

HOUSE BILL NO. 16

INTRODUCED BY SCHYE, LORY, QUILICI, GAGE

BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

IN THE HOUSE

June 17, 1986	Introduced and referred to Committee on State Administration.
June 24, 1986	Committee recommend bill do pass as amended. Report adopted. Bill printed and placed on members' desks.
June 25, 1986	Second reading, do pass. Third reading, passed. Transmitted to Senate.

IN THE SENATE

June 25, 1986	Introduced and referred to Committee on State Administration.
June 27, 1986	Committee recommend bill be concurrent 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.
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1 House BILL NO. 16
2 INTRODUCED BY Rep. Tony L. ...
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,
12 AND 19-3-805, MCA; AND PROVIDING EFFECTIVE DATES."
13

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 Section 1. Section 19-1-602, MCA, is amended to read:

16 "19-1-602. Management of account. (1) All moneys in
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
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;

21 (b) directly or indirectly, for himself or as an agent
22 or partner of others, borrow any of its funds or deposits;

23 (c) in any manner use the same except to make such
24 current and necessary payments as are authorized by the
25 department; or

(d) become an endorser or surety as to or in any manner an obligor for investments for the retirement system.

(2) The assets of the retirement system may not be used for or diverted to any purpose other than for the exclusive benefit of the members and their beneficiaries and for paying the reasonable administrative expenses of administering the retirement system systems administered by the board."

Section 3. Section 19-3-805, MCA, is amended to read:

"19-3-805. Administrative expenses. (1) Effective July 1, 1987, the board may assess and the department of administration, in such case, shall collect a fee, not to exceed 0.2% of gross compensation, from each employer to defray the administrative expenses of the retirement systems administered by the board.

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

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.

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

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB016, 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:

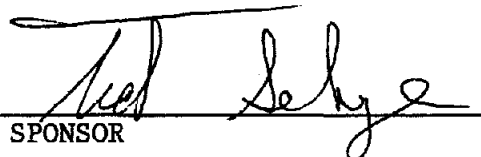
General Revenue Fund:

	FY87
<u>Current Law</u>	<u>Proposed Law</u>
-0-	\$2,000,000

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.

 6/20/86
BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 6/20/86
PRIMARY SPONSOR DATE

Fiscal Note for HB16, as introduced.

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

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AFTER JULY 1, 1987, TO THE STATE GENERAL FUND; TRANSFERRING
EXCESS EARNED INCOME FROM THE CURRENT AND PREVIOUS FISCAL
YEARS 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
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
17-6-211 for the investment of moneys in the long-term
investment fund. The state agency shall credit all interest
and income earned on the account in excess of that which, in
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
to-defray-the-costs-of-administering-the-state-agency-as--it
may-determine state general fund.

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

Section 2. Section 19-3-603, MCA, is amended to read:

"19-3-603. Restrictions on use of fund. (1) Except as
herein provided, no member and no employee of the department
of administration may:

(a) have any interest, direct or indirect, in the
making of any investment or in the gains or profits accruing
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

SECOND READING
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(d) become an endorser or surety as to or in any manner an obligor for investments for the retirement system.

(2) The assets of the retirement system may not be used for or diverted to any purpose other than for the exclusive benefit of the members and their beneficiaries and for paying the reasonable administrative expenses of administering the retirement system systems administered by the board."

Section 3. Section 19-3-805, MCA, is amended to read:

"19-3-805. Administrative expenses. (1) THE LEGISLATURE FINDS THAT PROPER ADMINISTRATION OF THE RETIREMENT FUND BENEFITS BOTH EMPLOYERS AND MEMBERS AND CONTINUES TO BENEFIT MEMBERS AFTER RETIREMENT.

~~{1}(2) Effective July 1, 1987, the board may assess and the department of administration, in such case, shall collect a fee not to exceed 0.2% of gross compensation, from each employer to defray 1986, the administrative expenses of the retirement systems administered by the board MUST BE PAID FROM THE INCOME EARNINGS ON THE RETIREMENT FUND, EXCEPT AS PROVIDED IN SUBSECTION (3). THE BOARD SHALL COMPUTE THE ADMINISTRATIVE EXPENSES ATTRIBUTABLE TO EACH RETIREMENT SYSTEM ADMINISTERED BY THE BOARD AND TRANSFER THAT AMOUNT FROM THE RETIREMENT SYSTEM'S PENSION TRUST FUND TO THE RETIREMENT FUND.~~

~~{2}(3) In addition to the contributions elsewhere~~

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

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.

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

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(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 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 17-6-211 for the investment of moneys in the long-term investment fund. The state agency shall credit all interest and income earned on the account in excess of that which, in 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 to-defray-the-costs-of-administering-the-state-agency-as-it may-determine state general fund.

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

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(a) have any interest, direct or indirect, in the making of any investment or in the gains or profits accruing 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

THIRD READING

(d) become an endorser or surety as to or in any manner an obligor for investments for the retirement system.

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REFERENCE BILL

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