

**MINUTES**

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

**Call to Order:** By Senator Eleanor Vaughn, on April 8, 1993, at  
7:00 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 65, HB 430, HB 601, SJR 30  
Executive Action: HB 65, HB 430, HB 601, SJR 30

**HEARING ON HB 65**

**Opening Statement by Sponsor:**

Rep. Cocchiarella, House District #59, presented HB 65 at the request of the Joint Interim Subcommittee on Retirement which was established by the Legislature last session. HB 65 came out of frustration because of the issues of retirement that the State Administration Committee had to deal with. The last Legislature established HB 65 as one of the highest priority studies to be conducted. One of the objectives was to make all of the retirement systems the same so they would be easier to deal with. What came out of the subcommittee is this bill which asks for consistency in dealing with retirement legislation. It

establishes a committee made up of people who will provide consistency to the process of dealing with retirement bills and legislation. She said the committee will also devise a policy to deal with the legislation that addresses all of the retirement systems. As HB 65 has gone through the process, some language has been added by the House making sure that the committee is not weighted in favor of or against public employees. Two committee members from each House will serve on the standing committee from which retirement bills are to be assigned. Two persons will be selected from State Administration, one from Finance and Claims and one from the House Appropriations Committee so that there is some consistency and understanding of the issues on retirement. There was an amendment to provide that the appropriation is there for \$7500 but also to come up with matches from the labor unions and retirement systems so there is more money to operate in the interim. Since this is a statutory committee, it will operate as a revenue oversight committee. When people have retirement issues, whether it is an employee union, PERS, or TRS, they will bring those bills to this committee and seek their stamp of approval before they go through the process. The objective of the committee would be to make sure it matches the kind of policy this Legislature wants to have in dealing fairly and consistently with all retirement systems.

**Proponents' Testimony:**

Tom Schneider, Montana Public Employees Association, spoke in support of HB 65. He said he hoped that bringing proponents to this legislation was making sense as this is something the Legislature needs. He said if there is a full time committee to deal with all of the issues, the major problems will be addressed. One of the things he raised in the House is the \$7500 appropriation into the study. He said there should be \$50,000 or \$100,000 so the committee has the money to operate and hire the necessary actuarial services. He said there were offers by private groups to contribute money to enable the committee to operate as it should. Mr. Schneider said there are retirement systems worth a billion and a half dollars and we are talking about \$7500 to fund a permanent committee to oversee billions of dollars of retirement funds and it does not make sense to me. It is a good bill and it is something that is needed to establish legislative priorities on retirement systems and do them properly and this is a start in doing that. We support HB 65."

John Denherder, President, Association of the Montana Retired Public Employees and its coalition, the Public Employees Pension Security Coalition, spoke in support of HB 65. He said there are a number of bills each legislature. Mr. Denherder noted that many of the small systems have three methods of funding as compared to big systems who have two. He said if there is to be any fairness and any standardization down the road with those that are hazardous duty occupations and the others, this committee needs to be formed.

Mark Cress, Administrator of the Public Employees Retirement Division, rose in support of HB 65. "There is testimony enough if you count how many times Linda King, John Denherder or I have been in front of this Committee this year." He said the interim committee that met found that it is not something that resolution of retirement issues can be dealt with in one interim study. It is a policy responsibility that is ongoing and will be ongoing. Mr. Cress noted that many other states have established commissions or committees of this kind because they have discovered the same problem; in order to establish good public policy one needs to do a lot of background work. He added that this background work is difficult to do in the press of business during a regular session. The Public Employees Retirement Board had opportunity to review this bill prior to its introduction and suggested some changes in language to the bill. According to Mr. Cress, those changes were made by Legislative Council and interim committee staff. He said the version of the bill now clearly defines the role of this statutory legislative committee and the role of the retirement boards so that the policy responsibilities lie with the Legislature and the administrative and fiduciary roles lie with the retirement boards. He urged the Committee to support HB 65.

David Senn, Executive Director, Teachers Retirement System, spoke in favor of HB 65. He stated that there were a number of studies done, about \$50,000 worth. Mr. Senn said it is important for the Committee to recognize the retirement systems in the state as a whole and the most pressing need is the cost of living. He said the cost of insurance premiums are going up 20 percent a year and the retirees on a fixed income are suffering from this inflation. He urged support of HB 65.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

Sen. Fritz asked Mr. Senn why the committee was needed if \$50,000 worth of studies had already been done. Mr. Senn answered, the committee was needed to bring some balance to the Legislature. He said the people who serve on this committee will have the knowledge of what goes into retirement system plans and what is required in the process of funding the retirement systems. Mr. Senn added that hopefully the Committee will be able to establish a uniform policy on retirement systems.

Sen. Fritz asked if that purpose would be served as well by the people who served on the State Administration Committee over time. Mr. Senn said that was up to the Legislature. He said if they wanted to do it with the State Administration Committees in each House or by a joint committee that will bring continuity and consistency.

Sen. Fritz asked Sen. Hockett what the interim committee on retirements came up with. Sen. Hockett said they spent a great deal of time discussing cost of living adjustments for retirees. He said the Committee also looked at the equity of the various systems. Sen. Hockett said this committee would create a group to examine the proposals that are brought forth for adjustments in retirement programs instead of bringing them to this committee. He said it would be a bipartisan committee not dominated by either the House or the Senate.

Rep. Cocchiarella said the legislation proposed by the groups of people who want to bring retirement issues to the Legislature will be previewed before they come to the session by this committee. She said this bill will create a situation where the Legislature has a policy for retirement legislation which can be applied when previewing the legislation. She said it will save the Legislature money in the end because it will not be hearing the "bucket of bills" that have no similarity or continuity. Rep. Cocchiarella concluded it will speed up the process and make it fair and efficient.

Sen. Burnett said the retirement system will be relied on for all information. He asked if it is possible if that group could come up and review and recommend legislation. Rep. Cocchiarella said the legislature in the interim study committee hired their own actuary to process the information. She said that in this process, all of the groups have their own ideas on what they want to do and with the complications of each system this committee will bring fairness and common direction in addressing these concerns.

Sen. Burnett said they still have to go back to the retirement system to get the information. He said this is an added expense to the Legislature to set up another committee. Rep. Cocchiarella said she did not agree. She said this committee would create efficiency and will be a cost saving measure. She said that Sen. Swift and Sen. Hockett can respond to that question because the interim committee came to realize that the only way to deal with retirement legislation is in a preview process. She said there were 42 bills before the Legislature last session pertaining to retirement systems. She assured the committee this will not happen if HB 65 is adopted.

**Closing by Sponsor:**

Rep. Cocchiarella stated that the interim committee was frustrated. That interim committee was one of the highest prioritized committees because of the frustration of the Legislature in dealing with retirement issues. She said the Committee did not accomplish all its goals because of a lack of direction. She said that any remaining questions would be answered by the establishment of the statutory interim committee. She urged the committee to seriously consider this proposal.

**HEARING ON SJR 30****Opening Statement by Sponsor:**

Sen. Harding, Senate District #25, presented SJR 30 which is a joint resolution of the Senate and the House of Representatives urging the recognition of Flag Day and the Pause for the Pledge of Allegiance Program on June 14. She said Montana got involved in 1982 and added it involves students across the United States. She said students in Montana started writing essays about this program and added the first one from Montana who won the essay contest in 1987 was a student from Helena High School, Susan Teichrow. She said Ms. Teichrow is now a graduate from the Wharton School of Business, University of Pennsylvania and is still an active participant in the Montana Program. She said each state has a student representative who carries the State flag during Flag Week ceremonies in Baltimore. Senator Harding said that students selected for this honor go on to excel in their college studies. She said this recognition is a big honor for Montana and since the students are so heavily involved she urged the Committee to support this resolution.

**Proponents' Testimony:**

John Denherder, lobbyist for the Disabled American Veterans, stated he is a veteran of three wartime mariners, three uniform services, a disabled veteran, a career veteran, and a military retiree. He said he endorses this program on SJR 30. Anything to enhance patriotism is to be endorsed.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

Sen. Tveit asked Sen. Harding why there was a sunset provision on the bill. Sen. Harding answered that it was brought up every two years by the students. She said the students come to the Capitol and, under the direction of Greg Petesch from the Legislative Council, they write their own Flag Day resolution. The next day the students try to get signatures for their resolution. She concluded it is a special day for them.

**Closing by Sponsor:**

Sen. Harding said she just wanted to give the committee history on this issue. She said it is a good exercise for the students who enjoy it. Sen Harding said ones who win get to go to Baltimore to carry the flag along with the winners from all of the other states. She urged the Committee to pass SJR 30.

HEARING ON HB 430Opening Statement by Sponsor:

Rep. Strizich, House District #41, presented HB 430. HB 430 was drafted on behalf of the Montana Chiefs of Police Association and the Municipal Police Retirement members. He said this bill allows for an increased retirement benefits for members of the Municipal Police Officer's Retirement System who have worked more than 20 years. Originally the funding for this benefit in the bill was derived from the insurance premium tax. Rep. Strizich said the House Committee was troubled by this and laid the bill on the table for a while and during that period of time the firefighters were included in the bill. While on the table, the membership of both retirement systems were polled as to their willingness to fund this benefit by member contributions. He added that because of some differences between fire fighters and police officers, it is a little more expensive for fire fighters to pay for this benefit. As a result, the Firefighters decided that they would not like to be included and were removed from this bill. He said the police officers felt that this was such an important thing for the perpetuity of their retirement system and the benefits to their members that they agreed to fully fund the bill from their membership. He said Rep. Simpkins carried an amendment which placed the bill in that form. Rep Strizich concluded the bill has been modified to provide funding for this increased benefit solely from the membership of the retirement system.

Proponents' Testimony:

Bill Ware, Helena Police Chief and Legislative Sheriff of the Montana Association of Chiefs of Police, spoke in support of HB 430. He said this bill does not cost the state or the city since the members themselves are willing to pay the additional 1.36 percent. For those reasons the Association stands in support of this bill. He said HB 430 allows for members to receive the same percentage after 20 years that they received the first 20 which is 2.5 percent. Sheriff Ware said his association did not understand why they only received 1 percent after 20 years as it stands now. He said the association would like to increase that to 2.5 percent and hope the committee can support HB 430.

Jim Oberhoffer, Missoula Police Chief and President of the Montana Association of Police Chiefs, spoke in support of HB 430. He said that in the twenty plus years he has worked as a police officer, the City of Missoula has spent thousands of dollars on his education. After twenty years of service Mr. Oberhoffer said contributions to his retirement pension have decreased from 2.5 percent to 1 percent. Mr. Oberhoffer asked for the Committee's support and consideration for keeping the experienced officers who average the twenty years in the departments.

Bill LaBrie, Police Chief in Whitefish, rose in support of HB 430. He stated he has been Chief for three years and prior to that he had worked for twenty years in the Los Angeles Police Department. He asked the Committee to support this bill. Mr. LaBrie said the most vital issue is experience. An officer generally tends to come into his own realm of maturity and experience at about the twenty year bracket. Why force him to leave when he could continue to stay there and be a vital part of the organization. The most important public service there is as far as public safety is the police service. They are also the most recognized. To get rid of that maturity and experience is a disaster. The young officers learn from the actual hands on work. They also learn from talking to the old timers that have been there before. I urge you to support this bill and keep these guys around that have much more to give to protect the communities.

Addison Clark, Chief of Police in Kalispell, rose in support of HB 430. He stated that in the past year the Kalispell police department has seen the retirement of five seasoned officers. Mr. Clark said that because there are only 24 officers in the department, loss of the leadership in the department has been significant. This loss has been the loss of maturity, experience and expensive training that has anchored the department. He said these men do not want to leave but cannot afford to stay. He urged the committee to support HB 430.

Jerry Williams, Butte Police Officer, representing the Montana Police Protective Association. He told the Committee that after the hearing in the House, a phone survey was conducted with the members. He said the majority support HB 430 and paying the increased contribution. Mr. Williams reminded the Committee the contribution rate after twenty years remains the same however the officers with more than twenty years of experience only collect 1 percent. He said that his organization does not understand why they may only collect 1 percent instead of 2.5 percent when they continue to pay the same contribution, the state continues to pay the same contribution, and the cities continue to pay the same contribution. He noted that for some officers hired after 1979, the contribution rate increased over 10 percent of the salary. The benefit the officers will receive will outweigh the loss in the paychecks. He said his organization believes the retirement pension is a tremendous benefit for police officers statewide. Mr. Williams said the pension is critical for most retired police officers since it is the only retirement pension they will receive. He said the security of this pension is an incentive for police officers who are 40 years old and eligible for retirement to stay on and work another ten or twelve or fifteen years to fully serve their communities. He urged the Committee's support for HB 430.

Tom Schneider, Montana Public Employees Association, rose in support of HB 430. He said he represents the officers in Billings and Missoula and wants to go on record as supporting

this bill. He said that all of the systems at one time or another have had similar caps. Even the teachers systems back in the 1960's had a cap of 35 years and no additional credit. He said the Highway Patrol had a cap of 25 years and no more credit. According to Mr. Schneider the Highway Patrol went to 25 years and 1 percent credit after 25 years similar to what the police have. He noted that about ten years ago that was changed and now they get full credit for the years. He said the money is there and they the officers should receive full credit for it. We are dealing with the system without social security credit which was precluded by law in the beginning from having social security credit. He said it makes sense to change these systems so people get full credit for each year they work and not to force people to leave early when they are still providing greater benefits to the employer. Mr. Schneider said the officers agreed to fund this themselves at no additional employer cost. He urged support of HB 430.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

Sen. Weldon stated this bill will benefit people with more than 20 years. He noted a coordinating clause exists between this bill and HB 431 for survivors, so if HB 430 passes it will raise benefits in HB 431. He asked Rep. Strizich if HB 431 would affect the General Fund. Rep. Strizich said it would not.

Sen. Swift asked Ms. King the same question. Ms. King said there was coordination language between HB 430 and HB 431 so that if both go into effect, the contribution rates are adjusted. She said contributions for HB 431 come from members and employers while the contributions for HB 430 comes from just the members funded at no cost to the State.

Sen. McClernan stated some of the systems have a provision for buying back service for military time. He asked Rep. Strizich if there was anything in the bill that would allow employees to buy back that time. Rep. Strizich replied that option is available.

Sen. Weldon asked Ms. King if both HB 430 and HB 431 are funded by employee contributions. Ms. King answered that HB 431 is funded through employee and employer, HB 430 is just the employees. Sen. Weldon asked if employee contributions would increase as a result of passing both bills. Ms. King said that was correct.

Sen. Hockett asked how many people would continue on in the various police departments. Jim Oberhoffer said in his department there are six officers that are contemplating



retirement. He said in Addison Clark's department there were three in the last three months that have gone on to other employment.

**Closing by Sponsor:**

Rep. Strizich said the questions regarding HB 430 were good. He said this bill would open an option for people who are at a particular level of service within a department to continue and not feel that they are being penalized for doing so. Rep. Strizich concluded it is a good bill and the officers feel it is important enough to support it with their own dollars. He urged support of HB 430.

**HEARING ON HB 601**

**Opening Statement by Sponsor:**

Rep. Schye, House District #18, presented HB 601. He said this bill was requested by a retired school teacher in Glasgow who retired from teaching in 1962. At that time the law was one could only work 35 years to draw retirement. Rep Schye said while she taught for 47 years, by law she could only draw retirement on 35 years. He noted that right after she retired the law was changed to say it did not make any difference how many years one taught. He said there are a number of retired teachers who would have retired at that time but had taught longer periods of time and did not get to use that on the retirement system. He said he worked to see what could be figured out and believed he came up with a fair solution. It raises the contributions .011 percent and that includes teachers that were in that notch who do not get those years, get a half percent increase for every year they taught over retirement. Rep. Schye said that because this woman had taught ten years over her retirement, she will get a 5% increase on her retirement. Rep. Schye estimated that there are 589 retired teachers with situations similar to that of Mrs. Putts.

**Proponents' Testimony:**

David Senn, Executive Director of Teachers' Retirement System, spoke in support of HB 601. He said this bill addresses some of the inequities in the retirement systems. Mr. Senn noted that a lot of things have changed over the years. He said there have been some enhancements and benefits that have helped compensate somewhat for the limitations that we have had. The retired teacher that Rep. Schye referred to has received about \$138 in ad hoc cost of living. He said the most fortunate thing that happened in the calculation of her benefit, was that the formula was changed from a 170th formula for year of service to 160th per year of service. He said that has been some compensation for

people like Mrs. Putts. Mr. Senn stated HB 601 goes one step further to give these retired teachers credit for all of their years of service and make that one small adjustment. The adjustment provides for half percent increase for each year of service lost with ten years as the maximum. He said the most anyone will receive is a 5 percent increase in their monthly retirement benefit. Mr. Senn noted HB 601 has an effective date of January 1, 1994, because his office does not have the resources to meet a July 1, 1993 deadline. He said if the committee wanted to make it effective July 1, it could amend the bill to make it a July 1, 1993 effective date and give the board some time to actually do the calculations and make the payment retroactive.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

Sen. Weldon asked Mr. Senn if the effective date of January 1, 1994 would help Mrs. Putts. Mr. Senn said they could make HB 601 retroactive to July 1, 1993. Sen. Weldon asked Mr. Senn about the cost of this bill. He said \$49,000 on the fiscal note was a lot to be passing down to the school districts. He asked Mr. Senn if he had heard from any of the districts about this bill. Mr. Senn said he had not received any objections from school associations.

Sen. Fritz asked Sen. Hockett why the police officers get to retire at twenty years while teachers have to work for thirty years. Sen. Hockett replied at the present time, teaching is not considered a hazardous occupation. He added that if Sen. Fritz was teaching in Chicago or in some parts of New York City or Los Angeles he would qualify.

Sen. Hockett asked Mr. Senn if the 589 members were the only one eligible on his record. Mr. Senn answered that was the best guess when they first went through the records. He added that since then, another couple of hundred files were discovered. It is a small group. Sen. Hockett asked what the average benefit was for these people. Mr. Senn said the average benefit is around \$800. He added that those people who retired in 1977 and prior to that have an average benefit of around \$400. He estimated Mrs. Putts' benefit would be probably around \$650. Sen. Hockett asked what kind of increase those people would receive. Mr. Senn said it would average around 5% which is a relatively small amount.

**Closing by Sponsor:**

Rep. Schye said that the amount of money in HB 601 was relatively small. He said that passage of HB 601 would make Mrs. Putts, the ninety three year old lady, feel better and feel she did not get lost somewhere in the process.

Sen. Weldon said he had some concern about the \$50,000 appropriation for the school districts. Sen. Pipinich said when that amount was divided between 360 school district it was not a very large amount. Sen. Weldon said someone would be here to oppose it if the amount was objectionable.

**EXECUTIVE ACTION ON HB 601**

**Motion/Vote:** Sen. Weldon moved HB 601 BE CONCURRED IN. The motion to CONCUR in HB 601 CARRIED UNANIMOUSLY. Sen. Hockett will carry HB 601 on the Senate floor.

**EXECUTIVE ACTION ON HB 65**

**Motion/Vote:** Sen. Pipinich moved HB 65 BE CONCURRED IN. The motion TO CONCUR on HB 65 CARRIED with Sen. Tveit and Sen. Burnett voting NO. Sen. Bianchi will carry HB 65 on the Senate floor.

**EXECUTIVE ACTION ON HB 430**

**Motion/Vote:** Sen. Swift moved HB 430 BE CONCURRED IN. The motion to CONCUR IN HB 430 CARRIED UNANIMOUSLY. Sen. Doherty will carry HB 430 on the Senate floor.

**EXECUTIVE ACTION ON SJR 30**

**Motion/Vote:** Sen. Weldon moved to ADOPT SJR 30. The MOTION TO ADOPT SJR 30 CARRIED UNANIMOUSLY.

ADJOURNMENT

Adjournment: 8:00 a.m.

  
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SENATOR ELEANOR VAUGHN, Chair

  
\_\_\_\_\_  
DEBORAH STANTON, Secretary

EV/ds

# ROLL CALL

SENATE COMMITTEE

STATE ADMINISTRATION

DATE

4-8-93

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 1  
April 8, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 65 (third reading copy -- blue), respectfully report that House Bill No. 65 be concurred in.

Signed: Senator Vaughn  
Senator Eleanor Vaughn, Chair

AW  
Amd. Coord.  
Sec. of Senate

Sen. Biemel  
Senator Carrying Bill

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SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
April 8, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 430 (third reading copy -- blue), respectfully report that House Bill No. 430 be concurred in.

Signed: *Senator Vaughn*  
Senator Eleanor Vaughn, Chair

*AW* Amd. Coord.  
Sec. of Senate

*Sen. Doherty*  
Senator Carrying Bill

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SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
April 8, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration House Bill No. 601 (third reading copy -- blue), respectfully report that House Bill No. 601 be concurred in.

Signed: *Eleanor Vaughn*  
Senator Eleanor Vaughn, Chair

*AW*  
Amd. Coord.  
Sec. of Senate

*Sen. Hockett*  
Senator Carrying Bill

790842SC.San



SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
April 8, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration Senate Joint Resolution 30 (first reading copy -- white), respectfully report that Senate Joint Resolution 30 do pass.

Signed: Senator Vaughn  
Senator Eleanor Vaughn, Chair

DATE 4-8-93

SENATE COMMITTEE ON State Administration

BILLS BEING HEARD TODAY: HB 65, HB 430, HB 601, SB 30

Name	Representing	Bill No.	Check One	
			Support	Oppose
Tom Schneider	MPEIA	HB 430 HB 65	X	
Mark Cress	PERD	HB 65	X	
Dave Sany	TBS	HB 601 HB 5	X	
John Decker	AMRPE PERSCO	HB 65 SS 30	X	
B.U. LaBrie	MONTANA Chiefs of Police	HB 430	X	
Bill Ware	Mt. Assn. of Chiefs of Police Chief of Police	430	✓	
Jerry Williams	Mont. Police Protective Assn.	430	✓	
Wally Casaritto	" " " "	430	X	
Pat Burns	" " " "	430	X	
Troy McGee	MT. Police Prot Assoc.	430	X	
AD Clark	MONTANA CHIEF OF POLICE ASSN	HB 430		
Bill Dickens	Msia Police Dept.	HB 430	X	
Mike Sunderlund	MSIA Police Dept	HB 430	X	
Jim Oberkoffer	" " "	430		

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY