

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

SENATE STATE ADMIN.

EXHIBIT NO. 4

DATE 1.26.05

BILL NO. SB197



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January 24, 2005

Senator Joe Balyeat
Senate State Administration Committee
Montana Senate
PO Box 200500
Helena MT 59620-0500

Dear Senator Balyeat:

I would like to answer your question regarding SB197 – Revise pension benefits for volunteer firefighters. Under current law a volunteer firefighter with 20 or more years of service at age 55 would receive \$150 a month benefit if they retired. The current law allows an increase in their benefit for each year after age 55. For each year after age 55 a member stays active with the department they will receive an additional \$7.50 a month in their retirement benefit. SB97 is attempting to give all volunteer firefighters credit for working more than 20 years of service regardless of age.

Let me provide an example:

A volunteer firefighter starts with a volunteer fire department at the age of 30. Let's assume he is active each year and retires at the age of 57.
His retirement is calculated as follows:

Current law:

At age 55 he has 25 yrs of service and a benefit => \$150 per month
(benefit based on 20 yrs not 25yrs)
2 years of service after age 55 at \$7.50 per year => \$ 15 per month
Total Benefit => \$165 per month

SB197:

At age 57 has 27 yrs of service and a benefit => \$202.50 per month

The increase in benefits due to SB197 is \$37.50 per month. The actuarial impact statement estimates to fund the additional liability of \$1.1 M would take additional revenue of \$97,233 per year. The actuary did not estimate the annual increase in benefits paid from the Volunteer Firefighters Compensation Act.

In Volunteer Firefighters' Compensation Act there are 119 members with at least 20 years of service and at least 55 years of age. If they were to retire with SB197 the increase in benefits would be \$37,344 per year. There are additional 122 members with at least 20 years of service and their age is less than 55 years of age. SB 197 would increase their accrued benefit by \$35,100 per year.

I would be happy to answer any additional questions you may have. I can be reached at 44-5459.

Sincerely,

Mike O'Connor
Executive Director

Fiscal Note Request SB197, As Introduced - Prepared by Public Employee Retirement Administration
(continued)

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
FTE		
<u>Expenditures:</u>		
Personal Services		
Operating Expenses		
Equipment		
Benefits		
Transfers		
TOTAL		
<u>Funding of Expenditures:</u>		
General Fund (01)		
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		
TOTAL		
<u>Revenues:</u>		
General Fund (01)		
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)		
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

LONG-RANGE IMPACTS:

This benefit enhancement increases the unfunded liability of the Volunteer Firefighters' Compensation Act by \$1.1 million

TECHNICAL NOTES:

Fiscal Note Request SB197, As Introduced - Prepared by Public Employee Retirement Administration
(continued)

1. Based on the most recent funded status of the Volunteer Firefighters' Compensation Act, and the expectation of emerging investment losses in the future, the Board's actuary recommends that all new legislative proposals include a provision for financing the entire cost of the proposal.
2. The annual revenue to fund this benefit enhancement is \$97,233.

Fiscal Note Prepared by: Mike O'Connor
Agency: Montana Public Employee Retirement Administration
Phone Number: 444-5459