

Senate BILL NO. 328

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INTRODUCED BY

DeHearty
Chapman *Va Valtersburg* *J. Moxley* *William* *Estrada*

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE MINIMUM RETIREMENT BENEFIT PROVISION FOR CERTAIN RETIREES IN THE MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM; INCREASING STATE CONTRIBUTIONS FROM THE INSURANCE PREMIUM TAX; AMENDING SECTIONS 19-9-702 AND 19-9-1007, MCA; AND PROVIDING AN EFFECTIVE DATE."

WHEREAS, the effects of inflation have reduced the value of the current postretirement benefit adjustment provided for retired police officers in section 19-9-1007, MCA; and

WHEREAS, police officers retiring at the rank of sergeant or above, by virtue of attaining a higher rate of pay when employed, have become accustomed to and plan to retire at a higher standard of living than a basic patrol officer yet are required to wait many years longer than a retiring patrol officer for retirement benefits to fall to a level equal to one-half of the pay of a newly confirmed patrol officer before receiving a postretirement increase; and

WHEREAS, the legislature intends that by granting an increased retirement benefit to police officers who retire at the rank of sergeant or above, more police officers will be encouraged to achieve at least the rank of sergeant and to use their acquired skills for the benefit of their respective communities; and

WHEREAS, there are insufficient funds for the state to provide all or a portion of a postretirement benefit adjustment for ranks above and below the rank of sergeant.

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. The payments must be made annually after the end of each fiscal year but no later than November 1 from the gross premium tax after deduction for cancellations and returned premiums. The division shall notify the auditor by September 1 of each fiscal year of the annual compensation paid to all active members during the preceding fiscal year. The state's contribution is ~~15.66%~~ 33.55% of compensation paid to members."

1 **Section 2.** Section 19-9-1007, MCA, is amended to read:

2 **"19-9-1007. Supplement to certain benefits.** (1) The benefits paid in each fiscal year to a retired
3 member or the member's survivors may not be less than:

4 (a) one-half of the compensation that will be paid in the current fiscal year in the appropriate city
5 or town to newly confirmed police officers for officers retiring at the rank of patrol officer; or

6 (b) one-half of the compensation that will be paid in the current fiscal year in the appropriate city
7 or town to a sergeant receiving the base salary of a sergeant for officers retiring at the rank of sergeant
8 or above.

9 (2) On or before October 1 of each year, the division shall make a report including the following
10 information:

11 (a) the names of all retired members who are receiving benefits from the retirement system as of
12 the date of the report;

13 (b) the names of all surviving spouses or dependent children who are receiving benefits from the
14 retirement system because of the death of an active or retired member of this or a prior plan;

15 (c) for the purpose of determining the base retirement, disability, or survivorship benefits for the
16 computations set forth in subsection (3), the following information relating to the base fiscal year
17 commencing July 1, 1976:

18 (i) the amount of the benefits paid in the base fiscal year to each retired member described in
19 subsection (2)(a);

20 (ii) the amount of the benefits paid in the base fiscal year to each surviving spouse or dependent
21 child described in subsection (2)(b);

22 (iii) upon the death after the base fiscal year of any retired member who was receiving benefits, the
23 amount of benefits that would have been paid to an eligible surviving spouse of the retired member if the
24 surviving spouse had been receiving benefits in the base fiscal year;

25 (d) the original amount of retirement, disability, or survivorship benefits paid to retired members
26 or their eligible survivors as of the original retirement dates after July 1, 1975;

27 (e) the compensation that will be paid during the current fiscal year to:

28 (i) a newly confirmed police officer of each city or town participating in the retirement system; and

29 (ii) a sergeant receiving the base salary of a sergeant in each city or town participating in the
30 retirement system.

1 (3) The division shall compute the difference between each amount reported under subsections
2 (2)(c) through (2)(e) and one-half the compensation to be paid during the current fiscal year to a newly
3 confirmed police officer of the appropriate city or town. The division shall also compute the difference
4 between each amount reported under subsections (2)(c), (2)(d), and (2)(e)(ii), and one-half the
5 compensation to be paid during the current fiscal year to a sergeant receiving the base salary of a sergeant
6 in the appropriate city or town. The difference must be reported to the state auditor who shall pay the
7 difference to the pension trust fund out of the premium tax collected on insurance sold in this state to
8 insure against the risks enumerated in 19-18-512(3) no later than November 1. If the compensation of a
9 newly confirmed police officer or the base salary for a sergeant has not been set for the current fiscal year
10 in time to be included in the October 1 report to the state auditor, the division shall make any retroactive
11 adjustments necessary to individual supplemental benefits after the current compensation has been
12 determined and shall include these amounts in the next year's report for reimbursement at that time.

13 (4) The premium tax amount paid by the state auditor is statutorily appropriated, as provided in
14 17-7-502, for the payment of supplemental retirement benefits to eligible retired members and their
15 survivors. This payment is in addition to the payment to be made by the state auditor under 19-9-702.

16 (5) If more than one dependent child is entitled to supplementary benefits under this section by
17 virtue of the death of a common parent, the minimum benefit paid to the dependent children under this
18 section must be determined as if there were one dependent child and the supplementary benefits must be
19 paid to the dependent children collectively."

20
21 **NEW SECTION. Section 3. Effective date.** [This act] is effective July 1, 1997.

22 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0328, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

The bill increases the minimum benefits payable to retired police officers who retired at the rank of sergeant or above to no less than one-half of the current salary of a sergeant employed by the city from which the member retired and increases contributions from the state insurance premium tax fund to actuarially fund the benefit increases.

ASSUMPTIONS:

1. The total actuarial cost of funding the change in the Municipal Police Officers Retirement System (MPORS) is additional contributions equal to 17.89% of total MPORS payroll. The bill provides that the cost will be paid by increased contributions from the state insurance premium tax fund.
2. It is estimated that 70% of MPORS retirees reached the rank of sergeant or higher by the date of retirement. Supplemental benefits paid to these members and actuarially funded by higher payroll contributions under this bill will reduce current supplemental insurance premium tax fund contributions paid directly to the MPORS trust fund. The estimated savings will equal a 70% reduction in the direct supplemental benefits reimbursement from the insurance premium tax fund to the MPORS trust fund.
3. The total covered payroll for the MPORS in fiscal year 1996 totaled \$15,827,596. It is assumed that covered payrolls will increase by 6.8% per year in the future.
4. Contribution increases to the MPORS trust fund from the insurance premium tax fund directly reduce state general fund revenues by a like amount.
5. Based upon minimum benefits paid and the average salaries of police sergeants in fiscal year 1996, minimum benefits would have increased by \$521,000 in fiscal year 1996. Projections for increased payments of minimum benefits in fiscal year 1998 and fiscal year 1999 assume that salaries of sergeants would have increased by 6.8% per year since fiscal year 1996. Therefore, the increased minimum benefit payments for fiscal year 1998 are estimated to be \$594,265 ($\$521,000 \times 1.068 \times 1.068$).

FISCAL IMPACT:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
State Auditor's Office:		
Contributions to MPORS pension trust fund	1,780,742	1,927,914
<u>Funding:</u>		
Insurance premium tax fund (02)	1,780,742	1,927,914
MPORS Pension Trust Fund:		
Retirement benefits	594,265	634,675
<u>Funding:</u>		
MPORS pension trust fund (09)	594,265	634,675
<u>Revenues:</u>		
General fund (01)	(1,780,742)	(1,927,914)
MPORS pension trust fund (09)	1,780,742	1,927,914
<u>Net Impact on Fund Balance: (Revenues minus expense)</u>		
General fund (01)	(1,780,742)	(1,927,914)
MPORS pension trust fund	1,186,477	1,293,239

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Since this is a permanent change, state general fund revenues will permanently decrease and the rate of decrease will accelerate at the same rate as the increase in total MPORS payroll until the new unfunded liabilities have been amortized.

TECHNICAL NOTES:

This bill will need to be coordinated with other legislation impacting this retirement system (for example: HB 170, HB 173, HB 324, and HB 505).

Dave Lewis 2-17-97
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

Steve Doherty 2/17/97
 STEVE DOHERTY, PRIMARY SPONSOR DATE

Senate BILL NO. 328

INTRODUCED BY

Doherty
Chick *Van Vleet* *Waltberg* *J. Brennan* *W. ...* *Estrada*

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