

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By REP. RICHARD SIMPKINS, Chair, on January 6, 1995, at 9:00 a.m.

ROLL CALL

Members Present:

Rep. Richard D. Simpkins, Chairman (R)
Rep. Matt Denny, Vice Chairman (Majority) (R)
Rep. Dore Schwinden, Vice Chairman (Minority) (D)
Rep. Matt Brainard (R)
Rep. Patrick G. Galvin (D)
Rep. Dick Green (R)
Rep. Antoinette R. Hagener (D)
Rep. Harriet Hayne (R)
Rep. Sam Kitzenberg (R)
Rep. Bonnie Martinez (R)
Rep. Gay Ann Masolo (R)
Rep. William Rehbein, Jr. (R)
Rep. George Heavy Runner (D)
Rep. Susan L. Smith (R)
Rep. Carolyn M. Squires (D)
Rep. Jay Stovall (R)
Rep. Lila V. Taylor (R)
Rep. Joe Tropila (D)

Members Excused: none

Members Absent: none

Staff Present: Sheri Heffelfinger, Legislative Council
Christen Vincent, Committee Secretary

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

Committee Business Summary:

Hearing: HB 45, HB 63
Executive Action: none

HEARING ON HB 45

Opening Statement by Sponsor:

REP. PAT GALVIN, HD 48, opened by stating that this bill, effective in 2005, will reduce the number of members in both the

House and the Senate. The House would have 80 members and the Senate would have 40 members. This bill was brought to the committee by the request of Montana voters and the media. He turned in written testimony and reserved his right to close.

(EXHIBIT 1)

Proponents' Testimony:

Ed Sheehy testified on behalf of this bill. He stated that he has found since moving back to Montana there is a willingness to accept one man one vote in this state and the single member district. There is some concern with the size of the legislature. This is a major concern for retirees. He believes that Montana can be served with a reduced legislature.

Opponents' Testimony:

Tom Breitbach turned in written testimony (EXHIBIT 2).

Informational Testimony:

none

Questions From Committee Members and Responses:

REP. MATT BRAINARD asked Mr. Sheehy to elaborate on reducing state operating costs. Mr. Sheehy said that he did not know how to reduce. He stated that he believes that the counties in eastern Montana are isolated. He thinks that people spend more money and pay into the legislature than they did before the single member concept. He stated they have to pay attention to the fact that a person can only do what is possible. He believed they can do better.

Closing by Sponsor:

REP. GALVIN closed by pointing out the fiscal note which shows the saving of roughly \$500,000. If the population of the state would remain at roughly the same number the representatives would be representing 10,000 people instead of 8,000 people. It is true that rural counties would be affected, but the representatives don't represent land mass. They represent people. He then closed.

REP. SIMPKINS explained the fiscal note and drew attention to the savings. He stated that fiscal notes are necessary when a bill has any money involved or has the potential of having money involved. As a sponsor, they have the option to agree or disagree with the fiscal note. If there is a disagreement the sponsor will have the opportunity to submit their own fiscal note. He announced that the committee would not take executive action on the bills discussed because there would be other bills

coming through the system that may deal with the legislative organization. The bills will be held until the schedule on the other bills.

REP. GALVIN explained to the committee the bill says "assumption". He stated that everything on the fiscal note is an assumption of what it would cost. It is not fact. It is an idea of what is going on. This bill will not take effect for another ten years.

HEARING ON HB 63

Opening Statement by Sponsor:

REP. DORE SCHWINDEN, HD 98, submitted a handout (**EXHIBIT 3**). He opened by stating that he had introduced the bill by request of the Public Employees Retirement Board. This bill would fund retirement, disability, and survivors benefits provided by the Volunteer Fire Fighters Compensation Act. In the past monthly benefits amounts were recalculated annually for all eligible benefit recipients. There were enormous fluctuations in monthly benefits for recipients from one year to the next. At the request of the retirees and the survivors the 1991 legislation was enacted to work toward stabilizing the monthly benefits provided by the system. This required an actuarial evaluation by the Retirement Board of what the current funding would support in the way of fixed benefits for the future and set an interim level of fixed monthly benefits until such time as the evaluation was complete and an evaluation could be made. This legislation represents the boards final recommendation. The handout shows this. (**EXHIBIT 3**) Within the current funding and the current and projected membership of the system, whole participation benefits would be set at \$100 per month and will be payable to volunteer fire fighters who retire after at least twenty years of service. Proportionate benefits will be paid to those who retire with at least ten but less than twenty years of service. Without this bill benefit payments will cease to retirees and survivors on June 30, 1995. However the insurance premium tax revenue would still be required to be deposited into the trust fund and there would be no revenue increases for the state. The additional amendments recommend the general updating of language and conform with the present language usage at the current requirement of the state and federal law. He strongly urged a DO PASS recommendation on this bill by the committee. He reserved the right to close.

Proponents' Testimony:

Bob Gilbert, Montana State Volunteer Fire Department Association, appeared in support of the bill for the following reasons. First, the bill creates a trust that is not available now. Second, it establishes qualifications criteria for both fire fighters and fire companies in order to qualify for the retirement system. It will promote stability in the payment of

retirement monies. It modernizes the language. It will protect the fire fighters who give of themselves. And will stabilize benefits.

Linda King, Administrator, Public Employees Retirement Commission, stated that she was appearing in behalf of the Public Employees Retirement Board. They have been working for a number of years to stabilize the benefits payable by this system. In the past it was difficult to get determin how many people were going to be eligible for benefits in the future. The way the program was originally set up, it just divided up the money available by the number of people eligible for the benefits. In 1991 they came up with a methodology. A study was submitted. **(EXHIBIT 4)** Within the funding they have at the present time they would be able to pay \$100 per month full participation. The bill was heard by the interim Retirement Committee. There is no fiscal impact to the state insurance premium fund. It does not require any commitment from local government or the members. This is a program where by they say thank you to people who have volunteered their time to their communities. The changes being made is just updating the language that is now outdated. She encouraged the committee to pass this bill.

Opponents' Testimony:

none

Informational Testimony:

none

Questions From Committee Members and Responses:

REP. TONY HAGENER asked **Ms. King** how the fund was built. There was a dedication of revenue. This is five percent of insurance premium taxes on certain enumerated fire risks. The insurance premium tax fund is administered by the State Auditor office. They collect those premium taxes from insurance companies instead of income taxes or property taxes.

REP. JAY STOVALL asked **Ms. King** how they determine the twenty years of service. **King** answered that they must first have one fiscal year worth of service, 30 hours of training, and must complete other qualifications for each year in order to be qualified. The intent of the law is to have the appropriate training and equipment as well as encourage updated equipment and training for these firemen.

REP. DICK GREEN asked how they would receive credit. **Ms. King** answered by saying in order to receive pension credit they must be enrolled for a full year.

REP. GEORGE HEAVY RUNNER asked if the insurance is optional. King stated that some insurance is mandated while others are optional.

REP. SIMPKINS clarified stating that this protects the fire fighter and pays for the trust fund.

Closing by Sponsor:

REP. SCHWINDEN closed by stating that by setting a constant benefit amount would help both the system and individuals.

REP. SIMPKINS stated that the committee would hold this bill and not take executive action on it until the committee had a chance to look at other retirement bills.

ADJOURNMENT

Adjournment: 9:50 a.m.



REP. RICHARD SIMPKINS, Chair



CHRISTEN VINCENT, Secretary

RS/cdv

HOUSE OF REPRESENTATIVES

State Administration

ROLL CALL

DATE *January 6, 1975*

NAME	PRESENT	ABSENT	EXCUSED
Rep. Dick Simpkin, Chairman	✓		
Rep. Matt Denny, Vice Chairman, Majority	✓		
Rep. Dore Schwinden, Vice Chair, Minority	✓		
Rep. Matt Brainard	✓		
Rep. Pat Galvin	✓		
Rep. Dick Green	✓		
Rep. Toni Hagener	✓		
Rep. Harriet Hayne	✓		
Rep. George Heavy Runner	✓		
Rep. Sam Kitzenberg	✓		
Rep. Bonnie Martinez	✓		
Rep. Gay Ann Masolo	✓		
Rep. Bill Rehbein	✓		
Rep. Susan Smith	✓		
Rep. Jay Stovall	✓		
Rep. Carolyn Squires	✓		
Rep. Lila Taylor	✓		
Rep. Joe Tropila	✓		

EXHIBIT 1
DATE 1-6-95
HB 45

My name is Pat Galvin, Representative HD 48, West Great Falls and Cascade County. Members of the Committee, I bring you HB 45, an act providing that beginning with the 2005 regular Legislative session, the legislature will have an 80 member House of Representatives and a 40 member Senate; amending Section 5-1-100 Montana Codes Annotated.

This bill is brought to you in respect of wishes of many Montana voters and the media as an attempt to size down government and decrease costs.

This bill simply does what the ^{MCA}~~M.S.C.~~ allowed the last apportionment committee failed to do when it re-apportioned the state. Insofar as the Senate is concerned, 1/2 (one-half) of the new districts will be elected for two (2) years and the other half for four (4) years then all will be elected for four (4) year terms alternating as is now done.

EXHIBIT one
DATE January 6, 1995
HB 45

Northern Plains Resource Council

Testimony on HB 45

EXHIBIT 2
DATE 1-6-95
HB 45

Mr. Chairman, members of the committee, my name is Tom Breitbach. I am the chairman of the Northern Plains Resource Council and am a retired farmer from Circle. On behalf of the Council we ask you to vote NO on HB 45.

HB 45 in Section 1 (2) would reduce the number of legislators in both the House and Senate by 20%. I believe this will create some very serious problems for Montana's sparsely populated areas.

In the distant past, I campaigned for the Montana House of Representatives. At that time the district was smaller than the one in which I presently live. Even so, I spent almost five months trying to speak with each voter in the district. If the number of districts is reduced by 20%, districts will become even larger and personal visitation will become nearly impossible. It will likely become common place for candidates to concentrate on population centers and disregard the rural areas. This will reduce the representation in Montana of rural, agricultural concerns.

Compared to neighboring states with relatively similar numbers of people, Montana has a large legislator. I feel it should remain this way. Montana still has a truly citizen legislature. The short, bi-annual sessions and small districts, in terms of population, all make it possible for any citizen to run for and get elected to the Montana legislature. Reducing the size of the legislature will be the first step in changing Montana's citizen legislature to one characterized by professionals. This would be a change to the detriment of every Montana citizen.

Voters usually vote for a candidate they know and have met personally. A smaller legislature that concentrates on the population centers will change that as well. Rural areas will be forced to vote for individuals they have probably never met or know.

Although the concerns of agriculture are rural in nature, our concerns matter. Agriculture is still Montana's number one industry and Montana's rural areas provide a lot of the money to this state through property and income taxes. I believe our contributions to the state have been underestimated and that a portion of the state budget surplus, which you will be deciding whether to give back to the taxpayers, is a direct result of good agricultural prices and production.

HB 45 ignores the importance of Montana's rural areas to the state. I firmly believe it will cause Montana's rural population to be represented less effectively. I urge you to vote NO on HB 45 and continue to tell Montana's rural population that their vote matters.

EXHIBIT TWO
DATE January 6, 1995
HB 45



Committee on Public Employee Retirement Systems

53rd Montana Legislature

SENATE MEMBERS

DON BIANCHI
CHAIRMAN
THOMAS A. BECK
VICE CHAIRMAN
JOHN R. HERTEL
BOB HOCKETT

HOUSE MEMBERS

JERRY L. DRISCOLL
MARJORIE I. FISHER
PATRICK G. GALVIN
RICHARD D. SIMPKINS

COMMITTEE STAFF
SHERI HEFFELFINGER
RESEARCHER
DAVID NISS
ATTORNEY

Room 138 State Capitol
Helena, MT 59620-1706
(406) 444-3064
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COPY 3 HB 63
EXHIBIT 3
DATE 1-6-95
1 HB 63

REPORT ON LC 210

Purpose of Report

The Committee on Public Employee Retirement Systems (CPERS) is required by law (Ch. 549, L. 1993) to report to the Legislature on the fiscal and policy implications of each retirement proposal it reviews and to make recommendations for Legislative action. The Committee's recommendations do not constitute formal Legislative action on a bill and the Committee may not prevent a retirement bill from being introduced. The purpose of this report is to promote fair and consistent retirement policy for Montana's public employees.

Proposal Summary

The proposal changes the benefits payable from the volunteer firefighters' pension trust fund to provide that these benefits are paid on an actuarially funded basis (i.e., based on a detailed actuarial study of the system's experience. Full participation benefits are permanently set at \$100/month.

The bill was presented to CPERS on December 1, 1994, and was supported by the Public Employee Retirement Board.

Issue Summary

Monthly benefits for retired volunteer firefighters (and their eligible survivors) were set at a fixed rate for a period ending 7/1/95. During the interim, the Public Employees' Retirement Board was instructed to conduct actuarial studies on the benefits payable and funding available for the system and to present legislation to provide for actuarially funded benefits for retirees in the future.

Prior to 1991, the benefits were paid based on how much money was available in the trust, which was divided among the members. The trust is currently funded from 5% of the insurance premium taxes.

EXHIBIT three
DATE January 6, 1995
HB 63

Policy Considerations

The advantage of the system currently in effect for the volunteer firefighters is that there is no risk of creating an unfunded liability. However, benefits paid on the basis of how much money is in the trust fund at any given time means that the benefit is different each year and that one member's benefit may be different than another's depending on the date that the member retired.

An actuarially funded retirement plan, on the other hand, provides a defined benefit based on certain assumptions over time. These assumptions include the average age, life expectancy, etc., of the system members and a determination of how much of a benefit can be paid to all members given the funding available. Benefit recipients are then guaranteed a certain benefit.

Fiscal Considerations

The system created by the Volunteer Firefighters' Compensation Act (VFCA) is not a contributory system since its members are volunteers and receive no compensation from which contributions can be made. The VFCA system is funded outside the structure of the other employee systems, which are contributory, through insurance premium taxes. However, this bill provides actuarially funded benefits for future retirees, which is similar to the actuarial funding requirements of the other systems.

This proposal sets benefits for members at a level which can be actuarially maintained within the current statutory funding rates.

Effects on Other Systems

None. This bill covers only the Volunteer Firefighters' Compensation Act and Volunteer Firefighters' Pension Fund.

Committee Recommendations

Amendments: None.

Recommended Action: DO PASS (adopted unanimously)

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EXHIBIT 4
DATE 1-6-95
HB 63

Volunteer Firefighters' Compensation Act

Actuarial Valuation as of June 30, 1993

Submitted May 25, 1994

By Alton P. Hendrickson, M.A.A.A.

The original of this document is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

Revised September 19, 1994

EXHIBIT four
DATE January 6, 1995
HB 63

Hendrickson, Miller
& Associates, Inc.
ACTUARIAL CONSULTANTS

2

DATE 1-6-95

SPONSOR (S)

PLEASE PRINT

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

CS-14

State Administration

DATE 1-6-95

BILL NO. HB 63

SPONSOR(S) SCHWINDEN

PLEASE PRINT

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

CS-14