

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chairman Jan Brown, on March 2, 1989, at 9:00 a.m.

ROLL CALL

Members Present: All present, except:

Members Excused: Rep. Moore

Members Absent: None

Staff Present: Judy Burggraff, Secretary; Lois Menzies, Staff Researcher

HEARING ON SB 194

Presentation and Opening Statement by Sponsor: Sen. Boylan, Senate District 39, introduced the bill. Currently a member of the Sheriffs' Retirement System may receive a service retirement allowance after he or she has completed at least 24 years of service and has reached age 55. A member may receive an early retirement allowance after serving 20 years and reaching age 55.

Sen. Boylan said this bill is to protect the local sheriff. He said that the sheriff's term of office, if elected, is four years. This bill would change their retirement from 25 years to 24 years that must be served before a sheriff can receive a service retirement allowance. Sen. Boylan said that the Sheriff's Retirement Systems are sound so it will not impact them very much. The sheriffs are elected for an even number of years. With the current law, a sheriff often is forced to run for a short term and then resign, just to receive his retirement benefit.

Testifying Proponents and Who They Represent:

Tom Harrison, Montana Sheriffs' and Peace Officers' Association

Rich Later, Montana Sheriffs' and Peace Officers' Association

Tim Sullivan, Self

Tom Hanson, Montana Sheriffs' and Peace Officers'

Association

Les Osborne, Montana Sheriffs' and Peace Officers'
Association

Proponent Testimony:

TOM HARRISON, representing the Montana Sheriffs' and Peace Officers' Association, said that this bill would be a reduction of only one year and it would bring their retirement system in "phase with four-year terms of sheriffs." Mr. Harrison said that the actuary reviewed the system to see if it could actuarially be brought in line with a number of other systems, particularly the law enforcement system, at 20 years. It was found that it could not be changed to 20 and still remain actuarially sound. Mr. Harrison said the PERS, the TRS, and the Game Wardens Retirement System have unfunded liabilities ranging from 35 to 14 years; in contrast, the Sheriffs' Retirement System has no unfunded liability. He said, "It is the most fiscally sound public system in the state of Montana."

RICH LATER, sheriff from Beaverhead County and President of the Montana Sheriffs' and Peace Officers' Association, said he supports SB 194.

TIM SULLIVAN, sheriff from Hill County and a member of the Montana Sheriffs' and Peace Officers' Association, said he supports SB 194.

GREG HANSON, from the Missoula County Sheriff's Department and representing the Missoula County Deputy Sheriffs' Association, asked for the Committee's support for this bill.

LES OSBORNE, deputy sheriff from Mussleshell County and member of the Board of Directors of the Montana Sheriffs' and Peace Officers' Association, asked for the Committee's support for SB 194.

Testifying Opponents and Who They Represent: None

Questions From Committee Members:

REP. GERVAIS asked if the Sheriff's Retirement System includes the deputies. Sen. Boylan said it does.

REP. DEBRUYCKER stated the bill says on page 2, line 4, "If a member served 15 years as a sheriff." He asked if the deputy time would count towards the 15 years. REP. DEBRUYCKER said that a sheriff may just serve 4 years, but that same sheriff might have put in 12 years as a deputy. He asked if that service would count. Sen. Boylan said, "Yes, that would count."

Closing by Sponsor: Sen. Boylan said the bill is actuarially sound, and that is the most important part. He thanked the Committee. Sen. Boylan said he did not have anyone to carry the bill in the House if it passed out of the Committee.

DISPOSITION OF SB 194

Motion: Rep. Cocchiarella moved that SB 194 BE CONCURRED IN.

Discussion: Chairman Brown asked Lois Menzies if this bill would conflict or overlap with any other bill that we have acted on this session. Lois Menzies said that if this bill passes and the other bill that amends this section passes, the two bills will be reconciled in codification so that they don't conflict.

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED with Rep. Campbell voting no. Rep. Spring will carry SB 194 in the House.

HEARING ON SB 125

Presentation and Opening Statement by Sponsor: Sen. Dennis Nathe, Senate District 10, introduced the bill. He said that this bill permits a member of the Teachers' Retirement System to purchase up to five years of service. This bill would give teachers an option to purchase one year for every five years that they have taught. So at the end of 25 years, they could have 30 years of retirement and retire at 50 percent of their salary. Rep. Nathe said that the bill was actuarially sound, and it should help the unfunded liability in the Teachers Retirement System.

Testifying Proponents and Who They Represent:

David Senn, Executive Secretary, Teacher's Retirement Board

Eric Feaver, Montana Education Association

Terry Minow, Montana Federation of Teachers

Proponent Testimony:

DAVID SENN, representing the Teacher's Retirement Board, presented a report comparing the years of service a member is eligible to purchase under the current law and the proposed law (Exhibit 1) and written testimony (Exhibit 2).

ERIC FEAVER, representing the Montana Education Association, said, "We rise in support of SB 125. We are delighted this

bill is before you. It is one of the nicest planks that this Legislature can do for members of the Teachers' Retirement System. It is a matter of equity. There are teachers who will never be eligible to purchase creditable service or, in this case, service benefits. Nearly every legislative session we have had somebody come in and say, the service that I performed elsewhere, under these circumstances ought to allow me to buy benefits in this system. This Legislature has consistently said yes, that seems fair to us. This bill should eliminate that continual parade of requests to make benefits apply to some persons that currently do not apply to all. So we hope you will give it a strong consideration just on the basis of equity. Those that are currently eligible to purchase service will be "grandfathered," but they also can exercise this option." He urged the Committee's support.

TERRY MINOW, representing the Montana Federation of Teachers, said, "We also rise in support of SB 125. Sen. Nathe and Dave Senn have done a good job of describing the bill. It is a fair bill. It is a fully funded bill. The bill offers an option to members to improve their retirement benefits. . . . This bill is very similar to the one the Committee has already passed out, HB 235. We urge that you give this bill a do pass consideration."

Testifying Opponents and Who They Represent: None

Questions From Committee Members:

REP. WHALEN asked if the teachers serving in the Legislature would be allowed to purchase employment while on leave. Mr. Senn said that teachers and PERS members who become legislators have a very unique right to maintain their membership within their existing system. Teachers may also acquire credit in PERS for their time in the Legislature.

REP. ROTH asked if a teacher retired at half salary after working 30 years, would be allowed to buy an additional five years. The additional purchase would allow him/her to retire at 35/60th of his/her salary. Mr. Senn said "that is correct."

Closing by Sponsor: Sen. Nathe said he wanted to point out that a teacher with 30 years of service would buy those additional five years at his own expense. This would involve no cost to the school district or the state. Sen. Nathe said he did not have anyone in the House to carry this bill.

DISPOSITION OF SB 125

Motion: Rep. Roth moved SB 125 BE CONCURRED IN.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED unanimously. Rep. Davis will carry the bill in the House.

HEARING ON SB 346

Presentation and Opening Statement by Sponsor: Sen. Bob Brown, Senate District 2, introduced the bill. This bill permits a member of the Teachers' Retirement System to qualify teaching service performed outside the United States in a federal or other public or private school or institution as creditable service under the retirement system. Furthermore, the bill permits a member of the Teachers' Retirement System who has five or more years of creditable service to qualify up to two years of employment while on leave after completing one year (rather than five years) of teaching service in Montana upon his or her return.

Sen. Brown said that this bill was introduced as a result of an Attorney General's opinion. Prior to 1970 or 1971, when the law was amended, it was possible for teachers to do what this bill proposed to do. Recently the Attorney General's opinion interpreted the law to mean that if a teacher teaches out of the country or overseas, he/she cannot buy back into the Teachers' Retirement System the time that he earned teaching out of the country. This bill would allow the teacher to do that. It would also make it possible for a teacher to only teach one year after returning before they were eligible to purchase service.

Testifying Proponents and Who They Represent:

Eric Feaver, Montana Education Association

Terry Minow, Montana Federation of Teachers

Mary L. Harrington, Assistant Administrator, Teachers' Retirement Board

Proponent Testimony:

ERIC FEAVER, representing Montana Education Association, said, "We are in support of SB 346. It does pretty much what Sen. Brown said it does. In part, it is here because SB 125 is not already the law in this state. It is one of those inequities that exists that depending upon where you may have performed your professional service in another area, you can't purchase creditable benefits or you can purchase. In this case, teachers who taught at Department of Defense schools overseas, are not eligible to purchase service benefits for having done so. SB 346 would then add, in

effect, to the list that was provided on SB 125, that opportunity for those persons to purchase service as well as those who already purchase service. It is my assumption that if SB 125 passes, these options would then apply just as though they already existed. I don't think that there is a conflict between the two pieces of legislation. It is, however, one of those aspects of inequity that exists. Some teachers are able to purchase and some are not even though they may have done the identical same thing. The other thing that this bill does is allow a teacher who has gone on a leave of absence to purchase service without having to wait for five years. They would only have to wait one year."

TERRY MINOW, representing the Montana Federation of Teachers, said, "We rise in support of SB 346. This is a fair and necessary bill. It is a fully funded bill that will help out some people who have been treated unfairly in the past. We ask that you give it a do pass consideration."

MARY HARRINGTON, from the Teachers' Retirement System, presented written testimony (Exhibit 3).

Testifying Opponents and Who They Represent: None

Questions From Committee Members: None

Closing by Sponsor: Sen. Brown asked the Committee to concur on his bill.

DISPOSITION OF SB 346

Motion: Rep. O'Connell moved that SB 346 BE CONCURRED IN.

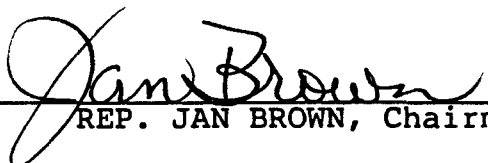
Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED unanimously. Rep. Davis will carry the bill in the House.

ADJOURNMENT

Adjournment At: 10:46 a.m.



REP. JAN BROWN, Chairman

JB/jb

DAILY ROLL CALL

STATE ADMINISTRATION COMMITTEE

51th LEGISLATIVE SESSION -- 1989

Date March 2nd, 1989

NAME	PRESENT	ABSENT	EXCUSED
Rep. Jan Brown, Chairman	✓		
Rep. Helen O'Connell, Vice Ch.	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Ervin Davis	✓		
Rep. Floyd "Bob" Gervais	✓		
Rep. Janet Moore			✓
Rep. Angela Russell	✓		
Rep. Carolyn Squires	?		
Rep. Vernon Westlake	✓		
Rep. Timothy Whalen	✓		
Rep. Bud Campbell	✓		
Rep. Duane Compton	✓		
Rep. Roger DeBruycker	✓		
Rep. Harriet Hayne	✓		
Rep. Richard Nelson	✓		
Rep. John Phillips	✓		
Rep. Rande Roth	✓		
Rep. Wilbur Spring, Jr.	✓		

STANDING COMMITTEE REPORT

March 2, 1989

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that SENATE BILL 194 (blue reference copy) be concurred in .

Signed: _____

Jan Brown
Jan Brown, Chairman

[REP. SPRING WILL CARRY THIS BILL ON THE HOUSE FLOOR]


STANDING COMMITTEE REPORT

March 2, 1989

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report
that SENATE BILL 125 (blue reference copy) be concurred in.

Signed: _____


Jan Brown, Chairman

[REP. DAVIS WILL CARRY THIS BILL ON THE HOUSE FLOOR]

Teachers' Retirement System
Senate Bill 125

Bill Title

"An act permitting vested members of the Teachers' Retirement System to purchase additional service for the purpose of calculating their retirement allowance, limiting the types of service credit that members may purchase, revising provisions regarding the purchase of service credit for service in the military, Red Cross or Merchant Marines, amending sections 19-4-402, 19-4-403, 19-4-404, 19-4-408, 19-4-410, 19-4-411, 19-4-804 and 19-4-902 MCA and providing an effective date."

Comparison of years of service a member is eligible to purchase under the current law and the proposed law.

YEARS A MEMBER MAY PURCHASE

<u>SERVICE CREDIT</u>	<u>CURRENT LAW</u>	<u>PROPOSED LAW</u>
Military Service	2	2
Out-of-State	5	
Leave Service	2	
Private Teaching	5	
Montana Coop. Ext.	5	
Worker Comp.	2	
Additional Service	NA	5
TOTAL	5*	7
<u>COST PER YEAR OF SERVICE</u>		
Maximum Contribution	14.472%**	14.472%
Minimum Contribution	5%**	NA
Actuarial cost of service	34.9%	14.472%

* Member after July 1 1973 may not purchase more than 5 years service in any combination.

** Under current law the contribution rate for members after July 1, 1979 is based upon the combined employee and employer rates in effect when the member is eligible to purchase service. This rate will vary from 10.375% to 14.472%. For member prior to July 1, 1979 the rate is based upon the employee contribution rate only. This rate will vary from 5.0% to 7.044%

EXHIBIT 2
DATE 3-02-89
SB 125

SB 125

TEACHERS' RETIREMENT BOARD TESTIMONY

David L. Senn

March 2, 1989

This bill will allow members of the Teachers' Retirement System to purchase one year of additional service for each five (5) years of membership service for the purpose of calculating retirement allowances. Members will also be eligible to purchase up to two (2) years of military service. This proposal will be the only avenue under which members of the system after July 1, 1989, may qualify additional service. They will not be eligible to purchase service for out-of-state teaching, private teaching, service while on leave, Montana Cooperative Extension service and leave due to employment related injury. Members prior to July 1, 1989, will be allowed to purchase service under this provision provided they waive their eligibility to purchase creditable service under any of the existing statutory provisions, for out-of-state teaching service, service while on leave, private teaching service, Montana Cooperative Extension Service, and leave due to employment related injury. They will not be affected by this proposal unless they elect to waive their current eligibility.

Members of the Teachers' Retirement System have always been allowed to purchase service credits. Since benefits are a product of only two factors, years of service and salary, it is generally to the members advantage to purchase as much service as possible. How much a member must pay to purchase service has varied over the past several years from free, to the employee contribution rate, to the combined employee and employer contribution rate and the amount of service that a member may purchase has also varied from ten (10) years, to five (5) years, to as little as two (2) years. The cost has increased and the number years a member may purchase has decreased over the last several years, primarily to help provide for adequate funding of the retirement system. This proposal is one more step toward providing for adequate funding, but it also affords more members the opportunity to purchase additional service, thus enhance their montly retirement benefit.

Under the current laws, any additional service a member may purchase qualifies toward early retirement. What does this mean? Under the provisions of the Teachers' Retirement System a member may retire at any age with a minimum of 25 years of creditable service. For example: A member who has contributed to TRS for 20 years and purchased 5 years of creditable service would be eligible to retire at any age without an actuarial deduction. Under this proposal, any additional service purchased would not qualify for early retirement. For example: A member with 20 years of membership service and 5 years of additional service would have to be at least age 50 to retire. They would not qualify for retirement at any age with 25 years of service. What are the advantages to this proposal? Approximately 10% of

the TRS members are purchasing service under one or more of the current statutory provisions. This proposal will allow all members to purchase additional service. This proposal will not affect current or future members' rights to qualify military service at no cost. Members with 25 years of service would be eligible to qualify an additional 5 years of membership service and thus, retire with a benefit equal to 50% of average final compensation.

Financial Impact

Under this proposal a member could purchase two (2) years of military service and five (5) additional years of service, one after each 5, 10, 15, 20 and 25 years of employment with the Teachers' Retirement System. The service purchased would not count toward eligibility for early retirement, but would be used in the calculation of a members benefit. Under these conditions, the cost to purchase each year of service, assuming the service is purchased as soon as the member is entitled to purchase the credit, would be the combined employee and employer contribution rates under the system. If a member did not purchase the service as soon as they were eligible, interest would accrue from the date of eligibility until paid at the rate of 8% per annum. The full cost of qualifying additional service under this act is paid by the member. Based on these assumptions, this proposal will not impact the financial soundness of the Teachers' Retirement System.

We ask that you concur in this proposal with a do pass recommendation.

Thank you.

EXHIBIT 3

DATE 3-02-89

SB 346

SB 346

TESTIMONY

TEACHERS' RETIREMENT BOARD

Mary L. Harrington, Assistant Administrator

TITLE: "An act revising provisions concerning the purchase of creditable service for out-of-state employment and for employment while on leave under the Teachers' Retirement System; amending sections 19-4-402 and 19-4-403, MCA; and providing an effective date."

Members of Teachers's Retirement System prior to July 1, 1971 and subsequent to 1949 were allowed to purchase service credit for any type of instructional service previously performed, whether within a public, private, or federal institution, including any area outside the borders of Montana. This included other states, United States territories and possessions and foreign countries.

The law concerning out-of-state creditable service was amended in 1971 which narrowed the scope once more to include only prior teaching in public elementary and secondary schools and universities within the United States, its territories or possessions. Clarification of this interpretation was requested and received from the Attorney General in September 1978.

The Teachers' Retirement System supports passage of SB 346 as this would bring consistency to all members of the Teachers' Retirement System for the purchase of additional service. Also, with the various changes in the law, errors have occurred in the calculation of cost for out-of-state teaching service and errors are easily made in the determination of the type of service be priced as well as the eligibility of the member to purchase additional service.

Section 2 is amended to allow a vested member of the Teachers' Retirement System to purchase service credit not exceeding 2 years while on leave, upon completing 1 year subsequent to the break in service. The original law required a member to complete 5 years of full-time service subsequent to the break in Montana teaching service. The 5 year requirement was consistent with the 5 year vesting period. Since the member must be vested to be eligible to purchase service while on leave, the 5 year waiting period would not be required.

VISITORS' REGISTER

STATE ADMINISTRATION COMMITTEE

BILL NO. SB 194

DATE March 2, 1989

SPONSOR SEN. BOYLAN

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<i>Ed Solomon</i>	Hill County Sheriff	X	
<i>Lee Churne</i>	MT. Sheriffs Assoc.	X	
<i>Tom Hamer</i>	" " "	X	
<i>T. Gregory Hays</i>	" " "	X	
<i>Rick Carter</i>	" " "	X	
<i>DON SIWEK</i>	MISSOULA CO. DEPUTY SHERIFF ASSOC	X	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STATE ADMINISTRATION COMMITTEE

DATE March 2, 1989

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STATE ADMINISTRATION COMMITTEE

SPONSOR SEN. BROWN

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.