLY FOR RETIREMENT SOCIAL SECURITY BENEFITS BEFORE SENATE BILL 64 WOULD CHANGE THE WORKERS' COMPENSATION BENEFITS THAT ARE PAID.

SENATE BILL 64 WOULD PREVENT THE PAYMENT OF MAXIMUM BENEFITS FOR TOTAL LOSS OF WAGES TO A WORKER WHO IS ALSO RECEIVING RETIREMENT BENEFITS.

I SUBMIT THAT SENTATE BILL 64 WOULD CREATE NO HARDSHIP AND RESPECTFULLY REQUEST THAT THIS COMMITTEE REPORT SENATE BILL 64 - DO PASS.



Irvin E Dellinger Exec. Secretary Montana Building
Material Dealers' Association

I appear here in favor of S B # 64

One of the most expensive cost of doing business as you all know is payroll and payroll taxes or benefits. Today over a third of payroll cost goes to benefits. Two of these increasing cost are social security and workmans comp. Whereas we want to protect our employees when they become injured on the job, we do not feel that if and when other benefits are available, they should be able to collect from both funds.

Today we hear that we need and have to control costs,
for these ⁰ reasons ~~we~~ feel that S.B. # 64 is a good bill.

Thank You

Thank You


Irvin E Dellinger

SB 64

My name is Jerry Driscoll, from Laborers Local 98, Billings. I am here to oppose Senate Bill 64.

This bill addresses totally disabled workers. These are workers who have suffered crippling injuries such as those described in the Montana Codes, Section 39-71-705(2). "The loss of both hands, both arms, both legs, both eyes or any two thereof in an accident ... shall constitute total disability permanent in character." Also included are other total permanent injuries which are both total and permanent in the opinion of medical doctors. This legislature has already passed Senate Bill 128, which requires "a preponderance of medical evidence," which means that the Workers Comp Division or an insurance company can require second or third opinions with legal standing.

SB 64 would reduce the benefits these disabled workers receive after the age of 65 by denying them workers compensation. It's not like these totally disabled elderly people need less to live on. They need more, because they require care of some kind.

You have to remember that workers comp does not automatically increase every year. In fact, workers comp never increases, except by an act of the legislature. So if a person is totally disabled now, in 40 years he will still be drawing the same benefits. Just think what inflation can do in 40 years. For an example, a worker in southwest Montana went blind in the 1920s in an accident on the job. He is still drawing the same workers comp benefits he did then -- \$10 every two weeks. And now this bill would take that away from him.

I ask you not to pass SB 64. It is unfair to totally disabled elderly people.

The Teachers' Retirement System



State of Montana
1500 Sixth Ave. Phone 406-449-3134
HELENA, MONTANA 59601

MEMBERS OF THE BOARD

JAMES E. BURKE, Livingston, Chairman
LEROY A. CORBIN, Butte
GEORGE H. GLOEGE, Billings
J. WILLIAM KEARNS, Jr., Townsend
HAROLD WENAAS, Great Falls
EDWARD F. ARGENBRIGHT
State Supt. of Public Instruction, Ex Officio

F. ROBERT JOHNSON, Executive Secretary
MARY L. ANDRIDGE, Ass't Executive Secretary

March 10, 1981

The Honorable Jerry Feda, Chairman
State Senate Administration Committee
House of Representatives
Helena, MT 59620

Dear Representative Feda:

The Teachers' Retirement Board is opposed to Senate Bill No. 135. The bill would change the cost to purchase employment while on leave from the first full years salary following the leave to the annual compensation received by the member immediately before taking leave, provided the person is on leave two years or less.

Currently, members of the Teachers' Retirement System are allowed to purchase military service, out-of-state teaching service and employment while on leave, the cost of which is all based on the first full years salary following the service being purchased. This bill then would be a departure from the present philosophy.

Leave is usually taken early in a member's career and ordinarily to enhance the member's career in the educational field. The retirement benefit is based on the number of years of creditable service divided by 60, and multiplied by the average of the three highest consecutive years salary. Normally this occurs in a member's last three years. Under current law, a member will recover many times over in retirement benefits, the cost of the leave, therefore, we do not think the present law is detrimental to the majority of members.

Representative Feda
March 10, 1981
Page 2

Another objection, is that under current law, the cost is based on a full years salary and this reference was made specifically to assure that leave would be purchased on a full-time salary not a part-time salary. Senate Bill 135 does not take this situation into consideration.

As has been discussed, the differences are a matter of philosophy and if you think that leave should be purchased at a different rate than military service or out-of-state service, we think that there should be a time limit by which the leave must be purchased, such as two to three years following the member's eligibility to purchase employment while on leave.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. Robert Johnson".

F. Robert Johnson
Executive Secretary

/kr

STATUS OF STATE DEFERRED COMPENSATION ACCOUNTS

EXHIBIT 7

	Latest Monthly Contribution (Payout)	Account Balance as of 12/31/80	Number of Individual Accounts
Nationwide Accounts:			
Fixed Annuity	\$184,251.69	\$6,246,941.08	1,864 5.
Variable Annuity	1,322.61	169,149.16	55
Payout Annuity Contracts	INA	INA	INA
North American Life & Casualty			
Active Accounts	1,894.46	5,594,513.00	96 2.
Payout Accounts	INA	INA	INA
ITT Life Insurance			
Active Accounts	1,433.03	2,350,000.00	62 2.
Payout Accounts	INA	INA	INA
American Federal Savings & Loan			
Active Accounts	2,661.66	190,000.00	40 5.
Payout Accounts	(1,200.00) 5.	53,400.00	12

INA - Total information is not readily available and can only be obtained by summing the information on each individual contract on file at Montana Benefits, Inc.

1. This balance represents the face amount of insurance in effect as of 12/31/80. There is no cash value for this term insurance.

2. This number also represents the number of lives insured.

3. This balance represents the face amount of insurance in effect as of 12/31/81. The Cash value of these accounts as of 12/31/80 is estimated at \$16,000.00. The Annuity Rider value of these accounts as of 12/31/80 is estimated at \$26,000.00.

4. These accounts are being transferred to the Nationwide Fixed Annuity Option.

5. This is a close estimate. Exact figures are not readily available.

INFORMATION SHEET: SENATE BILL 449

DESCRIPTION: An act to generally revise the laws relating to deferred compensation for public employees. The intent of this bill is to allow the state or a political subdivision to effectively administer deferred compensation funds. In addition, the bill will bring state law into compliance with Section 457 of the Internal Revenue Code. States have until January 1, 1982, to bring their deferred compensation laws into compliance with the Federal regulations.

BACKGROUND INFORMATION:

The State Deferred Compensation Plan is a tax sheltered program. It is intended to be a voluntary supplemental retirement program for public employees. Participants are allowed to defer 25 percent of their gross income up to \$7500 per year. State and federal taxes are not due or paid on money invested in deferred compensation until the money is actually received by the employee or his beneficiary. Normally, the money is paid out in an annuity after the employee retires and presumably when he is in a lower tax bracket.

The state deferred compensation plan is currently administered by a third party administrator, Montana Benefits, Inc. This plan has three basic investment options offered through two insurance carriers. The Personnel Division, Department of Administration, with the assistance of the Group Benefits Advisory Council, is responsible for overseeing the operations of the deferred compensation plan, the third party administrators and the insurance carriers.

DISCUSSION POINTS:

1. The bill will clarify the role of the Department of Administration as primarily responsible for the proper administration of the deferred comp program. Current state law places that responsibility upon the third party administrator. Because the assets of the program are the property of the state by law, we believe the Department of Administration should have the statutory authority to administer the program and to promulgate rules for the proper management of the deferred compensation program as well as to install administrative record-keeping and safeguard systems.
2. The department continues to have the authority under this bill to contract with private consultants or firms to market the program and to perform some administrative services. It will also have the responsibility to evaluate the performance of marketing representatives or consultants hired under the program.
3. The bill permits a state deferred compensation fund to be established through the Board of Investments. Currently, the only options available to employees are through insurance carriers.
4. Under the current statute, there is no provision for assessing administrative costs of the program. This bill allows the department to charge the costs of administering the program against the interest earnings in participant accounts. The cost of the program, therefore, is borne by those benefiting from the program.

5. Finally, the bill allows political subdivisions to contract with the state and include their employees in the state's deferred compensation program. This is an advantage to the smaller jurisdictions where it is not feasible to market and administer a separate deferred compensation program.

FISCAL IMPACT: No impact on general funds. Administrative costs incurred by the operation of the program will be assessed against the participant's accounts.

POSSIBLE OPPOSITION TO THE BILL:

Opposition to the bill would potentially come from private sector consultants and firms who administer deferred compensation programs. They may see the placement of statutory authority for administering the program in the Department of Administration as state infringement on their businesses. Their arguments might include:

1. Private sector, third-party administrators are more experienced and readily equipped to handle deferred comp programs.
2. The private sector administrators are more efficient in performing these duties because they have similar clients in other states.
3. Marketing programs, computer programs, accounting and filing systems have already been established for the state's plan by the third party administrator.

ARGUMENTS TO COUNTER OPPOSITION:

1. These funds are by law the property of the state and the state must have greater control over account balances, participant records, negotiations with insurance carriers and the maintenance of the program.
2. Because this is an optional benefit offered to state employees, it can be coordinated with other state benefits and the state will have greater control over the dissemination of information and the marketing of the program.
3. This bill will merely reflect the current administrative relationship the state has with the third party administrator and the insurance carriers. Since January of 1980, the state has become more involved in the administrative details of the program and with the negotiation of interest rates with insurance carriers. This bill reflects the increased involvement and responsibility the state has taken in the program.

SB 232

LC 997 P.E.R.S.

PURPOSE: To include the administrative expense charge of 3/10ths of a percent of salary in the total employer contribution rate and provide consistency among all the systems administered by the Division in allocating administrative expense.

PROS: Allow the excess contributions received over administrative cost to be applied to the funding of the retirement system. This makes the P.E.R.S. statute consistent with the changes made for the Judges', Game Wardens', Highway Patrolmen's, Sheriffs' and Police Systems in allocating the administrative expense. The change of the date from July to January for the assessment of the membership fee provides better timing for the retirement system to collect the fee from the agencies in that July is year-end closing.

SENATE BILL 450

The intent of Senate Bill 450 is to provide mobility among the systems administered by the Public Employees' Retirement Division.

The cost is provided in the bill. The employer contribution will be transferred from the other system, and the difference is to be paid by the employee.

SECTION 1 - Applies to Public Employees' Retirement Division

SECTION 2 - Applies to Highway Patrol Retirement Division

SECTION 3 - Applies to Sheriffs Retirement Division

SECTION 4 - Applies to Game Wardens Retirement Division

SECTION 5 - Applies to Police Statewide Plan

NAME: KEITH L. OLSON DATE: 10 MARCH 81

ADDRESS: Box 1716 Kalispell 59901

PHONE: 755-3185

REPRESENTING WHOM? Montana Logging Assn

APPEARING ON WHICH PROPOSAL: SB 64

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: TESTIMONY ATTACHED!

① SB 64 is supported by Montana's:

(A) Dept. of Labor & Industry

(B) Division of Workers' Compensation

(C) STATE Compensation Insurance Fund

② If not passed work-comp will become what it was never intended to be - a pension plan.

③ The expense of this pension plan would undermine the solvency of the State Fund Comp. Ins. Fund.

④ Increases in work-comp. costs would cost Montana's employee's future jobs & earnings

⑤ The existing gap-hole will make employment for workers over 50 years of age hard to find!

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

MONTANA LOGGING ASSOCIATION

P.O. Box 1716, Kalispell, Montana 59901

March 10, 1981

Testimony on: SB 64
Presented to: House State Administration Committee
Presented by: Keith L. Olson, Executive Director
Montana Logging Association

Chairman Feda, members of the committee:

The Montana Logging Association (MLA) represents independent logging contractors from throughout the state of Montana. We rise in support of SB 64 as it proposes to close an existing loop-hole in Montana's workers' compensation law. The most knowledgeable authority on this confusing issue is Montana's Division of Workers' Compensation. They understand that if SB 64 is not passed work. comp. will eventually become what it was never intended to be -- a pension plan! Furthermore, as the only method of funding this pension plan will be to increase work. comp. rates, the net result will be a loss of jobs and earnings for Montana's employee's.

In order that this committee may better understand the MLA's endorsement of SB 64 allow me to explain that work. comp. coverage is the most significant indirect expense in the cost of logging. When the MLA was formed less than 5 years ago, Montana's logging contractors were paying in excess of \$37 in work. comp. premium for every \$100 in wages paid to an employee. Currently, we pay \$18.85 in premium for every \$100 in wages paid an employee. We bring this to your attention to dramatize the MLA's concern that work. comp. rates can skyrocket if careful consideration is not given to all aspects of coverage.

Even though logging contractors are currently paying $\frac{1}{2}$ the premium rate of 1976, by the time you add work. comp. to social security, unemployment, federal and state withholding, etc, an employee in the logging industry costs his employer approximately \$40 for every \$100 in wages earned. Obviously, a logging contractor must be extremely sure prior to hiring an employee that he will pay his way.

Because work. comp. rates have fluctuated drastically in past years the MLA is attempting to stabilize the rate in the logging industry. For our part the MLA has hired a full-time loss control officer to work with our employer members and their employee's to increase safety-awareness and minimize accidents in the logging industry. Logging contractors are well aware that an injured employee is not only non-productive, he becomes a financial liability to his employer. On the one-hand, accidents raise the employer's work. comp. rate. More importantly, however, an injured logger reduces the competitive efficiency of the logging crew. Efficient logging crews, like athletic teams, are finely tuned operations. When one member of that crew has to be replaced the productive efficiency of the entire crew decreases. However, as the MLA strives to reduce accidents it is just as imperative that the internal operation of the Division of Workers' Compensation strives to attain the highest level of efficiency, and that is precisely what SB 64 strives to accomplish. It strives

to prevent work. comp. coverage from becoming supplemental income for social security!

During committee hearings in the Senate, representatives of senior citizens argued that social security benefits were not adequate to to meet today's financial demands. We do not dispute this contention. We do dispute that Montana's employers should be required to provide additional financial support. Should SB 64 fail, tomorrow's work. comp. program will be in the same sad shape as today's social security program. Furthermore, the increase in premium to cover tomorrow's claims will effectively eliminate jobs for today's labor force.

One need only read last Sunday's Missoulian to understand the plight of the timber industry's unemployed. Now is the time to take responsible legislative action to ensure further damage is not caused by this loop-hole in the workers' compensation law. The Montana Logging Association respectfully urges your support for SB 64!

VISITORS' REGISTER

HOUSE STATE ADMINISTRATION

COMMITTEE

BILL SB 64

Date 3/10/81

SPONSOR ELLIOTT

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
George Wood	Missoula	Mt Self Insurance Assn	✓	
Jim Wellinger	Helena	M B M D A	✓	
KEITH OLSON	KALISPELL	MT Logging Assn	✓	
Clyde Smith	Kalispell	Clyde Smith logging	✓	
W.R. Henley	Libby	Henley Timber Co.	✓	
Wm. Cuddy	Thompson Falls	Cuddy Logging Bros	✓	
Dud. Peltier	Helena	Helena Contractors	✓	
Richard Angel	Malheur	Angel Enterprises	✓	
Volney W. Copeland	Helena	Self	✓	
Bob Hedding	Missoula	Mt Wood Products Assoc	✓	
MORRIS GUANICKSON	LIVINGSTON	UNITED TRANSPORTATION UNION		✓
Paul S. Keller	Helena	Amor Oak Assoc	✓	
John A. Thompson	Missoula	Thompson Dist 1	✓	
Peter RYAN	Helena	Mont. Senior Citizens Assn		✓
Jerry Driscoll	Billings	Laborers Union		X
James W. Murray	Helena	Mont. AFL-CIO		X
Jinda Anderson	Helena	Senior Advocates		X
MIKE MELOY	HELNA	Mt. Tribal Law Assoc		X
LARRY HUSS	Mont Contractors Ass.	Helena	✗	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE STATE ADMINISTRATION COMMITTEE

BILL SB 135

Date 3/10/81

SPONSOR REGAN

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE STATE ADMINISTRATION COMMITTEE

BILL SB 184

Date 3/10/81

SPONSOR HAZELBAKER

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE STATE ADMINISTRATION COMMITTEE

BILL SB 449

Date 3/10/81

SPONSOR TURNAGE

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE STATE ADMINISTRATION COMMITTEE

BILL SB 450

Date 3/10/81

SPONSOR McCALLUM

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE STATE ADMINISTRATION

COMMITTEE

BILL SB. ~~323~~ 232

Date 3/10/81

SPONSOR STIMATZ

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

NAME Paul T. Sullivan BILL No. SB 64
ADDRESS Helena, Montana DATE 3/10/81
WHOM DO YOU REPRESENT American Insurance Association
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Workers compensation should never be a retirement system. Its purpose is to support an injured worker while he is out of the labor market. When he arrives at the age of retirement he should go on social security alone.

WITNESS STATEMENT

NAME Tom Ryan BILL No. 5364

ADDRESS Box 4243 - Helena DATE 3/10/81

WHOM DO YOU REPRESENT Mont Soviet Citizens Assn.

SUPPORT _____ OPPOSE ☒ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Mr Chairman I oppose for many reasons -
chiefly -

This is a bill supported by people
who work for the state - supposed to
be serving us - and the people from
industry where we were injured -

- Silicosis

Blacklung

Bodily injuries

we oppose and would like
to see this defeated.

THE GOOD LIFE



**and how to prepare for it through the State
of Montana's Deferred Compensation Plan**

STATE OF MONTANA

DEFERRED COMPENSATION PLAN

The State of Montana hereby adopts and establishes the State of Montana Deferred Compensation Plan for Public Employees, (hereinafter called the Plan). The Plan consists of the provisions set forth in this document, and is applicable to each public employee who adopts the Plan. The Plan is effective as to each such public employee upon the date he becomes a "PARTICIPANT" by signing and filing the Participation Agreement referred to herein with the Administrator.

ARTICLE I

Definitions

1.01 A definition of words and terms used in This Plan is attached, entitled Exhibit "A", and by the reference is made a part of the Plan.

ARTICLE II

Election to Defer Unearned Compensation

2.01 Compensation will be deferred for any calendar month only if an agreement providing for such deferral is entered into before the beginning of such month. The election of the EMPLOYEE to participate under this Plan, the amount of compensation he elects to have deferred and his investment specification are irrevocable. However, the EMPLOYEE may terminate his election to participate and may amend the amount of compensation to be deferred or his investment specification by signing and filing with the Administrator a written termination or amendment, on a form approved by the Administrator. Any such termination or amendment shall be effective prospectively only, from and after the next following July 1, or January 1, whichever is nearer. Such termination must be made and filed with the Administrator on or before the proceeding May 31, or November 30, respectively; provided, however, that such termination or amendments can be made only once in any calendar year, and that any number of amendments or a termination may be combined in any one written termination or amendment.

2.02 Upon signing the Participation Agreement, the PARTICIPANT elects to participate in this Plan and consents to the EMPLOYER deferring the amount specified in the Participation Agreement from the PARTICIPANT'S gross compensation for each pay period. The dollar amount deferred ("deferred amount") must equal at least \$5.00 per pay period.

2.03 The PARTICIPANT may revoke his election to participate and may amend the amount of compensation to be deferred on his investment specification by signing and filing with the Administrator a written revocation or amendment on a form and in the procedural manner approved by the Administrator. Any such revocation or amendment shall be effective prospectively only.

2.04 A public employee shall have sixty days from the date participation in the Plan is offered to him by personal interview to effect an election to participate. Such election shall be effective for pay periods commencing after the date on which the Participation Agreement is filed with the Administrator.

2.05 Amounts deferred by a PARTICIPANT shall be subject to the limitations contained in the special notice to all PARTICIPANTS contained in Article VIII of the Plan.

ARTICLE III

Accounts and Reports

3.01 The EMPLOYER shall remit the deferred amount to the Administrator. The Administrator shall have no duty to determine whether the funds paid to him by the EMPLOYER are correct nor to collect or enforce such payment.

3.02 For convenience and to facilitate an orderly administration of the Plan, the Administrator shall maintain a deferred account with respect to each PARTICIPANT. All assets of the Plan, including all deferred amounts, property and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property or rights, shall be the exclusive property of the EMPLOYER and shall be subject to all the claims of creditors of the EMPLOYER, without protection or preference.

3.03 The PARTICIPANT'S deferred account shall be credited each pay period with the amount deferred from the preceding pay period. A written report of the status of the PARTICIPANT'S deferred account shall be furnished at least annually and within ninety (90) days after the end of each calendar year.

3.04 All interest, dividends, charges for premiums, and changes in value due to market fluctuations that would be applicable to each PARTICIPANT'S deferred account had his deferred amount been invested in accordance with his investment specification shall be credited or debited to the account as they occur. Although the PARTICIPANT has no control over the account, all credits to the PARTICIPANT'S account shall be subject to and measured as if invested in the PARTICIPANT'S then effective investment specification. All reports to the PARTICIPANT shall be based on fair market value as of the reporting date, as if the deferred amount had been invested according to the PARTICIPANT'S investment specification.

3.05 Within ninety (90) days after the end of the Plan year, the Administrator shall file with the EMPLOYER a written report of the assets of the Plan, a schedule of all receipts and disbursements and a report of all material transactions of the Plan during the preceding year. This report shall be in such form and contain such other information as the EMPLOYER shall determine or require.

3.06 The Administrator's records shall be open to inspection during normal business hours by the EMPLOYER or any PARTICIPANT, or their designated representatives.

3.07 The rights of the PARTICIPANT created by this Plan shall be that of a general creditor of the EMPLOYER only and in an amount equal to fair market value of the deferred account maintained with respect to the PARTICIPANT determined as if the deferred amounts had been invested pursuant to the PARTICIPANT'S investment specification. The PARTICIPANT acknowledges that his rights

STATE OF MONTANA DEFERRED COMPENSATION PLAN

MEMO OF UNDERSTANDING

The purpose of this memo is to assure that you fully understand the highlights of the State Employee of Montana Deferred Compensation Plan. It does not cover all of the details of the plan. You should refer to a copy of the plan for specific details.

1. I have received a copy of the plan document. INITIAL _____

2. My gross salary will be reduced by \$_____ per month. This may lower my current taxable income with a resultant decrease in withholding for Federal and State income taxes. Upon receipt of my deferred income, at a later date under the terms of this plan, it will be taxable under rates then prevailing. INITIAL _____

3. I understand my deposits will be made in one payroll cycle and that investment interest, and/or dividends will be credited when received by the various underwriters. INITIAL _____

4. My total annual deferred contributions are subject to contribution limitations described in the plan in accordance with Sec. 457 of the Revenue Act of 1978 (lesser of \$7,500 or 33 1/3 percent of annual includable Compensation). INITIAL _____

I acknowledge that any total contributions, after considering all 403(b) plan deferrals, fall within the prescribed limits. Should I establish and/or change my contributions to the Deferred Compensation Plan or Sec. 403(b) plan, it is my responsibility to make the appropriate adjustments so that my contributions will be in compliance with Sec. 457.

5. If my option is one of the following, I acknowledge:

A. FIXED ANNUITY

1) Amounts deferred in 1981 are guaranteed to earn a minimum of 10.55% interest through the end of calendar year 1981. Guaranteed rates are as follows: 8% interest guaranteed through 1982; 7% through 1983 and 6.5% through 1984. Interest rates may be higher, but cannot be lower than the above amounts. INITIAL _____

2) There is an annual charge of \$12.00 to administer the account. There is no charge for money in the account and no charge for withdrawal if the funds are withdrawn over a three year or greater period. Funds withdrawn in less than three years will be charged a 4% fee. INITIAL _____

B. VARIABLE ANNUITY

1) The value of my account will vary depending upon the value of investments. This may result in either a profit or loss. INITIAL _____

2) There is a .95% asset management fee plus \$12.00 per year charge to administer the account. There is no charge for money in the account and no charge for withdrawal if you have either participated for sixteen (16) years or at least five (5) years and take a payout of greater than five (5) years. For lump sum withdrawals or periods less than five (5) years, a four percent (4%) delayed sales charge will be assessed. INITIAL _____

3) I understand there is no performance guarantee and I have received a prospectus on the investment option(s) I have selected. INITIAL _____

C. LIFE INSURANCE

1) The amount of insurance applied for is not automatically issued, but depends upon my medical background and cooperation of the physician and others in obtaining the necessary information. INITIAL _____

2) In the event my medical history or the inability of the insurance carrier to obtain sufficient information within 60 days, I will be issued an alternate contract in lieu of life insurance per my authorized alternate selection. INITIAL _____

3) I understand that this is not intended to replace any of my existing policies. INITIAL _____

6. That I can only terminate/change/increase my plan once in any twelve month period, effective July 1st or January 1st. My change must be submitted by May 31st or November 30th. In the case of termination of employment, the plan will automatically terminate. In the case of financial hardship or disability, I may make a request to the administrator for approval of termination of future contributions or partial liquidation. INITIAL _____

7. I understand that all money deferred and interest accrued is only available upon termination, retirement or due to financial hardship as defined in the Plan Document. INITIAL _____

8. I fully understand that Deferred Compensation is a primary payroll reduction and takes priority over the payroll deductions of insurance, wage assignments, U.S. Savings Bonds, union dues, charitable contributions, charges for housing and meals, association dues, etc. I also understand that Deferred Compensation must not be utilized to avoid payment of a credit obligation already set up as a payroll deduction. INITIAL _____

9. It is my understanding that the representative of the State of Montana and Montana Benefits, Inc. in the offering of this plan to State employees is G. T. Murray and Co., a Montana registered investment broker-dealer. INITIAL _____

Signature of Employee

Enrollment Representative
Montana Benefits, Inc.

Date _____

COMPLETE IN INK

Distribution: Original MBI
Copy Payroll Dept.
Carrier

YEARLY UNIT VALUES OF DCVA FUNDS

FUND	12/31/75	12/31/76	12/31/77	12/31/78	12/31/79	12/31/80
Mass Capital Develop Fund	-	-	-	-	-	1.23567159
Mass Investors Growth Stock	-	.98262420	.91059466	1.02432554	1.28373739	1.78090548
National Investors Corp	.94147200	1.12727673	1.08516791	1.18276656	1.51254584	2.00129461
Putnam Investors Fund	.92640300	1.10469535	1.05947868	1.19378949	1.42419693	2.03557199
Mutual Investing Found Fund	1.33336400	1.67292546	1.50708826	1.50425960	1.63626688	1.91151602
Mass Financial High Income Tr	-	-	-	-	-	.97373587
MIF/Nationwide Money Market Fund	-	-	-	-	1.00000000	1.07801045

YEARLY PERCENTAGE INCREASE/DECREASE IN UNIT VALUES

FUND	1976	1977	1978	1979	1980	5 Year Performance
Mass Capital Develop Fund	-	-	-	-	23.57%	-
Mass Investors Growth Stock	-	-7.33%	12.49%	25.32%	38.73%	81.24%
National Investors Corp	19.74%	-3.74%	8.99%	27.88%	32.31%	112.57%
Putnam Investors Fund	19.25%	-4.09%	12.68%	19.30%	42.93%	119.73%
Mutual Investing Found Fund	25.47%	-9.91%	-1.19%	8.78%	16.82%	43.36%
Mass Financial High Income Tr	-	-	-	-	-2.63%	-
MIF/Nationwide Money Market Fund	-	-	-	-	7.80%	-

ACCOUNT VALUE OF \$1000. ASSUMED INVESTMENT
FROM 12/75 thru 12/80

NO ADDITIONAL PAYMENTS OR WITHDRAWALS

Mutual Investing Found Fund	\$1,433.60
National Investors Corp	\$2,125.71
Putnam Investors Fund	\$2,197.29
Fixed (10% interest)	\$1,610.51

FOR DEALER'S USE ONLY.-- Not for distribution to the General Public.

MANAGEMENT RESULTS OF DCVA FUNDS

(Approximate Percent Change in Net Assets per Share
with Capital Gains and Income Dividends
Reinvested (Total Return))

(Class

FUND	TOTAL NET ASSETS 12-31-80	YEAR	YEAR	YEAR	10 YEARS	CASH + GOVT	BONDS + RPFD		
		1980	1979	1978	1977			76-80	71-80
Mass Capital Develop Fund 1970	\$121,700,000	56.8%	52.8%	19.3%	14.6%	296.9%	324.3%	12%	0%
Mass Investors Growth Stock 1932	\$859,100,000	40.0%	26.2%	13.4%	-6.5%	103.7%	97.4%	4%	0%
National Investors Corp. 1957	\$827,300,000	33.3%	28.9%	9.9%	-2.8%	121.0%	136.7%	5%	0%
Putnam Investors Fund 1925	\$647,400,000	44.3%	20.5%	13.8%	-3.3%	130.7%	204.6%	7%	0%
Mutual Investing Found Fund 1933	\$217,200,000	18.0%	9.8%	0.8%	-9.0%	50.4%	87.5%	6%	15%
Mass Financial High Income Tr 1977	\$113,800,000	4.2%	6.0%	-	-	-	-	14%	86%
MIF/Nationwide Money Market Fund	\$ 73,115,000	-	-	-	-	-	-	100%	0%

1980



**NATIONWIDE
INSURANCE**

**NATIONWIDE DC VARIABLE ACCOUNT
NATIONWIDE DC VARIABLE ACCOUNT-II**

One Nationwide Plaza Columbus, Ohio 43216 (614) 227-7111

GROUP FLEXIBLE FUND RETIREMENT CONTRACTS

**sold by
NATIONWIDE LIFE INSURANCE COMPANY**

The Group Flexible Fund Retirement Contract (the "Contract") described in this prospectus is designed for use in connection with supplemental retirement plans for public employees established by their employers. Contracts will be issued to employers who are exempt from taxation to fund plans for which the employee is exempt from tax on Purchase Payments until income is received. The assets of such plans are part of the general assets of the employer, and the benefits promised by such plans are backed by the good faith of the employer. Purchase Payments made at any time by or on behalf of any Participant must be at least \$20 per payment.

Nationwide Life does not deduct a sales charge from purchase payments made for these Contracts. However, if any part of such Contracts is withdrawn, the Company will, with certain exceptions, deduct from the Contract Value a contingent deferred sales charge equal to not more than 5% of the lesser of the total of all purchase payments made prior to the date of the request for surrender, or the amount surrendered. This charge, when applicable, is imposed to permit the Company to recover sales expenses which have been advanced by the Company. (See "Contingent Deferred Sales Charge" on page 8).

Purchase Payments under the Contract are placed in the Nationwide DC Variable Account (the "DCVA") or the General Account. The Nationwide DC Variable Account-II consists of Participants' Accounts of those participants who have retired under a variable annuity retirement option contingent on the continuance of life. The DCVA and the DCVA-II are unit investment trusts with five series of unit values, each reflecting investment results of a different management investment company. Amounts equivalent to the obligations of Nationwide Life Insurance Company ("Nationwide Life" or "the Company") under each Series will be invested in the specified management investment company. (See page 4.)

If the Owner elects to have Purchase Payments accumulated on a fixed basis, Purchase Payments are allocated to the General Account which is the general account of the Company. The Company will credit interest to the amounts allocated to the General Account at a rate of not less than 3.5% per year. Interest credited in excess of 3.5%, if any, will be determined in the sole discretion of the Company. (See "General Account Valuation" on page 13).

If the Contract Owner has elected the minimum death benefit provision of the Contract, a deduction is made from each Purchase Payment for each Participant of $\frac{3}{4}$ of 1% for the death benefit. An administrative charge of \$12 is deducted each year from a Participant's Account. Any applicable premium taxes will be deducted at the time assessed. (See page 9.)

A daily deduction is made from the DCVA and the DCVA-II in an amount equivalent to 0.95% per annum for Nationwide Life's contractual promises and for administration of the DCVA and the DCVA-II. In addition, the investment companies whose shares are purchased by the DCVA and the DCVA-II make certain deductions from their assets. (See pages 6 and 7.)

Nationwide Life will compute into the Net Investment Factor (see page 13) a per share charge or credit for any taxes reserved for, which are determined by Nationwide Life to have resulted from the investment operations of a sub-account of the DCVA-II. (See also "Federal Tax Status" on page 18).

The Contracts provide that the mortality basis, any guaranteed interest rates, minimum death benefits and the deductions made from Purchase Payments, Participant's Accounts, the DCVA or the DCVA-II for sales, administrative expenses, and risk charges may be changed by Nationwide Life after the first contract year as they apply to Participants entering the contract after the first contract year and as they apply to any Purchase Payments for any year in excess of twice the Purchase Payments made on behalf of any Participant in his first year. (See page 10.)

This Prospectus should be retained for future reference.

**THIS PROSPECTUS IS VALID ONLY WHEN ACCOMPANIED BY THE
CURRENT PROSPECTUS OF THE FUND(S) SPECIFIED BY THE OWNER.**

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES
AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE
ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION
TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this prospectus is September 15, 1980

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Prospectus:
The Story
of The Fund

Putnam

Putnam
Investors
Fund, Inc.

Mutual Investing
Foundation



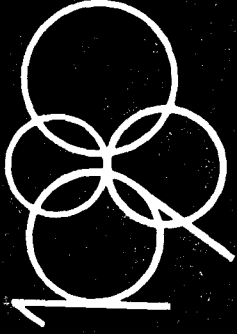
MIF FUND

MIF GROWTH FUND

MIF/NATIONWIDE
BOND FUND

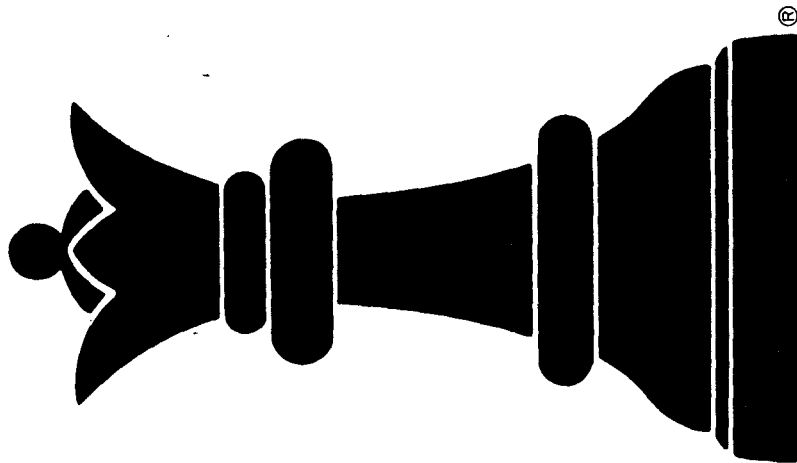


PROSPECTUS



Mutual Investing

**NATIONAL INVESTORS
CORPORATION**
Prospectus
May 1, 1980



**FACTS ABOUT A
GROWTH STOCK MUTUAL FUND
IN ITS 44th YEAR**

MIG

**MASSACHUSETTS INVESTORS
GROWTH STOCK FUND, INC.**

An Open-end, Diversified Investment Company
Organized November 22, 1932

PROSPECTUS
MARCH 31, 1980
SHARES OF CAPITAL STOCK