

MINUTES OF THE MEETING  
STATE ADMINISTRATION COMMITTEE  
50TH LEGISLATIVE SESSION  
HOUSE OF REPRESENTATIVES

March 4, 1987

The meeting of the State Administration Committee was called to order by Chairman Sales on March 4, 1987, at 9:00 a.m. in Room 437 of the State Capitol.

ROLL CALL: Reps. Moore and Jenkins were excused. All other committee members were present.

CONSIDERATION OF SENATE BILL NO. 72: Senator Himsl, Senate District #3 and sponsor of the bill, stated the bill is a traditional biennial piece of legislation. It extends the application of the Bond Validating Act by amending the law to cover bonds issued and proceedings taken prior to the immediate effective date of this act. The bill will continue or extend the validation, ratification, approval and confirmation of all bonds issued by any public body and all proceedings taken for the authorization and issuance of such bonds. His written testimony is included as Exhibit #1.

PROPOSERS: Marvin Echols from the Department of Administration stated his support for the bill and advised the committee members he was available to answer any questions.

OPPOSERS: None

DISCUSSION OF SENATE BILL NO. 72: None

Discussion was closed on SB 72 by Senator Himsl. Rep. Sales will carry SB 72 on the House floor.

CONSIDERATION OF SENATE BILL NO. 93: Senator Walker, Senate District #20 and sponsor of the bill, stated the bill is being presented at the request of the Department of Administration via the Public Employees' Retirement Board. The bill deals with a retirement cost-of-living increase that was passed last session for municipal police officers. There were two retirement provisions at that time: the 20-years of service retirement and the mandatory 65 year of age retirement which has since been declared unconstitutional by the U.S. Supreme Court. Removing the mandatory retirement age last session inadvertently omitted two Butte area police officers cost-of-living increase. This bill, in essence, picks up those two police officers who fell through that crack because they had retired on a mandatory retirement at age 65. Their retirement increase was calculated

into the cost of the legislation at that time, so there is no cost involved.

PROPOSERS: Linda King, Public Employees' Retirement Board, stated support for the bill and submitted written testimony (Exhibit #2).

OPPOSERS: None

DISCUSSION OF SENATE BILL NO. 93: None

Discussion of SB 93 was closed by Senator Walker.

CONSIDERATION OF SENATE BILL NO. 153: Senator Walker, Senate District #20 and sponsor of the bill, stated the bill is being presented at the request of the Department of Administration via the Public Employees' Retirement Board and deals with most retirement systems. It cleans up a portion of the law that has been difficult to manage. Currently, when purchasing retirement credits, you must purchase that time within a 24-month period. If any money is drawn out, it must be repaid within a 24-month period as well. This bill will eliminate the 24-month period.

PROPOSERS: Linda King, Public Employees' Retirement Board, stated support for the bill and submitted written testimony (Exhibit #3). This bill will remedy currently unenforceable provisions.

OPPOSERS: None

DISCUSSION OF SENATE BILL NO. 153: Rep. Cody asked Linda King how often people leave the retirement system and return at a later time. She replied that it happens quite often. There are probably 700 to 800 buy-back requests each year.

Discussion was closed on SB 153 by Senator Walker. Rep. O'Connell will carry SB 93 and SB 153 on the House floor.

The committee went into executive action while waiting for Senator McCallum to arrive to present Senate Bill No. 165.

DISPOSITION OF SENATE BILL NO. 72: Rep. Cody moved that SB 72 BE CONCURRED IN; seconded by Rep. Cody. The motion carried by unanimous voice vote.

DISPOSITION OF SENATE BILL NO. 93: Rep. O'Connell moved that SB 93 BE CONCURRED IN; seconded by Rep. Cody. The motion carried by unanimous voice vote.

DISPOSITION OF SENATE BILL NO. 153: Rep. O'Connell moved that SB 153 BE CONCURRED IN; seconded by Rep. Cody. The motion carried by unanimous voice vote.

CONSIDERATION OF SENATE BILL NO. 165: Senator McCallum, Senate District #26 and sponsor of the bill, stated the bill is being introduced at the request of the Department of State Lands. The State Land Board sets the interest rate once a year, and there is no opportunity to change it in-between. This bill would give the authorization to the State Land Board to review the interest rates more than once a year and adjust them according to the market.

PROPOSERS: Dennis Hemmer, representing the Department of State Lands, reiterated Senator McCallum's opening remarks and submitted testimony in support of the bill (Exhibit #4).

OPPOSERS: None

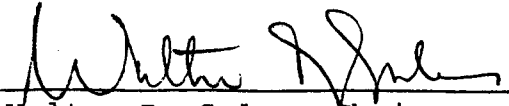
DISCUSSION OF SENATE BILL NO. 165: Rep. Roth asked Dennis Hemmer if there were any other departments that could benefit from this bill. He replied that he was not aware of any other departments that carry contracts on property. Rep. Cody asked Dennis Hemmer how many existing contracts there were carrying a high interest rate. He replied that he didn't think there were any contracts at the present time carrying a high interest rate. Rep. Sales asked Dennis Hemmer if any consideration has ever been given to using adjustable rates. He replied "not really", but they have that flexibility now. Rep. Cody asked Dennis Hemmer how many contracts there are that are not current, and he replied that there are some in default. Rep. Cody asked Dennis Hemmer how many were in default, and he replied he was aware of only one.

Discussion of Senate Bill No. 165 was closed by Senator McCallum and the committee immediately took executive action.

DISPOSITION OF SENATE BILL NO. 165: Rep. O'Connell moved that SB 165 BE CONCURRED IN; seconded by Rep. Phillips. Motion carried by unanimous voice vote.

Chairman Sales asked Rep. Cody to carry SB 165 on the House floor.

ADJOURNMENT: There being no further business to come before this committee, the hearing adjourned at 9:40 a.m.

  
\_\_\_\_\_  
Walter R. Sales, Chairman

DAILY ROLL CALL

State Administration

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date March 4, 1987

NAME	PRESENT	ABSENT	EXCUSED
Walt Sales	✓		
John Phillips	✓		
Bud Campbell	✓		
Dorothy Cody	✓		
Duane Compton	✓		
Gene DeMars	✓		
Harry Fritz	✓		
Harriet Hayne	✓		
Gay Holliday	✓		
Loren Jenkins			✓
Janet Moore			✓
Richard Nelson	✓		
Helen O'Connell	✓		
Mary Lou Peterson	✓		
Paul Pistoria	✓		
Rande Roth	✓		
Tonia Stratford	✓		
Timothy Whalen	✓		

EXHIBIT #1  
DATE 3/4/87  
SB 72

Senate Bill # 72

Senator Himsel

Bond Validating Act

Senate Bill # 72 is a traditional biennial piece of proposed legislation extending the application of the Bond Validation Act by amending the law to cover bonds and proceedings taken prior to the immediate effective date of this act.

What this bill does is continue or extend the validation, ratification, approval, and confirmation of all bonds issued by any public body and all proceedings taken for the authorization and issuance of such bonds.

The act protects the bondholders from any challenge of validity for any defects or irregularities in the construction, marketing, or delivery of the bonds. That the bonds of such public bodies under the authority of such proceedings are binding, legal, valid and enforceable obligations of such public body.

I am sponsoring this legislation at the request of the Department of Administration and as a member of the Capital Finance Advisory Council respectfully urge your favorable consideration.

TESTIMONY ON SB 93

EXHIBIT #2  
DATE 3/4/87  
SB 93

Presented by:  
Linda King  
Assistant Administrator  
Public Employees' Retirement Division

SB 93 is being proposed on behalf of the Public Employees' Retirement Board in order to clarify that the 1985 Police cost-of-living adjustment was intended to include all police retired between July 1, 1975 and July 1, 1985.

In March, 1985, the Legislature approved a bill which removed the mandatory retirement provisions of many of Montana's public retirement systems. In this particular bill, 19-9-804 was amended to eliminate reference to mandatory retirement. A later bill (May, 1985) granting cost-of-living adjustments to retired police officers cited the current retirement provisions of state law (which, by then, did not include those persons retiring under the mandatory retirement provisions).

When the cost of granting the Police COLA was calculated by the retirement system's actuary, he counted two people who had been forced to retire under the previous mandatory retirement provisions of state law and the COLA was approved and funded by the Legislature. Upon later review, however, the Public Employees' Retirement Board found there was no legal authority to pay those 2 persons a COLA since they had not retired under provisions referenced in the current codes.

It seems that two people have been eliminated from the 1985 Police COLA by the "process" of the 1985 Legislature, not by "act" of the 1985 Legislature.

The passage of this bill will result in a \$28.32/month increase in the retirement benefits of one retiree and a \$7.38/month increase in the retirement benefits of another retiree, with no additional funding required by the retirement system.

TESTIMONY ON SB 153

EXHIBIT #3  
DATE 3/4/87  
SB 153

Presented by:  
Linda King, Assistant Administrator  
Public Employees' Retirement Division

The Public Employees' Retirement Board has proposed this legislation to amend currently unenforcable provisions which limit the time for redepositing previously withdrawn contributions or making payments to purchase other types of service within the various retirement systems administered by the Board.

Current retirement statutes sometimes specify periods of time from 12 to 24 months during which members may make such payments. However, if the time limit is not met, there is nothing in the statutes which prohibits members from starting this process all over again -- at the cost of additional time and aggravation for the member and the retirement system.

This bill proposes to remedy this problem by extending the time period for this process. As long as it is completed before a member terminates covered employment, the service can be qualified. Since members are required to pay interest until the purchase or redeposit is complete, the retirement systems will not be harmed by extending the current "buy-back" periods.

The Board thinks this is an equitable approach to solving a small, but long-standing problem, and will appreciate your favorable consideration of this bill.

EXHIBIT #4  
DATE 3/4/87  
S 145

BACKGROUND FOR SB 165  
FOR SENATOR MCCALLUM

Section 77-2-329, MCA, requires that the Land Board annually review and fix interest rates prior to December 31 for all contracts to be entered into during the succeeding year. Over the years the Department of State Lands and the Land Board has interpreted this statute to mean that such review and fixing of interest rates could not be accomplished more often than once a year.

Because interest rates can fluctuate substantially in less than a year, it was felt by the Land Board that they should have the authority to review and fix rates more often than once a year. As a result, the Land Board directed the Department of State Lands to introduce this Bill. By having this flexibility, the Land Board will be able to ensure that interest rates for Land Board contracts will more closely adhere to the rates being charged by financial institutions. In this way, the school trust will benefit by not having interest rates set too high and thereby lose sales, or set too low and thereby losing valuable revenue. Also, the Bill maintains the requirements that interest rates will be reviewed at least once a year, thereby continuing to ensure that an excessive amount of time will not be allowed to elapse between such reviews.



# STANDING COMMITTEE REPORT

March 4

19 87

Mr. Speaker: We, the committee on

**STATE ADMINISTRATION**

report **SB 165**

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

\_\_\_\_\_  
Chairman

**Review of Interest Rate on Contracts For Sale of State Land**

*MS*  
**FIRST**

**WHITE**

\_\_\_\_\_  
reading copy ( \_\_\_\_\_ )  
color

# STANDING COMMITTEE REPORT

March 4

19 87

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 153

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

\_\_\_\_\_  
Chairman

**Extend Time For Redepositing Contributions In Certain Retirement Systems**

*MIS*

FIRST

WHITE

\_\_\_\_\_  
reading copy ( \_\_\_\_\_ )  
color

# STANDING COMMITTEE REPORT

March 4

19 97

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 93

- do pass
- do not pass

- be concurred in
- be not concurred in

- as amended
- statement of intent attached

Chairman

**Extend 1985 Benefit Adjustment Under Municipal Police Retirement System**

*MJS*

FIRST

WHITE

reading copy ( )  
color

# STANDING COMMITTEE REPORT

March 4

19 87

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 72

- do pass
- do not pass

- be concurred in
- be not concurred in

- as amended
- statement of intent attached

\_\_\_\_\_  
Chairman

**Bond Validating Act**



FIRST

WHITE

\_\_\_\_\_  
reading copy ( \_\_\_\_\_ )  
color

VISITORS' REGISTER

STATE ADMINISTRATION

COMMITTEE

BILL NO. 93,153

DATE March 4, 1987

SPONSOR Wacker

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
LINDA KING	Public Employees Retirement Division	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

STATE ADMINISTRATION

COMMITTEE

BILL NO. 165

DATE March 4, 1987

SPONSOR McCullum

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Dennis Hemmer	Dept of State Lands	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR  
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.