

MINUTES

**MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION**

Call to Order: By **CHAIRMAN DON HARGROVE**, on March 20, 1997, at 10:00 a.m., in Room 331.

ROLL CALL

Members Present:

Sen. Kenneth "Ken" Mesaros, Vice Chairman (R)
Sen. Delwyn Gage (R)
Sen. Fred Thomas (R)
Sen. Bill Wilson (D)

Members Excused:

Sen. Don Hargrove, Chairman (R)
Sen. Vivian M. Brooke (D)

Members Absent: None

Staff Present: David Niss, Legislative Services Division
Mary Morris, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 430, 3/11/97;
HB 569, 3/11/97
HB 173, 3/11/97
Executive Action: None

HEARING ON HB 430

Sponsor: REP. BRUCE SIMON, HD 18, BILLINGS

Proponents: Pat Clinch, Montana State Council of Professional Firefighters, the Montana State Firemen's Association
Linda King, Public Employees' Retirement Board

Opponents: None

Opening Statement by Sponsor:

REP. BRUCE SIMON, HD 18, BILLINGS, introduced HB 430 which deals with firefighter retirement. This bill will help the emergency

personnel in that it will get them on the same playing field. Most of this increase will be paid for by the firefighters themselves. This bill will not have an impact on the General Fund.

Proponents' Testimony:

Pat Clinch, Montana State Council of Professional Firefighters and the Montana State Fireman's Association, stated that the primary reason for the bill is an equity issue. House Bill 430 is the last step in neutralizing the benefits in the Firefighters Unified Retirement System. Members hired after July 1, 1981, have a dramatically lower level of benefits. They currently pay the same contribution rate, do the same job and share the dangers of that job. The service retirement would be based on 2.5 percent of salary for each year of service times a final average compensation. This would afford the firefighters the same benefits as the other hazardous duty retirement systems. The cost of this bill will be handled by the firefighters by increasing their contribution rate from 7.8 to 9.5 percent of salary. The employer's rate will not be changed and the state could actually realize some increase in General Fund revenues by actuarially funding minimum retirement investments. Currently these increases are paid yearly from the fire portion of the all risk enumerated tax and are not actuarially funded.

Linda King, Public Employees' Retirement Board, remarked that the Board supports the firefighters' efforts to equalize the benefits in their system. If you retired at 20 years of service and the person that came a couple months after you retired, there could be a \$500 a month difference in benefits. The fiscal note originally showed an impact of \$69,000 to the General Fund the first year and \$76,000 the second year (**EXHIBIT 1**). The tax revenue growth since its inception has been 5.8 percent per year, but for the past five years it has only been 5.15 percent. If you take the lower rate, the first year of the biennium this bill would increase revenues by \$828.00 and in the second year decrease them by an estimated \$978.00. It is a wash.

Opponents' Testimony: None

Questions From Committee Members and Responses: None

Closing by Sponsor:

REP. SIMON closed on HB 430. This bill is a matter of fairness. It has no impact on the General Fund. This bill was looked at by an interim committee that looked at various retirements and they voted in favor of this legislation.

HEARING ON HB 173

Sponsor: REP. CAROLYN SQUIRES, HD 68, MISSOULA

Proponents: Linda King, Public Employees Retirement Board

Opponents: None

Opening Statement by Sponsor:

REP. CAROLYN SQUIRES, HD 68, Missoula, commented that HB 173 coordinates with the previous bill, HB 430. This bill is by the request of the Public Employees Retirement Board. It provides an actuarial funding mechanism for minimum benefit payments, that must be paid to certain benefit recipients under the Municipal Police Officers and the Firefighters United Retirement System. This actuarial funding mechanism is provided for by eliminating the direct reimbursement of the Public Employees Retirement Division after the Division has already paid the benefits. The bill provides that the money is advanced as a state contribution to the Retirement System before the benefits must be paid. The Retirement Division can count the money as current contribution that is prefunding a future benefit. The reason that this needs to occur is Article VIII, Sec. 15 of the Montana State Constitution indicates that the public retirement system shall be funded on an actuarially sound basis. The Board maintains that the current law is unconstitutional and must be changed. It is less expensive to prefund benefits, allow the pension funds to be pooled and invested and then to pay the benefits than it is to have direct out-of-pocket expense of a direct reimbursement for the benefits paid. There is no impact to the General Fund.

Proponents' Testimony:

Linda King, Public Employees Retirement Board, presented written testimony (EXHIBIT 2). This bill covers actuarial funding mechanisms for both the police and firefighters. The firefighters' bill that you just heard also makes this change and corrects that problem and the GABA bill also does, but they couldn't be sure that either one of those bills would pass. If either one of those bills passes, there would need to be a coordination instruction. This bill is needed to still cover the problem in the police system.

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. FRED THOMAS asked about the coordination and how that would be handled.

Ms. King explained that **Sherri Hefflefinger, David Niss** and herself would be working on coordinating amendments which were necessary for these bills and would have them ready for executive action.

SEN. THOMAS questioned if they went ahead with GABA or the other bill, would this bill be necessary?

Ms. King explained that the police part of this needed to be taken care of and was not in another bill.

Closing by Sponsor:

REP. SQUIRES closed by saying that the bills were well explained and she felt the committee understood the concept.

HEARING ON HB 569

Sponsor: **REP. CAROLYN SQUIRES, HD 68, MISSOULA**

Proponents: **Mike Kadas, Mayor of Missoula**
Vern Erickson, Montana State Firemen's Association

Opponents: **None**

Opening Statement by Sponsor:

REP. CAROLYN SQUIRES, HD 68, Missoula, introduced HB 569 which is a bill that affects her area. Annexation has occurred in her district. She has partial rural and partial city fire departments. If and when the annexation would occur in the city of Missoula and go further, those firefighters that are currently employed under the rural fire department would probably become employees of the city. This bill would allow that those firefighters would have the option of retaining their PERS, based on their years of service, or if they were new hires, who wanted to transfer to the city's retirement plan, they would have the option. Currently, people who are in PERS would lose in that process. She didn't know how many other communities would be affected by this, but Missoula would have a definite affect for these people. She wanted to make sure that neither the rural or city firefighters were hurt by this legislation.

Proponents' Testimony:

Mike Kadas, Mayor of Missoula, stated that this bill doesn't do as much as **REP. SQUIRES** thought it did. The situation now is if you join a municipal fire system, you must join FIRS, there is no two ways about it. That creates, in small circumstances, a distinction. If you have a firefighter who is so close to retirement that by joining FIRS, they wouldn't have time to

become vested, then they would lose those last years under PERS and would not receive credit under FIRS. That is all this bill does. It is for those persons who wouldn't have time to get vested under FIRS, they would have the choice of staying with PERS. They are the only ones this affects. This might be a half dozen people in the state at the most.

The reason they asked for this legislation is that the city of Missoula and the Missoula Rural Fire District have been at odds for years. They are having discussions about the best way to provide service in their valley and the most cost effective way to provide service in their valley. That will ultimately mean combining the two departments in some way, at least the professional components of the two departments. This is a minor roadblock. One of the problems is that there will be two or three firefighters caught in that window.

Vern Erickson, Montana State Fireman's Association, spoke in support of the bill. He called the rural firefighters in Missoula and they are in agreement with the legislation because it is permissive and if it helps to solve some of the problems, it will be a very good bill.

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. GAGE questioned whether, under current law, they could not elect to bring all PERS members into FIRS, or if it would be too expensive to do so?

Ms. King explained it would be very expensive for those who had quite a few years of service.

Closing by Sponsor:

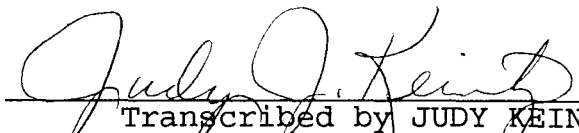
REP. SQUIRES commented this is not the only time she has disagreed with the mayor. She believed the bill did do the things she indicated. As they work toward the mutual agreement and the process of annexation moved on, this would offer some options to the people involved.

ADJOURNMENT

Adjournment: 10:29 a.m.


SEN. KEN MESAROS, Vice Chairman


MARY MORRIS, Secretary


Transcribed by JUDY KEINTZ

DH/MM