

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

January 28, 1987

The fourteenth meeting of the State Administration Committee was called to order by Chairman Jack Haffey at 10:00 a.m. in Room 331 of the State Capitol.

ROLL CALL: All members of the committee were present.

The hearing was opened on House Bill 132.

CONSIDERATION OF HOUSE BILL 132: Representative Harry Fritz, House District 56, Missoula, was sponsor for this bill entitled, "AN ACT PERMITTING A VESTED MEMBER TO QUALIFY CERTAIN PUBLIC SERVICE EMPLOYMENT AS CREDITABLE SERVICE UNDER THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM; AND PROVIDING AN EFFECTIVE DATE." It would allow a member of the Public Employee Retirement System to buy an additional five years of service is certain conditions such as, being a member of PERS for five years, having been a member of another Public Employee Retirement System either in civil service or out-of-state, having quit that system and received a refund and then being able to qualify for this benefit. He noted it would have no adverse impact fiscally.

PROPOSERS: There were none.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 132: There were none.

Rep. Fritz CLOSED the hearing on HB 132.

EXECUTIVE ACTION ON HOUSE BILL 132: Senator Lynch MOVED THAT HOUSE BILL 132 BE CONCURRED IN. It was seconded by Senator Hofman. The motion passed unanimously. Senator Lynch will carry the bill on the Senate floor.

The hearing was opened on House Bill 158.

CONSIDERATION OF HOUSE BILL 158: Representative Dennis Nathe, House District 19, is the chief sponsor of this bill entitled, "AN ACT PERMITTING A MEMBER OF THE SHERIFFS' RETIREMENT SYSTEM TO QUALIFY PREVIOUS MILITARY SERVICE FOR THE PURPOSE OF CALCULATING RETIREMENT BENEFITS; AND PROVIDING A RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE." He stated this would allow the sheriffs to buy back their military time for retirement benefits. It would allow them to do what other systems have been allowed by statute already. He did suggest a possible amendment on page 2, line 5 of inserting the word military after "a" for clarification.

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PROPOSERS: Tom Harrison, on behalf of the Sheriffs' and Peace Officer's Association, supported the bill and stated the amendment Rep. Nathe referred to would clarify a concern the committee in the House had regarding a person having 20 years of military retirement and not being able to buy 5 of these years back and then getting credit for two retirements. The fiscal note was for actuarial costs with interest but would have no conflict on existing legislation. Kurt Petty, Vice-President of the Montana Sheriffs' and Peace Officer's Association, spoke in support of the measure.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 158: Senator Hofman wondered why the sheriffs were excluded in the first place and was told by Mr. Petty a petition had been passed around several years ago and overlooked by many at the time. Senator Farrell wondered if it would be possible to have 20 years in the military and then work 15 years as a sheriff and then buy back 5 years of military time and get the benefit of two retirements. Tom Harrison stated this would prevent that from happening but if they were to have 25 years of service in another service it might be possible to have both benefits.

Rep. Nathe noted in CLOSING that at the time the bill was drafted the language was clear but that it was confusing to those in the public who had read it and that was the reason he was requesting the amendment. Senator Haffey asked Linda King to check into language for the proposed amendment and to bring back examples to the committee before final action was taken. The hearing was CLOSED on HB 158.

The hearing was opened on House Bill 140.

CONSIDERATION OF HOUSE BILL 140: Representative Francis Bardanouve, House District 16, Harlem, is the sponsor of this bill entitled, "AN ACT TO REMOVE THE MANDATORY RETIREMENT AGE FROM THE JUDGES' RETIREMENT SYSTEM TO COMPLY WITH FEDERAL LAW; REPEALING SECTION 19-5-504, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." He noted Congress has passed new reform bills regarding pensions and this was part of a package of bills to bring our Montana laws to conformity. The bill had been requested by the Public Employees' Retirement Board. Rep. Bardanouve noted the age limit had now been repealed and somehow this had been overlooked for the judges' retirement system and is therefore unconstitutional. In 1988 a judge will be affected by this measure and it could constitute a lawsuit. This would bring this into conformity with federal requirements.

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PROPOSERS: Linda King, from Montana Employees' Retirement System, stated the board was in support of this request.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 140: There were none.

In closing Rep. Bardanoue stated it this is an unconstitutional statute as it now stands and could help avoid future lawsuits and urged its passage. The hearing was CLOSED on HB 140.

EXECUTIVE ACTION ON HOUSE BILL 140: Senator Lynch MOVED THAT HOUSE BILL 140 BE CONCURRED IN. Senator Anderson seconded the motion. The motion passed unanimously.

The hearing was then opened on House Bill 153.

CONSIDERATION OF HOUSE BILL 153: Representative Francis Bardanoue, House District 16, Harlem, is the sponsor of this bill entitled, "AN ACT TO EXTEND THE VESTING OF RETIREMENT ALLOWANCES UPON TERMINATION OF THE SYSTEMS TO MEMBERS OF THE MUNICIPAL POLICE OFFICERS' AND THE FIREFIGHTERS' UNIFIED RETIREMENT SYSTEMS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." This bill was at the request of the Public Employees' Retirement Board. It would just put it into conformity with new federal regulations. If they had vested retirement interests they would be able to recover their retirements without penalty from the IRS.

PROPOSERS: Linda King, with PERS, stated it is another housekeeping bill to help retain the municipal police officers and firefighters retirements in compliance with new federal laws.

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 153: Senator Haffey asked Rep. Bardanoue to explain further the new federal requirements. Rep. Bardanoue noted that this was mainly aimed at private enterprises that have absconded with the pensions of their employees in some cases.

Rep. Bardanoue noted in CLOSING that all of these bills are very important in order to qualify our pension plans and keep them in conformity with federal laws. The hearing was CLOSED on HB 153.

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EXECUTIVE ACTION ON HOUSE BILL 153: Senator Farrell MOVED that HOUSE BILL 153 BE CONCURRED IN. Senator Lynch seconded the motion. The motion passed unanimously. Senator Walker will carry this bill on the Senate floor.

The hearing was opened on House Bill 176.

CONSIDERATION OF HOUSE BILL 176: Representative Francis Bardanouve, House District 16 Harlem, is sponsor of this bill entitled, "AN ACT PROVIDING THAT THE MAXIMUM BENEFIT PAID TO A RETIREE UNDER THE PUBLIC EMPLOYEES', TEACHERS', JUDGES', HIGHWAY PATROLMEN'S, SHERIFFS', GAME WARDENS', MUNICIPAL POLICE OFFICERS' OR FIREFIGHTERS' UNIFIED RETIREMENT SYSTEMS MAY NOT EXCEED THE LIMITATIONS ON SUCH BENEFITS IMPOSED BY SECTION 415 OF THE INTERNAL REVENUE CODE OF 1986; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." This bill was also at the request of the Public Service Employees' Retirement Board. He noted this bill might never affect Montana because the limit of \$75,000 is more than Montana salaries amount to in most cases but came about as a result of some private enterprises pouring more into their pension funds than they received in a paycheck and would help to prevent abuses and make our laws conform with federal regulations.

PROPOSERS: Linda King, Public Employees' Retirement System, spoke in support of the measure. David Senn, representing the Teachers' Retirement Board, supported the legislation also. (EXHIBIT 1)

OPPOSERS: There were none.

QUESTIONS ON HOUSE BILL 176: Senator Haffey noted we could most likely do without this measure since it does not apply to Montana salaries anyway but Rep. Bardanouve pointed out it was necessary to have the pension plans qualify according to IRS standards.

Rep. Bardanouve then CLOSED on HB 176.

EXECUTIVE ACTION ON HOUSE BILL 176: Senator Harding MOVED that HOUSE BILL 176 BE CONCURRED IN. Senator Vaughn seconded the motion. The motion passed unanimously. Senator Rasmussen will carry the bill on the Senate floor.

The hearing was then opened on Senate Bill 197.

CONSIDERATION OF SENATE BILL 197: Senator Tom Rasmussen, Senate District 22, Helena, is the sponsor of this bill entitled, "AN ACT REQUIRING APPOINTMENT OF AT LEAST ONE RETIRED STATE EMPLOYEE TO THE STATE EMPLOYEE GROUP BENEFITS ADVISORY COUNCIL; AND AMENDING SECTION 2-15-1016, MCA." He noted at the present time there is not representation of a retired person on the advisory council and this would just mandate that such a person

be a voting member of the council.

PROPOSERS: Leo Barry, representing the Montana Association of Retired Public Employees' Association, stated the council's duties are prescribed in statute and noted retired persons can participate now but do not have a voting privilege.

(EXHIBIT 2) Ken Givens, Treasurer of the Association of Montana Retired Public Employees and currently an ex-officio member of the committee urged support of granting voting privileges to a retired representative on the board. Tom Schneider, representing the Montana Public Employees' Association, felt there was no reason not to have such representation on the council.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 197: Senator Rasmussen asked what the size of the membership was now of the council and was told it was six. Senator Hofman asked the length of the term of the members and was told it was for one year and at the appointment of the governor.

Senator Rasmussen CLOSED on SB 197.

EXECUTIVE ACTION ON SENATE BILL 197: Senator Hirsch MOVED that SENATE BILL 197 DO PASS. Senator Hofman seconded the motion. The motion passed unanimously.

The meeting was adjourned at 11 a.m.

cd



SENATOR JACK HAFFEY, Chairman

ROLL CALL

SENATE STATE ADMINISTRATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1/28/87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACK HAFFEY	X		
SENATOR WILLIAM FARRELL	X		
SENATOR LES HIRSCH	X		
SENATOR JOHN ANDERSON	X		
SENATOR J. D. LYNCH	X		
SENATOR ETHEL HARDING	X		
SENATOR ELEANOR VAUGHN	X		
SENATOR SAM HOFMAN	X		
SENATOR HUBERT ABRAMS	X		
SENATOR TOM RASMUSSEN	X		

Each day attach to minutes.

STATE ADMIN.
EXHIBIT NO. 1
DATE 1-28-87
FILE NO. HB 176

House Bill 176

TESTIMONY
presented by
David L. Senn
Teachers' Retirement Board
1-28-87

TITLE

An act to limit the maximum benefits paid to retirees under the Public Employees, Teachers' Retirement, Judges', Highway Patrol, Sheriffs', Game Wardens', Municipal Police Officers', and Firefighters' Unified Retirement Systems to the limitations on such benefits imposed by section 415 of the Internal Revenue Code; and to provide fo an effective date.

The Teachers' Retirement System has always been treated as a qualified plan by the Internal Revenue Service. The importance of the plans maintaining a qualified status is three fold.

- (1) If plan is not qualified, employer contributions are taxable to the plan members at the time the contributions are made.
- (2) Unless the plan is qualified, trusts set up to handle the investments of the fund, would not be tax exempt and thus all investment earnings would be subject to taxation.
- (3) There may be tax advantages available to members when distributions are made from a qualified plan at the time of retirement.

Limits currently in effect under section 415 of the IRS code, will not affect any current members of the Teachers' Retirement System and we do not anticipate retirees would be adversely affected by this legislation.

This legislation is necessary to maintain the federal tax advantages available to the state retirement systems. We urge you to approve this bill.

DLS:dlh

2-18-804. En. Sec. 4, Ch. 438, L. 1973;
R.C.M. 1947, 59-1504.
2-18-805. En. Sec. 7, Ch. 438, L. 1973;
R.C.M. 1947, 59-1507.

2-18-806. En. Sec. 2, Ch. 438, L. 1973;
R.C.M. 1947, 59-1502.
2-18-807. En. Sec. 5, Ch. 438, L. 1973;
R.C.M. 1947, 59-1505.

2-18-808. Purpose. The purpose of this part is to establish a program under which the state may provide state employees with adequate group hospitalization, health, medical, disability, life, and other related group benefits in an efficient manner and at an affordable cost.

History: En. Sec. 1, Ch. 555, L. 1979.

2-18-809. Definitions. As used in this part, the following definitions apply:

- (1) "Advisory council" means the state employee group benefits advisory council provided for in 2-15-1016.
- (2) "Department" means the department of administration provided for in 2-15-1001.
- (3) "State employee" means an employee of the state, specifically including a member or employee of the legislative branch of state government. The term "state employee" does not include employees of counties, cities, towns, school districts, or the Montana university system.
- (4) "Group benefits" means group hospitalization, health, medical, surgical, disability, life, and other similar and related group benefits provided to officers and employees of the state. The term "group benefits" does not include casualty insurance, defined in 33-1-206; marine insurance, authorized in 33-1-209 and 33-1-221 through 33-1-229; property insurance, defined in 33-1-210; surety insurance, defined in 33-1-211; and title insurance, defined in 33-1-212.

History: En. Sec. 2, Ch. 555, L. 1979; amd. Sec. 10, Ch. 467, L. 1981.

Compiler's Comments

1981 Amendment: Substituted "authorized in 33-1-209 and 33-1-221 through 33-1-229" for "defined in 33-1-209".

2-18-810. Functions of advisory council. (1) The department shall meet and consult with the advisory council before negotiating, contracting, or otherwise modifying state employee group benefit plans.

(2) The advisory council shall meet quarterly to review the existing state employee group benefit plans, to review claims problems, and to advise the department on state employee group benefit matters.

History: En. Sec. 4, Ch. 555, L. 1979.

2-18-811. General duties of the department. The department shall:

- (1) adopt rules for the conduct of its business under this part and to carry out the purposes of this part;
- (2) negotiate and administer contracts for state employee group benefit plans;
- (3) design state employee group benefit plans, establish specifications for bids, and make recommendations for acceptance or rejection of bids;
- (4) prepare an annual report which describes the state employee group benefit plans being administered, details the historical and projected program

STANDING COMMITTEE REPORT

JANUARY 28

87

..... 19.....

MR. PRESIDENT

SENATE STATE ADMINISTRATION

We, your committee on

having had under consideration..... **HOUSE BILL** **132** No.....

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color

PERMIT PERS MEMBER TO QUALIFY OUT-OF-STATE EMPLOYMENT AS CREDITABLE SERVICE Fritz (Lynch)

HOUSE BILL **132**

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

BE CONCURRED IN

~~XXXXX~~
DO NOT PASS

~~XXXXXXXX~~
DO NOT PASS

SENATOR JACK HAFPEY.....

Chairman.

STANDING COMMITTEE REPORT

JANUARY 28 19 87

MR. PRESIDENT

We, your committee on **SENATE STATE ADMINISTRATION**

having had under consideration..... **HOUSE BILL** No. **140**

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REPEAL MANDATORY RETIREMENT PROVISION CONCERNING JUDGES
Bardanouve (Hofman)

HOUSE BILL 140

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

BE CONCURRED IN

XXXXXX

DO PASS

XXXXXXXXXX

DO NOT PASS

.....
SENATOR JACK HAFPEY Chairman.

STANDING COMMITTEE REPORT

JANUARY 28

87

..... 19.....

MR. PRESIDENT

SENATE STATE ADMINISTRATION

We, your committee on.....

having had under consideration.....

HOUSE BILL 153

No.....

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VESTING OF POLICE AND FIREMEN RETIREMENT BENEFITS AT TERMINATION OF SYSTEMS Bardanouve (Walker)

Respectfully report as follows: That.....

HOUSE BILL 153

No.....

BE CONCURRED IN

~~XXXX~~
DO NOT PASS

~~XXXXXXXXXX~~
DO NOT PASS

.....
SENATOR JACK HAFPEY

Chairman.

STANDING COMMITTEE REPORT

JANUARY 28

87

19.....

MR. PRESIDENT

We, your committee on **STATE SENATE ADMINISTRATION**

having had under consideration..... **HOUSE BILL** No. **176**

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color

LIMITING RETIREMENT BENEFITS TO IRS MAXIMUMS
Bardanouve (Rasmussen)

Respectfully report as follows: That..... **HOUSE BILL** No. **176**

BE CONCURRED IN

~~XXXXX~~
DO PASS

~~XXXXXXXXX~~
DO NOT PASS

.....
SENATOR JACK HAFPEY

Chairman.

STANDING COMMITTEE REPORT

.....JANUARY 28..... 19 87.....

MR. PRESIDENT

SENATE STATE ADMINISTRATION

We, your committee on

having had under consideration.....SENATE BILL..... No. 197.....

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APPOINT RETIREE TO STATE EMPLOYEE GROUP BENEFITS ADVISORY COUNCIL

Rasmussen

Respectfully report as follows: That.....SENATE BILL..... 197..... No.....

~~DO PASS~~
~~XXXXXXXXXX~~
~~DO NOT PASS~~

.....
SENATOR JACK HAFPEY

Chairman.