

HOUSE BILL NO. 430

INTRODUCED BY STRIZICH, DOHERTY, VOGEL,
DOLEZAL, COCCHIARELLA, CHRISTIAENS,
D. BROWN, RYAN, CLARK, MCCULLOCH

IN THE HOUSE

FEBRUARY 2, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
MARCH 20, 1993	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 22, 1993	PRINTING REPORT.
MARCH 23, 1993	SECOND READING, DO PASS.
MARCH 24, 1993	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 86; NOES, 13.
MARCH 25, 1993	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 26, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
	FIRST READING.
APRIL 8, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
APRIL 12, 1993	SECOND READING, CONCURRED IN.
APRIL 13, 1993	THIRD READING, CONCURRED IN. AYES, 34; NOES, 15.
	RETURNED TO HOUSE.

IN THE HOUSE

APRIL 13, 1993	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

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House BILL NO. 430
INTRODUCED BY Christy Vogel Delgado
Coelho Christina Caro Brown St. John
A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE
RETIREMENT BENEFITS OF A MEMBER OF THE MUNICIPAL POLICE
OFFICERS' RETIREMENT SYSTEM WHO WORKS MORE THAN 20 YEARS;
REMOVING THE MAXIMUM RETIREMENT BENEFIT THAT MAY BE EARNED
FOR MORE THAN 20 YEARS OF SERVICE; INCREASING THE STATE'S
CONTRIBUTION FROM INSURANCE PREMIUM TAXES TO PAY FOR THE
BENEFIT INCREASE; AMENDING SECTIONS 19-9-702 AND 19-9-804,
MCA; AND PROVIDING AN EFFECTIVE DATE."

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

14 **Section 1.** Section 19-9-702, MCA, is amended to read:

15 "19-9-702. State contribution. The state of Montana
16 shall make its contributions through the state auditor out
17 of the premium tax on motor vehicle property and casualty
18 insurance policies, which premium tax is statutorily
19 appropriated, as provided in 17-7-502, for the
20 contributions. Such The payments shall must be made annually
21 after the end of each fiscal year but no later than
22 September 1 from the gross premium tax after deduction for
23 cancellations and returned premiums. The administrator shall
24 notify the auditor by April 1 of each year of the annual
25 compensation paid to all active members during the preceding

1 year. The state's contribution is:
2 (1)--14.04% of compensation paid to members before July
3 1, 1985;
4 (2)--15.06% of compensation paid to members from July 1,
5 1985 through June 30, 1991; and
6 (3)--15.66% 17.02% of compensation paid to members after
7 July 1, 1991 1993."

8 **Section 2.** Section 19-9-804, MCA, is amended to read:

9 "19-9-804. Amount of service retirement allowance --
10 continuation of allowance after death of member. (1) A
11 police--officer--with--20--years--of--qualified--service--who--is
12 eligible--under--19-9-801--and--does--not--elect--to--serve--any
13 additional--years--as--an--active--police--officer--shall--receive--a
14 service--retirement--allowance--equal--to--one--half--his--final
15 average--salary--

16 (2)--A--police--officer--who--is--eligible--for--service
17 retirement--under--19-9-801--after--20--years--of--qualified
18 service--and--who--elects--to--serve--additional--years--shall
19 receive--the--allowance--provided--for--in--subsection--(1)--plus--an
20 additional--1%--of--his--final--average--salary--for--each--year--of
21 additional--qualified--service--up--to--a--maximum--of--60%--of--his
22 final--average--salary--

23 (3) A member who is eligible for service retirement
24 under 19-9-801 with--less--than--20--years--of--qualified--service
25 shall must receive a retirement allowance equal to 2.5% of

1 his the member's final average salary for each year of
2 qualified service.

3 ~~{4}~~{2} (a) Upon the death of a police officer receiving
4 a service retirement allowance under-subsection-~~{1}~~-or-~~{2}~~
5 based on at least 20 years of service, his the officer's
6 surviving spouse, if there is one, ~~shall~~ must receive from
7 the-fund a sum benefit equal to one-half of the officer's
8 final average salary.

9 (b) Upon the death of a member receiving a service
10 retirement allowance under-subsection-~~{3}~~ based on less than
11 20 years of service, his the member's surviving spouse, if
12 there is one, ~~shall~~ must receive from-the-fund a sum benefit
13 equal to the amount of the officer's allowance at the time
14 of his death.

15 (c) If the officer leaves one or more dependent
16 children, then upon his the officer's death, if ~~he-leaves~~
17 there is no surviving spouse or upon the death of the
18 surviving spouse, the officer's surviving dependent child,
19 or children collectively if there are more than one--~~shall~~
20 must receive the same monthly payments a surviving spouse
21 would receive for as long as the child or one of the
22 children remains dependent as defined in 19-9-104. The
23 payments must be made to the child's appointed guardian for
24 the child's use. If there is more than one dependent child,
25 upon each child no longer qualifying as dependent under

1 19-9-104, the pro rata payments to that child must cease and
2 be made to the remaining children until all the children are
3 no longer dependent."

4 NEW SECTION. Section 3. Effective date. [This act] is
5 effective July 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0430, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: The bill increases retirement benefits payable to members of the Municipal Police Officers' Retirement System (MPORS) after 20 years of service; removes the 60% maximum benefit limitation; and increases the state's contributions from the insurance premium tax fund to pay for the benefit increases.

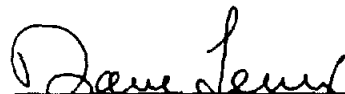
ASSUMPTIONS:

1. Contributions from the insurance premium tax retirement fund to the MPORS pension trust fund will increase by 1.36% of the total salaries of all members of the MPORS. These increased contributions will reduce general fund revenues by amounts estimated to be \$165,160 in FY94 and \$170,790 in FY95. The general fund impact in FY95 will also include the annual 2.5% supplemental retirement distribution on the additional calendar year 1994 benefits paid to public retirees under 19-15-101, MCA.
2. Total contributions from the insurance premium tax retirement fund to the MPORS trust fund projected for FY94 and FY95 include supplemental benefit payments as well as state contributions as a percent of covered payroll.
3. The total salaries of MPORS members in FY92 were \$11,402,679 and have grown at a rate of 3.2% per year over the past eight years. Total salaries during the next biennium are assumed to be \$12,144,127 in FY94 and \$12,532,739 in FY95.
4. The average MPORS member retires at age 48.5 with 21.5 years of service with a benefit which is 51.5% of salary. This benefit will increase to 53.75% of salary under this bill. An average of 22 members per year retire from MPORS with a projected monthly salary of \$2,235 in FY94 and \$2,310 in FY95.
5. An actuarial valuation of the MPORS has determined the present value of the benefit increase will be \$2,812,000 over the next 20 years and that the additional 1.36% of salaries to be contributed will be sufficient to pay the normal costs of the benefit enhancement as they accrue and to fund the resulting additional unfunded liabilities over a period of 30 years.

FISCAL IMPACT:

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
State Auditor's Office- Insurance Premium Tax Ret. Fund:						
<u>Expenditures:</u>						
Local assistance/MPORS trust fund	3,613,603	3,778,763	165,160	3,729,259	3,899,704	170,445
<u>Funding:</u>						
State Special Revenue	3,613,603	3,778,763	165,160	3,729,259	3,899,704	170,445
Public Employees Retirement Division:						
<u>Expenditures:</u>						
MPORS retirement benefits	6,449,094	6,462,321	13,277	7,094,004	7,121,002	27,330
<u>Funding:</u>						
MPORS Pension Trust Fund	6,449,094	6,462,321	13,277	7,094,004	7,121,002	27,330

(continued)


DAVE LEWIS, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE


WILLIAM "BILL" STRIZICH, PRIMARY SPONSOR

DATE

Fiscal Note for HB0430, as introduced

2-8-93
2-9-93
HB 430

Revenues:	FY94			FY95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
MPORS Pension Trust Fund (from Insur.Premium Tax Fund)	3,613,603	3,778,763	165,160	3,729,259	3,899,704	170,445
MPORS Pension Trust Fund (from the general fund)	146,570	146,570	0	161,227	161,572	345
General Fund (from Insurance Premium Tax Fund)			(165,160)			(170,445)
Net Impact to General Fund			(165,160)			(170,790)
Net Impact to MPORS Trust Fund			151,883			143,460

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:
Retirement benefits are perpetual obligations. This bill will result in permanent additional expenditures from the Insurance Premium Tax Fund to the MPORS Pension Trust Fund which will result in a permanent offset to general fund revenues.

Technical Notes:
Coordination language with this bill is contained in HB0431.

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

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D. BROWN, RYAN, CLARK, MCCULLOCH

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE RETIREMENT BENEFITS OF A MEMBER OF THE MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM WHO WORKS MORE THAN 20 YEARS; REMOVING THE MAXIMUM RETIREMENT BENEFIT THAT MAY BE EARNED FOR MORE THAN 20 YEARS OF SERVICE; INCREASING THE STATE'S CONTRIBUTION---FROM---INSURANCE---PREMIUM---TAXES EMPLOYEE CONTRIBUTIONS TO PAY FOR THE BENEFIT INCREASE; AMENDING SECTIONS 19-9-702 19-9-601 AND 19-9-804, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

~~Section 1. Section 19-9-702, MCA, is amended to read:~~

~~"19-9-702. State contribution. The state of Montana shall make its contributions through the state auditor out of the premium tax on motor vehicle property and casualty insurance policies, which premium tax is statutorily appropriated, as provided in 17-7-502, for the contributions. Such The payments shall must be made annually after the end of each fiscal year but no later than September 1 from the gross premium tax after deduction for~~

~~cancellations and returned premiums. The administrator shall notify the auditor by April 1 of each year of the annual compensation paid to all active members during the preceding year. The state's contribution is:~~

~~(1) 14.04% of compensation paid to members before July 1, 1985;~~

~~(2) 15.06% of compensation paid to members from July 1, 1985, through June 30, 1991; and~~

~~(3) 15.66% 17.02% of compensation paid to members after July 1, 1991 1993."~~

SECTION 1. SECTION 19-9-601, MCA, IS AMENDED TO READ:

"19-9-601. Member contributions. (1) The normal contribution of each active member is 6% 7.36% of his the member's monthly compensation. In the case of a member first employed by an employer as a police officer after June 30, 1975, the contribution is 7.2% 8.56% of his the member's monthly compensation. In the case of a member first employed by an employer as a police officer after June 30, 1979, the contribution is 8.7% 10.06% of his the member's monthly compensation. Compensation excludes overtime payments, holiday payments, shift differential payments, compensation time payments, and payments in lieu of sick leave and annual leave, for his services as a police officer.

(2) Each employer, pursuant to section 414(h)(2) of the federal Internal Revenue Code of 1954, as amended and

applicable on July 1, 1985, shall pick up and pay the contributions which would be payable by the member under subsection (1) for service rendered after June 30, 1985.

(3) The member's contributions picked up by the employer must be designated for all purposes of the retirement system as the member's contributions, except for the determination of a tax upon a distribution from the retirement system. These contributions must become part of the member's accumulated contributions but must be accounted for separately from those previously accumulated.

(4) The member's contributions picked up by the employer must be payable from the same source as is used to pay compensation to the member and must be included in the member's wages as defined in 19-1-102 and his in the member's monthly compensation as defined in 19-9-104. The employer shall deduct from the member's compensation an amount equal to the amount of the member's contributions picked up by the employer and remit the total of the contributions to the board."

Section 2. Section 19-9-804, MCA, is amended to read:

"19-9-804. Amount of service retirement allowance -- continuation of allowance after death of member. (1) A ~~police--officer--with--20--years-of-qualified-service-who-is~~ eligible-under-19-9-801-and-does--not--elect--to--serve--any additional-years-as-an-active-police-officer-shall-receive-a

~~service--retirement--allowance--equal--to-one-half-his-final average-salary.~~

~~(2)--A--police--officer--who--is--eligible--for--service retirement--under--19-9-801--after--20--years--of--qualified service-and-who--elects--to--serve--additional--years--shall receive-the-allowance-provided-for-in-subsection-(1)--plus-an additional--1%--of-his-final-average-salary-for-each-year-of additional-qualified-service, up-to-a-maximum-of-60%--of--his final-average-salary.~~

(3) A member who is eligible for service retirement under 19-9-801 with-less-than-20-years-of-qualified--service shall must receive a retirement allowance equal to 2.5% of his the member's final average salary for each year of qualified service.

~~(4)~~(2) (a) Upon the death of a police officer receiving a service retirement allowance under-subsection-(1)-or-(2) based on at least 20 years of service, his the officer's surviving spouse, if there is one, shall must receive from the-fund a sum benefit equal to one-half of the officer's final average salary.

(b) Upon the death of a member receiving a service retirement allowance under-subsection-(3) based on less than 20 years of service, his the member's surviving spouse, if there is one, shall must receive from-the-fund a sum benefit equal to the amount of the officer's allowance at the time

1 of his death.

2 (c) If the officer leaves one or more dependent
3 children, then upon his the officer's death, if he-leaves
4 there is no surviving spouse or upon the death of the
5 surviving spouse, the officer's surviving dependent child-
6 or children collectively if there are more than one-~~shall~~
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16 NEW SECTION. **Section 3.** Effective date. [This act] is
17 effective July 1, 1993.

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SECTION 1. SECTION 19-9-601, MCA, IS AMENDED TO READ:

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(3) A member who is eligible for service retirement under 19-9-801 with less than 20 years of qualified service shall must receive a retirement allowance equal to 2.5% of his the member's final average salary for each year of qualified service.

(4)(2) (a) Upon the death of a police officer receiving a service retirement allowance under subsection-(1)-or-(3) based on at least 20 years of service, his the officer's surviving spouse, if there is one, shall must receive from the fund a sum benefit equal to one-half of the officer's final average salary.

(b) Upon the death of a member receiving a service retirement allowance under subsection-(3) based on less than 20 years of service, his the member's surviving spouse, if there is one, shall must receive from the fund a sum benefit equal to the amount of the officer's allowance at the time

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(3) A member who is eligible for service retirement under 19-9-801 with less than 20 years of qualified service shall must receive a retirement allowance equal to 2.5% of his the member's final average salary for each year of qualified service.

~~(4)(2)~~ (a) Upon the death of a police officer receiving a service retirement allowance under subsection (1) or (2) based on at least 20 years of service, his the officer's surviving spouse, if there is one, shall must receive from the fund a sum benefit equal to one-half of the officer's final average salary.

(b) Upon the death of a member receiving a service retirement allowance under subsection (3) based on less than 20 years of service, his the member's surviving spouse, if there is one, shall must receive from the fund a sum benefit equal to the amount of the officer's allowance at the time

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2 (c) If the officer leaves one or more dependent
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