

TESTIMONY OPPOSING SENATE BILL 370

Senate Local Government Committee
Testimony By: Kelly Jenkins, General Counsel
Montana Public Employees' Retirement Board
February 17, 2005

The Montana Public Employees' Retirement Board opposes Senate Bill 370.

As always, the PER Board will do its best to implement whatever policy the legislature determines. However, the Board wants to be clear on the record that there are severe problems with SB370.

1. Increased Cost to Counties.
2. Increased Cost to Detention Officers.
3. Increased Cost to Sheriffs' Retirement System.
Counties or the state must pay this cost.
4. Increased Administrative Confusion.

1. Increased Cost to Counties

- Increased employer contributions for detention officers at current rates. Currently county detention officers are generally members of PERS. The Sheriffs' Retirement System's contributions are significantly higher for the employer (9.535% of compensation) vs. PERS (6.8%). The increased cost has been calculated as more than \$334,000 next year, increasing each year as payroll increases. Some counties may be able to afford this increase. Others may not.
- County costs for all members of SRS are increasing. HB 148 (passed second reading 85-14, is being heard in House Appropriations right now) increases the SRS employer contributions by 1.2 percent FY 2006 and another 1.2 percent in FY 2008. With the passage of HB 148, employer contributions will increase by \$480,700 and \$501,129 for fiscal years 2006 and 2007, respectively. In FY2008 the cost will increase again by roughly \$150,000, to about \$650,000, increasing each year as payroll increases.
- Counties are seeking reimbursement. Counties have already asked the state for reimbursement of some detention costs (HB243—Rep. Lambert, passed 2d Reading in the House 94-6), presumably based on need. This suggests two things: First, the counties do not have enough money to add additional costs to detention center operations. Second, if HB243 passes, this bill will increase costs to the state for the state's portion of the operational cost reimbursement.

2. Increased Cost to Detention Officers.

- SB370 may actually make it harder to recruit detention officers.
 - ❖ Employee contributions are increased and take-home pay is decreased by 2.345% (almost \$600/year on a \$25,000/year salary).
- SB370 may actually make it harder to retain detention officers.
 - ❖ SB370 provides an incentive for detention officers to terminate and take a refund of employee contributions to get back the larger employee contributions they have made.

3. Increased Cost to the Sheriff's Retirement System

- The normal cost of providing the benefits promised to current SRS members is now .66% of payroll more than the contributions to the system (by the counties and the sheriffs). HB148 has been introduced to bring funding to a constitutionally required level. SB370 places funding on an unconstitutional level again, which will need to be remedied in the next legislature if SB370 isn't found unconstitutional in the interim.
- SB370 increases the normal cost of benefits by .54% of payroll.
- Adding detention officers will increase the payroll and increase the cost of providing benefits, double compounding the additional money that will be needed to keep SRS actuarially sound.
- Counties have already asked the state for reimbursement of detention costs (HB243–Rep Lambert, passed 2d Reading in the House 94-6), so the extra cost ultimately may be borne by both the counties and the state.

4. Increased Administrative Confusion.

- No definition of “detention officer” is as clear as “sheriff” or “deputy sheriff”.
- The PER Board is placed in the impossible position of having to determine who are real “detention officers” and who are not. Are radio dispatchers “detention officers” because they do a pat down of a female prisoner once a month and they took detention officer training? The Board of Crime Control recommends training for essentially everyone who works in a detention building, including janitors, receptionists and lunch ladies.
- The PER Board is sometimes asked to make these decisions after years of county contributions to the cheaper PERS. When that happens, the PER Board has to send a huge bill to a very unhappy county for past due employer and employee contributions.

For the reasons indicated, the Board respectfully requests a DO NOT PASS on SB370.