HOUSE BILL NO. 16

INTRODUCED BY SCHYE, LORY, QUILICI, GAGE

BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

IN THE HOUSE

June 17, 1986

June 24, 1986

.

Bill printed and placed on members' desks.

Committee recommend bill do pass as

Committee on State Administration.

June 25, 1986 Second reading, do pass.

Third reading, passed.

Introduced and referred to

amended. Report adopted.

Transmitted to Senate.

IN THE SENATE

June 25, 1986

June 27, 1986

Introduced and referred to Committee on State Administration.

Committee recommend bill be concurred in. Report adopted.

Second reading, concurred in.

Third reading, concurred in. Ayes, 48; Noes, 0.

Returned to House.

IN THE HOUSE

June 28, 1986

Received from Senate.

Sent to enrolling.

Reported correctly enrolled.

HOUSE BILL NO. 16 INTRODUCED BY BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

A BILL FOR AN ACT ENTITLED: "AN ACT TRANSFERRING EXCESS 5 6 INCOME EARNED ON THE SOCIAL SECURITY CONTRIBUTION ACCOUNT AFTER JULY 1, 1987, TO THE STATE GENERAL FUND; TRANSFERRING 7 EXCESS EARNED INCOME FROM THE CURRENT AND PREVIOUS FISCAL я 9 YEARS AS OF JUNE 30, 1986. TO THE STATE GENERAL FUND: 10 PROVIDING ALTERNATIVE FUNDING FOR ADMINISTERING THE RETIREMENT SYSTEMS; AMENDING SECTIONS 19-1-602, 19-3-603, 11 AND 19-3-805, MCA; AND PROVIDING EFFECTIVE DATES." 12

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
Section 1. Section 19-1-602, MCA, is amended to read:
"19-1-602. Management of account. (1) All moneys in
the account shall be mingled and undivided.

18 (2) Subject to the provisions of this chapter, the 19 state agency is vested with full power, authority, and 20 jurisdiction over the account, including all moneys and 21 property or securities belonging thereto. It may perform any 22 and all acts, whether or not specifically designated, which 23 are necessary to the administration of the account and are 24 consistent with the provisions of this chapter.

(3) The board of investments shall invest the account



in investments of the same character as are permitted by 1 2 17-6-211 for the investment of moneys in the long-term investment fund. The state agency shall credit all interest 3 and income earned on the account in excess of that which, in 4 its judgment, may be needed for the purposes set forth in 5 19-1-603 to the funds-of-the-state-agency,-to-be-used-by-it 6 7 to-defray-the-costs-of-administering-the-state-agency-as--it R may-determine state general fund.

9 (4) No later than June 30, 1986, the state agency 10 shall calculate an amount equal to the earned income from 11 current and previous fiscal years in the contribution 12 account, less all payments and credits due or owing, and 13 transfer this amount to the state general fund."

14 Section 2. Section 19-3-603, MCA, is amended to read: 15 "19-3-603. Restrictions on use of fund. (1) Except as 16 herein provided, no member and no employee of the department 17 of administration may:

18 (a) have any interest, direct or indirect, in the
19 making of any investment or in the gains or profits accruing
20 therefrom;

(b) directly or indirectly, for himself or as an agent
or partner of others, borrow any of its funds or deposits;
(c) in any manner use the same except to make such
current and necessary payments as are authorized by the
department; or

INTRODUCED BILL HB/6

LC 0066/01

1 (d) become an endorser or surety as to or in any 2 manner an obligor for investments for the retirement system. 3 (2) The assets of the retirement system may not be 4 used for or diverted to any purpose other than for the 5 exclusive benefit of the members and their beneficiaries and 6 for paying the reasonable administrative expenses of 7 administering the retirement system systems administered by 8 the board."

9 Section 3. Section 19-3-805, MCA, is amended to read:
10 "19-3-805. Administrative expenses. (1) Effective July
11 1, 1987, the board may assess and the department of
12 administration, in such case, shall collect a fee, not to
13 exceed 0.2% of gross compensation, from each employer to
14 defray the administrative expenses of the retirement systems
15 administered by the board.

16 (2) In addition to the contributions elsewhere 17 provided in this chapter, on January 1 of each year each 18 employer shall contribute on behalf of each member then in 19 its employ a membership fee of \$1. The appropriation of 20 these fees, together with other moneys appropriated for that 21 purpose, shall be used for the purpose of defraying the 22 administrative expense of this chapter. Any request for an 23 increase of spending authority for administrative expenses 24 requires a budget amendment and is subject to Title 17, 25 chapter 7, part 4."

<u>NEW SECTION.</u> Section 4. Extension of authority. Any
 existing authority of the public employees' retirement board
 to make rules on the subject of the provisions of this act
 is extended to the provisions of this act.
 <u>NEW SECTION.</u> Section 5. Effective dates. (1) This

act, except for the amendment to 19-1-602(3), is effective
on passage and approval.

8 (2) The amendment to 19-1-602(3) is effective July 1,
 9 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for <u>HB016</u>, as introduced

Description of Proposed Legislation:

To transfer current and future excess income earned on the Social Security contribution account to the General Fund and providing for alternative funding for administering the retirement systems beginning in FY88.

Assumptions:

- 1. Approximately \$2 million will be transferred from the Social Security Contribution Account to the General Fund by June 30, 1986.
- 2. Excess earnings from the Social Security Contribution Account in FY87 will be deposited to the General Fund, and the General Fund will fund the Social Security collection on it beginning in FY88.
- 3. The 1987 P.E.R.D. budget will be funded by the Public Employees' Retirement System.
- 4. From FY88 on, an administrative charge paid by participating employers will fund the P.E.R.D. budget.

Fiscal Impact:

General Revenue Fund:

	FY87
Current Law	
-	

Long-Range Effects of Proposed Legislation:

Beginning in FY88, the Public Employees' Retirement Board may assess an administrative fee based on the prior years expenditures of P.E.R.D., not to exceed two-tenths of 1%. The Social Security Collection Program becomes a General Fund obligation with projected off-setting income to the General Fund generated by interest earned on Social Security collections throughout the year.

Proposed Law

\$2,000,000

BUDGET DIRECTOR DATE Office of Budget and Program Planning

PRIMARY SPONSOR

Fiscal Note for HB16, as introduced.

49th Legislature Special Session 6/86

25

HB 0016/02

APPROVED BY COMMITTEE ON STATE ADMINISTRATION

HOUSE BILL NO. 16
INTRODUCED BY SCHYE, LORY, QUILICI, GAGE
BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION
A BILL FOR AN ACT ENTITLED: "AN ACT TRANSFERRING EXCESS
INCOME EARNED ON THE SOCIAL DECURITY CONTRIBUTION ACCOUNT
AFTER JULY 1, 1987, TO THE STATE GENERAL FUND; TRANSFERRING
EXCESS EARNED INCOME FROM THE CURRENT AND PREVIOUS FISCAL
(EARS AS OF JUNE 30, 1986, TO THE STATE GENERAL FUND;
PROVIDING ALTERNATIVE FUNDING FOR ADMINISTERING THE
RETIREMENT SYSTEMS; AMENDING SECTIONS 19-1-602, 19-3-603,
AND 19-3-805, MCA; AND PROVIDING EFFECTIVE DATES."
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
Section 1. Section 19-1-602, MCA, is amended to read:
"19-1-602. Management of account. (1) All moneys in
the account shall be mingled and undivided.
(2) Subject to the provisions of this chapter, the
state agency is vested with full power, authority, and
jurisdiction over the account, including all moneys and
property or securities belonging thereto. It may perform any
and all acts, whether or not specifically designated, which
are necessary to the administration of the account and are

(3) The board of investments shall invest the account

ntana Legislative Council

1 in investments of the same character as are permitted by 17-6-211 for the investment of moneys in the long-term 2 investment fund. The state agency shall credit all interest 3 and income earned on the account in excess of that which, in 4 5 its judgment, may be needed for the purposes set forth in 19-1-603 to the funds-of-the-state-agency;-to-be-used-by-it 6 7 to-defray-the-costs-of-administering-the-state-agency-as--it may-determine state general fund. 9 (4) No later than June 30, 1986, the state agency 9 10 shall calculate an amount equal to the earned income from current and previous fiscal years in the contribution 11 account, less all payments and credits due or owing, and 12 transfer this amount to the state general fund." 13 Section 2. Section 19-3-603, MCA, is amended to read: 14 "19-3-603. Restrictions on use of fund. (1) Except as 15 herein provided, no member and no employee of the department 16 17 of administration may: (a) have any interest, direct or indirect, in the 18 making of any investment or in the gains or profits accruing 19 20 therefrom; (b) directly or indirectly, for himself or as an agent 21 or partner of others, borrow any of its funds or deposits: 22 23 (c) in any manner use the same except to make such current and necessary payments as are authorized by the 24

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department; or

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SECOND READING

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1 (d) become an endorser or surety as to or in any 2 manner an obligor for investments for the retirement system. 3 (2) The assets of the retirement system may not be used for or diverted to any purpose other than for the 4 exclusive benefit of the members and their beneficiaries and 5 6 for paying the reasonable administrative expenses of administering the retirement system systems administered by 7 the board." 8

9 Section 3. Section 19-3-805, MCA, is amended to read: 10 "19-3-805. Administrative expenses. THE (1) LEGISLATURE FINDS THAT PROPER 11 ADMINISTRATION OF THE RETIREMENT FUND BENEFITS BOTH EMPLOYERS AND MEMBERS AND 12 CONTINUES TO BENEFIT MEMBERS AFTER RETIREMENT. 13

14 (1)(2) Effective July 1, 1987, the--board--may--assess and--the--department--of-administrationy-in-such-casey-shall 15 16 collect-a-feey-not-to-exceed--0-2%--of--gross--compensation; 17 from--each--employer--to--defray 1986, the administrative 18 expenses of the retirement systems administered by the board 19 MUST BE PAID FROM THE INCOME EARNINGS ON THE RETIREMENT 20 FUND, EXCEPT AS PROVIDED IN SUBSECTION (3). THE BOARD SHALL COMPUTE THE ADMINISTRATIVE EXPENSES ATTRIBUTABLE TO EACH 21 RETIREMENT SYSTEM ADMINISTERED BY THE BOARD AND TRANSFER 22 23 THAT AMOUNT FROM THE RETIREMENT SYSTEM'S PENSION TRUST FUND TO THE RETIREMENT FUND. 24 {2}(3) In addition to the contributions elsewhere 25

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provided in this chapter, on January 1 of each year each 1 employer shall contribute on behalf of each member then in 2 its employ a membership fee of \$1. The appropriation of 3 these fees, together with other moneys appropriated for that A purpose, shall be used for the purpose of defraying the 5 administrative expense of this chapter. Any request for an 6 increase of spending authority for administrative expenses 7 requires a budget amendment and is subject to Title 17, chapter 7, part 4." 9

NEW SECTION. Section 4. Extension of authority. Any
existing authority of the public employees' retirement board
to make rules on the subject of the provisions of this act
is extended to the provisions of this act.

NEW SECTION. Section 5. Effective dates. (1) This
act, except for the amendment to 19-1-602(3), is effective
on passage and approval.

17 (2) The amendment to 19-1-602(3) is effective July 1,
18 1987.

-End-

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49th Legislature Special Session 6/86

HB 0016/02

Montana Legislative Council

l	HOUSE BILL NO. 16
2	INTRODUCED BY SCHYE, LORY, QUILICI, GAGE
3	BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION
4	
5	A BILL FOR AN ACT ENTITLED: "AN ACT TRANSFERRING EXCESS
6	INCOME EARNED ON THE SOCIAL SECURITY CONTRIBUTION ACCOUNT
7	AFTER JULY 1, 1987, TO THE STATE GENERAL FUND; TRANSFERRING
8	EXCESS EARNED INCOME FROM THE CURRENT AND PREVIOUS FISCAL
9	YEARS AS OF JUNE 30, 1986, TO THE STATE GENERAL FUND;
10	PROVIDING ALTERNATIVE FUNDING FOR ADMINISTERING THE
11	RETIREMENT SYSTEMS; AMENDING SECTIONS 19-1-602, 19-3-603,
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14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
15	Section 1. Section 19-1-602, MCA, is amended to read:
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17	the account shall be mingled and undivided.
18	(2) Subject to the provisions of this chapter, the
19	state agency is vested with full power, authority, and
20	jurisdiction over the account, including all moneys and
21	property or securities belonging thereto. It may perform any
22	and all acts, whether or not specifically designated, which
23	are necessary to the administration of the account and are
24	consistent with the provisions of this chapter.
25	(3) The board of investments shall invest the account

1 in investments of the same character as are permitted by 2 17-6-211 for the investment of moneys in the long-term 3 investment fund. The state agency shall credit all interest 4 and income earned on the account in excess of that which, in 5 its judgment, may be needed for the purposes set forth in 6 19-1-603 to the funds-of-the-state-agency-to-be-used-by-it 7 to-defray-the-costs-of-administering-the-state-agency-as--it 8 may-determine state general fund.

9 (4) No later than June 30, 1986, the state agency 10 shall calculate an amount equal to the earned income from 11 current and previous fiscal years in the contribution 12 account, less all payments and credits due or owing, and 13 transfer this amount to the state general fund." 14 Section 2. Section 19-3-603, MCA, is amended to read: 15 "19-3-603. Restrictions on use of fund. (1) Except as herein provided, no member and no employee of the department 16

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19 making of any investment or in the gains or profits accruing
20 therefrom;

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of administration may:

(b) directly or indirectly, for himself or as an agent
or partner of others, borrow any of its funds or deposits;
(c) in any manner use the same except to make such
current and necessary payments as are authorized by the
department; or

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THIRD READING

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1 (d) become an endorser or surety as to or in any 2 manner an obligor for investments for the retirement system. 3 (2) The assets of the retirement system may not be 4 used for or diverted to any purpose other than for the exclusive benefit of the members and their beneficiaries and 5 6 for paying the reasonable administrative expenses of 7 administering the retirement system systems administered by 8 the board."

9 Section 3. Section 19-3-805, MCA, is amended to read:
 10 "19-3-805. Administrative expenses. (1) THE
 11 LEGISLATURE FINDS THAT PROPER ADMINISTRATION OF THE
 12 RETIREMENT FUND BENEFITS BOTH EMPLOYERS AND MEMBERS AND
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14 (1) Effective July 1, 19877-the--board--may--assess 15 and--the--department--of-administration7-in-such-case7-shall 16 collect-a-fee,-not-to-exceed--0.2%--of--gross--compensation; 17 from--each--employer--to--defray 1986, the administrative 18 expenses of the retirement systems administered by the board 19 MUST BE PAID FROM THE INCOME EARNINGS ON THE RETIREMENT 20 FUND, EXCEPT AS PROVIDED IN SUBSECTION (3). THE BOARD SHALL 21 COMPUTE THE ADMINISTRATIVE EXPENSES ATTRIBUTABLE TO EACH 22 RETIREMENT SYSTEM ADMINISTERED BY THE BOARD AND TRANSFER 23 THAT AMOUNT FROM THE RETIREMENT SYSTEM'S PENSION TRUST FUND 24 TO THE RETIREMENT FUND.

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10 <u>NEW SECTION.</u> Section 4. Extension of authority. Any existing authority of the public employees' retirement board to make rules on the subject of the provisions of this act is extended to the provisions of this act.

14 <u>NEW SECTION.</u> Section 5. Effective dates. (1) This
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16 on passage and approval.

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-End-

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HOUSE BILL NO. 16 1 INTRODUCED BY SCHYE, LORY, QUILICI, GAGE 2 BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION 3 4 A BILL FOR AN ACT ENTITLED: "AN ACT TRANSFERRING EXCESS 5 INCOME EARNED ON THE SOCIAL SECURITY CONTRIBUTION ACCOUNT 6 AFTER JULY 1, 1987, TO THE STATE GENERAL FUND; TRANSFERRING 7 EXCESS EARNED INCOME FROM THE CURRENT AND PREVIOUS FISCAL 8 YEARS AS OF JUNE 30, 1986, TO THE STATE GENERAL FUND; 9 PROVIDING ALTERNATIVE FUNDING FOR ADMINISTERING THE 10 RETIREMENT SYSTEMS; AMENDING SECTIONS 19-1-602, 19-3-603. 11 AND 19-3-805, MCA; AND PROVIDING EFFECTIVE DATES." 12 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 14 Section 1. Section 19-1-602, MCA, is amended to read: 15 "19-1-602. Management of account. (1) All moneys in 16 the account shall be mingled and undivided. 17 (2) Subject to the provisions of this chapter, the 18 state agency is vested with full power, authority, and 19 jurisdiction over the account, including all moneys and 20 property or securities belonging thereto. It may perform any 21 and all acts, whether or not specifically designated, which 22 are necessary to the administration of the account and are 23 24 consistent with the provisions of this chapter.

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REFERENCE BILL

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-End-

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