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Revenue and Transportation Interim Committee
64th Montana Legislature

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July 5, 2016

Sen. Dee Brown, Presiding Officer
State Administration and Veterans' Affairs Interim Committee

Dear Sen. Brown and State Administration and Veterans' Affairs Committee Members:

The Revenue and Transportation Interim Committee received draft legislation from the Department of Revenue at its June meeting that the committee believes is under the purview of the State Administration and Veterans' Affairs Interim Committee. The Department presented the bill to RTIC because the bill aims to correct an oversight contained in a reappraisal bill passed by the 2015 Legislature.

Senate Bill No. 157 enacted a two-year reappraisal cycle and made other changes to property assessment and taxation laws. The bill amended the definition of assessed value contained in section 15-8-111, MCA, to remove an exemption from market value for certain class four residential and commercial property. This had an inadvertent effect on section 19-18-503, MCA, which ties required funding of firefighter disability and pension funds to the determination of assessed value provided in section 15-8-111, MCA. Because of this change, assessed values for cities and towns are higher and cities and towns are now required to hold more money in the firefighter disability and pension fund to meet the requirement of sound funding. Cities and towns affected by this provision have communicated with the Department of Revenue about the issue.

The Revenue and Transportation Interim Committee view the cities' concerns as legitimate but thought it more appropriate that the bill be considered by SAVA. A copy of the draft legislation provided by the Department of Revenue is enclosed.

If you have any questions, please contact us or staff for the Revenue and Transportation Interim Committee.

Sincerely,

Handwritten signature of Fred Thomas in blue ink.

Sen. Fred Thomas
Presiding Officer

Handwritten signature of Tom Jacobson in blue ink.

Rep. Tom Jacobson
Vice Presiding Officer

Enclosure

cc: Sheri Scurr

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Firefighters' Pension Fund 052416 RTIC Final

*** Bill No. ***

Introduced By *****

By Request of the (Agency or Department)

A Bill for an Act entitled: "An Act amending the requirement for a local government to fund firefighters' retirement; reducing the rate necessary to ensure that a local firefighters' disability or pension fund is soundly funded; and amending section 19-18-503, MCA; providing an immediate effective date."

Be it enacted by the Legislature of the State of Montana:

Section 1. Section 19-18-503, MCA, is amended to read:

19-18-503. Fund to be soundly funded. (1) Each disability and pension fund must be soundly funded. ~~The if, subject to subsection (2):~~ The fund is sound if assets are maintained according to section (2).

(2) (a) The treasurer shall calculate the annual amount necessary to fund the current retirement of all firefighters receiving benefits and maintain assets in the fund equal to a minimum of 3 times and a maximum of 5 times the actual liability to fund the current liability; or

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~~(a) assets in the fund are maintained at a level equal to at least 0.21% but no more than 0.52% of the total assessed value of taxable property, determined as provided in 15-8-111, within the limits of the city or town; or~~

(b) in the alternative, funding is maintained at a level determined by an actuarial valuation to be sufficient to keep the fund actuarially sound.

~~(2)(3) An actuarial valuation may be requested only by a city, town, or association. Once an actuarial valuation has been conducted, funding must continue to be based on actuarial determinations rather than on the total assessed value of taxable property pursuant to subsection (1)(a).~~

(4) The city, town, or association may determine which method of funding the firefighters' fund under subsection (2) annually.

NEW SECTION. Section 2. (standard) Effective date.

[This act] is effective on passage and approval.

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