

MINUTES OF THE MEETING  
STATE ADMINISTRATION COMMITTEE  
MONTANA STATE SENATE

March 18, 1981

The Senate State Administration Committee was called to order by Senator Pete Story, Chairman, on the above date in room 442 of the State Capitol Building at 10 a.m.

ROLL CALL: All members were present except Senator Towe.

CONSIDERATION OF HOUSE BILL 275:

AN ACT TO REVISE AND CLARIFY THE TIMING  
OF RETIREMENT PAYMENTS TO POLICE OFFICERS  
AND FIREFIGHTERS BY THE STATE AUDITOR.

Rep. Andy Hemstad, sponsor, enclosed her testimony, which she had read to the committee.

There were no proponents, opponents or questions from the committee, so the hearing was closed.

CONSIDERATION OF HOUSE BILL 372:

AN ACT TO PROVIDE A METHOD FOR REVIEWING  
DISABILITY RETIREMENT BENEFITS OF THE  
JUDGES' HIGHWAY PATROLMEN'S, SHERIFFS'  
GAME WARDENS', AND MUNICIPAL POLICE  
OFFICERS' RETIREMENT SYSTEM.

Rep Walter Sales submitted amendments by the police and the sheriffs after he introduced the bill.

PROPONENTS: Larry Nachtsheim submitted testimony; Ed Sheehy; Tom Schneider, Public Employees Association.

John Scully, Police Officers Association, submitted an amendment and told the committee he wants to be able to have a hearing if re-examined. His amendment was "if board fails to hold a hearing, then the city and the county can request a hearing".

Jack Williams, Montana Chief of Police Association, on page 11, section 2, wants the language to be amended to say, "If a person is disabled and wants to return to duty, he should wait until there is an opening in the department."

OPPONENTS: None.

Questions: Sen. Story asked about the fairness, and if there would be a new chief, he commented that he may want his own deputies. Sheriff Chuck O'Reilly responded by saying there is a deputy tenure law that provides protection. He said this bill concerns more permanently disabled persons. In this field the turnover rate is quite high.

Sen. Story asked about the possibility of the individual getting on another place. He also asked if their fund prevents him from getting into another fund. Mr. Nachtsheim answered that if he went to another force, his retirement would cease.

Sen. Ryan asked if there is a difference between the use of the word "request" or "require" when it is stated that the board may require a physical or mental examination. John Scully posed two questions: "Who has the authority, and what if the board has not requested a hearing?" This would allow the city and county to request a hearing. The board would still have to schedule and hold the hearing.

Sen. Ryan's question was answered affirmatively when he asked about a person's suitability being questioned and if a hearing would be recommended.

Sen. Story put the bill into a subcommittee of Senator Ryan to work with John Hollow and others who are interested.

In closing Rep. Sales said he feels that a bill of this nature is needed.

CONSIDERATION OF HOUSE BILL 520:

AN ACT TO REVISE AND CLARIFY THE SOCIAL  
SECURITY PROVISIONS RELATING TO SEPARATE  
STATE RETIREMENT SYSTEMS, REFERENDUM BY  
THE GOVERNOR, MANAGEMENT OF THE SOCIAL  
SECURITY ACCOUNT, AND COLLECTION OF  
DELINQUENT PAYMENTS

Rep. Francis Bardanouve said this bill clarifies areas in social security, and this clearly defines that they are separate systems. He gave a brief history of PERS. He stated that earmarked funds have not been a proper way to handle it. This will put a penalty of \$10 a day on government entities that will not remit their social security payments.

There were no proponents or opponents.

Questions: Sen. Hafferman asked Rep. Bardanouve why it would be put into the general fund, and he was answered that this will

permit them to keep the interest. The senator then asked if there are many subdivisions who renege and was answered that none renege but often they do procrastinate.

Sen. Ryan asked Mr. Nachtsheim about the problem with getting monies from the cities in the past and asked if this will help. Mr. Nachtsheim said social security is not that critical because they are estimated, but retirement benefits would not be given until it is calculated.

The hearing was closed, and Sen. Hammond will carry it if it passes in the committee.

CONSIDERATION OF HOUSE BILL 613:

AN ACT TO ABOLISH THE TEACHERS' RETIREMENT ANNUITY RESERVE FUND AND TO COMBINE THE FUNCTIONS OF THE ANNUITY RESERVE FUND WITH THOSE OF THE PENSION ACCUMULATION FUND

Rep. Jim Schultz read his testimony in the introduction of the bill, and he summarized a financial committee report by the auditor that resulted in time and cost savings for the system.

PROPONENTS: Bob Johnson, Teachers Retirement System.

There were no opponents or questions from the committee, so the hearing was closed.

ACTION ON HOUSE BILL 613: Sen. Hammond moved DO PASS; motion carried by unanimous vote by those present, and he will carry it on the floor.

CONSIDERATION ON HOUSE BILL 263:

AN ACT TO ALLOW SERVICE PERFORMED FOR THE UNITED STATES GOVERNMENT PURSUANT TO TITLE IV, THE INTERGOVERNMENTAL PERSONNEL ACT OF 1970, TO BE CREDITED IN THE MONTANA STATE GAME WARDENS' RETIREMENT SYSTEM

Rep. Glenn Mueller, sponsor, introduced the bill and said the purpose is to provide temporary assignment.

PROPONENTS: Larry Nachtsheim.

OPPONENTS: Ed Sheehy, retired federal employee, opposed for personal reasons, which it was determined, were not problems.

Questions from the committee: Sen. Ryan asked Mr. Nachtsheim to explain the lengthy period of double employment and asked him why they are addressing only one retirement system as this same thing could occur in other areas. Sen. Story answered this by saying they have to be separate because funds are not always on the same actuarial basis.

Sen. Johnson asked Rep. Mueller to explain what he means by credit, and he said there are methods to retain payments for an amount as he goes along. When he comes back, he can buy back. Sen. Johnson asked the rate for the buyback, and Mr. Nachtsheim said it would be based on the salary he was paid before leaving but not to exceed 100 per cent.

CONSIDERATION OF HOUSE BILL 264:

AN ACT TO ALLOW SERVICE PERFORMED FOR THE  
UNITED STATES GOVERNMENT PURSUANT TO TITLE  
IV, THE INTERGOVERNMENTAL PERSONNEL ACT  
OF 1970, TO BE CREDITED IN THE MONTANA PUBLIC  
EMPLOYEES' RETIREMENT SYSTEM.

Rep. John Phillips said it is identical to House Bill 263 except for the persons who are addressed.

There were no proponents, opponents, so questions were asked by the committee. Sen. Johnson asked the rate of the buyback, and Mr. Nachtsheim said it is outlined in 19-3-505. Closed.


ACTION ON HOUSE BILL 264: Sen. Johnson moved DO PASS; motion carried by unanimous vote. She will carry it on the floor.

ACTION ON HOUSE BILL 263: Sen. Johnson moved DO PASS; motion carried unanimously by those present. She will carry it.

ACTION ON HOUSE BILL 275: Sen. Johnson moved DO PASS; motion carried unanimously by those present. She will carry it.

ACTION ON HOUSE BILL 520: Sen. Hammond moved DO PASS; motion carried by unanimous vote by those present; he will carry it.

ADJOURNMENT: 11:00.

  
PETE STORY, CHAIRMAN



*Amend*  
*Memoranda*  
3-10

SUMMARY AND PURPOSE: HOUSE BILL 275

Section 1

19-9-702. The proposed changes for this section impose deadlines for aiding the efficient and timely computation of the State's contribution to the municipal police officers' retirement fund. Present law fails to state by which dates the Department of Administration or the State Auditor must perform their duties.

Section 2

19-9-1007.

a. This section presently requires the Dept. of Administration to furnish the State Auditor with a report. The report contains information on the computation of the supplemental payment to be made to the municipal police officers' retirement fund. Providing the report to the State Auditor is unnecessary, however, because the State Auditor only needs to know the final figures determined in subsection (3) of this section in order to fulfill its duty of making the payment.

The proposed changes eliminate the need for delivering a copy of the report to the State Auditor, and require the Department of Administration to provide the State Auditor the amount of the supplemental payment. This procedure, incidently, is already in use. The amending language, thus, is intended to conform the statute to current practices.

b. Changes are proposed with respect to the date the State Auditor must make the supplemental payment, and the \$100,000 payment to reimburse the retirement account for funds

### Section 3

19-10-305. The proposed change for this section is for clarification purposes only. The State payments to the local police retirement funds cannot be made, as a practical matter because of delay in clearing the money through the State accounting system, until after the end of the fiscal year.

### Section 4

19-11-512. The proposed changes for this section are for clarification purposes only. The State payments described in this section, to the firefighter associations' disability and pension funds, cannot be made, as a practical matter because of delay in clearing the money through the State accounting system, until after the end of the fiscal year.

Final Note: The requested changes are primarily intended to conform the statutes to the current practices of the State Auditor and the Department of Administration in computing and paying the State's portion of the enumerated retirement funds.

HB 372

Larry Nashkin  
PERD.

~~LC 319~~

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM, SHERIFFS' RETIREMENT SYSTEM, GAME WARDENS' RETIREMENT SYSTEM, JUDGES' RETIREMENT SYSTEM and MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM.

PURPOSE: To provide statutory provision outlining the authority of the Board to conduct medical reviews of disabled retirees, ~~create earning limitations~~ and permit the Board to make adjustments to disability allowances when individuals have recovered from their disabilities or returned to the employment market. The provisions in this bill are similar to those currently found in the Public Employees' Retirement System.

PROS AND CONS: The Public Employees' Retirement Board is currently charged with the responsibility of determining when individuals are disabled. In the current statutes of the above-cited systems there is no mechanism for reviewing the status of individuals who were previously disabled.

FINANCIAL IMPACT: Minimal. In the long run, granting of disability benefits without review could result in abuse with financial impact upon the individual systems. However, we are not aware of any significant problems at this time.

PRIOR LEGISLATIVE HISTORY: Current statute provides the Board with the authority to determine who shall receive benefits, however, the current statute does not have specific procedures for Board review of disability retirement.

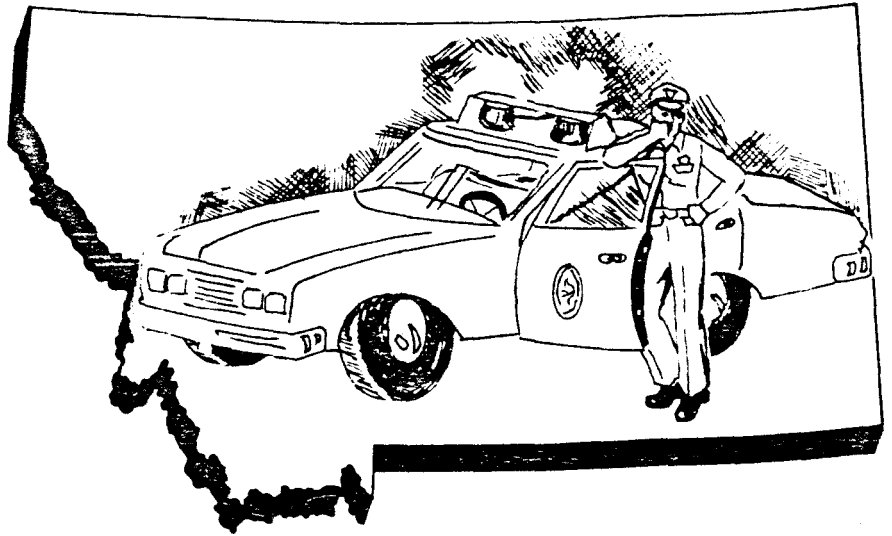
EXAMPLE OF HARM: Without review, individuals who are on disability may continue to receive benefits for the rest of their life, when, in fact, they have recovered from their disability and have returned to productive employment.

INTERESTED PARTIES: The employee representative organizations and the Legislative Auditor.



# MONTANA

## HIGHWAY PATROLMEN'S RETIREMENT SYSTEM HANDBOOK



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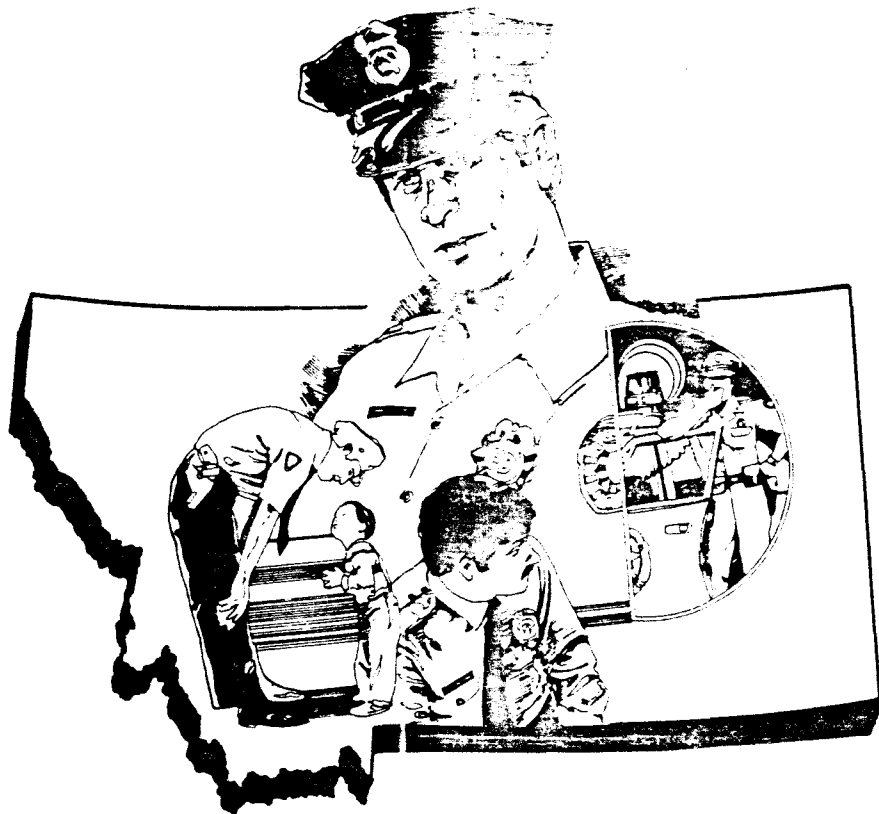
Fiscal Year 1980

Administered by  
DEPARTMENT OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT DIVISION  
1712 Ninth Avenue  
Helena, Montana 59601  
406/449-3154



# MONTANA

## SHERIFFS' RETIREMENT SYSTEM HANDBOOK

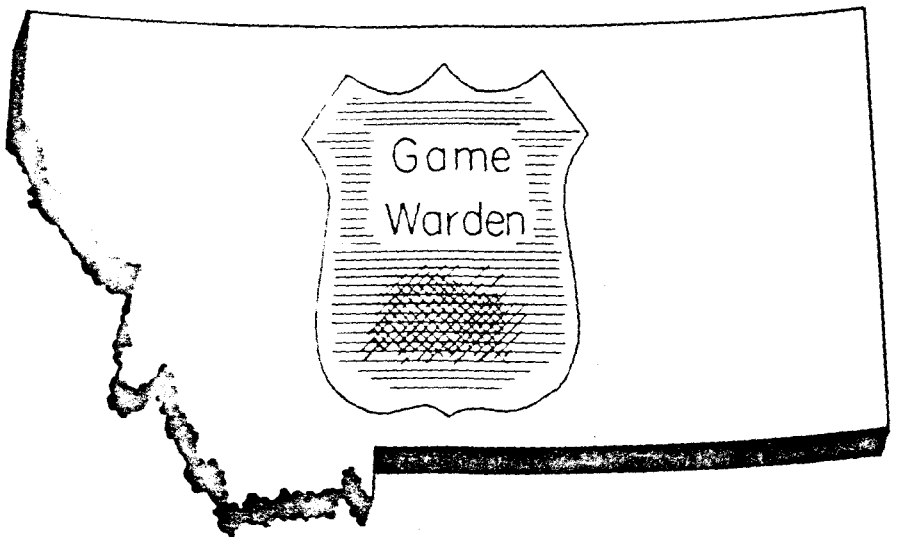


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Helena, Montana 59601  
406/449-3154



# MONTANA

## GAME WARDENS' RETIREMENT SYSTEM HANDBOOK



Administered by  
DEPARTMENT OF ADMINISTRATION  
PUBLIC EMPLOYEES' RETIREMENT DIVISION  
1712 Ninth Avenue  
Helena, Montana 59601  
406/443-3154



HB 520

Larry Mackthum  
BERD

3-18

~~IC 321~~ - Social Security Legislation

PURPOSE: Section 1. Adds Judges, Sheriffs' and Game Wardens' Retirement Systems to retirement systems covered by Social Security which will permit these systems to vote on social security coverage. Previously all these systems enjoyed social security coverage as spin-offs of the P.E.R.S.

Section 2. Delete reference to the earmarked revenue account from management of Social Security accounts as the Public Employees' Retirement Board has no authority over this account. The language is pre-executive reorganization and this section does not reflect the division of authority created under executive reorganization. The Board who is responsible for making the determination and manages this account has no authorities or responsibilities in the earmarked revenue fund.

Section 3. The purpose of this section is to encourage compliance with the Federal deposit and reporting procedures, not produce revenue. Therefore, the state agencies shall have the authority to waive part or all of the interest penalty when, in the opinion of the Board, a reasonable explanation has been submitted in writing by the political subdivision. This language is found in the body of the bill.

PROS AND CONS: Section 1. Each newly defined retirement system will have the opportunity to vote on social security coverage. Currently, these systems have little or no voice in their social security coverage as they are covered under the P.E.R.S. blanket social security coverage agreement. This bill probably should have been introduced as these individual systems were formed.

Section 2. The P.E.R.D. administrative costs are currently funded from the interest earnings on these moneys. The investment of social security moneys was instituted in approximately 1965 and the result of these interest earnings, the three-tenths of a percent of salaries, assessed agencies participating in the social security program was removed in about 1968. Had the three-tenths of one

percent of salaries been assessed in fiscal 1979-1980, it would have produced about \$1.59 M. in administrative expense money.

Section 3. This provision will simply make current interest penalties reflective of current money values. Recently, more reporting agencies have not timely filed their social security reports and delayed their monthly deposits because the interest penalties were so low, that more interest could be earned in the short term money market than the combined state and federal interest penalty. The current provisions no longer serve as an incentive for timely reporting and depositing.

FINANCIAL IMPACT: Sections 1 and 3 have no material financial impact. Section 2 if literally interpreted, could result in the loss of \$.5 M a year in agency funding creating the prospect of assessment for administrative costs to participating agencies of the state and political subdivisions.

PRIOR LEGISLATIVE HISTORY: The state social security provisions have had very few amendments since the state signed the Federal-State Social Agreement in 1955.

EXAMPLES OF HARM: Section 1 is relatively harmless, could save the state money and possibly facilitate consolidation of Game Wardens' and Highway Patrolmen's Retirement Systems in the future.

Section 2. Failure to correct the language in this section, could jeopardize current retirement funding practices. If all social security earnings were to go into the earmarked revenue fund, the State of Montana would receive the additional interest income and both the state and political subdivisions would be required to provide additional funding to make up for the funding loss to the general fund.

Section 3. This bill is similar to the bill passed in the last session for the Public Employees' Retirement System. The bill could have an economic effect on chronic delinquents but should improve compliance of the current reporting and depositing procedures. The bill enacted in the 1979 Legislature has worked well under P.E.R.S. although the majority of interest penalties have been waived because reasonable cause has been presented by the agencies.

INTERESTED PARTIES: Montana Judges are very interested in the prospect of leaving social security. The Legislative Auditor is concerned with the interpretation of Section 2 and based on the P.E.R.S. bill in the 1979 Session, Central Payroll and reporting agencies will be interested in the manner Section 3 is administered. We were able to overcome these objections in the 1979 Session.

# 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 18, 1981

The Honorable Pete Story  
Chairman  
Senate State Administration Committee  
Helena, MT 59620

Dear Senator Story:

House Bill No. 613 is one of a housekeeping nature and one which we are requesting your support.

Currently, the law provides that the Teachers' Retirement System maintain three reserve accounts, one of which is the Annuity Reserve Account.

When a member retires, the member's account balance is transferred from the Annuity Savings Fund to the Annuity Reserve Fund. That portion of the monthly retirement benefit attributable to the member's account balance is then paid out of the Annuity Reserve Fund. The balance of the monthly retirement benefit which is attributable to the employer's contribution and the interest earned on those contributions is paid out of the Pension Accumulation Fund.

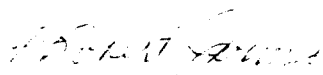
This bill would simply allow us to establish the member's account balance in the Pension Accumulation Fund and pay the entire monthly retirement benefit out of that fund. It would simplify the accounting process and at the same time allow us to comply with a Legislative

Senator Story  
March 18, 1981  
Page 2

Auditor's report issued in October 1979.

It is generally agreed by the Legislative Auditor and our actuary that there is no need to maintain the Annuity Reserve Fund since the same information and results can be accomplished by combining them into the Pension Accumulation Fund.

Sincerely,



F. Robert Johnson  
Executive Secretary

/kr



HB 263 -

Larry Nachshin  
PERD

HC 313

PURPOSE: This bill is introduced to implement the Intergovernmental Personnel Act of 1970 which permits employees of the State of Montana and political subdivisions who are on temporary assignment with the United States Government where the Federal Government is paying their salary to continue their membership in the Game Wardens' Retirement System. Certain limitations are placed in the bill in order that individuals who elect to participate in this program do not use their Federal service to simply enhance their retirement benefits.

PROS AND CONS: This bill probably should have been introduced when the State of Montana began its participation in the Intergovernmental Personnel Act, however, we did not become aware of individuals involved in this program until 1979 and have introduced this legislation to rectify this situation.

FINANCIAL IMPACT: Minimal

PRIOR LEGISLATIVE HISTORY: None

EXAMPLE OF HARM: If this legislation is not enacted, individuals who have elected to participate in this Federal program would be denied credits in the Game Wardens' Retirement System for the period of time they are in the employment of the Federal Government.

INTERESTED PARTIES: The Department of Fish, Wildlife and Parks and members of the Game Wardens' Retirement System.

Mr. Chairman, Members of the Committee, for the record my names James Schultz Representative for District 48.

Members of the committee, the Bill that I sponsor today is HB 613 - An Act to Abolish the Teachers Retirement Annuity Reserve Fund and to combine the functions of the Annuity Reserve Fund with those of the Pension Accumulation Funds. It also amended those ~~sections~~ sections pertaining to them.

The purpose of House Bill No. 613 is to comply with a legislative Auditor's recommendation in a report issued in October 1979.

The primary purpose of the Annuity Reserve Fund was to account for the payment of the annuity portion of a retirement benefit out of the reserve account established for that purpose.

A retirement benefit is comprised of two parts, the annuity portion and the pension portion. The annuity portion is that part of the monthly retirement benefit attributable to a member's account balance, while the pension portion is that part of a retirement benefit financed primarily by the employer contributions and earnings on investments.

It has been determined by our actuary, accountants and legislative Auditor that it is not necessary to maintain two accounts.

Since the Annuity Reserve Fund is established by statute, it is necessary to secure legislation to

#B 264

Larry Nachtshien  
PERD

*[Signature]*

~~IL 312~~

PURPOSE: This bill is introduced to implement the Intergovernmental Personnel Act of 1970 which permits employees of the State of Montana and political subdivisions who are on temporary assignment with the United States Government where the Federal Government is paying their salary to continue their membership in the P.E.R.S. Certain limitations are placed in the bill in order that individuals who elect to participate in this program do not use their Federal service to simply enhance their retirement benefits.

PROS AND CONS: This bill probably should have been introduced when the State of Montana began its participation in the Intergovernmental Personnel Act, however, we did not become aware of individuals involved in this program until 1979 and have introduced this legislation to rectify this situation.

FINANCIAL IMPACT: Minimal

PRIOR LEGISLATIVE HISTORY: None

EXAMPLE OF HARM: If this legislation is not enacted, individuals who have elected to participate in this Federal program would be denied credits in the Public Employees' Retirement System for the period of time they are in the employment of the Federal Government.

INTERESTED PARTIES: The only individual we are aware of who has so far participated in this program is an employee of the Fish, Wildlife and Parks Department and, I believe, the Fish, Wildlife and Parks Department would support this legislation.

3-18

# VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Robert Johnson	Teachers' Retirement	613	✓	
John Phillips	H Dist 43	264	✓	
Glen Mueller	H Dist 21	263	✓	
Phil Schutt	H Dist 48	613	✓	
Ed Sheehan	FUND ASSURANCE INDEPENDENT RETIREMENT	813	✓	
William J. Sullivan	HD 79	312	a	
L. Mochelstein	PERD	372,264 263,520	✓	
Jack Williams	Mont. Chiefs of Police	372	✓	
Chuck O'Reilly	Int. Sheriffs Assoc.	372	✓	
John Sullivan	"	"	✓	

(Please leave prepared statement with Secretariat)

# STANDING COMMITTEE REPORT

MARCH 13

MR. **PRESIDENT**

We, your committee on **STATE ADMINISTRATION**

having had under consideration **HOUSE** Bill No. **612**  
**SSHULTZ (HAMMOND)**

Respectfully report as follows: That **HOUSE** Bill No. **612**

*LC.*  
BE CONCURRED IN

~~DOXAS~~

# STATE COMMITTEE REPORT

MARCH 13 1931

PRESIDENT

MR. ....

STATE ADMINISTRATION

We, your committee on .....

HOUSE

264

having had under consideration ..... Bill No. ....

PHILLIPS (JOHNSON)

HOUSE

264

Respectfully report as follows: That ..... Bill No. ....

4/10  
BE CONSIDERED IN

~~BOOK~~

PETE STORY

Chairman.

# STANDING COMMITTEE REPORT

1911 13

81

19

**PRESIDENT**

MR. ....

**STATE ADMINISTRATION**

We, your committee on .....

**HOUSE**

**263**

having had under consideration ..... Bill No. ....

**MUELLET (TOMLINSON)**

**HOUSE**

**263**

Respectfully report as follows: That..... Bill No. ....

*SC*

**BE CONCURRED IN**  
**V**

**XXXXXX**  
**DO PASS**

# STANDING COMMITTEE REPORT

MARCH 13 1981

MR. PRESIDENT

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE Bill No. 275

HEMSTAD (JOHNSON)

Respectfully report as follows: That HOUSE Bill No. 275

*J.C.*  
BE CONCURRED IN  
DO PASS



# STANDING COMMITTEE REPORT

MARCH 18 19 33

MR. **PRESIDENT**

We, your committee on **STATE ADMINISTRATION**

having had under consideration **HOUSE** Bill No. **521**

**BARDANOUVE (HAMMOND)**

Respectfully report as follows: That **HOUSE** Bill No. **520**

*He*

BE CONCURRED IN

DO PASS.