

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION**

Call to Order: By Senator Eleanor Vaughn, on March 18, 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: None.

Members Absent: None.

Staff Present: David Niss, Legislative Council
Deborah Stanton, Committee Secretary

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

Committee Business Summary:

Hearing: HB 485
Executive Action: HB 485

HEARING ON HB 485

Opening Statement by Sponsor:

Rep. Grady, House District #47, presented HB 485. The Warden Retirement System was enacted by the 1963 Legislature effective July 1, 1963 and has the following members as of July 1, 1992: 87 active, 49 retired, 9 disabled and 3 survivors. This proposal utilizes money already dedicated to the system and does not impact general fund money or require additional funding. The two objectives of this legislation are: 1) it will continue to fund normal costs of the system by designating that 1% of the salaries be set aside to fund normal costs. This provision does not

actually change the affect of present law except to ensure that it will continue into the future. There is no increase due to this provision. It will provide on January 1, 1993 after five years of retirement a one-time 5% cost of living increase to a total of 45 retirees, disabled and survivors. Since 1963 the cost of living has increased over 330%, it has increased more than 80% since 1980. During this same period, retired members of this system have received only 1% to 2% cost of living increase and three post retirement adjustments that total a 5% increase. The 1989 Legislature passed a one time minimum adjustment that brought 27 of the lowest paid retirees in the system within 60% of the actual cost of living increases. Health insurance costs have increased 90% since 1984. At the present time, retirees that have retired for five or more years are averaging less than 60% of the actual cost of living standards established by the original retirement benefits. This bill will not correct the past losses suffered by retirees but it will help offset future losses to retirees due to inflation. With the passage of this bill the system is actuarily sound and will be fully funded in five and one half years. There were some amendments passed in the House State Administration Committee (EXHIBIT #1). The first amendment deleted the provision for an annual 3% cost of living increase that would have been affective in 1998. The second amendment is a coordination instruction that provides if HB 65 passes the Warden Retirement System will be part of a study requiring the development of legislative proposals for equity, post-retirement adjustments for all public retirement systems. HB 65 is still under consideration. Rep. Grady said he had no problem with these amendments. The third amendment is also a coordination instruction that if SB 203 is not passed and approved then this bill is void. SB 203 provides a 5% cost of living increase to PERS retirees. This bill has already passed the Senate and has come out of the House State Administration Committee with a DO PASS.

Proponents' Testimony:

Bob Bird, retired Fish and Game Warden, spoke in support of HB 485 and gave written testimony (EXHIBIT #2). He also submitted testimony from Don Wright, a retired State Game Warden (EXHIBIT #3).

Tom Schneider, Montana Public Employees Association, spoke in support of HB 485. He said this is a good bill and a well-written bill but on the floor of the House it got into a lot of debate about whether there should be an automatic cost of living provision for Game Wardens and not for PERS members. "The bill, at that time, was killed. Finally, the bill was worked out with amendments and the bill was passed by the House. The feeling in the House is that if this bill passes, SB 203 has to pass. If one group gets an increase for retirement, the other group will get the increase for retirement. If this does not pass until SB 203 passes, PERD members will get the increase but Game Wardens

won't so this bill is very important to them. It also provides that there be a study under HB 65 which is the permanent interim committee on retirement of an automatic post-retirement adjustment for all retirement systems, which is the most important thing we need to do. On page 3, where it talks about donations to pay for part of these studies and public hearings, that is my language. I made that offer during the interim study of the last two years. At one point, we made the offer to pay for the actuarial costs to have the interim committee that did the last two-year study to do certain things. We're willing to do that for this committee because there is some concern about how much money the Legislature can afford for them. The money is very well spent. The Legislature needs to get a handle on these retirement adjustments. We need to get a fully funded retirement adjustment and we're willing to commit some money to do that. This is a good bill. We hope you will pass it and support it on the floor."

Art Whitney, Montana Association of Retired Public Employees, rose in support of HB 485. "The association of about 3300 members of the Public Employees Retirement System encourages retirees of the seven smaller systems to join us as associates. As associate members they don't have individual votes but if they choose, they can elect a member to our board where that member does have a vote. The Game Warden retirees have done that. They have a representative on our board. Our board has moved to support this request so I officially support it for the association.

John Malee, Montana Federation of Teachers and Montana Federation of Public Employees, rose in support of HB 485.

Don Brown, retired game warden, spoke in support of HB 485. He said he admired Rep. Grady for carrying the bill. There are less than 45 retirees involved in the first part of this bill. Because of the confidentiality of the records at PERS it is not known whether some of the game wardens or their surviving spouses are in trouble or not. It is known that the 77% cost of living increase since 1980 and with the 7% increase in their benefits, they must be hurting. Someone has to come forward and look after those people.

Linda King, Assistant Administrator of the Public Employees Retirement Board, spoke in support of HB 485 and gave written testimony (EXHIBIT #4).

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Sen. McClernan asked Ms. King why this did not apply to all retired Game Wardens, 40 out of 80. Ms. King said it would give

the cost of living increase to only those who have been retired for at least 5 years. So those who have retired in a shorter period of time do not get the increase.

Sen. Swift asked Ms. King how long it affects the unfunded liability, five, six, eight, ten years. Ms. King said without this ad hoc increase the unfunded liability would be paid off at approximately the end of 1996. This would extend that for another year and a half and it is expected to be paid off in July of 1998.

Sen. Swift asked what SB 203 would do in relation to the other part of the bill. Ms. King said SB 203 is the 5% ad hoc cost of living increase for the PERS retirees.

Sen. Swift asked what the status of HB 65 was. Ms. King said it passed second reading in the House by a wide margin and was re-referred to Appropriations because it had a \$7500 general fund appropriation. It came out of Appropriations and is back on the board for second reading again.

Sen. Fritz said he was a little confused about the coordination of SB 203. He asked Ms. King if SB 203 did not apply to the Game Wardens, just the Public Employees. Ms. King said that was correct. He asked if there were other retirement systems that are not covered by SB 203 and if this bill would bring the Game Wardens in. Ms. King explained the coordination instruction says that if SB 203, the 5% increase for PERS, does not pass, then this bill is void as well. It is an attempt to say, if PERS does not get an increase neither will the Game Wardens. Sen. Fritz asked if both bills pass, if PERS gets an increase, Game Wardens will get an increase. Ms. King said that was correct, if HB 485 is passed. Sen. Fritz asked who will not get an increase. Ms. King said any of the other systems that did not come in with an ad hoc request for an automatic increase. There were a number of bills before the Legislature this year. There was a bill that was introduced in the Senate by Senator Bianchi which provided automatic post-retirement adjustments for PERS and Teachers but did not pass. The Sheriff's had a separate bill that was introduced in Senate Taxation that they asked to have tabled.

Sen. Fritz asked if SB 203 was 5% one time only for PERS, what kind of a percent increase does this bill provide the 45 retirees. Ms. King said it was an average of 5% as well. It varies a little depending on the individual's length of service but the average is 5%. Sen. Fritz said there are two bills in the Legislature, one provides 5% for PERS and one provides about 5% for some retired game wardens. The members of the other retirement funds are not going to get a 5% increase and they will all be back. Ms. King said that was correct and that was the beauty of the instruction of the permanent committee to look at it for all of the systems to come up with a permanent ongoing prefunded method of making it equitable between all of the systems.

Sen. Hockett asked Ms. King if SB 203 had a 5 year waiting period. Ms. King said that was correct but it has been amended in the House to a two year waiting period. Sen. Hockett asked if that was in Committee in the House. Ms. King said that was correct. It passed out of committee with the two year waiting period.

Closing by Sponsor:

Rep. Grady said he concurred with the amendments. There are 45 retirees that would come under this bill. He also stated that except for teachers almost all other retirement systems have automatic increases for cost of living so this bill would just take care of the systems that do not have an automatic increase. This is a good bill. It is tied to SB 203 and there is no problem with that. He asked Sen. Fritz to carry the bill.

EXECUTIVE ACTION ON HB 485

Motion/Vote: Sen. Pipinich moved to amend HB 485 (hb048503.ash). The motion to amend HB 485 CARRIED.

Motion: Sen. Pipinich moved HB 485 BE CONCURRED IN AS AMENDED.

Discussion: Sen. Swift said he had some concern with Section 6. Why would a good bill be tied with another bill. Sen. Fritz said this amendment was added in the House. The reason was that the person that put the amendment on did not want the game wardens to get an increase and not anyone else. That is what ties the two bills together. What happens now is if both SB 203 passes the House and HB 485 passes the Senate then PERS and the Game Wardens will get about a 5% increase. The other retirement systems do have an automatic cost of living. Sen. Swift said we should let the committee work without tying this to another piece of legislation.

Sen. Hockett said he could see both sides of this issue and if we try to amend this further we will probably kill both of them. Rep. Grady's statement is not correct that all other systems have a cost of living increase. They have an adjustment but they are not cost of living increases. This is a one time thing so it really isn't a cost of living increase.

Vote: The motion HB 485 BE CONCURRED IN AS AMENDED CARRIED UNANIMOUSLY.

There was discussion on SB 87. Sen. Pipinich said this bill would put the sales tax on the ballot on June 8. Sen. Vaughn said it provides for the provisions and certain other laws relating to the election, providing for the purchase of printing and distribution services. Sen. Pipinich said in the sales tax


bill it says it will go to the vote of the people and if the committee kills SB 87, the sales tax will never get on the ballot and it will never be passed or rejected. Sen. Hockett stated there was no reason to decide on this bill today. Sen. Vaughn said she would talk with Senator Crippen regarding this bill.

ADJOURNMENT

Adjournment: 10:40 a.m.



SENATOR ELEANOR VAUGHN, Chair



DEBORAH STANTON, Secretary

EV/ds

ROLL CALL

SENATE COMMITTEE

STATE ADMINISTRATION

DATE 3-18-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Eleanor Vaughn	✓		
Sen. Jeff Weldon	✓		
Sen. Jim Burnett	✓		
Sen. Harry Fritz	✓		
Sen. John Hertel	✓		
Sen. Bob Hockett	✓		
Sen. Henry McClernan	✓		
Sen. Bob Pipinich	✓		
Sen. Bernie Swift	✓		
Sen. Larry Tveit	✓		
David Niss	✓		

FC8

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
March 18, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 485 (first reading copy -- blue), respectfully report that House Bill No. 485 be amended as follows and as so amended be concurred in.

Signed: Senator Eleanor Vaughn
Senator Eleanor Vaughn, Chair

That such amendments read:

1. Title, line 17.

Strike: "SECTION"

Insert: "SECTIONS 17-7-502 AND"

2. Page 7, lines 6 and 7.

Strike: "-- statutory appropriation"

3. Page 7, line 9.

Strike: "account"

Insert: "pension trust fund"

4. Page 7, line 19.

Strike: "account"

Insert: "pension trust fund"

5. Page 8.

Strike: lines 2 through 7 in their entirety

6. Page 8.

Following: line 7

Insert:

"Section 4. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition --
requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

M-Amd. Coord.
Sec. of Senate

Sen. Dint
Senator Carrying Bill

611548SC.S1b

(3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105; 2-18-812; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-1-111; 15-23-706; 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-65-121; 15-70-101; 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404; 17-5-424; 17-5-704; 17-5-804; 17-6-409; 17-7-304; 19-5-404; 19-6-709; ~~19-8-504~~; 19-9-702; 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512; 19-11-513; 19-11-606; 19-12-301; 19-13-604; 19-15-101; 20-4-109; 20-6-406; 20-8-111; 20-9-361; 20-26-1503; 22-3-811; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 27-12-206; 37-43-204; 37-51-501; 39-71-2504; 44-12-206; 44-13-102; 53-6-150; 53-24-206; 61-5-121; 67-3-205; 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-11-310; 82-11-136; 82-11-161; 85-1-220; 90-3-301; 90-4-215; 90-6-331; 90-7-220; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for supplemental benefit; and pursuant to sec. 18, Ch. 748, L. 1991, the inclusion of 22-3-811 terminates June 30, 1993.) ""

Renumber: subsequent sections

7. Page 10, line 15.
Strike: "4"
Insert: "5"

-END-

Amendments to House Bill No. 485
Third Reading Copy

Requested by Rep. Ed Grady

Prepared by Sheri S. Heffelfinger
February 24, 1993

SENATE STATE ADMIN.
EXHIBIT NO. 1
DATE 3-18-93
BILL NO. HB 485

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25-123; 15-31-702; 15-36-112; 15-37-117; 15-65-121; 15-70-101;
16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404; 17-5-424; 17-5-
704; 17-5-804; 17-6-409; 17-7-304; 19-5-404; 19-6-709; ~~19-8-504~~;
19-9-702; 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512;
19-11-513; 19-11-606; 19-12-301; 19-13-604; 19-15-101; 20-4-109;
20-6-406; 20-8-111; 20-9-361; 20-26-1503; 22-3-811; 23-5-136; 23-
5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-

402; 27-12-206; 37-43-204; 37-51-501; 39-71-2504; 44-12-206; 44-13-102; 53-6-150; 53-24-206; 61-5-121; 67-3-205; 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-11-310; 82-11-136; 82-11-161; 85-1-220; 90-3-301; 90-4-215; 90-6-331; 90-7-220; and 90-9-306.

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WARDEN RETIREMENT ADJUSTMENT**HB-485**

Chairwoman Vaughn and members of the Committee: I am Bob Bird, retired Game Warden. I have been retired approximately one year. This bill, as amended will not affect my benefits. It does, however, help those older retirees whose benefits have been seriously eroded by inflation and health insurance increases.

The warden retirement system has a total of 150 members, 61 retired and 89 actively employed. Because this is a small system it has been difficult to obtain cost of living adjustments, as a result, while the cost of living has sky rocketed more than 80% since 1980 retired members of this system have had a total of 7% benefit adjustments. In 1989 the 27 lowest income retirees were given a one time adjustment that brought them up to within 50% of the current level retirement income. Since 1984 the cost of health insurance alone has risen nearly 90%. In most cases health insurance is now running over \$200.00 a month. More than a third of some members retirement income is being paid for health insurance. Inflation diminished the purchasing power of retirement income to the point where it was necessary for some individuals to obtain welfare. This is unfortunate in view of their many years service to the state.

A total of 45 retired, disabled and survivors will be affected by this legislation. This bill will not correct the past losses due to inflation but will help offset losses to the retirees.

With the enactment of this bill this system is actuarially sound and will be fully funded in 5 1/2 years. The funding of this retirement system is statutorily appropriated and does not effect the general fund.

This bill accomplishes two objectives:

(1) it will continue to fund normal costs of the system by designating that 1% of salaries will be set aside to fund normal costs. This provision does not actually change the effect of present law except to insure that it will continue into the future. In other words, there is no increase due to

this provision.

(2) It will provide a one-time cost of living increase to retirees, disabled and survivor members of the system, effective July 1, 1993. Because of the five year provision, this bill will only affect 45 individuals with the lowest retirement benefits. This bill provides an average 5% adjustment but because that adjustment will be distributed on years of service, it will give a higher percentage to those who need it most and a lower percentage to the more recent retirees and of course, no increase to members who have been retired for less than 5 years, even though this later group has lost up to 20% of its purchasing power due to inflation. This provision is designed to help those who need it most. This provision is funded by increasing the unfunded liability by 1 1/2 years. This system will be fully funded in 1998 with the enactment of this provision.

I would again like to emphasize this bill does not require additional funding nor does it impact the general fund. I would urge the committee to concur with HB-485 as amended.

SENATE STATE ADMIN.

EXHIBIT NO. 3

DATE 3-18-93

BILL NO. HB 485

Mar 17, 1993

Senator Vaughn, Chairman
Senate State Administration Committee
Capitol Station
Helena, Mt. 59620

Dear Senator Vaughn:

Medical reasons have precluded me from personally testifying before your committee on HB485. I would, however, like to ask the committee's support of this bill because it will help offset the decline in my retirement income due to inflation.

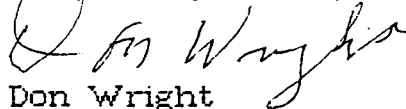
When I retired as a bureau chief in 1977 my retirement pay was \$868.00 per month and now, 17 years later, my take home pay is \$859.00 per month.

Not only has the actual dollar retirement income decreased but inflation has actually taken more than 60% of the buying power of my retirement.

I retired in 1977 and at that point in time state law required Game Wardens to retire at age 60. This law has since been changed since it was found to be unconstitutional, however, the unconstitutional finding was not retroactive and did not impact my retirement. Because of this, I was denied the opportunity to work beyond age 60 and secure a more appropriate income.

I am hopeful your committee will concur in HB485 as amended.

Very Truly Yours,



Don Wright

Retired State Game Warden

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SENATE STATE ADMIN.
EXHIBIT NO. 4
DATE 3-18-93
BILL NO. HB 485

TESTIMONY IN SUPPORT OF

HB 485

Linda King, Assistant Administrator
Public Employees' Retirement Division

On behalf of the Public Employees' Retirement Board, I am appearing today in support of HB 485 which provides an ad hoc cost of living adjustment to game wardens who have been retired for at least 5 years.

Because inflation causes a steady erosion of the purchasing power of a dollar, especially after retirement when skyrocketing medical cost increases hit the older members of society the hardest, it is critically important to provide reasonable and sustainable increases to benefits after retirement.

The bill also ensures a sufficient funding source for the normal costs of the system after fines and forfeitures are no longer deposited into the pension trust fund to pay off current unfunded liabilities. This is necessary since current statutorily required contributions equal only 15.05% of salaries, an additional 1% is necessary to reach the normal cost contribution rate of 16.04% for this system. This will ensure additional unfunded liabilities are not created as soon as the old liabilities are paid off.

Amendments to the bill on the floor of the House have resulted in language providing ongoing benefit increases to be stricken from this bill. Because of this change, the statutory appropriation language is no longer necessary and should be deleted from the statute to be in line with a December, 1992 Attorney General's opinion. A copy of the proposed technical amendment is included.

Amendments were added to this bill which direct the proposed statutory retirement committee to develop legislation providing equitable guaranteed annual benefit adjustments for each of the statewide retirement systems for presentation to the next legislature. Since benefits are much less expensive to fund in advance, when employees, employers and investment earnings all work together to fund the eventual benefits, the Board particularly urges your favorable consideration of this legislation. Thank you.

DATE 3-18-93

SENATE COMMITTEE ON State Admin.

BILLS BEING HEARD TODAY: HB 485

Name	Representing	Bill No.	Check One	
			Support	Oppose
<i>Tom Schumaker</i>	<i>MPPBA</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Orville Lewis</i>	<i>Retired Wardens</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Bob Bird</i>	<i>" "</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Bill Mabe</i>	<i>" "</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Florence C Higgins</i>	<i>" "</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Art Whittington</i>	<i>Assoc. of Ret. Pub. Employees</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>John Mader</i>	<i>M.F.T. (M.F.S.E.)</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Walter Brown</i>	<i>Retired Seaf.</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY