



# State Administration and Veterans' Affairs Interim Committee

PO BOX 201706  
Helena, MT 59620-1706  
(406) 444-3064  
FAX (406) 444-3036

## 57th Montana Legislature

**SENATE MEMBERS**  
DON HARGROVE - CHAIRMAN  
JOHN BOHLINGER  
GLENN A. ROUSH  
KEN TOOLE

**HOUSE MEMBERS**  
LARRY JENT - VICE - CHAIRMAN  
EDITH J. CLARK  
RALPH L. LENHART  
ALLAN WALTERS

**COMMITTEE STAFF**  
SHERI HEFFELFINGER  
RESEARCH ANALYST  
DAVID NISS, STAFF ATTORNEY  
LOIS O'CONNOR, SECRETARY

June 21, 2002

## MINUTES

Room 102, State Capitol  
Helena, Montana

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of documents.**

### COMMITTEE MEMBERS PRESENT

Sen. Don Hargrove  
Sen. John Bohlinger  
Sen. Glenn Roush

Rep. Larry Jent  
Rep. Edith Clark  
Rep. Ralph Lenhart  
Rep. Allan Walters

### COMMITTEE MEMBERS EXCUSED

Sen. Ken Toole

### STAFF PRESENT

Sheri Heffelfinger, Research Analyst  
Miko Owa, Secretary

### VISITORS

Agenda (ATTACHMENT #1)  
Visitors' list (ATTACHMENT #2)

### CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:34 a.m. by Sen. Hargrove. Roll call was noted (ATTACHMENT #3) with all members present except for Sen. Toole who was excused.

Sen. Hargrove acknowledged that Rep. Jent held Sen. Toole's proxy vote.

## **SUBCOMMITTEE REPORTS**

**Sheri Heffelfinger, Legislative Research Analyst, Legislative Services Division**, reviewed for the Committee the *HJR 8 Subcommittee Report* (EXHIBIT #1, Section A, Tab1 - HJR 8 Voting Systems Subcommittee).

Sen. Hargrove asked if there would be any dissent in the legislature to the HJR 8 recommendations. Rep. Walters said he didn't think so. Sen. Hargrove said that he knows that, with respect to banning punch card voting systems, funding for new systems will be an issue even though it is not considered an unfunded mandate.

Sen. Bohlinger said that the only strong opposition to banning punch card ballot voting systems came from Flathead County. He said that despite what opposition may come, the Subcommittees are prepared to move forward.

Rep. Jent said that he is certain that federal legislation will be forthcoming that will fund the replacement of bunch card ballots.

Ms. Heffelfinger reviewed for the Committee the *SJR 5 Subcommittee on Veterans' Affairs Report* (EXHIBIT #1, Section A, Tab 2 - SJR 5 Veterans' Affairs Subcommittee).

Sen. Roush said that the Subcommittee had accomplished a lot but has more work to do. He said that they would have accomplished more with greater cooperation from the Veterans' Administration.

Sen. Hargrove asked about cost shifting from federal to state agencies regarding mental health issues looked at by the HJR 1 Subcommittee of the Legislative Finance Committee. Rep. Clark said that there are no bill drafts yet. However, insuring that veterans are properly cared for, will stop some of the cost shifting to the state.

Sen. Bohlinger moved to authorize the draft of all legislative proposals made by the Subcommittees. The motion passed unanimously.

## **BACKGROUND REPORTS ON PUBLIC EMPLOYEES RETIREMENT SYSTEMS**

**Mike O'Connor, Director, Montana Public Employees' Retirement System (MPERS) and Melanie Symons, Attorney, MPERS**, presented the Montana Public Employees' Retirement System Handbook (EXHIBIT #2), the Public Employees Retirement Board Annual Report (EXHIBIT #3), and the *Montana Public Employees' Retirement Board Plans Summary Tables* (EXHIBIT #4).

Sen. Roush asked about disability benefits and what percentage of employees are drawing disability benefits. Mr. O'Connor said that out of 17,000 retirees, approximately 1,000 are receiving disability benefits. Sen. Roush asked if most of the claims were due to illness or work injuries. Mr. O'Connor said that there is a wide range of reasons and a disability is defined as being unable to perform the duties of that position.

**David Senn, Executive Director, Montana Teachers Retirement System**, presented to the Committee the *Teachers' Retirement System State of Montana Actuarial Valuation* (EXHIBIT #5) and the *Montana Teachers' Retirement System Report to the State Administration and Veterans' Affairs Interim Committee* (EXHIBIT #6).

**Glenn Leavitt, Director of Benefits, Montana University System**, presented to the Committee the *Montana University System Optional Retirement Plan* (EXHIBIT #7).

### **REVIEW LEGISLATION REQUESTS**

Ms. Symons presented to the Committee proposed legislation from the Public Employees' Retirement Board (EXHIBIT #1, Section B, Tab 2 - Proposals Affecting Multiple Plans) as well as a *Table (of contents) of Proposed General Revision Legislation* (EXHIBIT #8).

Rep. Jent asked about the changes to the military service purchase. Mr. O'Connor said that the language in the section is currently obsolete and they are simply updating it. He said that in reference to military service, the 10 year limit may no longer be necessary.

Ms. Heffelfinger presented to the Committee a request from **Sen. Jim Elliott** (EXHIBIT #1, Section B, Tab 2 - Proposals Affecting Multiple Plans) that a separate retirement plan be created for emergency personnel.

Sen. Hargrove said that this bill does not move the systems toward standardization.

Rep. Jent said that he does not know what the proposal is trying to accomplish.

Sen. Hargrove asked if there was consensus that this would not be a Committee-requested bill. The Committee concurred.

Ms. Heffelfinger then reviewed for the Committee the legislation request from the **Association of Montana Retired Public Employees (AMRPE)** (EXHIBIT #1, Section B, Tab 2 - Proposals Affecting Multiple Plans) to address the inflation of health care costs.

Mr O'Connor said that AMRPE is looking for a continued study to see if they can help retirees. He said MPERA and the last interim SAIC Committee reviewed this.

**Kathy McGowen, Montana Sheriff's Association**, presented to the Committee a proposal to move all county detention officers into the Sheriffs' Retirement System (EXHIBIT #9).

Sen. Hargrove said that if there is no objection, the proposal will move forward as a Committee bill and Rep. Lenhart will sponsor the bill.

Ms. Heffelfinger presented to the Committee a bill proposal from the **Group of Returned Peace Corps Volunteers** (EXHIBIT #1, Section B, Tab 3 - Public Employees' Retirement System). The proposal would provide returned Peace Corps volunteers retirement benefits identical to the benefits that military veterans receive by allowing the volunteers to purchase the service. Ms. Heffelfinger said that there would not be a cost to system unless the legislature offered the benefit at a discounted price.

Mr. O'Connor said that the service is unqualified service so the maximum number of years that can be purchased is five. He said that if Peace Corps volunteers are looking to purchase additional service, it is available under other statutes that allow a member to purchase 1 year of service for every 5 years of membership. He said that he is not sure if people can afford it.

After much discussion, the Committee took no action on the proposal.

Ms. Heffelfinger presented a proposal from Rep. Frank Smith requesting the MPERS members with military service be allowed to purchase at a discounted rate (less than actuarial) (EXHIBIT #1, Section B, Tab 3 - Public Employees' Retirement System).

Mr. O'Connor said that this proposal was previously presented in the last legislative session and there was a significant cost associated with it.

Rep. Jent asked about the historical context of the bill. Mr. O'Connor explained the historical background to the Committee. Rep. Jent asked if it was system neutral now since it is now at actual cost. Mr. O'Connor said yes.

Sen. Hargrove asked whether the 10 year eligibility requirement could be deleted without changing the system. Mr. O'Connor said yes.

Sen. Bohlinger asked how the number of years of military service is defined. Mr. O'Connor said that the administration use the DD214 form to determine the years served.

Rep. Jent moved that the Committee submit a request to eliminate the 10 year phrase and keep it at the actual cost. The motion passed unanimously.

Mr. O'Connor presented to the Committee a local government retirement concern from **Rep. Gary Matthews**. He said that the proposal would allow any person who was eligible to retire without penalty could do so without having to resign from an elected position (EXHIBIT #1, Section B, Tab 3 - Public Employees' Retirement System). The Committee agreed to sponsor the proposal.

**Bob Bergren, Montana State Firemans' Association**, presented to the Committee a proposal which would increase the retirement formula in the Firefighters' Unified Retirement System to 3% per year of service (EXHIBIT #1, Section B, Tab 6 - Firefighters' Unified Retirement System).

Mr. O'Connor said that whenever the legislature enhances a benefit and apply it to past service increases the cost of the system and creates an unfunded liability that the employer is responsible for. He also said that the legislature needed to look at other groups as well, such as police officers who may also want the same benefit.

Sen. Hargrove said that he didn't think the Committee would feel comfortable bringing a bill forward to do this, but asked if there was some dissension from the group.

Rep. Jent asked if the proposal was being presented because health care costs have risen dramatically. Mr. Bergren said yes. Rep. Jent said that a number of requests are driven by rising health care costs for employees who retire but are not yet eligible for Medicare. Rep. Jent

asked if Mr. Bergren would be looking at health care proposals in other areas as well. Mr. Bergren said that his association would support any legislation that would help reduce health care costs.

Ms. Heffelfinger presented to the Committee a proposal from **Rick Silva** to change the Firefighters' Retirement Plan to allow all current firefighters into the FURS plan (EXHIBIT #1, Section B, Tab 6 - Firefighters' Unified Retirement System). She said that there are some firefighters that are covered under the PERS plan and the proposal is asking that all firefighters be part of the FURS plan.

Sen. Hargrove said that there has been an inequity built into the system and the Committee should try to eliminate that.

Rep. Clark said that she would support having them purchase their past service to keep the retirement fund secure.

The Committee determined that they would request the bill with the purchase option as suggested by Rep. Clark.

Ms. Heffelfinger presented to the Committee a proposal from **Victor Duran, President of the Montana State Retired Firefighters' Association** (EXHIBIT #1, Section B, Tab 6 - Firefighters' Unified Retirement System). The Committee requested additional information on the proposal.

**John Semple, Lobbyist, Montana Fire Alliance**, presented to the Committee a proposal that would increase the retirement benefit for volunteers and possibly annuitize the program for firefighters with additional years of service. He said that they would also suggest allowing the firefighter to contribute matching funds (EXHIBIT #1, Section B, Tab 7 - Volunteer Firefighters' Compensation Act). Mr. Semple asked for a portion of Ms. Heffelfinger's time to research the issue.

Sen. Hargrove requested that Ms. Heffelfinger provide the information to the Committee in the form of an information request.

Ms. Heffelfinger presented to the Committee a proposal from **Sen. Jim Elliott** to cover all paid firefighters in FURS (EXHIBIT #1, Section B, Tab 7 - Volunteer Firefighters' Compensation Act). She said that this is also an issue that will come up in the police officer retirement system.

Mr. Bergren said that during the last session, there was some legislation brought forward that would bring firefighters who are in unincorporated cities into the Firefighters' Unified Retirement System.

Sen. Hargrove said that Sen. Elliott should bring it forward as a bill as there is not enough information for a Committee bill.

**Mr. Dave Senn, Executive Director, Teachers' Retirement System**, presented to the Committee a general housekeeping proposal as well as a proposal from Rep. Fritz (EXHIBIT #1, Section B, Tab 7 - Teachers' Retirement System). The Committee chose to make the general

housekeeping proposal a Committee bill but did not act on the proposal from Rep. Fritz. **Tom Bilodeau, Research Director, MEA-MFT**, presented a proposal to retain experienced teachers and administrators (EXHIBIT #10). He said that the cost associated is approximately \$11 million.

Sen. Bohlinger said that the proposal would keep the best of our teaching staff in the classroom. He said that the legislature should be aware of the problem. He said that there are costs associated with the plan, but there are far greater costs if nothing is done.

After much discussion, Rep. Jent moved that the Committee proceed with Mr. Bilodeau's proposal. The motion passed 7-1, with Rep. Clark voting no.

Mr. Bilodeau presented to the Committee a proposal entitled Fixing the MUS Optional Retirement Program (EXHIBIT #1, Section B, Tab 12 - University System Optional Retirement Program).

Sen. Bohlinger asked about the price of the proposal. Mr. Bilodeau said approximately \$4 Million.

Sen. Hargrove asked to hold the proposal over until July.

### **HOMELAND SECURITY**

Ms. Heffelfinger reviewed for the Committee Homeland Security Issues (EXHIBIT #1, Section C, Tab 3 - Legislative Council). Ms. Heffelfinger asked the Committee if they would like to draft a letter to other interim committees requesting that any Homeland Security bill drafts be forwarded to the SAIC.

After much discussion, Sen. Hargrove said that the Committee would agree to have the agency legislation forwarded and reviewed and Ms. Heffelfinger should send a letter to the other interim committees.

Ms. Heffelfinger said that at the last task force meeting, Speaker McGee asked staff to research whether a Constitutional amendment would be needed to protect security information. She said that Montana does not have any laws that protect information for security reasons and that a Constitutional amendment would be necessary.

Sen. Roush said that he serves on the Pacific NorthWest Economic Region and information protection has been the number one topic that they have been tackling. He said that he feels the state will be controlled by federal legislation.

### **REVIEW LEGISLATION REQUESTS (Continued)**

**Major General Gene Prendergast and Lieutenant Colonel Moran, Department of Military Affairs**, reviewed for the Committee proposed legislation by the Department of Military Affairs approved by the Office of Budget and Program Planning (OBPP) from the Department of Military Affairs (EXHIBIT #1, Section A, Tab 5 - Department of Military Affairs).

Rep. Clark moved that the Committee authorize the agency bills to be drafted that were marked

approved by OBPP. The motion passed unanimously.

**Scott Darkenwald, Director, Department of Administration, Anita Bartos, Commissioner of Banking, and Dal Smilie, Department of Administration** presented to the Committee legislation proposed by the Department of Administration that has been approved by the OBPP (EXHIBIT #1, Section A, Tab 6 - Department of Administration).

Sen. Hargrove asked in reference to proposal number 6101-10 if judicial reviews would still be allowed in the change to the wage appeals process. **John McEwan, Administrator, State Personnel Division, Department of Administration**, said no.

Rep. Jent asked what was wrong with the current system. Mr. McEwan said that the process takes a long time and the issues are very technical. Rep. Jent asked why the information is so technical that it requires special expertise while other matters of the judicial system are not. Mr. McEwan said that it is management decision on the value of a position and how the position was classified under the state's classification system.

Rep. Jent moved that the agency legislation proceed to drafting subject to any subsequent motions to segregate individual bills. The motion passed unanimously.

Rep. Jent moved to segregate and not draft proposal number 6101-10 on wage appeals. He said that the bill did not pass last time because it eliminated judicial review. After much discussion the motion passed 7-1 with Rep. Walters voting no.

Sen. Hargrove moved to segregate and not draft proposal number 6101-29 on lottery law. He said that he can not see how this can be done and not bring embarrassment to Montana.

Sen. Bohlinger said that he has looked upon the lottery as a parasite industry that feeds upon the poor of the state.

Rep. Clark said that the state cannot afford to turn the money down.

Sen. Bohlinger said that he recognizes the need for the money and the next sessions will focus on how to raise more money with respect to human services and education. He said that he would hate to give up the \$3 million, but the lottery has a far greater social consequence.

After much discussion, the motion passed 7-1 with Rep. Clark voting no.

**Janice Doggett, Legal Counsel, Office of the Secretary of State, Pat Haffey, Deputy for Business Services, Office of the Secretary of State, and Elaine Gravely, Deputy for Elections, Office of the Secretary of State** presented to the Committee legislation proposed by the Office of the Secretary of State (EXHIBIT #1, Section A, Tab 3 - Office of the Secretary of State).

Sen. Bohlinger asked about item number 3 under priority 1 which would eliminate the requirement to provide the "general nature of business" to the Office of the Secretary of State. Ms. Haffey said that at this point the Office has no reason to collect the information. She said that they would like to collect more information in the future, but it is not relevant now.

Sen. Bohlinger said that the Office should keep records as to what the business does and it is useful information.

Rep, Jent asked about foreign limited partnerships and if they were from other countries or other states. Ms. Haffey said that they were from other states. Rep. Jent said that the argument is the inconsistency that you can form a corporation without saying what the corporation does, but when you form a foreign limited partnership you have to say what the partnership does.

Ms. Haffey said that there is a business type that they have yet to determine the value for. She said that she would like to know where the jobs are and where the economic development is coming from, but the information they are gathering is not doing that. She said that she does not know if the information is being gathered by another agency.

Sen. Bohlinger said that until the state knows that the information is being gathered elsewhere it should be left in.

Sen. Bohlinger moved to authorize the drafting of agency proposal number 1 as presented except for item number 3. The motion passed unanimously.

Ms. Doggett asked to present priority number 2 until the next meeting pending an audit report. The Committee agreed to hear the proposal at the July meeting.

Sen. Bohlinger moved to authorize the drafting of agency proposal number 3. The motion passed unanimously.

Ms. Gravely said that she would like to present proposal number 4 at the July meeting pending federal legislation. The Committee agreed to hear the proposal at the July meeting.

Ms. Heffelfinger reviewed for the Committee Miscellaneous Legislative Proposals (EXHIBIT #1, Section A, Tab 7 - Miscellaneous Legislative Proposals).

Sen. Hargrove asked for the title of the miscellaneous bills to be presented at the July meeting.

## **ADJOURNMENT**

The meeting adjourned at 3:29 p.m. The next meeting is scheduled for July 26, 2002.

CI0425 2205jjxa.