



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0227	Title:	Eliminate pension eligibility for legislators
Primary Sponsor:	Walker, Edward	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	(\$61,940)	(\$77,029)	(\$61,940)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$61,940</u>	<u>\$77,029</u>	<u>\$61,940</u>

Description of fiscal impact: SB 227 discontinues the option for legislators to participate in a public retirement system for their legislative service. The fiscal impact of this legislation is attributable to a reduction in HB 1 general fund expenditures. It is not anticipated to have a fiscal impact on the funding of any public retirement system.

FISCAL ANALYSIS

Assumptions:

Legislative Branch HB 1

1. SB 227 prohibits new legislators from receiving membership service or service credit for their legislative service in any public employee retirement system governed by state law. This bill provides that a person who is certified by the Secretary of State as elected or appointed for a legislative term beginning on or after January 5, 2015 may not be credited with membership service or purchase service credit for their legislative service in that legislative term in a retirement system or retirement plan provided for in Title 19, MCA.

2. This bill will affect newly elected legislators whose term begins Jan. 5, 2015, as well as current legislators who continue to serve beginning Jan. 5, 2015.
3. Statute currently provides that a legislator may elect to continue participation as an active member of a public retirement system by continuing the payments into the fund of the retirement system at a rate currently in effect in the system based on the legislator's monthly salary as a member of that system. The employer contribution must be made by legislative appropriation equal to the appropriate employer contribution at the rate currently in effect in the system. This legislative appropriation is provided for in HB 1.
4. For the purposes of this fiscal note, it is assumed that there will be approximately 50 newly elected legislators on Jan. 5, 2015. It is also assumed that all 50 new legislators would have elected to become members of a public retirement system. The legislative appropriation that provides for employer contributions would be reduced by the cost of service credit for these 50 legislators, as well as the cost of the employer contributions made while the legislature is receiving salary during a regular session. Cost is calculated using the current compensation rate for legislators, as provided in 5-2-301, MCA, and the current employer contribution rate for the public employee retirement system.

Teachers Retirement System (TRS)

5. SB 227 will prohibit new legislators and reelected legislators from receiving membership service or service credit in any public employee retirement system for their legislative service.
6. Under current law, TRS members elected to the Montana legislature can choose to participate in TRS while serving in the legislature or to purchase service credit for any time missed while serving in their capacity as a Legislator. If a legislator purchases legislative service, under current law, TRS is made whole for any employee and employer contributions that would have been contributed to the system during the time served.
7. SB 227 will have no effect with respect to rights and responsibilities under the retirement system related to non-legislative service performed by a member who is also a legislator.

Public Employee Retirement System (PERS)

8. The actuarial impact statement used the actuarial methods and assumptions as were used in the June 30, 2012 Actuarial Valuation of the Systems
9. Currently there are less than 100 legislators who are accruing service in PERS. This is out of a total of over 28,000 active members.
10. There is one legislator accruing service in the Highway Patrol Officers' Retirement System, compared to over 200 active members as of the most recent valuation date.
11. Since this legislation only affects future persons commencing legislative terms, there would be no effect on the June 30, 2012 actuarial valuation results.
12. The effects upon future valuations are not measurable, but should not be material to these systems.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	(\$61,940)	(\$77,029)	(\$61,940)
TOTAL Expenditures	<u>\$0</u>	<u>(\$61,940)</u>	<u>(\$77,029)</u>	<u>(\$61,940)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	(\$61,940)	(\$77,029)	(\$61,940)
TOTAL Funding of Exp.	<u>\$0</u>	<u>(\$61,940)</u>	<u>(\$77,029)</u>	<u>(\$61,940)</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$61,940	\$77,029	\$61,940

Effect on Local Governments:

1. No impact to local governments.

Long-Term Impacts:

1. Retirement system members who serve in the Montana legislature after the effective date of SB 227 will not receive retirement system membership/service credit for their legislative service time and will have a reduced maximum potential retirement benefit than is available under current law for legislators, or than they would have had if they had not served as a legislator at all.
2. The Legislative Branch will experience savings in the future because fewer legislators, and eventually no legislators, will be eligible for service credit in a retirement system by virtue of their legislative service or for purchasing additional service because they were involuntarily terminated from employment due to term limits, as provided in 19-2-706, MCA.

Technical Notes:

1. Per 2-18-704(3), MCA, a state health insurance contract or plan must contain provisions that permit a legislator to remain a member of the state’s group plan until the legislator becomes eligible for Medicare. One of the requirements of this provision is that the legislator who has terminated service in the legislature must be a vested member of a state retirement system. SB 227 will change this so that new and future legislators may not remain on the state’s group plan unless they are vested in the retirement system by virtue of their non-legislative employment, and that they will have to find other health coverage until they become Medicare eligible.

Sponsor’s Initials

Date

Budget Director’s Initials

Date