

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON STATE ADMINISTRATION**

**Call to Order:** By **CHAIRMAN RICHARD SIMPKINS**, on March 3, 1995,  
at 8:00 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. Bonnie Martinez (R)  
Rep. Gay Ann Masolo (R)  
Rep. William Rehbein, Jr. (R)  
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:** Rep. George Heavy Runner (D)  
Rep. Sam Kitzenberg (R)

**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: SB 357, SB 221, SB 193, SB 337  
Executive Action: NONE

{Tape: 1; Side: A.}

HEARING ON SB 357Opening Statement by Sponsor:

SEN. FRED VAN VALKENBURG stated that with the passage of this bill, there won't be as many injuries because of the younger work force and they won't have to pay higher salaries. With the system as it is currently, there is an older work force which is subject to more injuries than a younger work force would be. If this bill were to pass the fire departments wouldn't have to spend as much money for salaries because people would be able to retire at a younger age and wouldn't keep going up the pay scale.

Proponents' Testimony:

Dean Riggin, Great Falls Fire Department, stated with this bill the people in these professions won't have as many injuries and the employers won't have to pay higher salaries by providing early retirement. He submitted EXHIBIT 1. These professions are not covered under the social security act. These people who retire at age 65 will not receive any social security benefits since they aren't covered by the system. He stated the police and highway patrol systems realize they need to compensate for lack of social security benefits and in order to retire at a reasonable youthful age, there should be an increase in the benefit allowance for a year of service after twenty years. He stated both these systems have been changed to allow this increase.

The firefighter's system at the present time doesn't enjoy this benefit, but it shows that it is justified. Therefore, there are two major provisions to the bill. He stated the bill would allow retirement for firefighters after twenty years of service. The bill will also provide and increase benefits for years of service to 2% per year of service after twenty years for those members who currently only receive 1%. He stated this also removes the existing 60% of salary incumbent upon monthly benefit a retiree may receive.

It is their firm belief that both provisions will encourage retirement and promote the hiring of younger firefighters. The proposed distribution costs will meet a compromise and solvency of the Firefighters Retirement System. It will not impose an unreasonable and unjustified expense upon taxpayers. Although there are increases in the contribution rates from this bill to the cities and the state, they aren't big ones and they will be offset to a great degree by saving decisions in several areas. Since older firefighters receive higher salaries, there will be a savings to the cities and the state in the overall contribution amount because of the smaller payroll.

A younger work force imposes less of a cost to fund the workers compensation system in terms of reduced work comp rates in the cities and fewer claims to be paid by the state. The cities will

enjoy the benefit of lower unemployment insurance rates and significant health insurance costs as a consequence of employing younger workers.

He stated this bill had broad bipartisan support in the Senate. There was no opposition as it passed through the Senate State Administration Committee. They felt this addresses their concerns for having younger retirement and also addresses an important equity issue between the systems. He urged a do pass. He submitted written testimony. **EXHIBIT 2**

**Pat Clinch, Lieutenant Fireman**, stated currently there is a two-tier system. One tier is for those firefighters who have been hired before July 1, 1981. He stated this bill will remove the 60% maximum cap on benefits for these people. They will also receive a two percent increase for each year after twenty years of service. Currently they only receive one percent a year with a maximum of 60%. This bill will guarantee retirement for those people who are ready after twenty years of service regardless of age. He stated their benefits will be a guarantee of half of tier last month's salary and a two percent increase every year served after twenty.

The other tier is for those people employed after July 1, 1981. With this bill it would remove the 60% cap. He stated these people would be able to retire after twenty years of service at 40% of their salary. Their disability benefits would be half of their last month's salary, plus a 2% increase for every year served after 25 years. He stated the proposed cost for the employees rate is 7.8% of their salary which is a 1.8% increase from what they have recieved previously. The employers rate would be 14.36% which is an increase of 1.34%. This would make their retirement close to that of the police officers. The state's obligation would increase to 24.21%. The contribution amount would be 46.37% and there would be a 4.8% salary increase. He stated worker's compensation would decrease because with a younger work force there are less injuries. He closed stating they were in favor of the bill and the state's increase represents less than 10% of the expected increase in tax.

**Linda King, Public Employees' Retirement System**, submitted written testimony. **EXHIBIT 3**

**Jerry Williams, Montana Police Protection Association**, stated they were in support of the bill and this is a hazardous duty bill for the last of the hazardous duty employees to be covered.

Opponents' Testimony: none

Informational Testimony: none

Questions From Committee Members and Responses:

REP. GALVIN asked how many people were injured or disabled after the age of 40.

Mr. Riggin stated he didn't have the figures with him but he could get them for the committee.

REP. STOVALL asked how many people this bill would affect if it were passed.

Mr. Riggin stated it would affect about 10% of the force right away throughout the state. He stated in 20 years or more it could affect about 40% of the force.

REP. STOVALL asked how many people that would be.

Mr. Riggin stated there are about 450 active fire fighters currently. He stated 160 would be eligible to retire. He didn't think they would see a mass exiting of people if this were to become effective. He thought within a year there would be a significant turnover in the department.

REP. STOVALL asked if he had any calculations on how being younger would save money.

Mr. Riggin stated he did have figures on how this would affect the city of Great Falls. If the committee would like he could get the numbers for the rest of the state. In Great Falls they would be saving about \$800 a month or \$100,000 a year by hiring younger people.

REP. REHBEIN asked if the bill would increase taxes on the city level and if so, by how much.

Mr. Riggin stated it would be about \$160,000 a year for all of the cities combined and about \$120,000 for the state level.

REP. REHBEIN asked what it would be for the city of Great Falls.

Mr. Riggin stated it would be about \$28,000 if all of the people eligible would retire. He stated he didn't have the state figures.

REP. REHBEIN asked how much impact this would have on the fire insurance premiums.

Mr. Riggin stated he couldn't really say, but he thought it would be insignificant. There would be some impact, but not much.

REP. MASOLO asked what the average age of firefighters is for the state.

Ms. King stated it is about 40.6 years.

**REP. MASOLO** asked how old the oldest firefighter was in Great Falls.

**Ms. King** stated she didn't have the figures for the cities, but she did have the figures for the state. She said 25% of the membership would be eligible to retire immediately if this bill were to pass. She said she would expect a significant turnover within the next year if this became law.

**REP. MASOLO** asked how long most people stay with a department.

**Ms. King** stated the average age of retirement is 50. She said with the passage of this bill there would be a dramatic change in the first few years.

**REP. BRAINARD** asked what the average turnover rate on new hires was.

**Ms. King** stated 78 out of 412 have less than five years experience.

**Mr. Riggin** stated for the most part people get there and stay and there is little turnover.

**REP. TAYLOR** asked how many hours a week these people typically work.

**Mr. Riggin** stated each city has its own shifts and it depends on the shifts.

**REP. TAYLOR** asked if it was possible that they would work a great deal one week and not very much the next week.

**Mr. Riggin** stated it would depend on the shifts that the city has set up.

**REP. REHBEIN** asked if the people employed hold other jobs as well or if they are full-time firefighters.

**Mr. Riggin** stated they are full-time professional firefighters.

**CHAIRMAN SIMPKINS** asked what the cities' opinions about this bill have been.

**Mr. Riggin** stated he believed they thought it was a good idea but there was some concerns about the cost of implementing something like this.

**REP. BRAINARD** asked what this would mean actuarially when they do these programs. He asked what happens to the retirement fund from them.

**Ms. King** stated for members who terminate before they are due to retire, they can receive a refund of their contributions in interest. The rest of the money stays in the fund.

**REP. STOVALL** asked if this system was separate from the rest of the systems.

**Ms. King** stated it was and there are nine systems currently in the state.

**REP. STOVALL** asked if there was any unfunded liability in the system.

**Ms. King** stated there is in all of the systems. She stated there will be \$62.5 million for the firefighters with a 27.74 year amortization period. She stated all of this will be amortized within thirty years.

**CHAIRMAN SIMPKINS** asked how this bill will affect this.

**Ms. King** stated it will not increase the amortization.

**REP. STOVALL** asked if this will go into GABA, HB 268.

**Ms. King** stated it will go into the Guaranteed Annual Benefit Adjustment program if it is passed. She stated about .018% of the salary will be added for a total of \$75,000 for each state-wide.

*{Tape: 1; Side: B.}*

**REP. MASOLO** asked what the average salary increase was for firefighters.

**Ms. King** stated for those people hired prior to July 1, 1981, they receive 2.5% a year for the first 20 years and 1% increase after their twenty years of service. She stated the people hired after this time receive 2% a year regardless of the years served.

**REP. TAYLOR** asked if a person spends five years as a sheriff if they could roll their retirement into the firefighters' retirement and use that for the twenty years needed to retire.

**Ms. King** stated they would be able to do that at an additional out-of-pocket cost.

**Closing by Sponsor:**

**SEN. VAN VALKENBURG** stated the firefighters see no problem with the amendment proposed. They are the last of four hazardous duty occupations to come before the legislature and ask for change in their retirement system. They had worked with several different people to make sure this bill is actuarially sound. There has been no opposition by the cities to this bill. It gives them an

opportunity to do something for the benefit of the firefighters. He asked for the committee's favorable consideration of the bill.  
**EXHIBIT 4**

HEARING ON SB 221

Opening Statement by Sponsor:

**SEN. STEVE DOHERTY, SD 24**, submitted **EXHIBIT 5**. He stated this bill had received approval of the Senate and the Interim Committee who researched this. The basic idea of the bill was to catch up on the funding from some members of the police force. This would be a one time bump to half of the retirement benefits of sergeants. Some people have been through the ranks and have retired a number of years ago and haven't received a raise in their benefits since that time. He stated the insurance premiums would fund the one-time bump in pay.

Proponents' Testimony:

**Bill Steele, Police Officer, Retired**, submitted **EXHIBIT 6**. He stated where the people retired is generally where they stay. Currently, they receive no less than one half of what was paid when they retired. In 1984, they changed the law to state no officer would receive less than one half of a deferred officer's pay. He stated there had been an erosion of benefits and the retirement is worth less now and will keep on eroding as time goes on. This one-time ad hoc raise would bring retirees to the base pay of a sergeant's pay and they would stay there until the deferred officer's pay caught up to them. The 1.8% increase would cost 9/10 of a percent for the cities and the same for the state. This is now coming from the insurance premium taxes and this is where it should come from because that was set up for that purpose. He stated currently there is a minimum payment of one half for benefits of a deferred patrolmen. The 2% GABA doesn't fully address this because retirees who have waited will receive a 2% increase to smaller, seriously eroded base benefits. This one time adjustment is the most feasible and the least costly way to address the problem.

**Frank Cole, Missoula, Retired**, stated the pay scale is in a hole. They need to go back to the people who created the problem. He told the committee what his monthly budget was in order to bring home the reality that what they are currently getting from the retirement isn't sufficient. He stated the intent of the money is for these people and he hoped the committee would give the bill a do pass recommendation.

**CHAIR TURNED OVER TO VICE CHAIRMAN DORE SCHWINDEN.**

**Earnie Cox, President, United Police Officers Association**, stated he had retired after 20 years of service and since then there has

been an increase in living expenses. He asked the committee to consider this bill favorably.

{Tape: 2; Side: A.}

**Jerry Williams, Montana Police Protection Association**, stated there are many retirees who have waited many years to see a pay increase in retirement benefits. He stated this bill wouldn't affect the current active members of the police force.

**George Hagerman, Director, Montana Council, AFACME**, spoke in favor of the bill and asked the committee's favorable recommendation.

Opponents' Testimony: none

Informational Testimony: none

Questions From Committee Members and Responses:

REP. REHBEIN asked in reference to the \$16 million surplus, where this money would come from.

Mr. Steele stated \$4 million would be from the retirement and \$16 million would go back into the fund. He stated this figure gets higher every year.

REP. REHBEIN asked if the surplus was from the firemen's retirement premiums.

Mr. Steele stated the insurance tax fund money is what will pay for this. He stated the remaining \$16 million went back into the general fund.

REP. REHBEIN asked if when he retired, he took another job.

Mr. Steele stated he had taken another job when he retired.

REP. REHBEIN asked if there was another retirement program with his other job.

Mr. Steele stated they had Social Security with his other job.

REP. REHBEIN asked at what age he retired.

Mr. Steele stated he had retired at the age of 50.

REP. REHBEIN asked Mr. Cole at what age he had retired.

Mr. Cole stated he was hired at 21 years of age and had retired at 42.

REP. STOVALL asked what the increase percentage was on benefits.



**Mr. Steele** stated 3/4 of the retirees are at a sergeant or above. Not all are at that level. He stated 29 officers have gone over 15 years without a pay increase. One half would fall under this bill. He stated the rate would vary from city to city.

**REP. STOVALL** asked when they say to bring these people to the sergeant's salary, if that would be bringing them up to the current salary for sergeants.

**Mr. Steele** stated that was correct.

**REP. STOVALL** asked if there was going to be an average for years of service.

**Mr. Steele** stated that wouldn't be the case.

**Closing by Sponsor:**

**SEN. DOHERTY** closed, stating there are many people who aren't able to get another job. This is an attempt to go back to their promise to take care of these people when they retire. He stated they have done a great deal for citizens and this bill is a way to pay them back. He asked for a favorable recommendation from the committee.

**HEARING ON SB 193**

**Opening Statement by Sponsor:**

**SEN. STEVE DOHERTY, SD 24**, stated it would make sense to make the times and dates for elections the same. He stated there would probably be better participation. There are a lot of districts and elections. They decided, when drafting this bill, to mention all of the elections. The Senate amended out the school elections and he thought this was a good idea. This bill would keep polls open and have the same election times and this would make sense to do. He stated this would cut down on elections and the cost of having elections.

**Proponents' Testimony:**

**Joe Kerwin, Election Bureau Chief, Secretary of State's Office**, stated they stood in support of this bill. They thought it was a good idea to have a consistent time frame. He stated there were some exceptions to that rule, one of them being the school elections but that part had been amended out in the Senate. He asked the committee to give the bill a do pass recommendation.

**Catherine Lennemar, Montana Association of Clerks and Recorders**, spoke in favor of the bill.

**Opponents' Testimony:** none

Informational Testimony: none

Questions From Committee Members and Responses:

REP. BRAINARD asked how various polling places and ballots would be worked out if the bill were to pass.

SEN. DOHERTY stated they would have to work those things out in the same fashion that they currently do. He stated he knew that this might cause problems, but he was certain there would be a solution.

REP. BRAINARD asked if this bill would also include all the water conservation districts and other such elections.

SEN. DOHERTY stated the intent of the bill was to include all elections and districts.

REP. STOVALL asked if there would be any savings from this bill.

SEN. DOHERTY stated there will be little effect on local and county government expenditures according to the fiscal note. He believed, however, that there would be savings.

CHAIRMAN SIMPKINS asked if they have the okay for mail elections.

SEN. DOHERTY stated it was his understanding that if they get things going, they were going to do all of these at one time.

CHAIRMAN SIMPKINS asked if this was considered by the voluntary committee of election advisors.

Mr. Kerwin stated they hadn't specifically looked at this bill.

CHAIRMAN SIMPKINS asked if this bill were to pass if he would be willing to look at the bill and help them with any revisions that might need to be made.

Mr. Kerwin stated they would be willing to help in that capacity.

REP. BRAINARD asked what the part of the bill that was amended out of the bill would have done.

SEN. DOHERTY stated it asked school elections to be held during the primary or general elections. That wasn't a good idea because of contract conflicts. He stated that part of the bill needed to be looked at more closely than it was when it was drafted.

REP. BRAINARD asked what his feeling was on amending that section of the bill back in.

SEN. DOHERTY stated he didn't think that was a good idea. He stated with that part of the bill amended out, it passed through the Senate with almost no opposition.

{Tape: 2; Side: B.}

Closing by Sponsor:

SEN. DOHERTY closed, stating if the committee felt there was anything missing from the bill he had no problem with them amending it to make it a better bill. He thought this step was needed to continue in the right direction.

CHAIR TO CHAIRMAN SIMPKINS

HEARING ON SB 337

Opening Statement by Sponsor:

SEN. MIKE SPRAGUE, SD 6, stated this was an administrative bill that had been amended in the Senate. It would allow agencies to work with more dexterity and give them approval with money.

Proponents' Testimony:

Debra Fulton, Administrator, General Services, Department of Administration, submitted written testimony. EXHIBITS 7 and 8

Opponents' Testimony: none

Informational Testimony: none

Questions From Committee Members and Responses:

REP. TAYLOR asked if this bill would allow for instances when school buildings are leased. She asked if there is a money obligation by the taxpayers.

Ms. Fulton stated this bill only applies to state office buildings.

REP. BRAINARD asked if they perform the leases by bids.

Ms. Fulton stated they did except in cases of emergency.

CHAIRMAN SIMPKINS asked if this bill would change anything that already exists in law.

Ms. Fulton stated she didn't know.

REP. TAYLOR asked for clarification under the new added section of the bill where it states "leased or leased by a state agency".

**Ms. Fulton** stated that section of the bill deals with how they remodel not how a building is leased. She stated this doesn't change how the lease of the buildings is done.

**Closing by Sponsor:**

**SEN. SPRAGUE** stated this bill was passed by the Senate 100%. He stated this bill was not meant to step on toes; it was meant to help. He hoped the committee would give it a do pass recommendation.

ADJOURNMENT

Adjournment: 10:00 a.m.

  
RICHARD SIMPKINS, Chairman

  
CHRISTEN VINCENT, Secretary

RS/cdv

# HOUSE OF REPRESENTATIVES

## State Administration

ROLL CALL

DATE 8-8-95

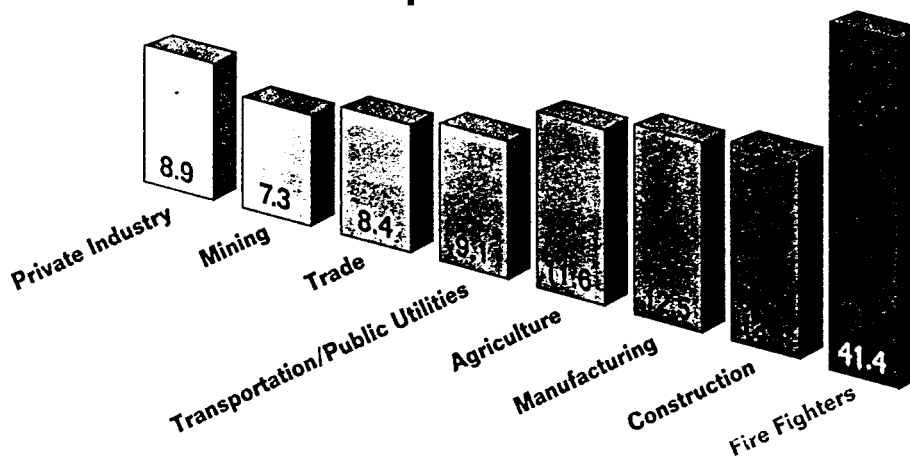
NAME	PRESENT	ABSENT	EXCUSED
Rep. Dick Simpkin, Chairman	✓		
Rep. Matt Denny, Vice Chairman, Majority	✓		
Rep. Dore Schwinden, Vice Chair, Minority	✓		
Rep. Matt Brainard	✓		
Rep. Pat Galvin	✓		
Rep. Dick Green	✓		
Rep. Toni Hagener	✓		
Rep. Harriet Hayne	✓		
Rep. George Heavy Runner			✓
Rep. Sam Kitzenberg			✓
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	✓		

## II. Fire Fighter Injuries

Fire departments responding to the 1993 survey reported that 93,786 fire fighters sustained 35,485 line-of-duty injuries either at the emergency scene or while performing other job related tasks. Consequently, more than one out of every three fire fighters was injured in the line of duty.

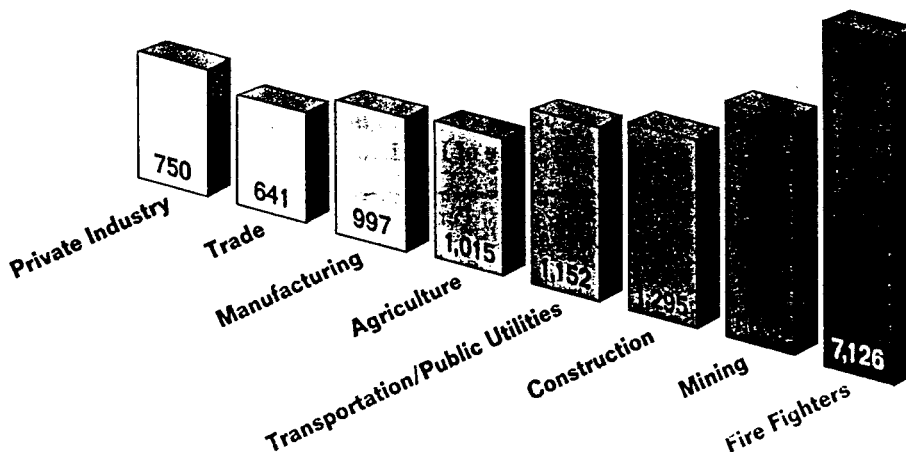
When compared to data compiled for private industry by the U.S. Bureau of Labor Statistics, the 1993 Fire Fighter Death and Injury Survey indicates that "incidence" or frequency of fire fighter job related injury is 4.7 times that of workers in private industry. In other words, 41.4 percent of fire fighters were injured in 1993 compared to only 8.9 percent of private industry workers. In terms of severity, fire fighter injuries caused 7,126 lost work hours per 100 workers — a rate 9.5 times the 750 hours lost per 100 workers in private industry.

**Number of Job Related Injuries/  
Illnesses per 100 Workers**



Source: Occupational Injuries and Illnesses in the United States by Industry, 1992, Summary 94-3, U.S. Bureau of Labor Statistics; and IAFF 1993 Death and Injury Survey.

**Lost Work Hours\* from Job Related  
Injuries/Illnesses per 100 Workers**



Source: Unpublished data, U.S. Bureau of Labor Statistics; and IAFF 1993 Death and Injury Survey.

\*For fire fighters, data is based on number of work shifts lost multiplied by the length of shift worked by each responding department. For all other industries, lost work hours are derived by multiplying the number of lost workdays reported by BLS by 8 hours.

EXHIBIT 1  
DATE 3-3-95  
HB SB 357

2  
Dean Riggan

### FURS Pension Benefit Revision

The role of the modern professional firefighter is a unique and challenging one, requiring far greater knowledge, training and commitment than needed in the past. This in turn asks much more of the men and women who perform this job, both in terms of the physical demands and the emotional stresses placed upon them over their careers in the performance of their duties. The reasons for this are many, but four prominently stand out.

First, firefighting itself has become more difficult. An especially significant and growing danger is the widespread use of synthetic materials in newer building construction, which creates fire environments far more hazardous than those known in the past. In addition, despite constant urban growth, local government cutbacks have led to reduced fire department manning levels, leaving fewer personnel to protect many more buildings and people, which greatly increases the risk of injury for individual firefighters.

Second, fire departments must deal with an ever-growing number of hazardous substances which move through our cities and towns every day, or lie in storage throughout the state. Thousands of such substances already exist, and the number of new ones has increased almost geometrically in recent years. Since hazardous material incidents involving these substances will certainly occur, firefighters must learn, through constant training, the correct incident response for each of them.

Third, and most significant, the role of fire departments in providing emergency medical services to their communities has

EXHIBIT 2  
DATE 3-3-95  
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grown enormously in the past decade. Nearly 80% of fire department responses in Montana cities are now emergency medical in nature, numbering over twelve thousand responses each year, and as a result three out of four Montana professional firefighters have also become emergency medical technicians. If you ask any firefighter with twenty years or more of service what the greatest difference is between their job today and the job when they were hired, they will tell you, "All the medical calls we go on now." And if you ask any firefighter what part of their job is the most demanding and stressful, their reply will be the same: "All the medical calls we go on now."

Fourth, recognizing these increased demands being placed upon individual firefighters and wishing to minimize time lost to sickness and injury, municipalities are justifiably requiring ever higher physical and mental standards of personnel within fire departments. This, of course, places a premium on fitness and youth, and often means changes in lifestyle for firefighters to meet the goals.

As all these reasons indicate, changes in the firefighting profession over recent decades have served to heighten rather than lessen the physical and mental stresses facing firefighters, and they also emphasize the need for younger members within fire departments. This is clearly not a job to be done by aging men. It is equally clear that it would be beneficial to have a retirement structure in place which would encourage retirement at an earlier age and thereby reap the benefit of bringing in more youthful employees. The other public safety organizations within

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DATE 3-3-95  
SB 357

the state, police, highway patrol, and sheriffs, have recognized this fact and have gotten or are acquiring provisions within their retirement systems to allow retirement after 20 years of service. Every argument advanced by these organizations to support the need for allowing earlier retirement applies equally, if not more so, to the profession of firefighting.

In addition, one more point must be made. Montana's firefighters, police officers, and highway patrol officers are members of public safety professions which are not covered by the Social Security Act, and therefore whose members upon reaching age 65 do not receive social security benefits. In the police and highway patrol retirement systems, it has been realized that to compensate for the lack of social security benefits and still allow for the possibility of retirement at a reasonably youthful age, there should be an increase in the benefit allowance per year of service past 20 years, and both systems have been changed to allow this increase. The firefighters' system does not at present enjoy this benefit, yet comparison with these other two similar systems will show that it is certainly justified.

Therefore, there are two major provisions to the bill we are proposing today. First, the bill will allow retirement for firefighters after 20 years of service. Second, it will provide an increased benefit per year of service, to 2% per year of service after 20 years, for those members who now accrue only 1% of salary for each year of service after 20 years, and remove the existing 60% of salary limit upon the monthly benefit a retiree may receive. It is our firm belief that both provisions will

encourage retirement and promote the hiring of younger firefighters, and with the proposed distribution of costs will neither compromise the solvency of the firefighter's retirement system nor impose unreasonable and unjustified expense upon the taxpayers. Although there are increases in contribution rates proposed in the bill for the cities and the state, they are not large, and the increases will be offset to a great degree by savings the cities and state will realize in several areas. Since older firefighters receive higher salaries than younger ones, there will be savings to the cities and the state in overall contribution amounts because of smaller payrolls. Secondly, a younger workforce imposes less cost upon the Worker's Compensation System, both in terms of reduced Work Comp rates for the cities and fewer claims to be paid by the state, especially in a profession such as firefighting. Finally, the cities will enjoy the benefit of lower unemployment insurance rates, and, perhaps foremost, significantly reduced health insurance costs as a consequence of employing younger workers.

This bill gained broad bipartisan support in the Senate. It passed the Senate State Administration Committee unanimously, and received a 34-16 do pass vote on the Senate floor, a better than 2 to 1 margin, with majorities of both parties recommending passage. The proposal is also supported by Senators Tom Beck and John Hertel, who were members of the 1993-1994 Interim Study Committee on Pension Systems, and by Linda King, Administrator of the Public Employees' Retirement Division. The bill is as follows.

TESTIMONY IN SUPPORT OF  
SB 357  
on behalf of the  
PUBLIC EMPLOYEES' RETIREMENT BOARD

Presented by  
Linda King, Administrator  
Public Employees' Retirement Division

On behalf of the Public Employees' Retirement Board which administers the Firefighters' Unified Retirement System, I am here to support SB 357. The bill, with the necessary proposed amendments, addresses significant equity issues between the FURS and the other hazardous duty retirement systems in this state. Those equity issues are:

- Retirement eligibility at 20 years of service, regardless of age
- Elimination of the 60% maximum benefit limitation
- Increasing the benefit accrual rate for pre-1981 members after 20 years of service (from 1%/year to 2%/year).

**Retirement Eligibility.** In 1991 the Legislature removed the age 50 requirement for normal service retirement in the Municipal Police Officers' Retirement System. That requirement had been imposed back in 1977 when the statewide system was formed. The reason for imposing the age 50 eligibility requirement was simply to reduce the cost of retirement benefits in that system. Similarly, when the Highway Patrol Officers', Sheriffs', and Firefighters' systems were formed, similar age constraints were enacted. In 1993, the Legislature removed the age 50 eligibility requirement in the Highway Patrol System.

Two bills have been introduced in the current session to equalize the retirement eligibility criteria in the remaining two hazardous duty retirement systems -- the Sheriffs' bill (HB 306 which has already passed the House and will be heard by this committee in the near future) and the Firefighters' bill which you are considering at present.

**Elimination of 60% maximum benefit limitation.** This limitation was also removed by previous legislatures from the Police and Highway Patrol Systems. In the interest of equity, the limitation should also be removed from the remaining hazardous duty retirement systems.

**Increasing benefit accrual rates after 20 years of service.** Currently, FURS members hired prior to 7/1/81 (when this unified system was enacted) receive 2.5% of final compensation for each year of service up to 20 years. After 20 years, their benefit accrual rate currently drops to 1% of final salary per year of service. (Post 7/1/81 hires receive 2% per year for all years of service.) In 1991 and 1993, the Legislature removed benefit accrual reductions from the Police and Highway Patrol Systems. In the interest of equity, this session should also favorably consider this proposal which would increase the benefit accrual after 20 years -- not to the full 2.5%, but to a more modest 2% per year of service.

**Equity Issue.** The Board opposed a 1991 bill which removed these restrictions from the Municipal Police Officers' Retirement system because of the equities which would be effected between the hazardous duty systems. It was the Board's position that the full impact of the 1991 decision would not be realized until all hazardous duty systems were equalized. In spite of the Board's opposition, the 1991 legislature removed the age restrictions and increased benefit accruals in the Police. As predicted, in 1993, a bill was introduced, and passed, to eliminate the age restrictions and increase benefits in the Highway Patrol System.

This session, equalization bills have arrived for the two remaining hazardous duty retirement systems. This committee and the House have already considered and approved the equalization bill for the Sheriffs' Retirement System. The Board urges that you complete the process begun in 1991 by passing this legislation, including the amendments proposed here today, granting 20 year retirement to all members of the Firefighters' Unified Retirement System. The bill is actuarially funded and will address important equity issues between the retirement systems.

EXHIBIT 3  
DATE 3-3-95  
#HB 357



# Committee on Public Employee Retirement Systems

## 53rd Montana Legislature

Room 138 State Capitol  
Helena, MT 59620-1706  
(406) 444-3064  
FAX (406) 444-3036

### 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

## REPORT ON SENATE BILL NO. 221

### 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. *This report applies to the proposal as presented to CPERS, not to any changes made subsequent to the adoption of this report.* This report is informational and its purpose is to promote fair and consistent retirement policy for Montana's public employees.

### Proposal Summary

The original proposal was to amend the minimum benefit provisions of the Municipal Police Officer's Retirement System (MPORS) to provide that the minimum retirement benefit payable to a police officer who retired at the rank of patrolman could be no less than 50% of the base salary paid to a newly confirmed patrolman and that the minimum retirement benefit of a retired sergeant could be no less than 50% of the base salary of a newly confirmed sergeant. This benefit enhancement was to be funded by the insurance premium tax fund.

As a result of CPERS deliberations, the proposal evolved into a one-time increase in retirement benefits for currently retired members who retired at the rank of sergeant or above so that the member's benefit would not be less than 50% of the current monthly compensation for newly appointed sergeants. Members who retired below the rank of sergeant are not affected. This one-time increase would be funded by a 0.0854% increase in state contributions from the insurance premium tax and an increase of 0.0854% in the employer contribution for a total increase of 1.87% in current contribution rates.

(over)

EXHIBIT 4  
DATE 3-3-95  
SB 221

## **Issue Summary**

The current minimum benefit paid to retired members of the MPORS is 50% of the base salary of a newly confirmed patrolman. Thus, retired patrolmen receive benefit increases much sooner than retired sergeants. A member who retired at 50% of sergeant's pay must wait 10 to 15 years (when 50% of the salary of a newly confirmed patrolman reaches more than 50% of sergeant's pay) to receive any increase in retirement benefits. Eventually, the benefits for all retirees level out at the minimum (50% of a newly appointed patrolman's salary).

## **Policy Considerations**

As originally presented, the proposal would have created two minimum benefits, one for a patrolman and one for a sergeant. Thus, members who retired as sergeants would not have to wait as many years to receive a benefit increase and benefits would level out at two minimums depending on whether the officer retired as a patrolman or as a sergeant.

The CPERS deliberated whether the proposed 2% Guaranteed Annual Benefit Adjustment (GABA), LC 772, would address the issue. It was determined that the 2% GABA would not fully address the issue because those retirees who had waited 10 to 15 years would be receiving (if the GABA is enacted) a 2% increase to a smaller, seriously eroded, base benefit.

Reviewing options presented by the Public Employees' Retirement Division, the CPERS agreed that a one-time increase in base benefits was the most feasible and least costly way to address the issue. This one-time adjustment as proposed to the CPERS increases the benefits of those who retired at the rank of sergeant so that their benefits are no less than 50% of the salary of a newly appointed sergeant.

Although a representative of the Montana Retired Police Officers Association, Bill Steele, agreed with the compromise at the CPERS December 29, 1994, meeting, Mr. Steele also noted that the one-time "bump" would most help officers who had more recently retired.

## **Fiscal Considerations**

As originally presented, the increase in minimum benefits was to be funded entirely from the insurance premium tax. However, testimony presented by Linda King, Administrator of the Public Employees' Retirement Division (PERD), at the CPERS' December 2, 1994, meeting indicated that such a proposal would be costly and that any money taken from the insurance premium tax would be reflected as a direct offset to general fund revenue.

The PERD provided two options for addressing the issue: (1) providing a permanent increase in the minimum benefit paid and increasing state and employer contributions by a total of 17.88% to cover the costs; or (2) providing the one-time increase as described above and increasing state and employer contributions by a total of 1.87% to cover the cost.

After discussing the fiscal impact of a 17.88% increase in contributions, CPERS and Mr. Steele agreed that the proposal most feasible was the one-time increase in the minimum benefit.

## **Effects on Other Systems**

Two other systems have similar minimum benefit provisions based on the salary of new members: the Highway Patrol Officers Retirement System (HPORS) and the Firefighters' Unified Retirement System (FURS). Under HPORS, retirees are paid a minimum benefit that is calculated utilizing the current salary of a probationary patrol officer. Under FURS, a retiree's minimum benefit cannot be less than 50% of the salary paid to a newly confirmed member.

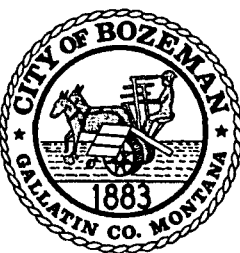
The Committee did not discuss the implications of this proposal on the other systems.

## **Committee Recommendations**

*Amendments:* None.

*Recommended Action:* DO PASS (adopted unanimously with Representatives Hertel and Fisher and Senator Hockett absent)

**Note:** This report was prepared by Sheri Heffelfinger, Researcher, Montana Legislative Council based on the draft minutes of the December 1-2, 1994, and December 29, 1994, CPERS' meetings.



# THE CITY OF BOZEMAN

411 E. MAIN ST. P.O. BOX 640 PHONE/TDD (406) 582-2300

BOZEMAN, MONTANA 59771-0640

March 2, 1995

State Administration Committee  
House of Representatives  
Representative Dick Simpkins, Chairman  
Room 312-3  
State Capitol  
Helena, MT 59620

Re: SB 357

Mr. Chairman & Members of the Committee:

As the employer of a fire department in one of the major cities in Montana, I am writing in opposition to SB 357.

The reasons for the City of Bozeman's opposition to this bill are enumerated below.

- 1) This bill would pass additional retirement system costs on to local governments. Local governments would have no say in whether or not they would be willing to incur these added costs.

Due to the restrictions of I-105, some local governments have no ability to raise additional revenues. Most are at their mill levy cap and some are actually experiencing a reduction in their taxable value.

- 2) Enormous disparities currently exist in the retirement system contribution rates. In the past, the Legislature has made efforts to reduce the discrepancies in the retirement systems. This bill would work to exaggerate the existing inconsistencies. To demonstrate the variations, the retirement system contribution rates of the retirement systems the city deals with, are shown on the following page.

EXHIBIT 5  
DATE 3-3-95  
SB 357



-----Contributions-----				
Employee	Employer	Sub-Total	State	Total

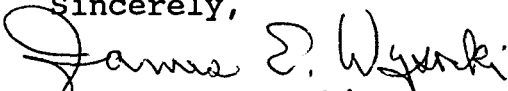
# RETIREMENT CONTRIBUTION RATES

PERS	6.70	6.70	13.40		13.40
Fire	6.00	13.02	19.02	22.98	42.00
Police:					
Prior to 7-1-75	6.00	13.92	19.92	15.66	35.58
7-1-75 to 6-30-79	7.20	13.92	21.12	15.66	36.78
After 7-1-79	8.70	13.92	22.62	15.66	38.28

- 3) The fundamental problem is that workers cannot expect to work for only 20 years and then be able to retire. Many firefighters are hired in their early 20's. If they only work 20 years, they would be retiring in their early 40's.

Firefighters should not expect taxpayers to finance the vast majority of their retirement system costs to enable them to retire when they are 40 years old.

IF FIREFIGHTERS WOULD LIKE TO IMPROVE THEIR RETIREMENT SYSTEM BENEFITS, THEY SHOULD FUND THE ADDITIONAL COSTS THEMSELVES.

Sincerely,  
  
 James E. Wysocki  
 City Manager

L95-061

YEARS

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23

CAPT. 1400<sup>00</sup>

L.T. 1300<sup>00</sup>

SGT. 1200<sup>00</sup>

BASE SGT. 1100<sup>00</sup>

SENIOR PTL 1000<sup>00</sup>

PL 900<sup>00</sup>

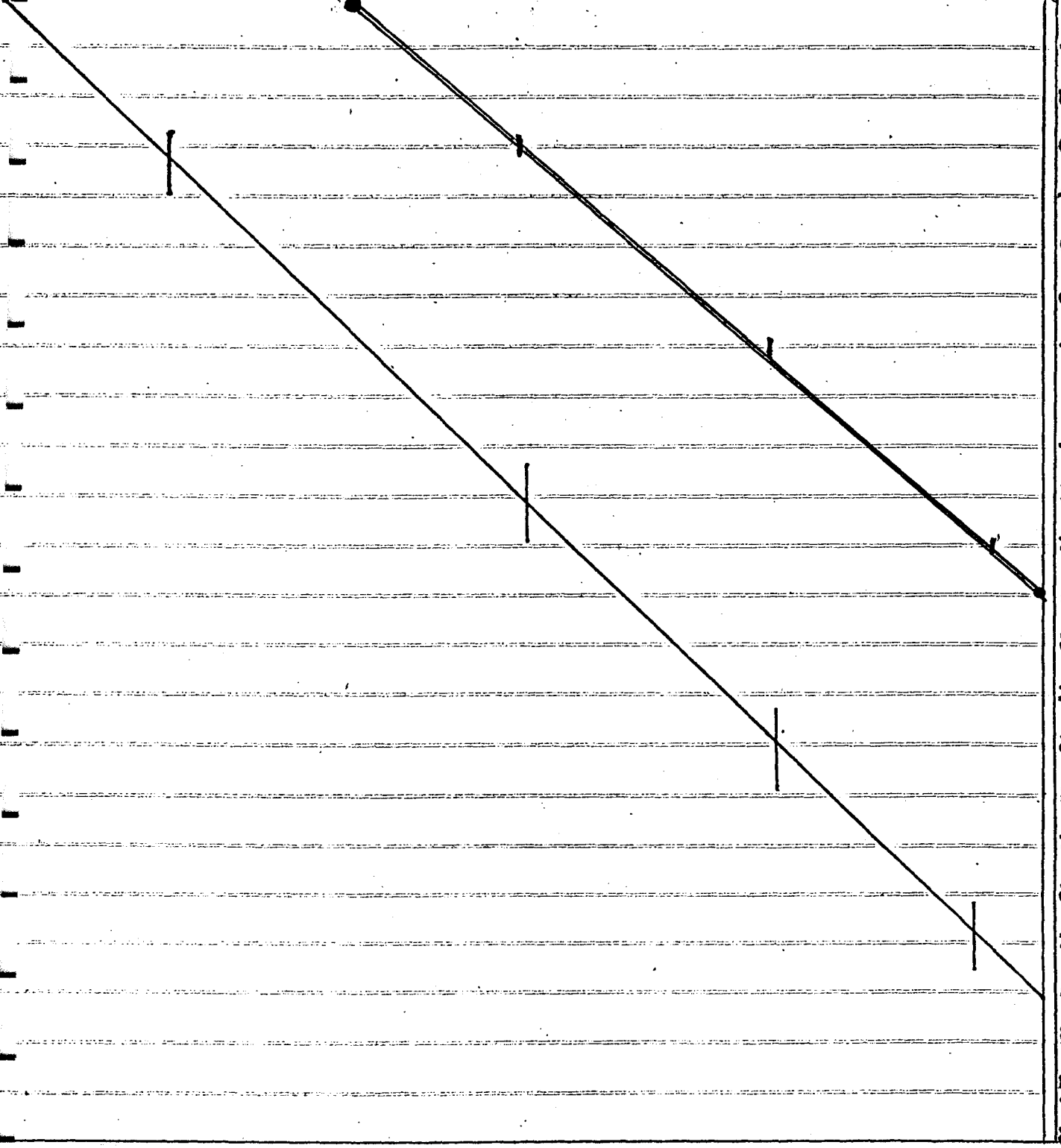


EXHIBIT 6

DATE 3-3-75

HB SB 337

TESTIMONY ON SB 337  
 GENERAL SERVICES DIVISION  
 March 3, 1995  
 Debra M. Fulton

Title: ~~"An act providing that a building owner's alteration, repair, maintenance, or remodelling of a building to be purchased by the state is exempt from public contract provisions; revising the definition of a "building"; clarifying legislative consent to building costs; and amending sections 18-2-101 and 18-2-102, MCA."~~

The changes to statute contained in SB 337, as amended, provide clarification to the department in leasing and maintenance decisions. The clarifications simply confirm that the present way we do business is the proper way to do that business, and do not represent any changes in current practices.

Section 1 of the amended bill amends 18-2-101 MCA, to clarify that the definition of "building" contained in the act does not include structures, "(c) leased or to be leased by a state agency;". Without this clarification, the existing statute might be interpreted to mean that if a state agency needed a landlord to remodel privately owned space so they could lease it, or have remodelling done to meet program needs during the course of the lease, the landlord would have to follow state construction statutes to get the job done.

A strict reading of the statute might require agencies to get legislative approval if they wanted to have existing space for lease remodelled to suit their needs - even though they could lease space that didn't need remodelling without this same approval. In addition, the private building owner would have to go through the state's architectural selection process and couldn't choose their own architect - even though the building owner might be an architect. The project would require bonding and the payment of prevailing wages, and the building owner would have to put the project out for competitive bid - even though the owner might be a construction company. And then the owner would award the contract for the remodelling to the lowest responsible bidder - even though that bidder might be the landlord's competitor. Then, the Department of Administration would oversee the remodelling project and would extract a fee from the private business owner for that oversight.

I think you can agree that this would make it very difficult for the department to lease space in privately owned buildings. It is not the way we do business now, and it doesn't make sense to have us do business this way in the future. I don't know of anyone, including the federal government, who must try to operate under these kinds of constraints.

The only interest the department has in the cost or quality of any remodelling work in leased space is that they get what they ask for, and that the final per square footage costs of the lease fall

EXHIBIT 2  
 DATE 3-3-95  
 JFB 332

within acceptable guidelines. These two things are presently accomplished in negotiating the lease document, and any further oversight of the remodelling would not be productive, nor would it be necessary.

I guess the most common sense way to look at this problem is to examine the state's interests in Title 18 and to determine if they apply to leasing. We think they do not. Title 18 exists because the legislature intended to be consulted before the state acquired a long term asset/liability in permanent facilities. In addition, the state has a vested interest in the quality of the facility as we would be maintaining it for its useful life. There is an interest in allowing everyone to have an opportunity to participate in the building of the facility by providing a uniform, competitive bidding process, and leveling the playing field by requiring prevailing wage. These same interests do not apply to the leasing process.

The state has no long term interest in the leased facility, and no requirement to maintain the improvements over time. While there is an interest in allowing all qualified parties to be considered, that process takes place at the negotiating table where space availability and lease terms are determined, not through construction bid documents. Construction and leasing are clearly two separate processes and should not be held to the same rules and regulations.

Section 2 of the amended bill amends 18-2-102, MCA. It clarifies the statute to align it with current practices regarding building maintenance. As you might imagine, not all maintenance for state buildings can be anticipated during a legislative session. We might not anticipate, for example, that the air handlers on a building were going to fail and have to be replaced a year from now. If they do fail, we need to be able to react quickly and replace the equipment so the building can continue to be used, and so that it is not damaged by any delay in replacement.

This is the current practice, and the practice which makes sense, but a strict reading of existing statute today might require that a repair such as this, if it cost over \$50,000, receive specific legislative authority. That would require a special session, or abandonment of the facility until the legislature reconvened - neither of which is a very practical solution. I want to clarify, however, that other new construction and remodelling totalling over \$50,000, does now, and would continue to require legislative approval. This bill only addresses those situations that deal with like for like repair or replacement of an existing building feature.

In summary, the changes requested in this bill are not earth shaking, but they do define and streamline good business practices for government space procurement. They keep the government out of the business of private property holders, and they allow agencies to obtain the space they need for their programs. We hope you will

EXHIBIT 7  
DATE 3-3-95  
SB 337

agree and support SB 337.

I also have a letter for the committee that Don Erickson, a local developer, has asked be entered into the record. Thank you



February 14, 1995

State of Montana Administration Committee  
State Senate - State Capital  
Helena, MT 59620

RE: Senate Bill 337

Dear Committee Members:

This letter is to express my support for Senate Bill 337. The Landmark Company is a provider of leased office space to the State of Montana.

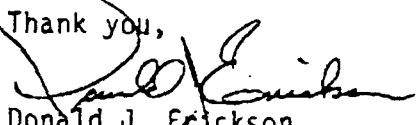
I can assure you that the Department of Administration does their best to see that agencies get their monies worth in the Helena rental market. The Department's insistence that projects meet the agency's requirements as well as conforming to building codes protects the State of Montana investment. They generally have been able to negotiate rental rates that are at or below the market.

To require the Department to appoint our architect and become involved in our bidding process and negotiations with contractors will more than likely limit the number of providers of space. We, the owners of the leased properties, do not want to turn over to the state the responsibility of awarding bids, etc. The property still belongs to us - our responsibility is to remodel and lease according to negotiated terms. If the number of providers is limited, it follows that the cost of space will increase.

The negotiations for price per square foot and remodeling requirements should be the focus of the Department. Let the owner of the property negotiate with the contractor and architect. If we were to lose control of remodeling and architectural expenses, we would not consider leasing additional space to any state agency unless we were able to obtain a higher rental rate.

Keep the system working along with keeping the cost down and support SB337.

Thank you,

  
Donald J. Erickson  
BROKER/OWNER

DJE/jlv

EXHIBIT 8  
DATE 3-3-95  
SB 337

HOUSE OF REPRESENTATIVES  
VISITORS REGISTER

State Admin

COMMITTEE

DATE 3-3-95

BILL NO. SB221

SPONSOR(S)

Doherty

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	Support	Oppose
Bill Steele	MT Retired Police	L	
Chas. Brosala	" " "	✓	
Thomas W. Hough	" " "	✓	
R. K. Johnson	" " "	✓	
Jack Cawiller	" " "	✓	
Harry Lambert	" "	L	
Ronald V. Horan	" "	✓	
Jack L. Macsek	" "	✓	
Gail D. Macek	" "	✓	
Stan Tenney	" "	✓	
Carl Walton	" "	✓	
Ernie, Col	" "	✓	
Edith Miller	Widow -	✓	

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

HR:1993

wp:visbcom.man

CS-14

George Hagerman

AFSCME

✓

Harry Hennrich

Butte Silver Bow Active

Jim HENRIK

BUTTE SB RETIRED

Rudy Hopkins

" " " ✓

Ernest J. Gumpen

Sweet Fall ret.

✓

HOUSE OF REPRESENTATIVES  
VISITORS REGISTER

State Admin COMMITTEE DATE 3-3-85  
BILL NO. SB 193 SPONSOR(S) Deputy  
224

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	Support	Oppose
Alice Gardner	Ret'd Police	✓	
Phyllis Zobenica	Retired Police	✓	
Dick Keniston	Retired Police	✓	
James Cole	Retired Police	✓	
Lora Cole	Retired Police	✓	
ELFRIEDE A. ROSE	" "	✓	
Helen Cole	" "	✓	
FRANK Cole	" "	✓	
Floyd P. Campbell	" "	✓	
Monica Campbell	" "	✓	
William L. ROSE	" "	✓	
Terry Williams	Madara Police Protective Assn	✓	
Bert Rohrer	Retired Police	✓	

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CS-14



HOUSE OF REPRESENTATIVES  
VISITORS REGISTER

State Admin COMMITTEE DATE 3-3-96  
BILL NO. SB357 SPONSOR(S) Van Valkenburg

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PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	Support	Oppose
Pat Clinch	MT State Council Firefighters	X	
VERNON L ERICKSON	" "	X	
Tim BERGSTROM	BILLINGS FIRE FIGHTERS	X	
DEAN RIGGIN	GREAT FALLS FIRE DEPT.	X	
Richard Seddon	Kahispeh FIRE Dept	X	
Jerry Williams	Montana Police Protection Assn	X	
JOHN P. PAULL	BUTTE FIRE DEPT	X	
Dave Brinker	Retired Police	X	
Lloyd S. Porter	Retired Police	X	

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ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

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HOUSE OF REPRESENTATIVES  
VISITORS REGISTER

State Admin

COMMITTEE

DATE 3-3-95

BILL NO. SB 337

SPONSOR(S) Spiegel

SB 193

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	Support	Oppose
Debra Fulton	Department of Admin	337 X	
Jaqueline Denmark	Mt Assoc Ckx + Rce	193 X	
Joe Kernick	SOS	193 X	

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

HR:1993

wp:visbcom.man

CS-14