

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Senator Eleanor Vaughn, on March 4, 1993, at 10:00 a.m.

ROLL CALL

Members Present:

Sen. Eleanor Vaughn, Chair (D)
Sen. Jeff Weldon, Vice Chair (D)
Sen. Jim Burnett (R)
Sen. Harry Fritz (D)
Sen. John Hertel (R)
Sen. Bob Hockett (D)
Sen. Bob Pipinich (D)
Sen. Bernie Swift (R)
Sen. Henry McClernan (D)
Sen. Larry Tveit (R)

Members Excused: Sen. Tveit

Members Absent: None.

Staff Present: Greg Petesch, Legislative Council
Deborah Stanton, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 112, HB 244
Executive Action: HB 112, HB 244

HEARING ON HB 244

Opening Statement by Sponsor:

Rep. Dore Schwinden, House District #20, presented HB 244. HB 244 was requested by the Teachers' Retirement Board. HB 244 is an act which would revise the Teachers' Retirement laws and provide for the splitting of withdrawn accumulated contributions to preserve tax-deferred status. It provides procedures to determine disabilities and revises the disability retirement allowance and also provides for an immediate effective date. These measures are to come into compliance with the Unemployment Compensation Amendment Act of 1992 and the Older Workers Benefits

Protection Act of 1990. The other retirement systems came into compliance with those acts in the previous legislative session and Teachers Retirement is the last system to come into compliance with those acts.

Proponents' Testimony:

Dave Senn, Executive Director of the Teacher's Retirement System, spoke in support of HB 244 and gave written testimony (EXHIBIT #1).

John Malee, Montana Federation of Teachers, Montana Federation of Public Employees, asked to go on record in support of HB 244.

Tom Bilodeaux, Montana Education Association, rose in support of HB 244.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

None.

Closing by Sponsor:

Rep. Schwinden thanked the committee for the hearing and stated if the bill was not passed it could result in noncompliance in the disqualification of the Teachers' Retirement Fund and would make the earnings subject to tax, the benefits that could be paid.

EXECUTIVE ACTION ON HB 244

Motion/Vote: Sen. Weldon moved HB 244 BE CONCURRED IN. Motion to CONCUR with HB 244 CARRIED. Sen. Hockett will carry the bill.

HEARING ON HB 112

Opening Statement by Sponsor:

Sen. Fritz presented HB 112 in the absence of Rep. Ream. HB 112 would allow Korean War Veterans the opportunity to acquire years of service in the Teachers' Retirement System if they served in the Korean Conflict.

Proponents' Testimony:

Dave Senn, Executive Director of the Teachers' Retirement System, spoke in support of HB 112. HB 112 would provide free credit to those who were in the Korean Conflict and were members of the Teachers' Retirement System after 1971. In the early 1970's the

Teachers' Retirement System had a funding concern that progress was not being made in amortizing liabilities as the actuary would like to see so a number of things were done to make changes in the system. This is one of the changes where the free service for military active duty was repealed. In 1971 all the free military service was repealed and in 1973 members were allowed to purchase service during the Korean Conflict, World War I, and World War II. They could purchase up to two years and the member had to pay both the employee and the employer contribution rate. This had a small cost to the system but provided a substantial funding. In 1981, following the Viet Nam Conflict, the Teachers' Retirement Act was again amended to allow credit at no cost for up to four years of Viet Nam credit. The original date of this proposal was August 5, 1964 through May 7, 1975 and in 1989 the law was amended to extend the Viet Nam period to add a couple of years to the back side of it so the period now covered December 22, 1961 through May 7, 1975. The difficult question to answer is what is the cost to the proposal. What we looked at was how many members to the Teachers' Retirement System are there today that potentially could be eligible. We defined the group of potential eligible members as those who would have been between the ages of 18 and 26 during the period of the Korean Conflict. That would be people today who are between the ages of 59 to 67. That group was identified as 89 members of the system. Not all 89 could possibly receive credit but taking the worse case scenario, 89 people that receive an average of three years free credit would add about \$1.4 million to the unfunded liability of the Teachers' Retirement System. It would require a contribution rate of .012% increase in contribution. This does not have any cost. We don't extend the decimal point far enough to calculate a cost for employer or employee contributions. The actuary reviewed this and recommended no increase in the contribution rate and the Teachers' Retirement Board has endorsed the bill with no increase.

Richard Dunn, University of Montana faculty, and a Korean War Veteran spoke in support of HB 112. He said he was simply restating the fact that it was simply a case of basic fairness to include the small group to allow the benefits and the common decency of the State of Montana to recognize the contributions of veterans of all wars. It is appreciated by all retirees.

John Malee, Montana Federation of Teachers, spoke in support of HB 112.

Tom Bilodeaux, Montana Education Association, also rose in support of HB 112.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Sen. Hockett asked Mr. Senn if there were 89 people eligible in the state, why wouldn't all of them receive credit. Mr. Senn stated they would have all had to be in the military during the Korean Conflict in order to receive credit.

Sen. Fritz asked Mr. Senn if this bill would apply to people who were already retired, now collecting benefits that did serve in the Korean War, if those people would be able to recalculate their benefits. Mr. Senn said this bill does not apply to those who are currently retired. That would increase the cost and there are a lot of people who would potentially fall into that window which would require an increase in employer contributions. Sen. Fritz said the bill discriminates against Korean War Veterans who have already retired. Mr. Senn said every piece of legislation he has testified on in the last six years has discriminated against those who have already retired. They have never made enhancements for retroactive retired groups. We have tried to recognize that by providing cost-of-living increases, ad hoc increases, even guaranteed automatic benefit increases which this committee passed.

Closing by Sponsor:

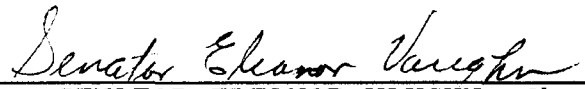
Sen. Fritz said "there you have it."

EXECUTIVE ACTION ON HB 112

Motion/Vote: Sen. Pipinich moved HB 112 BE CONCURRED IN. The motion to CONCUR in HB 112 CARRIED. Sen. Fritz will carry the bill.

ADJOURNMENT

Adjournment: 10:20 a.m.


SENATOR ELEANOR VAUGHN, Chair


DEBORAH STANTON, Secretary

SENATE STANDING COMMITTEE REPORT

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March 4, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 112 (first reading copy -- blue), respectfully report that House Bill No. 112 be concurred in.

Signed: Senator Eleanor Vaughn
Senator Eleanor Vaughn, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 4, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 244 (first reading copy -- blue), respectfully report that House Bill No. 244 be concurred in.

Signed: Senator Eleanor Vaughn
Senator Eleanor Vaughn, Chair

TESTIMONY - HB 244
TEACHERS' RETIREMENT BOARD
Presented by David L. Senn

The purpose of this bill is to bring the TRS statutes into compliance with recent federal changes; providing member the option for the splitting of withdrawn contributions, repealing the age 60 limitation on disability benefits, and to clarify the TRS board's authority for reviewing disability retirement applications materials.

Section 1. Allows the TRS member to direct that the system split payment of a refund, paying the taxable portion to another qualified plan (IRA, etc.) and the non-taxable portion to the member. This amendment is necessary to comply with the provisions of Unemployment Compensation Amendments Act of 1992.

If the member does not direct the system to send the taxable portion of any lump-sum refund to another qualified plan, we are required to withhold 20% FIT. In addition to ordinary income taxes, the distribution may also be subject to a 10% tax penalty for early withdrawal.

Section 2. Clarifies the TRS boards authority to request information for review of disability retirement applications, to order examinations, conduct hearings, administer oaths, and to issue subpoenas if necessary. The board will pay for any professional services and advise the board determines necessary.

Section 3. Amends state law to comply with the age discrimination requirements of the Older Workers Benefit Protection Act of 1990. Eligibility for disability benefits under TRS is currently tied to age 60 which is discriminatory under the federal law. Each year approximately 1 out of every 1,700 members qualify for disability benefits.

Currently the minimum disability retirement benefit for members less than age 60 is 25% of final average salary. However the benefit is less than 25% for members whose benefit percentage based on projected service to age 60 is less than 25%. Thus, this provisions will affect members hired after age 45 who become disabled after working 5 years but prior to earning 15 years of service. There are currently around 1,300 members in this group.

The System's actuary has determined that these changes will not impact the funding of the system and recommended no change in the current contributions rates. - We thank you for your support

DATE 3-4-93

SENATE COMMITTEE ON State Admin.

BILLS BEING HEARD TODAY: HB 112, HB 244

Name	Representing	Bill No.	Check One	
			Support	Oppose
Richard Dumas	Korean Vets	HB 112	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marcia Dumas	"	"	<input checked="" type="checkbox"/>	<input type="checkbox"/>
David Seem	TRB	#B 112 HB 244	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Dore Schwintzen	Pist #20	244	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TOM BILODEAU	MEA	#B 244 112	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Don Waldron	MREA	HB 112 HB 244	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
John Malek	M.F.T/M.F.S.F.	HB 112 HB 244	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY