

MINUTES OF THE
LEGISLATIVE, JUDICIAL, AND ADMINISTRATIVE SUBCOMMITTEE

January 25, 1979
8:30 a.m.
Room 132
State Capitol Building
Tape Data: 3:1-3:347-758
Subject: Dept. of Admin.

The meeting was called to order by Chairman Menahan at 8:30 a.m. All members were present except Representative Hand who was excused. Fiscal Analyst JanDee May was also present.

The hearings for the day were Department of Administration: Public Employees' Retirement and Teachers' Retirement System.

DEPARTMENT OF ADMINISTRATION
Public Employees' Retirement

Jim Turcotte, Assistant Administrator, stated that they established their budget for the next biennium based on the present system. During the last 6 months, a study had been done by the Computer Service Division in which they proposed a new system that would allow the program to combine both the active and retired membership computer files into one intergrated system. The cost for the design and converting of the system would be about \$88,000 with an anticipated savings of about \$22,000. Mr. Turcotte stated they did request a budget amendment to complete Phase 3 of the project in May or June of last year. Phase 3 is now completed and the project is in the final stages of being drafted. He said he was bringing it to the attention of the committee because they would probably request another budget amendment to complete the project. He said the timing is very critical in converting the files. It would take about 10 months. The project should be done in January, 1980 if they follow the time frame they are looking at now. Mr. Turcotte said at the time of the conversion the savings attributed to the Data Processing design would be taken out of their appropriation.

Mr. Larry Nachtsheim, Administrator, remarked that the present system for the retirement files is over 10 years old and they have worked with it for touchups and repairs but they feel it is not sophisticated enough and does not work 100%.

Mr. Nachtsheim, stated that in their budget they had 3 major goals: to maintain payments on a regular and timely basis, to continue service to the members and retirees and to provide adequate information to the active members to help them in their retirement.

Mr. Nachtsheim stated that the number of active people participating in the retirement system has increased 124%. The number of people who have retired since 1962 has increased 239% and at

the same time the staff has increased by only 38%.

In the area of personnel services they are requesting one additional FTE. Mr. Nachtsheim said this position covers a person who transferred in December from the Personnel Division. One major recommendation in the Budget Office's report was that the PERS was not getting enough information out to the people for them to make retirement plans. The FTE is presently compiling information for a brochure to go out to the people the first of July. This will be followed-up by a prospective quarterly news letter to keep people informed.

The PERS is funded through the interest income derived from investments on Social Security contributions. Mr. Nachtsheim stated they have almost 60 days use of the money before sending it to the Internal Revenue Service. Mr. Nachtsheim said that half of these contributions come from employees. When the number of employees increase the revenue increases.

The Fiscal Analyst has made reductions in the PERS budget of \$34,000 in Fiscal 1980 and \$38,000 in Fiscal 1981. In contracted services there are reductions of \$16,917 in 1980 and \$15,000 in 1981. The budget requests are \$115,115 and \$130,570, consecutively.

In communications in 1980 the program request is \$26,710 and in 1981 \$29,421. The Fiscal Analyst recommended a reduction of \$6,205 in 1980 and \$8,806 in 1981. Their anticipated postage for 1979 was \$16,700. Of this amount \$10,000 will be used for sending out benefit checks and refunds. The remainder will be used for payrolls, etc. In 1980, they request \$2,970 for telephone and \$3,140 for long distance and messenger service. In travel, the major portion is used by the Social Security Auditor. In addition, \$940 is for bringing board members in town for meetings.

Mr. Nachtsheim will be going to Washington D.C. to appear before the United States Senate Subcommittee on Social Security primarily for a change in the federal register that could cost \$600,000 in the state government's social security. The Administration had changed the social security depositing procedures effective July 1, 1980. There will also be a series of hearings on mandatory retirement coverage for public employees. The effect on our state would be all firemen and policeman would come under social security. He said that there is a pension task force that has been put together for the purpose of putting retirement programs together under ARISA. If this is enacted it would cost \$165-200,000 to report audits and evaluations to them annually. This is being worked on by the national conferences to keep federal regulations out of the retirement system.

In rent, the increase includes \$2,500 for space and \$5,700 for updating the data processing equipment. They hope that next year they will be able to go on a direct line to the computer. The Fiscal Analyst responded that within the data processing area

last year they had some enhancements done that were one time costs for which they spent \$80,000. They have requested \$53,600 for data processing for 1979.

The Fiscal Analyst has recommended a reduction of \$990 in 1980 and \$997 in 1981 in utilities. The program requests money to replace an old typewriter and files to replace the cardboard files now being used. Last fiscal year they replaced desk chairs for employees.

The Fiscal Analyst's recommendation is to apply normal inflation rates of 6% to the 1979 base which brought the figure to \$56,860 in 1980 and \$60,200 in 1981. Their requests indicate a 30% and a 38% increase in data processing costs over Fiscal Year 1979. The Fiscal Analyst remarked that data processing costs should go down according to what Mike Trevor stated with the increase of data processing.

In the communications division again the Fiscal Analyst applied normal inflation increases. Within travel the Fiscal Analyst stated their request was double. The program spent \$4,700 last year and was requesting \$9,000 for each year for the next biennium. Within the area of out-of-state travel, they are requesting a 600% increase for each year. The Fiscal Analyst questioned if it was necessary for three members to go out-of-state to conferences.

There was discussion over the amount of space rented out in the building where the program is housed and also the reason for expanding without adding FTE.

In all other areas the Fiscal Analyst applied normal inflationary increases. She agreed that the filing cabinets were needed and said she was not aware of the cardboard files. The Fiscal Analyst also stated that in the area of the FTE and the study she could not respond because she was not supplied any information. An adjustment was made in the amount of \$600 for 1981. The Fiscal Analyst was informed by the Legislative Auditor that PERS needed \$600 more for 1981 and this amount was adjusted.

Mr. Eaton stated because of the amount of complaints coming in through legislators from citizens a study of the program was prompted. The study result was positive. He explained that the FTE now working on the brochure will be retiring in a couple years and the FTE requested would fill this position.

Teacher's Retirement

Owen Morris, Administrator, stated they had three major areas of difference with the Fiscal Analyst. The primary area was in contracted services with a difference of \$10,372 in 1980 and \$10,127 in 1981. He said there is also a difference of \$800 in 1980 for actuarial services which was deleted by the Fiscal Analyst.

Mr. Owen stated that last session the program was granted an

additional FTE. They anticipated that 50% of the time this person would be on the road to generate information on the retirement system. Mr. Owen said because of an acute accounting problem they did not utilize this individual on the road. They found it necessary to keep him in the office. Now the person will be traveling. The difference between the Fiscal Analyst and the request is \$4,875. The program requests a microfiche reader/printer. The request for a new reader/printer would be approximately \$4,200. Mr. Morris said if they could find a used reader/printer they would consider purchasing it. Mr. Morris said they did not feel it was practical to send their work to Records Management. They also request \$600 to replace a typewriter.

The Fiscal Analyst stated the Legislative Auditor did inform her that the audit cost will increase \$500 for 1980 and this amount was adjusted. Also an error was found in printing and this was adjusted. In 1978, \$20,000 alone was expended for data processing costs. The Retirement System is requesting \$31,000 for 1980 and \$33,000 for 1981 which is a 58% and 68% increase. The Fiscal Analyst recommended normal 6% inflation rates off the \$20,000 base.

In the area of travel the program spent \$4,000 last year and is requesting \$9,000 each year for the biennium. This is more than double the amount. The Fiscal Analyst stated she was aware of the individual that was not traveling. For instate travel, last year \$1,700 was expended. For 1980-81 the Fiscal Analyst is recommending \$3,250 for each year. In out-of-state travel \$800 was expended last year and the program is requesting \$2,250 for each year which is a 157% increase.

The Fiscal Analyst reminded the committee of the request for the microfilm reader in the Department of Accounting and stated if the committee decided to approve this purchase there was a possibility of the Teacher's Retirement purchasing the used reader from Accounting.

It was clarified that money requested from the program for typewriter purchases in 1978 and 1979 were to replace other typewriters and this request is to replace a different typewriter.

Following the meeting there was some continued discussion on the PERS System among the members of the committee.

The meeting was adjourned at 9:45 a.m.

Respectfully submitted.


William Menahan, Chairman