## SENATE BILL NO. 240

INTRODUCED BY WALKER, NISBET, O'CONNELL, LYNCH, MEYER, SQUIRES, RASMUSSEN, HARDING

### IN THE SENATE

- JANUARY 28, 1987 INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
- FEBRUARY 6, 1987 COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
- FEBRUARY 7, 1987 PRINTING REPORT.
- FEBRUARY 10, 1987 SECOND READING, DO PASS.
- FEBRUARY 11, 1987 ENGROSSING REPORT.
- FEBRUARY 12, 1987 THIRD READING, PASSED. AYES, 50; NOES, 0.

TRANSMITTED TO HOUSE.

ON STATE ADMINISTRATION.

INTRODUCED AND REFERRED TO COMMITTEE

IN THE HOUSE

- FEBRUARY 18, 1987
- MARCH 10, 1987 COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
- MARCH 13, 1987 SECOND READING, CONCURRED IN.
- MARCH 14, 1987 THIRD READING, CONCURRED IN. AYES, 95; NOES, 1.

RETURNED TO SENATE.

IN THE SENATE

MARCH 17, 1987

SENT TO ENROLLING.

RECEIVED FROM HOUSE.

#### LC 1380/01

A Diller Mister O'Connell Lipuch 1 INTRODUCED BY 2 З "AN ACT REQUIRING A PUBLIC A BILL FOR AN ACT ENTITLED: 4 EMPLOYER TO PICK UP A MEMBER'S CONTRIBUTION UNDER THE 5 FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM; REQUIRING 6 THE EMPLOYER TO DEDUCT FROM THE MEMBER'S COMPENSATION AN AMOUNT 7 FOMAL TO THE AMOUNT OF THE MEMBER'S CONTRIBUTION PICKED UP 8 9 BY THE EMPLOYER; REQUIRING A MEMBER TO PAY STATE AND LOCAL TAXES ON A REFUND OF CERTAIN CONTRIBUTIONS; AMENDING 3.0 SECTIONS 19-13-304, 19-13-601, AND 19-13-1003, MCA; AND 11 12 PROVIDING AN EFFECTIVE DATE." 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 14 Section 1. Section 19-13-601, MCA, is amended to read: 15 16 "19-13-601. Member Deduction remitted to firemen's association -- member's contributions. (1) Each employer 17 shall retain from the monthly compensation of each active 18 19 member a sum equal to 7% 1% of his monthly compensation for 20 his services as a firefighter and shall report--and remit 21 this amount on a monthly basis: 22 (a)--6%--of--the-monthly-compensation-of-each-member-to 23 the-administrator-for-deposit-in-the-fund;-and 24 (b)--1%-of-the-monthly-compensation-of-each--member to 25 the Montana state firemen's association for the payment of



premiums on a group life and accidental death and
 dismemberment insurance policy for members and to defray
 expenses incurred by the association when representing
 members of the plan.

5 (2) The member's contribution to the retirement system 6 for each active member is 6% of his monthly compensation.

f?f(3) If a member receives compensation under the 7 provisions of the Workers' Compensation Act, Title 39, 8 chapter 71, the amount received must be included as part of 9 his monthly compensation for purposes of determining 10 contributions and service credits under the retirement 11 system. Contributions made under this section, 19-13-604, 12 and 19-13-605 must be based on the total compensation 13 received by the member from his employer and from the 14 workers compensation division during the period of 15 16 disability.

17 (4) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code, as amended and applicable 18 on July 1, 1987, shall pick up and pay the contributions 19 which would be payable by the member under subsection (2) 20 21 for service rendered after June 30, 1987. (5) The member's contributions picked up by the 22 23 employer must be designated for all purposes of the retirement system as the member's contributions, except for 24 the determination of a tax upon a distribution from the 25

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# INTRODUCED BILL 58-240

2 the member's accumulated contributions but must be accounted 3 for separately from those previously accumulated. (6) The member's contributions picked up by the 4 5 employer must be payable from the same source as is used to pay compensation to the member and must be included in the 6 7 member's monthly compensation as defined in 19-13-104. The 8 employer shall deduct from the member's compensation an 9 amount equal to the amount of the member's contributions picked up by the employer and remit the total of the 10 11 contributions to the board." 12 Section 2. Section 19-13-304, MCA, is amended to read: 13 "19-13-304. Termination of employment prior to 14 retirement. (1) Except as provided in subsection (2), an 15 active member may withdraw the amount of his member member's 16 contributions, plus regular interest as determined by the 17 board, in lieu of all other benefits under the plan upon his 18 termination of employment prior to his retirement. If an

retirement system. These contributions must become part of

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19 active member's employment terminates by reason of his 20 death, his beneficiaries are entitled to the benefits 21 prescribed in 19-13-902.

22 (2) If a member has 10 years or more of creditable service before termination, he may keep his contributions on 23 deposit and be eligible for a service retirement at age 50." 24 25 Section 3. Section 19-13-1003, MCA, is amended to

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read:

"19-13-1003. Exemption from taxes. Any money received 2 as-a--retirement--allowance paid in accordance with the provisions of this chapter is exempt from any state, county, 4 or municipal tax except refunds paid under 19-13-602 of the 5 member's contributions picked up by an employer after June 6 7 30, 1987, as provided in 19-13-601." NEW SECTION. Section 4. Extension of authority. Any 8 existing authority of the public employees' retirement board 9 to make rules on the subject of the provisions of this act 10 is extended to the provisions of this act. 11

NEW SECTION. Section 5. Effective date. This act is 12 effective July 1, 1987. 13

-End-

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# STATE OF MONTANA - FISCAL NOTE Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB240, as introduced.

### DESCRIPTION OF PROPOSED LEGISLATION:

An act requiring a public employer to pick up a member's contribution under the Firefighters' Unified Retirement System; requiring the employer to deduct from the member's compensation an amount equal to the amount of the member's contribution picked up by the employer; requiring a member to pay state and local taxes on a refund of certain contributions; providing an effective date.

### ASSUMPTIONS:

- 1. Individual income tax revenues under current law are \$208,088,000 in FY88, and \$229,991,000 in FY89. (REAC)
- 2. Member's contributions, net of refunds, to the Firefighters' Unified Retirement System are \$575,000 in FY88, and \$600,000 in FY89. (PERD)
- 3. The 1985 average effective income tax rate of 5.344 percent remains constant over the biennium.

4. Employee contributions made to the Firefighters' United Retirement System on or after July 1, 1987 must be accounted for separately for state and federal tax purposes. Increased computer programming charges are estimated at \$1,000 in FY88.

FISCAL IMPACT: Revenue Impact:		FY88		FY89			
Individual Income Tax	Current Law \$208,088,000	Proposed Law \$208,057,300	Difference \$( 30,700)	Current Law \$229,991,000	Proposed Law \$229,959,000	Difference \$( 32,000)	
Expenditure Impact: Public Employees Retirement Division	\$0	\$ 1,000	\$ 1,000		No Impact		
<u>Fund Information:</u> General Fund Foundation Program Sinking Fund TOTAL	\$133,176,000 52,022,000 <u>22,890,000</u> \$208,088,000	\$133,156,350 52,014,325 22,886,625 \$208,057,300	\$( 19,650) ( 7,675) <u>( 3,375)</u> \$( 30,700)	\$147,194,000 57,498,000 <u>25,299,000</u> \$229,991,000	\$147,173,520 57,490,000 <u>25,295,480</u> \$229,959,000	\$(20,480) (8,000) <u>(3,520)</u> \$(32,000)	

DAVID L. HUNTER, BUDGET DIRECTOR Office of Budget and Program Planning

DATE MIKE WALKER, PRIMARY SPONSOR

Fiscal Note for SB240, as introduced.

#### LC 1380/01

APPROVED BY COMMITTEE ON STATE ADMINISTRATION

1 INTRODUCED BY 2 3 "AN ACT REQUIRING A PUBLIC A BILL FOR AN ACT ENTITLED; 4 EMPLOYER TO PICK UP A MEMBER'S CONTRIBUTION UNDER THE 5 UNIFIED RETIREMENT SYSTEM; REQUIRING THE FIREFIGHTERS 6 EMPLOYER TO DEDUCT FROM THE MEMBER'S COMPENSATION AN AMOUNT 7 EQUAL TO THE AMOUNT OF THE MEMBER'S CONTRIBUTION PICKED UP 8 BY THE EMPLOYER; REQUIRING A MEMBER TO PAY STATE AND LOCAL 9 TAXES ON A REFUND OF CERTAIN CONTRIBUTIONS; AMENDING 10 SECTIONS 19-13-304, 19-13-601, AND 19-13-1003, MCA; AND 11 PROVIDING AN EFFECTIVE DATE." 12

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

Section 1. Section 19-13-601, MCA, is amended to read: 15 "19-13-601. Member Deduction remitted to firemen's 16 association -- member's contributions. (1) Each employer 17 shall retain from the monthly compensation of each active 18 member a sum equal to 7% 1% of his monthly compensation for 19 his services as a firefighter and shall report--and remit 20 this amount on a monthly basis-21

fat--6%--of--the-monthly-compensation-of-each-member-to 22 the-administrator-for-deposit-in-the-fund;-and 23

tb)--1%-of-the-monthly-compensation-sf-each--member to 24 the Montana state firemen's association for the payment of 25



1 premiums on a group life and accidental death and 2 dismemberment insurance policy for members and to defray 3 expenses incurred by the association when representing members of the plan. 4

(2) The member's contribution to the retirement system 5 6 for each active member is 6% of his monthly compensation.

7 (2) (3) If a member receives compensation under the 8 provisions of the Workers' Compensation Act, Title 39, 9 chapter 71, the amount received must be included as part of 10 his monthly compensation for purposes of determining 11 contributions and service credits under the retirement 12 system. Contributions made under this section, 19-13-604, 13 and 19-13-605 must be based on the total compensation 14 received by the member from his employer and from the 15 workers' compensation division during the period of disability. 16

17 (4) Each employer, pursuant to section 414(h)(2) of

18 the federal Internal Revenue Code, as amended and applicable

- on July 1, 1987, shall pick up and pay the contributions
- 20 which would be payable by the member under subsection (2)
- 21 for service rendered after June 30, 1987.

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- 22 (5) The member's contributions picked up by the
- 23 employer must be designated for all purposes of the
- 24 retirement system as the member's contributions, except for
- 25 the determination of a tax upon a distribution from the

#### SECOND READING -2-58-240

retirement system. These contributions must become part of 2 the member's accumulated contributions but must be accounted for separately from those previously accumulated. 3 4 (6) The member's contributions picked up by the 5 employer must be payable from the same source as is used to 6 pay compensation to the member and must be included in the 7 member's monthly compensation as defined in 19-13-104. The employer shall deduct from the member's compensation an 8 9 amount equal to the amount of the member's contributions picked up by the employer and remit the total of the 10 contributions to the board." 11 Section 2. Section 19-13-304, MCA, is amended to read: 12 "19-13-304. Termination of employment prior to 13 retirement. (1) Except as provided in subsection (2), an 14 15 active member may withdraw the amount of his member member's 16 contributions, plus regular interest as determined by the

board, in lieu of all other benefits under the plan upon his termination of employment prior to his retirement. If an active member's employment terminates by reason of his death, his beneficiaries are entitled to the benefits prescribed in 19-13-902.

(2) If a member has 10 years or more of creditable
service before termination, he may keep his contributions on
deposit and be eligible for a service retirement at age 50."
Section 3. Section 19-13-1003, MCA, is amended to

l read:

"19-13-1003. Exemption from taxes. Any money received 2 as-a--retirement--allowance paid in accordance with the 3 provisions of this chapter is exempt from any state, county, 4 5 or municipal tax except refunds paid under 19-13-602 of the member's contributions picked up by an employer after June 6 30, 1987, as provided in 19-13-601." 7 8 NEW SECTION. Section 4. Extension of authority. Any existing authority of the public employees' retirement board 9 10 to make rules on the subject of the provisions of this act 11 is extended to the provisions of this act. 12 NEW SECTION. Section 5. Effective date. This act is

13 effective July 1, 1987.

-End-

Brate BILL NO. 2000 1 INTRODUCED BY \ A 2 3 "AN ACT REQUIRING A PUBLIC A BILL FOR AN ACT ENTITLED: 4 EMPLOYER TO PICK UP A MEMBER'S CONTRIBUTION UNDER THE 5 FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM: REQUIRING THE б EMPLOYER TO DEDUCT FROM THE MEMBER'S COMPENSATION AN AMOUNT 7 EQUAL TO THE AMOUNT OF THE MEMBER'S CONTRIBUTION PICKED UP 8 BY THE EMPLOYER; REQUIRING A MEMBER TO PAY STATE AND LOCAL 9 TAXES ON A REFUND OF CERTAIN CONTRIBUTIONS: AMENDING 10 SECTIONS 19-13-304, 19-13-601, AND 19-13-1003, MCA; AND 11 PROVIDING AN EFFECTIVE DATE." 12 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 14 Section 1. Section 19-13-601, MCA, is amended to read: 15 "19-13-601. Member Deduction remitted to firemen's 16 association -- member's contributions. (1) Each employer 17

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 22
 (a)--6%--of--the-monthly-compensation-of-each-member-to

 23
 the-administrator-for-deposit-in-the-fund;-and

24 (b)--1%-of-the-monthly-compensation-of-each--member to
 25 the Montana state firemen's association for the payment of



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THIRD READING -2-58.240

retirement system. These contributions must become part of 1 the member's accumulated contributions but must be accounted 2 3 for separately from those previously accumulated. 4 (6) The member's contributions picked up by the employer must be payable from the same source as is used to 5 pay compensation to the member and must be included in the 6 7 member's monthly compensation as defined in 19-13-104. The employer shall deduct from the member's compensation an 8 9 amount equal to the amount of the member's contributions 10 picked up by the employer and remit the total of the 11 contributions to the board." 12 Section 2. Section 19-13-304, MCA, is amended to read:

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-End-

SB 0240/02

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1	SENATE BILL NO. 240	1	$\cdot$ the Montana state firemen's association for the payment of
2	INTRODUCED BY WALKER, NISBET, O'CONNELL, LYNCH, MEYER,	2	premiums on a group life and accidental death and
3	SQUIRES, RASMUSSEN, HARDING	3	dismemberment insurance policy for members and to defray
4		4	expenses incurred by the association when representing
5	A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING A PUBLIC	5	members of the plan.
6	EMPLOYER TO PICK UP A MEMBER'S CONTRIBUTION UNDER THE	6	(2) The member's contribution to the retirement system
7	FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM; REQUIRING THE	7	for each active member is 6% of his monthly compensation.
8	EMPLOYER TO DEDUCT FROM THE MEMBER'S COMPENSATION AN AMOUNT	8	(2) If a member receives compensation under the
9	EQUAL TO THE AMOUNT OF THE MEMBER'S CONTRIBUTION PICKED UP	9	provisions of the Workers' Compensation Act, Title 39,
10	BY THE EMPLOYER; REQUIRING A MEMBER TO PAY STATE AND LOCAL	10	chapter 71, the amount received must be included as part of
11	TAXES ON A REFUND OF CERTAIN CONTRIBUTIONS; AMENDING	11	his monthly compensation for purposes of determining
12	SECTIONS 19-13-304, 19-13-601, AND 19-13-1003, MCA; AND	12	contributions and service credits under the retirement
13	PROVIDING AN EFFECTIVE DATE."	13	system. Contributions made under this section, 19-13-604,
14		14	and 19-13-605 must be based on the total compensation
15	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	15	received by the member from his employer and from the
16	Section 1. Section 19-13-601, MCA, is amended to read:	16	workers' compensation division during the period of
17	"19-13-601. Member Deduction remitted to firemen's	17	disability.
18	association member's contributions. (1) Each employer	18	(4) Each employer, pursuant to section 414(h)(2) of
19	shall retain from the monthly compensation of each active	19	the federal Internal Revenue Code, as amended and applicable
20	member a sum equal to 7% 1% of his monthly compensation for	20	on July 1, 1987, shall pick up and pay the contributions
21	his services as a firefighter and shall reportand remit	21	which would be payable by the member under subsection (2)
22	this amount on a monthly basis:	22	for service rendered after June 30, 1987.
23	<pre>(a)6%ofthe-monthly-compensation-of-each-member-to</pre>	23	(5) The member's contributions picked up by the
24	the-administrator-for-deposit-in-the-fund;-and	24	employer must be designated for all purposes of the
25	(b)1%-of-the-monthly-compensation-of-eachmember to	25	retirement system as the member's contributions, except for
	Montana Legislative Council		-2- SB 240

REFERENCE BILL

#### SB 0240/02

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the determination of a tax upon a distribution from the 1 2 retirement system. These contributions must become part of the member's accumulated contributions but must be accounted 3 4 for separately from those previously accumulated. (6) The member's contributions picked up by the 5 6 employer must be payable from the same source as is used to pay compensation to the member and must be included in the 7 8 member's monthly compensation as defined in 19-13-104. The 9 employer shall deduct from the member's compensation an 10 amount equal to the amount of the member's contributions 11 picked up by the employer and remit the total of the contributions to the board." 12 13 Section 2. Section 19-13-304, MCA, is amended to read: "19-13-304. Termination of employment prior to 14 retirement. (1) Except as provided in subsection (2), an 15 active member may withdraw the amount of his member member's 16 contributions, plus regular interest as determined by the

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12 is extended to the provisions of this act.

<u>NEW SECTION.</u> Section 5. Effective date. This act is
 effective July 1, 1987.

-End-

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