



Economic Affairs Interim Committee

65th Montana Legislature

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LCMSF1 Key Points

This bill draft, requested by the Economic Affairs Interim Committee for consideration as a committee bill, implementing findings for the Senate Joint Resolution 27 study of Montana State Fund, seeks to exempt Montana State Fund from the Montana information technology act and the Montana procurement act. The draft does the following:

Section 1. MCA Section 2-17-506.

- Specifically exempts the MSF from the definition of "State agency" in the information technology act.

Section 2. MCA Section 2-17-516.

- Specifically inserts subsection (9) to include MSF in the list of exemptions to the information technology act.

Section 3. MCA Section 18-4-123.

- Specifically exempts the MSF from the definition of "Governmental body" from the procurement act.

Section 4. MCA Section 18-4-132.

- Removes language in (3)(e) to specify that the procurement act does not apply to MSF.

Section 5. MCA Section 39-71-2315.

- Removes language in (7) applying to the procurement act and MSF.

LCMSF2 Key Points

This bill draft, requested by the Economic Affairs Interim Committee for consideration as a committee bill, implementing findings for the Senate Joint Resolution 27 study of Montana State Fund, seeks to allow the Department of Administration to elect Plan No. 1, 2, or 3 workers' compensation coverage. The draft does the following:

Section 1. New Section 1.

- The proposed statute would apply if the Department of Administration elects coverage under compensation plan No. 1. This section would require:
 - The department to use a competitive bidding process to elect the plan; and
 - Makes the department subject as a plan No. 1. Insurer.
 - **DECISION POINT** – Should this decision be reviewed periodically and, if so, how often?
- The proposed statute provides procedures for the department's administration of a plan. This includes allowing the department to purchase reinsurance, contract with a third-party

administrator, and issue bonds or notes to cover unfunded liabilities caused by a catastrophic event.

- The proposed statute gives rulemaking authority to the department.

Section 2. New Section 2.

- This proposed statute serves as a companion to New Section 1 and applies only if the department elects insurance coverage under plan No. 1 or plan No. 2. The proposed statute applies to the MSF, allowing it to provide and manage workers' compensation coverage for its employees in the event the department does not elect plan 3 coverage with MSF.

Section 3. MCA Section 39-71-403.

- The amendments to this statute are the main component of the bill. It specifically allows the department of administration to elect workers' compensation insurance coverage on behalf of all state agencies. The bill allows the department to elect plan No. 1, No. 2, or No. 3 coverage.
- Strengthens the reference to all state agencies being in one plan. **May need to add all agencies are also under one insurer.**

Section 4. MCA Section 39-71-2201.

- This section provides cleanup to implement the change contemplated in section 3.

Section 5. MCA Section 39-71-2316.

- This section would authorize MSF to serve as a third-party administrator of state accounts in the event the department elects coverage for state agencies under plan No. 1.

LCMSF3 Key Points

This bill draft, requested by the Economic Affairs Interim Committee for consideration as a committee bill, implementing findings for the Senate Joint Resolution 27 study of Montana State Fund, does the following:

Section 1(2)

- Requires the board to elect board leadership (rather than the governor). The board already names the executive director but that is included here because it is related to employing its own staff (existing language).

Section 1(4)

- Specifies seven voting members but removes "appointed by the governor" because the new system would be:
 - Three members elected by policyholders
 - Four members elected by the governor. The governor has the majority of the appointments as a way of allowing Montana State Fund to retain the federal tax exemption for being the guaranteed market.
 - Adds that the four appointees by the governor are confirmed by the senate. The three policyholder-appointed directors would not be confirmed by the senate.
 - Requires that the governor's appointees meet one or more of the requirements under subsection (5)(a).

Section 1(5)

- **DECISION POINT** – Current language says at least four of the seven must represent policyholders. Now that three are elected by policyholders, how many "policyholder" or

representatives of policyholders ought the governor to appoint? The bill draft lists three. This number can be changed if the committee wants fewer or more.

- **DECISION POINT** – Current language says at least four of the seven must represent private enterprise. Again, now that three are elected by policyholders, how many private enterprise representatives ought the governor to appoint? The bill draft lists three. This number can be changed if the committee wants fewer or more.
- One of the four is to be a licensed insurance producer.
- One of the four must be a person with executive management experience in an insurance company or executive level experience in insurance financial accounting. If more than 3 are required to be either representing private enterprise or representing policyholders, then that limits the governor in appointing a retiree who might meet these qualifications.

Section 1(6)(a)

- **DECISION POINT** – Does the committee want to spell out whether a member may hold office until the governor appoints a successor or policyholders elect a replacement? Currently the statute says a member “shall hold office (may might be preferred because that allows for exigent circumstances if someone has to quit). But while the governor is required to do an appointment, this language may allow the board of directors to retain folks for longer than the statute projects.

Section (1)(6)(b)

- **DECISION POINT** – Do you want to include a transition in the bill? The governor is supposed to appoint three new directors by April 2019. If he doesn't then those three could be elected by the policyholders. (And current members will serve until the policyholders elect board members).
 - The board members whose terms end in April 2019 are: Matt Mohr, Bozeman, Jan VanRiper, Helena, and Jack Owens, Missoula.

Section 2(1)

- **DECISION POINT** – Proposed effective date is on passage and approval, which could allow the next three appointments to be done by the policyholders.
- Subsection (2) probably should be removed, but it is there as a direction to Montana State Fund for filling vacancies.