

MINUTES OF THE MEETING
49TH LEGISLATURE THIRD SPECIAL SESSION
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

June 27, 1986

The State Administration Committee meeting was called to order on the above date, in Room 331 of the State Capitol Building, at 9:30 a.m. by Chairman Haffey.

ROLL CALL: Senators Manning and Hirsch excused, all other members present.

CONSIDERATION OF HB 16: Representative Ted Schye, HD 18, said the bill transfers excess income earned on federal social security accounts. In the past when the state collected the social security and sent it to the federal government, the state had been able to hold the money for 45 days and invest it. Now the state can only hold it for 7 days. The 2 million dollars is the excess the state has made in the past and put into a trust fund for administrating retirement funds and social security within the state. This bill takes the 2 million dollars out of that fund and puts it in the general fund. The provision for putting a tax back on the employers in the PERS system has been struck out and the administrative cost will be picked up by the interest on the PERS funds that are there.

PROPONENTS: Linda King, Assistant Administrator, PERS, explained further. Her testimony is attached as Exhibit #1.

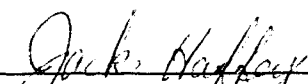
OPPONENTS: None.

COMMITTEE QUESTIONS: Senator Lynch asked Linda whose projections the million dollar balance was based on. She answered it was the Governor's office projections as to money they will have at the end of fiscal year 86. Fiscal year 86 ends Monday.

Senator Tveit asked Linda about the bottom of the testimony where it says it may increase employer's contribution rates at some point down the road. Linda said right now their systems are evaluated by an actuary to determine the benefits that are due to employees under the retirement system. The contribution rate that is assigned by the legislature is based on funding those benefits in a period within the 40 years. It depends upon the economic assumptions. She didn't think we will be right at the 40 years in the future and the assumptions will be lowered and will be more than enough to pay all the benefits.

DISPOSITION OF HB 16: Senator Lynch moved HB 16 BE CONCURRED IN. Second by Senator Harding. Motion carried unanimously. Senator Brown will carry the bill on the Senate floor.

There being no further business, the meeting adjourned.



SENATOR JACK HAFLEY, Chairman

ROLL CALL

STATE ADMINISTRATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1986

Date 6/27/86

THIRD SPECIAL SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR ANDERSON	✓		
SENATOR CONOVER	✓		
SENATOR FARRELL	✓		
SENATOR HARDING	✓		
SENATOR LYNCH	✓		
SENATOR MANNING			✓
SENATOR MOHAR	✓		
SENATOR TVEIT	✓		
SENATOR HIRSCH, Vice Chairman			✓
SENATOR HAFHEY, Chairman	✓		

Each day attach to minutes.

SENATE *State Administration* COMMITTEE

BILL H.B. - 16

VISITORS' REGISTER

DATE 6-27-86

Please note bill no.

(check one)

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

Testimony of the
Public Employees' Retirement Division

on

HB 16

The Public Employees' Retirement Division administers the state's social security program in addition to eight state retirement systems. Since the federal government can not directly tax state or local governments, in order for employees of these governments to be eligible for Social Security coverage, the State of Montana entered into an agreement with the federal government to collect, certify, and pay Social Security taxes for state and local government employees. In addition, the state has signed agreements with local governments to collect Social Security taxes on their covered employees.

A "float" period of up to 45 days was originally created between the time Social Security taxes were collected from state public employers and the quarterly deposit dates required by the federal government. Since 1965, this "float" was invested and the resulting earnings accrued to the Social Security contributions account and have been used to fund first the administrative expenses of the state social security program and also, since 1977, the administrative costs of the eight retirement systems administered by the Public Employees' Retirement Board.

Because this "float" period has been reduced to around 5 days over the past few years, investment earnings on Social Security contributions have decreased substantially over the next few years.

The Public Employees Retirement Division supports HB 16 which would transfer the balance of approximately \$2 M in reserved interest earnings on Social Security collections from previous years to the state's General Fund. Future earnings on Social Security contribution investments (approximately \$175,900/year) will also accrue directly to the General Fund.

Montana is one of only a very few states where this is not currently state law, and the only state which has funded the operations of its retirement systems in this manner.

This legislation also proposes to pay the costs of administering the eight retirement systems from the interest earnings on the trust funds. While this may result in an increased employer contribution rate at some point "down the road," it is not expected to effect the actuarial soundness nor the funding period of the systems within the next biennium.

SENATE STATE ADMIN.
EXHIBIT NO. 1
DATE 6/27/86
BILL NO. HB 16

STANDING COMMITTEE REPORT

June 27

19³⁶

MR. PRESIDENT

We, your committee on **STATE ADMINISTRATION**

having had under consideration **HOUSE BILL** No. **16**

third reading copy (blue)
color

Schye (Brown)

**TRANSFER OF INTEREST RESERVES FROM SOCIAL SECURITY FUND TO
GENERAL FUND**

Respectfully report as follows: That **HOUSE BILL** No. **16**

BE CONCURRED IN

EXPASS

REAPPROPRIATE

SENATOR JACK HAPPEY, Chairman.