

## House BILL NO. 275

INTRODUCED BY Wiseman

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE PAYMENT OF RETIREMENT BENEFITS BY ELECTRONIC FUNDS TRANSFER; PROVIDING EXCEPTIONS; CLARIFYING THE DEFINITION OF ELECTRONIC FUNDS TRANSFER; REQUIRING A PAPER WARRANT IN SOME CIRCUMSTANCES; AMENDING SECTIONS 17-8-301, 19-2-902, 19-17-404, AND 19-20-703, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

**Section 1.** Section 17-8-301, MCA, is amended to read:

**"17-8-301. State moneys money -- how expended by treasurer.** (1) Except as ~~herein~~ provided in this section, no moneys money received by the state treasurer may not be paid out by ~~him~~ the treasurer except ~~upon~~ by a state warrant issued by the state auditor, ~~or on~~ A warrant includes an electronic funds transfer authorized by the state auditor. The state auditor may not issue ~~his~~ a warrant ~~or authorize,~~ including an electronic funds transfer warrant, upon the state treasurer except upon a claim ~~duly~~ approved by the department of administration in accordance with the laws governing the expenditure of state ~~moneys; however~~ money. However, interest and principal on the public debt may be paid by treasurer's check from the ~~moneys money~~ pledged for ~~such~~ the payment, and the provisions of this section do not apply to warrants issued upon contingent revolving accounts that are in the custody of the state treasurer. If there are insufficient funds to cover the payment, the recipient must be given a registered paper warrant as provided in 17-8-304.

(2) As used in 2-18-405 and this section, "electronic funds transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, by an electronic message that is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape and that orders, instructs, or authorizes the state auditor to debit or credit an account. The electronic funds transfer includes a warranty that if the entity receiving the electronic message pays the beneficiary of the warrant the stated amount, the state promises to reimburse that entity."

1           **Section 2.** Section 19-2-902, MCA, is amended to read:

2           **"19-2-902. Frequency of benefit payments -- payment by electronic funds transfer.** A retirement  
3 benefit or survivorship benefit granted under a retirement system subject to this chapter must be payable  
4 in monthly installments, except that the board may elect to convert payments of at least \$20 per year to  
5 a single sum of actuarial equivalent value. A smaller pro rata amount may be paid for part of a month when  
6 the retirement benefit ends before the last day of the month. After June 30, 1995, each payment to a  
7 benefit recipient after the initial payment must be made by electronic funds transfer to a financial institution  
8 designated by the recipient on a form provided by the board, except for recipients for whom the board  
9 determines that an electronic funds transfer would be a hardship for the recipient or administratively more  
10 expensive than for a paper warrant. If there are insufficient funds to cover a payment, the recipient must  
11 be given a registered paper warrant as provided in 17-8-304."

12

13           **Section 3.** Section 19-17-404, MCA, is amended to read:

14           **"19-17-404. Pension benefits -- payment by electronic funds transfer.** (1) Each person who meets  
15 the requirements set forth in 19-17-401 or, in the case of a beneficiary, 19-17-405(1) and who has  
16 completed and filed a claim as provided in 19-17-403 is entitled to participate in the volunteer firefighters'  
17 pension plan and to receive payments as provided in this section.

18           (2) The payments must be computed each year in the following manner:

19           (a) For fiscal years 1994 and 1995, the base benefit level is \$120 per month for each retiree  
20 qualifying for full participation under the provisions of 19-17-401(1)(a). Partial participation is calculated  
21 under the provisions of 19-17-401(1)(b).

22           (b) Whenever at the close of business on the last day of a fiscal year there is a balance in the  
23 volunteer firefighters' fund in excess of \$6 million, the board shall set aside the amount to be paid to each  
24 qualifying claimant.

25           (c) For the purpose of computation and payment of benefits under this section, if children of a  
26 volunteer firefighter become eligible for benefits, all the children of the volunteer firefighter must be treated  
27 collectively as one claimant.

28           (3) If the amount of the benefit for a qualified claimant is at least \$20 per month throughout the  
29 succeeding fiscal year, the pension must be paid monthly on or before the last day of each month. If the  
30 amount of the benefit for a qualified claimant is less than \$20 per month, the qualified claimant's full

1 pension for that year must be paid in one lump payment on or before December 15 of that year.

2 (4) After June 30, 1995, each payment to a benefit recipient after the initial payment must be  
3 made by electronic funds transfer to a financial institution designated by the recipient on a form provided  
4 by the board, except for recipients for whom the board determines that an electronic funds transfer would  
5 be a hardship for the recipient or administratively more expensive than for a paper warrant. If there are  
6 insufficient funds to cover a payment, the recipient must be given a registered paper warrant as provided  
7 in 17-8-304."

8  
9 **Section 4.** Section 19-20-703, MCA, is amended to read:

10 **"19-20-703. Payments to be monthly -- payments by electronic funds transfer.** All pensions and  
11 annuities ~~shall~~ must be paid in equal monthly installments. After June 30, 1995, each payment to a benefit  
12 recipient after the initial payment must be made by electronic funds transfer to a financial institution  
13 designated by the recipient on a form provided by the board, except for recipients for whom the board  
14 determines that an electronic funds transfer would be a hardship for the recipient or administratively more  
15 expensive than for a paper warrant. If there are insufficient funds to cover a payment, the recipient must  
16 be given a registered paper warrant as provided in 17-8-304."

17  
18 **NEW SECTION. Section 5. Effective date.** [This act] is effective July 1, 1995.

19 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0275, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill providing for the payment of retirement benefits by electronic funds transfer for the Public Employees Retirement System (PERS) and the Teachers' Retirement System (TRS).

ASSUMPTIONS:

State Auditors Office:

1. Both retirement systems will continue to pay the postage expenses attributable to each system.
2. Warrant charges for the retirement systems will be 0.2471 cents in FY96 and 0.2384 cents in FY97. The postage expense for each piece will be 0.316 cents in both years of the 1997 biennium.
3. Electronic funds transfer (EFT) charges for the retirement systems will be 0.1448 cents in FY96 and 0.1216 cents in FY97.
4. Warrant writing expenses in the State Auditor's Office will be funded by an internal service fund (proprietary) as proposed in the Governor's Executive Budget. The Governor's Executive Budget includes a new proposal to implement the provisions of this bill and reduce personal services and operating expenses in the Fiscal Control and Management Program by \$8,860 each year.

Teachers' Retirement Division:

5. As of January 1, 1995, the TRS processes 7,452 retirement benefits each month: 3,202 through EFT and 4,250 through warrants.
6. Each benefit recipient receiving a warrant must be notified of the requirements of this proposal and provided with forms to sign-up for EFT or to show that this requirement would create a hardship.
7. Each benefit recipient currently receiving a warrant would have to be notified an average of 1.5 times. It would require 80 hours of staff overtime to notify recipients and process appeals for hardship. The estimated overtime expense is \$1,120 (80 x \$14) in FY96 only.
8. Although the effective date of the bill is July 1, 1995, it will take five to six months to reach maximum implementation.
9. The TRS currently processes 51,000 warrants annually. About 25% of this total will continue to be processed as paper warrants because of hardship or because of cases in which EFT is administratively more expensive than a paper warrant. By FY97 about 75%, or 38,250, of the 51,000 warrants will convert to EFT; half, or 19,125, of the total expected to convert to EFT will be converted during FY96.
10. An advice indicating changes to retirement benefits will be sent to EFT recipients whenever there is a change in their net benefit amount. It is estimated that changes will occur at an average of four times each year.

(Continued)

 1-25-95

DAVE LEWIS, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning



WILLIAM R. WISEMAN, PRIMARY SPONSOR      DATE

Fiscal Note for HB0275, as introduced

**HB 275**

(Continued)

ASSUMPTIONS: (Continued)

Public Employees' Retirement Division:

11. As of January 1, 1995, the PERS processes 14,066 monthly retirement benefits: 7,948 through EFT and 6,118 through warrants.
12. Each benefit recipient receiving a warrant must be notified of the requirements of this proposal and provided with forms to sign-up for EFT or to show that this requirement would create a hardship for the recipient. Cost for printing forms and mailing notices to recipients is estimated at \$4,158.
13. Each benefit recipient currently receiving a warrant would have to be notified an average 1.5 times. It would require 80 hours of staff overtime to notify recipients and process appeals for hardship. The estimated overtime expense is \$1,120 in FY96.
14. Although the effective date of the bill is July 1, 1995, it will take six months to reach maximum implementation.
15. PERS currently processes 74,000 warrants annually. About 15% of the total will continue to be processed as warrants because of hardship or because EFT is administratively more expensive than a paper warrant. By FY97, it is estimated that 85%, or 62,900 warrants, will convert to EFT; half of that amount, 31,450, of the total expected to convert to EFT will actually be converted during FY96.
16. An advice indicating changes to retirement benefits will be sent to EFT recipients whenever there is a change in their net benefit amount; such changes occur an average of four times a year.

FISCAL IMPACT:

Expenditures:

	<u>FY96</u>	<u>FY97</u>
<b>Teachers' Retirement Division:</b>	<u>Difference</u>	<u>Difference</u>
Personal Services	1,120	0
Operating Expenses	<u>(2,424)</u>	<u>(12,270)</u>
Total	(1,304)	(12,270)
<u>Funding:</u>		
Non-expendable Trust Fund (09)	(1,304)	(12,270)
 <b>Public Employees' Retirement Division:</b>		
Personal Services	1,120	0
Operating Expenses	<u>(3,860)</u>	<u>(16,949)</u>
Total	(2,740)	(16,949)
<u>Funding:</u>		
Non-expendable Trust Fund (09)	(2,740)	(16,949)
 <u>Net Impact:</u> (excluding State Auditor's Office savings)		
Non-expendable Trust Funds	(4,044)	(29,219)