

Madame

House BILL NO. 527

INTRODUCED BY

Wm Ryan
Harmon
Shelby Frank *Robert Beck* *Hallegren*

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A ONE-TIME PERMANENT AD HOC POSTRETIREMENT BENEFIT INCREASE FOR RETIRED MEMBERS AND BENEFIT RECIPIENTS COVERED UNDER THE FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM; INCREASING STATE CONTRIBUTIONS FROM CERTAIN INSURANCE PREMIUM TAXES TO PAY FOR THE INCREASE; AMENDING SECTION 19-13-604, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. Ad hoc postretirement adjustment. On July 1, 1997, each member who retired on or before June 30, 1994, or the member's beneficiary, is entitled to a one-time permanent increase in the monthly service, disability, or survivorship benefit being paid to the member or the member's beneficiary. The amount of the increase for each benefit recipient must be equal to the difference between what the recipient's benefit is on July 1, 1997, and the benefit that would have been payable on July 1, 1997, if the initial benefit had been increased by 1.5% for each full year after 3 years from the benefit's initiation date.

Section 2. Section 19-13-604, MCA, is amended to read:

"19-13-604. State contribution. The state shall make its contributions through the state auditor from the premium taxes on the insurance risks enumerated in 19-18-512. These payments must be made annually to the pension trust fund after the end of each fiscal year but no later than November 1 from the gross premium taxes after deduction for cancellations and returned premiums. The division shall notify the auditor of the annual compensation, excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid to all active members during the preceding year. The state's contribution is ~~24.21%~~ 24.4% of this total compensation. As soon as practicable after receipt of the state contribution, the division shall deposit it in the pension trust fund."

NEW SECTION. Section 3. Codification instruction. [Section 1] is intended to be codified as an

1 integral part of Title 19, chapter 13, part 10, and the provisions of Title 19, chapter 13, part 10, apply to
2 [section 1].

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4 NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

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-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0527, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

The bill provides a one-time, permanent ad hoc increase in retirement and death benefits for certain members and survivors of the Firefighters' Unified Retirement System (FURS). The increase is calculated as if benefits had been increased at 1.5 percent per year of retirement after three years of retirement. State contributions to FURS are increased.

ASSUMPTIONS:

Public Employees Retirement Division:

1. The total actuarial cost of funding the benefit increase in FURS is additional contributions equal to 0.65% of total FURS payroll. The bill increases the contributions by 0.19% of payroll with a corresponding fiscal impact of approximately \$30,000 per year. Therefore the bill, as introduced, is not actuarially funded. The contribution percentage necessary to actuarially fund the benefit increase is 24.86% of compensation. At the higher percentage the fiscal impact would be approximately \$100,000 per year (\$99,335 in fiscal year 1998 and \$104,600 in fiscal year 1999).
2. The total FURS covered payroll for fiscal year 1996 was \$13,782,660. It is estimated that covered payrolls will increase by 5.3% per year.
3. Contribution increases to the FURS trust fund from the insurance premium tax fund directly reduce state general fund revenues by like amounts.

FISCAL IMPACT:

<u>Expenditures:</u>	<u>FY98</u> <u>Difference</u>	<u>FY99</u> <u>Difference</u>
State Auditors Office:		
Contributions to FURS trust fund	29,036	30,575
 <u>Funding:</u>		
Insurance Premium Tax Fund (02)	29,036	30,575
 <u>Revenues:</u>		
General fund (01) (from insurance premium tax)	(29,036)	(30,575)
 <u>Net Impact on Fund Balance:</u> (Revenue minus expense)		
General fund (01)	(29,036)	(30,575)

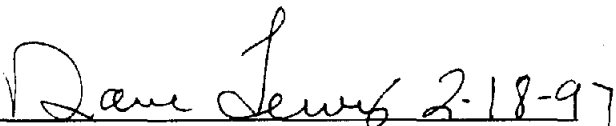
LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The contributions from the insurance premium tax fund and corresponding reduction in deposits to the general fund will increase at approximately 5.3% per year. Since increased retirement benefits will be taxable, there will be an increase in income tax revenues deposited to the general fund.

TECHNICAL NOTES:

The Public Employees Retirement Division (PERD) estimates that the amount proposed to be paid from the insurance premium tax fund to the FURS pension trust fund is not sufficient to amortize the unfunded liabilities created by this change over 30 years. The PERD believes that the system will not be actuarially funded as required by the Montana Constitution.

This bill will need to be coordinated with other legislation impacting retirement systems (for example: HB 170, HB 324, HB 173, and HB 430).


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

 WILLIAM RYAN, PRIMARY SPONSOR DATE

Fiscal Note for HB0527, as introduced

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