

MINUTES

MONTANA SENATE  
51st LEGISLATURE - REGULAR SESSION  
COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chairman William E. Farrell, on January 26 ,  
1989, at 10:00 a.m. in Room 331, Capitol.

ROLL CALL

Members Present: Senator Hubert Abrams, Senator John Anderson,  
Jr., Senator Esther Bengtson, Senator William  
E. Farrell, Senator Ethel Harding, Senator Sam  
Hofman, Senator Tom Rasmussen, Senator Eleanor  
Vaughn

Members Excused: Senator Paul Rapp-Svrcek

Members Absent: None.

Staff Present: Eddy McClure

HEARING ON SB 210

Presentation and Opening Statement by Sponsor:

Senator Gerry Devlin reported his county attorney asked him to present this bill because the penalty for nepotism, which is a misdemeanor, is punishable by \$50, not more than \$1,000, and not less than 6 months, or both a fine and imprisonment. Senator Devlin indicated this has bothered the county attorney, and this bill is to amend the statute to read "not more than 6 months imprisonment."

List of Testifying Proponents and What Group they Represent:

None.

List of Testifying Opponents and What Group They Represent:

None.

Questions From Committee Members:

Q. Senator Hofman asked how prevalent the problem is.

- A. Senator Devlin responded it is not that prevalent.
- Q. Senator Hofman then reported there was a case in his area some time ago, everyone in the community knew it, but there was not a problem. He indicated nothing was done about it, and they just closed their eyes, and let it go. Senator Hofman asked if that was the general procedure.
- A. Senator Devlin responded that he thinks, in most cases, it probably is. He added that it is a misdemeanor, but since the punishment indicated is not less than 6 months, it loses its status as a misdemeanor.

Closing by Sponsor:

Senator Devlin thank the committee.

DISPOSITION OF SB 210

Discussion:

Senator Abrams offered a motion that SB210 do pass.

Recommendation and Vote:

Motion passed by the committee that SB210 do pass.

HEARING ON SB 178

Presentation and Opening Statement by Sponsor:

Senator Bill Yellowtail indicated he would not introduce the bill at length because there are experts in attendance who will testify in knowledgeable detail. He noted that SB178 will offer relief for a tremendous disparity that exists at present in the pension system, as it applies to retired fire fighters in the state. He added that, at no cost to the State, this bill will give some relief to people who are presently receiving as little as \$35 per month in their pension benefits. At this point, Senator Yellowtail yielded to witnesses.

List of Testifying Proponents and What Group they Represent:

Tim Bergstrom, Montana State Firemens Association

Edward Flies, Montana State Council of Professional Fire  
Fighters

Michael Hunt, President, Montana State Firemans Association

Testimony:

Mr. Bergstrom distributed a document to the committee members, which is attached as Exhibit 1. He reported that SB178 will remove a sunset provision on a tax that alleviated a problem in the retirement system. He stated the funding mechanism was enacted in 1975 to provide a supplemental allowance to pre-1973 retirees. As recently as 1973, there were monthly pension annuities in their pension system that were only \$35 per month. Mr. Bergstrom referred to the handout, and indicated the figures were generated by the Butte Fire Fighters Relief Association, yesterday, from their records. He noted that surviving spouses of deceased fire fighters are existing far below the poverty level, and are without the benefit of Social Security coverage, as fire fighters do not have coverage under Social Security. He noted if the sunset provision on the tax is not removed, which is addressed in SB178, future retirees could very well be placed in a similar situation. Mr. Bergstrom reported the situation in Butte was typical of pensions paid to fire fighter retirees throughout the state at that time, and prompted the Association to introduce legislation in the 1975 session that provided a supplement to the pensions of the pre-1973 retirees, and also afforded a supplemental allowance to current and future fire fighters. He indicated it was the intention of the legislation in 1975 to solve this problem for those who were active fire fighters, and also those who were on retirement. He noted, from this point, all pre-1973 retirees, or their surviving spouses, received a monthly pension annuity equal to one half of the monthly compensation of the newly confirmed fire fighter in the city in which they were previously employed. Mr. Bergstrom stated that funding for this supplemental allowance was generated by an assessment of a 1 1/2% premium tax on all fire insurance premiums sold in the State of Montana. In 1981, the Legislature consolidated all of the individual cities' fire fighter retirement funds, and put them into one system that is known today as the Fire Fighters Unified Retirement System. He stated that all fire department members hired on or after July 1, 1981 were not afforded this supplemental allowance, and this bill would seek to provide that pension allowance adjustment to those members hired after 1981. Mr. Bergstrom added that also, in 1981, the loss of this pension benefit created the same problem that existed until 1975, as evidenced by the hand-out. He stated this bill will keep that tax in place, and generate a fund to insure

that fire fighter pension benefits would not reach that poverty level, like those paid in 1973. He indicated they believe this is positive legislation, and is intended to provide a solution to a reoccurring pension inequity currently in the system. Mr. Bergstrom indicated that, as he stated previously, disparity in the pension benefits came about with the creation of the unified pension system in 1981. He cited the example of members hired prior to 1981 who were required to work a minimum of 20 years in fire service, plus reach a minimum age of 50, in order to be qualified for a service pension. That pension was based on their last month's salary as a paid fire fighter, and they drew half-pay benefit upon retirement. He indicated people hired prior to 1981 also received the supplemental allowance but, conversely, members hired after July 1, 1981 were subjected to a different level of benefits. They were required to work an additional 5 years, 25 years, plus they were required to attain a minimum age of 50. He noted their pension is not based on half of their final monthly compensation but, rather, it is based on a 3-year average salary, and half of that becomes their monthly pension annuity. Mr. Bergstrom added that they do not have the supplemental allowance to their pension. He stated this proposal was presented to the Public Employees Retirement System Pension Board, who had no problem with it, and the proposal was also given to Mr. Alton Hendrickson, and he stated there would be no fiscal impact. Mr. Bergstrom pointed out that, on page 4, line 7, subsection 2 states "If the amount available to the account is insufficient to fully fund the supplemental allowance provided for in subsection 1, the supplemental allowance for each eligible member must be reduced by an equal percentage so that the amount contained in the account is not exceeded." He indicated that means, if the money is not there, neither is the benefit. Mr. Bergstrom stated they feel this is fiscally responsible legislation, the situation will create a big inequity and, if they are successful with this legislation, they hope they do not have to incur any of the hardships as existed in Butte in the mid-1970s.

Testimony:

Mr. Flies indicated the Montana State Council of Professional Fire Fighters would like to go on record in support of the bill.

Testimony:

Mr. Hunt indicated that, when this tax was put in place, it was to clear up some pension inequities in the fire fighters retirement system. The tax was designed to sunset as the last

person that retired before 1973 died. He indicated the 1981 change in the law created the same inequity that happened prior to 1973 and, if a fund is not created for these pensions, the people that were hired after 1981 will, when they retire, be faced with an identical situation to the fire fighters in Butte and Billings. He indicated this was typical of all retirees in their system, and the same thing will happen when these people become eligible to retire. There has been changes in the tax law that has affected people living on fixed income and those trying to survive on a pension. The benefit changes this, and has cleaned up a lot of the pension problems as far as funding. He noted the City and the State are funding the pension system, currently, at a level that will make the pension system be solvent, but this problem must be taken care of now, before the same situation occurs. Mr. Hunt reiterated Mr. Bergstrom's statement that this is positive legislation, and added it is an ounce of prevention, now, and encouraged the committee's support of this legislation.

List of Testifying Opponents and What Group They Represent:

None.

Questions From Committee Members:

- Q. Senator Bengtson stated she is concerned about the lack of foresight, indicating the unified pension system was passed in 1981, and they did not perceive then the disparity and inequities that would happen to the survivors that are to claim these benefits. She noted a 1 1/2% tax was put in place on all fire insurance premiums so that people who buy fire insurance are paying the 1 1/2% for these survivors. Senator Bengtson stated that she wonders, if this does not clear up the disparity, if they will add an additional premium tax to fire insurance.
- A. Mr. Hunt responded that, the way this is designed, as the pre-1973 retirees pass away, it is their intention in this legislation to have that money go into their pension system into an ear-marked fund to accumulate for the people hired after 1981. He indicated that, in 1981 when the law changed, there were 13 independent fire fighter pension systems, and some of the cities, such as Butte and Anaconda, were facing real financial difficulties, and there was a great deal of concern about the fire fighters pension system. Mr. Hunt stated they now have 9 years of experience in an actuary that tells them their

system is on very solid footing today. This problem, the inequity of these pensions being fixed and never allowed to change, will continue, if they don't let this fund grow with this 1 1/2% tax. He indicated that fund will have a period of time to grow from the time the people that retired before 1973 pass away, until the first ones that were hired in 1981 are eligible to retire, and they have to work 25 years before they are eligible to collect this benefit. Mr. Hunt stated that, hopefully, if this tax is allowed to go into an ear-marked fund, there will be sufficient funds. If there are not sufficient funds, there would be no benefit.

- Q. Senator Bengtson further indicated that what concerns her is the 1 1/2% tax on premiums that citizens of Montana pay. She stated she remembers when, in 1975, they talked about the widows that were getting such a pittance, so they instituted that tax, but it was designed to sunset. Senator Bengtson asked what the rationale is as to a tax on insurance premiums to pay for the widows of fire fighters.

Senator Bengtson then stated that, as she reflects back on the 1 1/2% that was applied to fire insurance premiums, and which was designed to sunset after these people passed away, we are back at square one again.

- A. Mr. Hunt responded that, in 1975, when this became effective to pay that benefit, the law changed so that there would be an escalator provision for all the fire fighters that were currently on the job, and those would be hired. But, Mr. Hunt indicated, in 1981, when the State consolidated the pension systems, the law was changed again, and that benefit was taken out for those people hired after July of 1981. He noted that, because of the change in the law, people hired after July of 1981 have been put in the same inequitable situation that this tax solved in the pension system. There was a change in the system, and then it was changed back.
- Q. Senator Bengtson further asked if this same inequity exists in all cities, or is it just in isolated areas.
- A. Mr. Erickson indicated he was here during the whole phase of re-doing the fire fighters pension system and stated that, when they put the pensions together in 1981, it was an agreement between the cities and the State, and fire fighters. They all decided to contribute an extra percent to make the system fiscally sound. He indicated

SENATE COMMITTEE ON STATE ADMINISTRATION

January 26, 1989

Page 7 of 16

that, when they designed the 1 1/2%, the rationale for taxing the fire insurance premiums was that it looked like the most logical place to get the money, and it was an agreement by all 3 parties who contribute to the system.

Q. Senator Bengtson asked what do the cities and the State contribute.

A. Mr Erickson responded the fire fighters contribute 7%, the State contributes a flexible amount, depending on what the actuary decides is needed, and the cities contribute 13.2% of salary.

Q. Senator Bengtson again asked what the State contributes.

A. The response was it is around 22%. Mr. Erickson indicated the reasons the contributions are so high is the funding mechanism that originally funded their pension system, which was in place from 1911, was a weird funding system for the pension plan. He stated that the City contributed 2% of the taxable value of the city, which has no correlation to the obligations of a pension system. He indicated, for instance, the City of Kalispell did not contribute anything to the pension system, so it was very important that they improve the funding mechanism for the pension system so that places like the City of Kalispell would be obligated to fund their system. He noted that, as a consequence of that type of funding system, some of the cities got in dire straights. Each city had its own relief association, which was administered by fire fighters within the city, and no administration fee was charged. It was audited every year by the State Department of Administration, and was governed by statute. He noted that, because of the funding mechanism, and the economic times, the system got in financial trouble. That is why, in 1981, through mutual agreement and cutting benefits on their part, not only did they raise their contribution, but they were willing to cut back the benefit level. He stated, for instance, they went to 25 years of service instead of 20, they went from 6% to 7%, and took away the escalator clause, and so it was a contribution by all 3 parties to put this in the current law.

Q. Senator Bengtson further asked if some cities got in trouble because they did not put in their percentage, as they were supposed to do.

SENATE COMMITTEE ON STATE ADMINISTRATION

January 26, 1989

Page 8 of 16

- A. Mr. Erickson responded the State took the money and sent it to the city. He indicated that, in some cases, the city would not give the money to the fire fighters pension system, but would use the money for a while, and there was not much that could be done about it. The money was supposed to go to the relief association, but the cities would be broke, and would take the fire fighters pension fund money and use it.
- Q. Senator Bengtson asked if it was correct that the fire fighters could retire at age 50 with 10 years of service.
- A. Mr. Erickson responded they earn 2%, per year and, if they opt out for early retirement, they forfeit their escalator provision. He indicated they have to work the required number of years, and to the required age, to get the escalator; they can not opt out early and get the escalator.
- Q. Senator Bengtson asked how much the starting pay is.
- A. Mr. Erickson responded it varies in cities. He added that people confuse their system with the cost of living index because it does adjust the pension, but he indicated it is not tied to the cost of living. It is tied to the beginning fireman's salary. He stated that, depending on the city and its individual contracts, that amount varies according to the economic ability of the city.
- Q. Senator Bengtson asked for an average salary.
- A. Mr. Erickson indicated he could get the information, and would. Mr. Hunt indicated that, in Billings, he believes they start at \$1,045. Mr. Erickson added that, for instance, in Kalispell, the people who negotiated the contract this last year decided to reduce that amount, as they wanted to place the money different in the contract. As a result, because they are tied to half the fire fighter's salary, that amount was reduced.
- Q. Senator Rasmussen asked Ms. Linda King of the PERS, as far as the funding of the regular state employee, what are the matching funds that go in, and what does the employee contribute.
- A. Ms. King referred to a document, a copy of which is attached as Exhibit 5, and indicated, in the fire fighters system, they pay 7%. She stated that 6% goes



to the retirement fund from the employee, and 1% goes to their Association. The employer pays 13.02%, the State 22.98%, and they are not covered by Social Security.

- Q. Senator Rasmussen stated that is pretty heavy funding, and asked if that is the reason it is different, because they are not covered by Social Security.
- A. Ms. King responded that neither the police or fire fighter are covered by Social Security, and provide higher benefits to retirees with the thought in mind that they do not have the Social Security coverage, which is an additional benefit to other State employees or local government employees that are covered under PERS and some of the other systems that have both. Ms. King indicated that, because of the higher level of benefits, and also because of the very large unfunded liabilities that were in the system to start with, they have a very high funding rate. She noted the 22.98%, almost 23% of salaries that the State pays in also comes from a premium tax, and that it is not a general fund obligation of the State. She stated that is basically to pay the unfunded liabilities of the system that existed when the system was put together. She noted the major cost in this system is the unfunded liabilities that existed before, and the level of benefits that are being provided to fire fighters in the state right now are provided with the thought that they are not covered by Social Security.
- Q. Chairman Farrell asked if this was a benefit above and beyond the regular retirement system, and is this supplemental. He indicated that, in 1981 when the systems were unified, the percentages began, which funds the fire fighters retirement system if they would retire by 2001. Chairman Farrell then asked if this an additional benefit to that for the widows.
- A. Ms. King responded it is a supplement that would be paid not only to widows but, to the retired fire fighter himself, and this supplement is, in a way, a cost of living supplement. She noted it is not tied to the consumer price index; it is tied to the base salary of a newly confirmed fire fighter, with the idea that as those salaries go up, so does the cost of living and the salaries within the fire fighters active membership. She noted that is how they tie their cost of living adjustments. She indicated that, in essence, it is a cost of living adjustment, but it is not made in the same way as the other systems, because it is usually a number of

years after someone retires before this would affect them, whereas, in other systems, cost of living adjustments go into effect a lot sooner, usually when they are granted. She noted that, in this respect, it is not as good as a CPI cost of living adjustment, but that is what it is. Mr. King stated it is an adjustment to the retirement allowance itself, and it is not pre-funded in the system. It is funded for pre-1974 people who retired, and for the people who were hired between the 1973 cut-off and 1981, when the unified system was put into effect. She noted it was already written into the statutes, and they have this same kind of escalator clause, with a different tax premium fund paying for it. Ms. King indicated they are proposing to use this fund, which was proposed to sunset in the future, to continue to provide the same benefit to people hired after 1981, to all the rest of the people in the system. She stated it would have absolutely no effect on the retirement system itself, it is a separate funding mechanism, and will not a change the current benefit level, so it would not change the current funding needs.

- Q. Chairman Farrell asked what is the unfunded liability of the fire fighters retirement fund, and why don't we raise that percentage instead of having this percentage.
- A. Ms. King responded that she is not sure. She stated if we more is paid into the unfunded liabilities, to pay them off more quickly, that would not provide them with the cost of living adjustment.
- Q. Chairman Farrell then asked how many years are they unfunded.
- A. Ms. King responded she did not bring the evaluation with her. Another response was that it is 36.
- Q. Chairman Farrell stated 36 is not unusual for all the other retirement systems.
- A. Ms. King responded it is up there, but it is sound. She added that 40 is the maximum time.
- Q. Chairman Farrell asked, if this is to provide better benefits for the fire fighters, why do they have this system, and why don't they raise the percentage instead, as is done in the other systems.

SENATE COMMITTEE ON STATE ADMINISTRATION

January 26, 1989

Page 11 of 16

- A. Ms. King responded this is basically tagging a funding source that already exists, and is not increasing the cost over what is currently the case. She added that, to just increase the State or employer contribution rate, what is currently being collected would have to be increased, and it would be a net fiscal impact, right now, to someone.
- Q. Chairman Farrell pointed out the fiscal note indicates a \$49,000 impact to the general fund. He asked why not put that into the fire fighters retirement system, and eliminate this tax or, he further asked, is there more money in this tax than what we are talking about here.
- A. Ms. King responded she has not seen the fiscal note, but assumed that the \$49,000 impact is indicated because, currently, the statute states that if there is additional money in any given year, over the amount that is actually needed to pay the supplementals, any excess flows to the general fund. She explained that they are assuming there will be \$49,000 in FY91 that would have flowed to the general fund, but it is being diverted instead to this fund for the people who are hired after 1981 when the escalator clause went into effect, and that \$49,000, instead of going to the general fund in 1991, would instead go to this fund, and be saved for the pension adjustments. She noted it is not a direct expenditure.
- Q. Chairman Farrell asked why continue this tax, and why not take the money that is generated in this tax, and put it in to the fire fighters retirement fund, instead of creating an allowance. He further asked why are there 3 or 4 different taxes going into different allowances in the system.
- A. Ms. King responded that, if they simply put this money into the system, it would decrease the period of time to fund the unfunded liabilities, but it would not provide a pension adjustment for the people hired after 1981. She indicated if it was put in the law to require the system to pay it out of the system's proceeds, the money would have to come from somewhere, the actuary would determine exactly how much was necessary, and the contribution rate may have to be increased to a greater extent. She added that, in fact, it would be her guess that they would need more money up front to pre-fund it because they would be guaranteeing a benefit. She noted that, before, it states only if the money is there will it be paid.

SENATE COMMITTEE ON STATE ADMINISTRATION

January 26, 1989

Page 12 of 16

- Q. Chairman Farrell asked, if the money that is generated by this 1 1/2% is placed into the firemans retirement fund as either an additional contribution by the State, or an additional contribution by the fire fighters, and they ask for their benefits to be raised to whatever that money amounts to in a raise, how will that affect their system.
- A. Ms. King responded that, in essence, that is what they are asking for.
- Q. Chairman Farrell stated that may be what they are asking for, but they are asking to continue a tax that is separate from the fire fighters retirement fund.
- A. Ms. King indicated it is not really separate from the fund. It is dedicated. She noted it will expire somewhere down the road, and will not be collected any more, under current law. She stated that, if they are granted the benefit this session, the systems actuary would say that will cost an additional percentage of salaries, and it will have to be paid for from somewhere. Ms. King indicated it will either come from that fund, or from somewhere else, but it would require increased revenue above what is currently being collected today.
- Q. Chairman Farrell stated he understands that, but asked why run this money to the State Auditor, then to the general fund, and then appropriate it in a separate bill. He further asked why can't the contribution rate be increased to 32%, if that is the difference is between 1 1/2%, the 22%.
- A. Ms. King responded the 1 1/2% that is collected on the tax premium fund is not 1 1/2% of the people's salaries.
- Q. Chairman Farrell noted he understands it is 1 1/2% of the premiums sold that is collected, and that it has nothing to do with the salaries. He asked why not increase the amount of the contribution and, instead of 22%, increase the contribution up by whatever amount is generated by that tax, and raise their benefits at the same time.
- A. Ms. King stated they could do that but, in all likelihood, it would not be sufficient, and they would need more.

SENATE COMMITTEE ON STATE ADMINISTRATION

January 26, 1989

Page 13 of 16

- Q. Senator Harding asked Chairman Farrell to ask the same question of Mr. Erickson.
- A. Mr. Erickson stated this bill is their bill, the concept is their bill, and they have tried to draft this so as to not hurt their system. He indicated the rationale for not doing it the way Chairman Farrell suggested is, what he considers the most important part of this bill, the fact that they are willing to gamble with this benefit, dependent on what happens with this 1 1/2% tax. He added that, in other words, this in no way impacts their main trust fund. Mr. Erickson explained they don't know what is going to happen with future legislation, as far as that tax goes and, if something happens to that tax between now and when it may be collected on, and it doesn't exist, they don't want to obligate their main trust fund with this benefit cost because, in 1981, they agreed not to do that. He indicated they agreed to protect their main trust fund, and they are going to hold to their promise. Mr. Erickson added that he thinks that is the uniqueness of this bill; the fact that if the money does not exist, there will be no claims made. He indicated that is the reason they designed it this way. they had the option to pay this out of the main trust fund, but opted not to do that. They opted to take the chance. He stated that, if this 1 1/2% tax is in place and brings in a revenue source, they want to put that in a trust fund, hoping that it will build money to pay for this. He noted they have run studies on when this escalator kicks in and, after retirement, it is about 14 years before there is ever a benefit paid as a result of this. He further indicated they are willing to take that chance, as they do not want to jeopardize their trust fund because they were in tough shape at one time, and that is the reason they are doing this.
- Q. Chairman Farrell indicated he can understand that. He then asked Mr. Erickson to tell him how much the 1 1/2% generates.
- A. Mr. Erickson stated he will be close, and he will find out the figures to the dollar, but thinks it is about \$900,000 a year.
- Q. Chairman Farrell stated that what they are asking is for us to fund \$900,000 per year for a supplemental increase for the fire fighters, plus our percentage of the regular fire fighter fund.

SENATE COMMITTEE ON STATE ADMINISTRATION

January 26, 1989

Page 14 of 16

- A. Mr. Erickson responded that what has to be remembered is, currently, the tax that is being collected is obligated to pay for those fire fighters who retired prior to 1973. He added he has no idea when those people will pass on, but this tax will bring in more than what those obligations currently are. He further indicated that this tax will begin to bring in more than what the claims are. He stated that, when they designed this, they thought that there would be less people making claims on that today, than there are.
- Q. Senator Anderson asked if this pertains to paid fire fighters. He stated that, in the area that he represents, there are no paid fire departments; they are all volunteer fire departments. Senator Anderson indicated that he presumes the 1 1/2% paid for fire insurance in the rural areas also goes into the fire fighters funds, and there is a pension for the volunteer fire fighters. He asked how does it affect the volunteer fire department; how are they taken care of.
- A. Mr. Erickson responded it comes from a different source of monies. He noted the money for both main trust funds comes out of a long list of insurances that pays for both. He noted they have been very up front, and tried to help them make sure their monies are secured, and they get the first take off that money before it comes in. Mr. Erickson reiterated they have worked with them in past sessions to make sure their fund is not shorted.
- Q. Senator Vaughn asked if this did not include the volunteer firemen.
- A. Mr. Erickson responded no, it does not.
- Q. Senator Hofman indicated he is concerned because, first of all, the fire fighters are paying 7% on their wages, then the city is taxing its citizens and is paying another 13%, and those same citizens also paying, through the State, another 22%, and they are the ones that are paying the fire fighter's wages in the first place. Senator Hofman stated the citizens across this state are subsidizing these people in this, above their wages. He further indicated he understands that is for services rendered, and has no problem with that, but asked why they are not paying a little higher percentage of their own, in order to support their own retirement fund.
- A. Mr. Erickson responded that is a philosophical stance, but stated he will say when they go before the city

fathers for wages, those considerations are taken by them, and one of the things that they hear about is their pension system. He indicated what they had in benefits from the city donated for pension systems is reflected in the fact that they don't make a lot of money.

- Q. Senator Hofman stated that may be, but they are asking every person in the whole state who buys fire insurance to pay for their pension fund, and their people are in the cities. He added that the people in the rural areas don't benefit from that.
- A. Mr. Erickson responded that yes, they would. He stated that if they ever check into a motel in Missoula, and there was a fire, his people would be there to take care of them. Mr. Erickson added they have saved a lot of people, and not all of them have been city residents.

Senator Mike Walker stated there was a fire in Butte in 1908 that killed several Butte fire fighters, later they could not get anyone to be a fireman, and that is where this whole thing started. Senator Walker indicated the insurance companies came up with this idea because 8 men were killed and, pretty soon, they couldn't get anyone to be a fireman because there was no protection for their families. The insurance companies said they were the ones really at risk, and they worked with some Legislators and put together a package where they taxed themselves, knowing that their risk would be cut in half or better, by making sure that they would have professional fire fighters in these larger cities. He added the insurance companies were more than willing to work with this and allow this tax, otherwise they would be here today opposing legislation of this nature.

- Q. Senator Bengtson stated they really do not know how many of these people are going to be needing this, and for how long, just like they did not know what would happen in 1975.

Closing by Sponsor:

Senator Yellowtail thanked the committee for a very broad-ranging and educational hearing. He confessed that the intricacies of all this are beyond his grasp here, and he is learning as he goes. He indicated he appreciates the committee's insight on this issue, and thanked the fire fighters who attended to lend support.

Chairman Farrell announced the hearing on SB178 as closed.

ADJOURNMENT

Adjournment At: 10:55 a.m.

  
WILLIAM E. FARRELL, Chairman

WEF/mhu  
SB178.126



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RECEIVED

COMMUNICATIONS SECTION

NO. 100

MR. PRESIDENT,  
My report on State Administration, having had under  
consideration SB 210 (first reading copy - white), respectfully  
report that SB 210 do pass.

January 26, 1968

SENATE STANDING COMMITTEE REPORT

ROLL CALL

STATE ADMINISTRATION COMMITTEE

51ST LEGISLATIVE SESSION

DATE: January 26, 1989

NAME	PRESENT	ABSENT	EXCUSED
HUBERT ABRAMS	✓		
JOHN ANDERSON, JR.	✓		
ESTHER BENGTON	✓		
WILLIAM E. FARRELL	✓		
ETHEL HARDING	✓		
SAM HOFMAN	✓		
PAUL RAPP-SVRCEK			✓
TOM RASMUSSEN	✓		
ELEANOR VAUGHN	✓		

SENATE STATE ADMIN.

EXHIBIT NO. 1

DATE 1/26/89

BILL NO. SB178

Information compiled from Butte Fire Department Relief Association records on January 25, 1989:

PRE - 1973 RETIREE PENSION ANNUITIES : (Butte Fire Dept Relief Association)

Elsie Borry	\$35.00
Althoeda Boos	\$35.00
Ruth Gleason	\$35.00
Margaret Healy	\$35.00
Rossela Burke	\$99.50
Elizabeth Casey	\$81.50
Edith Dean	\$99.50
Mildred Harrington	\$98.50
Easter Murphy	\$90.50
P. J. O'Brien	\$87.50

EXHIBIT NO. 2

DATE 1/26/89

BILL NO. SB178

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

Tim BERGSTROM

DATE:

1-26-88

Address:

726 AVE. F

BILLINGS, MT.

Phone:

449-2823

Representing whom?

MT. STATE FIREMENS ASSOCIATION

Appearing on which proposal?

SB 178

Do you: SUPPORT?  AMEND?  OPPOSE?

Comments:

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PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE STATE ADMIN.

EXHIBIT NO. 5

DATE 1/26/89

BILL NO. SB178

STATE ADMINISTRATION COMMITTEE

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Edward J. Flies DATE: January 26 1989

Address: 4507 Porcupine Drive  
Helena Montana

Phone: 443-0446

Representing whom?  
Montana State Council of Professional Firefighters

Appearing on which proposal?  
\_\_\_\_\_

Do you: SUPPORT? X AMEND?     OPPOSE?    

Comments:  
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SENATE STATE ADMIN.

EXHIBIT NO. 4

DATE 1/26/89

STATE ADMINISTRATION COMMITTEE

BILL NO. SB178

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

MICHAEL HUNT

1-26-88

Address:

BOX 221

PARK CITY MONT 59063

Phone:

633-2565

Representing whom?

MT. ST. FIREMANS ASSOC.

Appearing on which proposal?

SB175

Do you:

SUPPORT?

AMEND?

OPPOSE?

Comments:

I feel that this legislation would solve pension problems in the future and keep the pension level <sup>on</sup> at a liveable scale.

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DATE 1/26/89  
BILL NO. 58178

SYSTEM	CONTRIBUTION RATES	SOC. SEC.	RETIREMENT ELIGIBILITY	BASIC BENEFIT FORMULA
PERS	Employee 6.0% Employer 6.417%	Yes	Regular: age 60 w/ 5 yrs. service age 65, regardless of serv. 30 yrs service, any age Early: age 50 w/ 5 yrs. service 25 yrs service, any age	$1.66\% \times \text{FAS}^* \times \text{years of service}$ (FAS = Final Average Salary = Average of highest consecutive 36 mos. salary)
TEACHERS'	Employee 7.044% Employer 7.428%	Most	Regular: age 60 w/ 5 yrs. service 25 yrs. service, any age Early: age 50 w/ 5 yrs. service	$1.66\% \times \text{FAS} \times \text{years of service}$ Early retirement factor
JUDGES'	Employee 6.0/7.0% State 6.0% Dist. Ct. Fees 31.0% Supreme Ct. 1/4 court fees	Yes	Regular: age 65 w/ 5 yrs. service Involuntary: any age w/ 5 yrs. service	$3.33\% \times \text{FAS} \times \text{yrs of service to 15 plus}$ $1.00\% \times \text{FAS} \times \text{yrs in excess of 15}$ Same as above, actuarially reduced from age 65
HIGHWAY PATROL	Employee 7.59% Employer 26.75% + license fees	No	Regular: age 50 w/ 20 yrs. service Early: any age w/ 5 yrs. service	$2\% \times \text{FAS} \times \text{yrs of service}$ Same as above, actuarially reduced from age 60
SHERIFFS'	Employee 7.00% Employer 7.67%	Yes	Regular: age 55 w/ 25 yrs. service Early: age 55 w/ 20 yrs. service Involuntary: 10 yrs service, age 55	$2\% \times \text{FAS} \times \text{yrs of service to 25} +$ $1.35\% \times \text{FAS} \times \text{yrs in excess of 25}$ up to max. of 60% FAS $2\% \times \text{FAS} \times \text{yrs of service, actuarially}$ reduced from age 65 or 25 years service Same as early retirement
GAME WARDENS'	Employee 7.90% Employer 7.15% + fines	Yes	Regular: Age 50 w/ 20 yrs. service Involuntary: 10 years service, age 55	$2\% \times \text{FAS} \times \text{yrs of service}$ $2\% \times \text{FAS} \times \text{yrs of service}$
POLICE	Employee 6.0/7.5% Employer 13.02% State 15.06%	No	Regular: Age 50 w/ 20 yrs service	$2.5\% \times \text{Final Comp.} \times \text{yrs of service to 20}$ $+ 1\% \times \text{Final Comp.} \times \text{yrs in excess}$ of 20, up to a max of 60% of salary
FIRE-FIGHTERS'	Employee <u>6.0%</u> Employer <u>13.02%</u> State 22.98%	No	Regular: Age 50, w/ 10 yrs service	$2.5\% \times \text{Final Comp.} \times \text{yrs of service to 20}$ $+ 1\% \times \text{Final Comp.} \times \text{yrs in excess}$ of 20 up to a max of 60% of salary <i>5/5/89</i>

SENATE STATE ADMIN.

EXHIBIT NO. 6

DATE 1/26/89

BILL NO. SB178

STATE ADMINISTRATION COMMITTEE

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: VERNON L ERICKSON

DATE: 1-26-88

Address: 200 N Montane  
Helena MT

Phone: 449 2823

Representing whom?  
MT. State Fireman's Assoc.

Appearing on which proposal?  
S.B. 178

Do you: SUPPORT?  AMEND?  OPPOSE?

Comments:  
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SENATE STATE ADMIN.

EXHIBIT NO. 7

DATE 1/26/89

STATE ADMINISTRATION COMMITTEE

BILL NO. SB178

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

JOHN P. PAULL

1-26-89

Address:

304 No. WASHINGTON

BUTTE

Phone:

723-7588

Representing whom?

Montana State Firefighters Assn

Appearing on which proposal?

SB 178

Do you: SUPPORT?  AMEND?  OPPOSE?

Comments:

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