

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

March 19, 1979

The forty-sixth meeting of the State Administration Committee was called to order by Chairman Pete Story on the above date in Room 442 of the State Capitol at 10:00 A.M.

ROLL CALL: All members of the Committee were present.

CONSIDERATION OF HOUSE JOINT RESOLUTION No. 40: The Chairman called on Rep. Polly Holmes, House District 67, Billings, to present her testimony as sponsor of the Bill.

Rep. Holmes testified this Resolution was intended to encourage the Legislature to conduct an interim study on the effects of inflation on our state retirement systems. She stated she was not a teacher and did not work for the state other than the Legislature, so she had no special interest in these. However, she felt the state did owe something to those people who had worked all their lives who are now retired under the state system, but who are not able to keep up with the climbing expense ratio. There are about 25,000 people in Montana who are 65 or older with an average of between \$2,000 and \$4,000 a year. We are asking the people who have worked all their lives for the betterment of the state in teaching our children to now live at or below the poverty level. Rep. Holmes read a portion of a letter written to the Committee on Aging pertaining to inflation and the hardship caused by it on a fixed income. She felt it was the responsibility of the state as an employer to face this problem and deal with it by addressing the issue of the effects of inflation on these retirement systems. She mentioned the amendment relating to possible consolidation in the title of the Resolution as a mistake; that the Teachers' Retirement System in no way should be consolidated with other retirement systems.

The Chairman called for further proponents.

Mark Jennings, representing the Retired Teachers and the Retired Persons Association, supporting the legislation, presented his testimony in writing, copy of which is attached hereto for further particulars, and pertains to the increase in cost of services, utilities and food prices because of inflation but that the present retirement system does not have a cost-of-living increase to keep pace with rising costs.

Jim McGarvey, representing the Montana Federation of Teachers, AFL-CIO, supported the Resolution, stated they had tried over the years to answer the needs of teachers; however, after a number of years, their retirement payments become meaningless. That is why the study addressing the cost of living increase is important. He thought that teachers should have the opportunity to retire in dignity and be able to remain that way throughout their senior years. Several years ago, a PERS study indicated the Teachers Retirement System was solvent and should continue to be financially sound. He was also concerned with the amendment of the House relative to the consolidation would be counterproductive and might conflict with

March 19, 1979

present benefits. He requested that the amendment be stricken.

Phil Campbell, representing the Montana Education Association, testified in support of the Resolution, less the amendment. His people are very concerned about their retirement system and that there is a real need for this study, he stated.

Genevieve Adair, representing the National Retired Teachers Association and Retired Persons Association, rose in support of the legislation in its original form, without the amendment and felt the study should be done and action taken so that they would not be forced to come back to the legislature each session asking for a cost-of-living increase. She stated she receives \$188 a month, which is not enough to support a retired teacher.

No opponents appearing, the hearing was opened for questions from the Committee.

Sen. Jergeson inquired about the consolidation amendment, to which Rep. Holmes replied that this would probably be looked at anyway, but they did not want to encourage any consolidation.

Sen. Story asked how many retired teachers there were, to which Rep. Holmes answered, in Montana there were about 4,000.

Sen. Ryan questioned the status of the solvency of the teachers retirement system. Mr. Owen Morris responded that there is an accounting every two years and they have been considered sound. Continuing his questioning, Sen. Ryan asked if the new teacher hired would be charged for what had not been funded in the past. Mr. Morris replied that the Attorney General has ruled against this - they are not to pay additional amounts for those who have already retired.

Sen. Story interjected that it had already been done, which Mr. Morris acknowledged, but that the practice had to cease.

The Committee then discussed how much this had been done this year in the bills which had already been handled relative to retirement systems.

Larry Nachtsheim, Director, PERS, explained for the benefit of the Committee the contribution and benefit structure of a retirement system.

Responding to Sen. Roskie's questions regarding the amendment, Rep. Holmes stated that the teachers feel that they and the school district have contributed to this fund exclusively for particular benefits and they don't want to give up their present system. Mr. McGarvey added that the teacher's system is somewhat different in that the teachers themselves are allowed to participate in making decisions.

Rep. Holmes explained she was not aware of the amendment until just yesterday; as the bill was handled at the end of transmittal deadline, it had not caught her attention.

There being no further questions, the hearing on House Joint Resolution No. 40 was closed.

CONSIDERATION OF HOUSE BILL No. 886: The Chairman explained this was a House State Administration Bill and inquired if Rep. Joe Brand as Chairman was available. Rep. Joe Kanduch, House District 89, Anaconda, advised Rep. Brand was chairing a meeting in the House so he would present testimony for the Bill.

Rep. Kanduch explained that as they had so many bills in this session asking for exemptions from the state pay plan, the Committee decided to put in this Committee bill. He presented his testimony in writing, copy of which is attached hereto for further reference, which pertained to the fragmentation of the state pay plan by these exemptions and listed the state offices which had exempt status employees and how many. He added that if they had allowed all of the requests for exemptions from the plan, there would not be much use for keeping the plan. A total of 77 jobs would be affected by this Bill. Ten exemptions are allowed to an elected official, however, some may have more as they may be authorized by the Department of Administration. The Bill provides for a restriction of 15 exempt employees under elected officials. The governor now has 31 positions under that status, and would be the biggest affected by this Bill.

William J. Opitz, representing the Public Service Commission, testified in support of the Bill. Copy of his written testimony is attached hereto for further reference and pertained to the incorporation of the PSC-sponsored Bill, HB No. 58, which addressed this same issue, into this Bill, including the Fiscal Note. This allowed the PSC 10 exemptions, 5 more than they now have.

Ed Nelson, representing the Montana Taxpayers' Association, testifying in support of the Bill, stated that a department head has no trouble thinking of good reasons to exempt an employee, but that the state pay plan should not be abused.

There being no opponents, the hearing was opened for questions from the Committee.

Sen. Story asked how this Bill would work with the other bills the House sent over on exemptions, particularly the Oil and Gas Board, to which Rep. Kanduch responded that he thought they only ran for two years. Mr. Opitz added that HB 481 pertained to an appointed board, not an elected one, and this bill deals with elected officials and their staff.

Sen. Roskie questioned the meaning of the language of the provision on page 2, line 15, subsection 2, applying only to "chief deputy", to which Stan Zezotarski, attorney for the Legislative Council, responded that this provision addressed a problem which arose with the assessors.

After there was a short discussion by the Committee as to the meaning of the "county" assessor or "state" assessor, there being no further questions, the Chairman closed the hearing on House Bill No. 886.

March 19, 1979

The Chairman reminded the Committee that any House bills which they wanted to amend must be out of the Committee by Wednesday.

DISPOSITION OF HOUSE JOINT RESOLUTION No. 40: Sen. Hafferman moved that HJR No. 40 BE CONCURRED IN.

Sen. Story commented that he thought they wanted to have someone figure out how to give them an automatic cost of living increase.

Sen. Jergeson stated that these state retirement systems should have a good study done as they are an absolute mess.

Sen. Story thought that the PERS and Teachers' Retirement were actuarially sound and that they resented anyone else who may not be sound financially being put in with them.

Sen. Hafferman felt they should have considered inflation years ago as it has always been around.

Sen. Ryan questioned if resolutions were bound by the same rules as bills in that the intent must conform to the title as he didn't think the body of the bill addressed consolidation. Sen. Roskie agreed that they (House) amended the title without putting in anything in the body about that.

After further discussion, the motion carried by majority vote, with Senator Story voting "no".

Sen. Bob Palmer was nominated to carry the bill on the floor; he was to be notified.

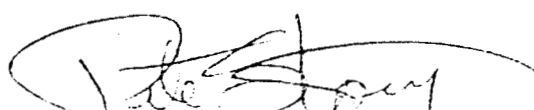
FURTHER CONSIDERATION OF HOUSE BILL No. 886: Discussion centered on the question of the manner the county handled the system of paying for assessors and deputies, if it was under the state plan or on the 90% basis and why the assessors' chief deputies were included and not the other elected offices in the county.

Sen. Jergeson stated he was ready to move the Bill's concurrence to which Senators Story and Ryan objected. Sen. Ryan wondered if they would be taking this power away from the county commissioners. Sen. Jergeson didn't think so, but felt perhaps amendments would make the intent of the Bill more clear.

Sen. Rasmussen questioned why it should be held up, to which the Chairman stated he was not sure of the intentions of the House in introducing this Bill and wanted to have it checked out. Chairman Story then directed Researcher Kathleen Harrington to research this Bill and report back to the Committee.

ADJOURNMENT:

There being no further business to bring before the Committee, the Chairman adjourned the meeting at the hour of 11:00 A.M.



ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Date March 19-19 11:15 A.M. Bill No. 200 Time 11:15 A.M.

Bob Palmer carry?

NAME	YES	NO
Senator Pete Story, Chairman		✓
Senator George F. Roskie, V. Chairman	✓	
Senator Bob Brown	✓	
Senator A. T. (Tom) Rasmussen	✓	
Senator Patrick L. Ryan	✓	
Senator Greg Jergeson	✓	
Senator William F. Hafferman	✓	

Jennie L. Palmer
Secretary

Pete Story
Chairman

Motion: Senator Bill Hafferman moved that House Joint Resolution No. 40 BE CONCURRED IN; motion carried by majority vote, with Sen. Story voting "no".

Sen. Bob Palmer is to carry the Bill on the floor.

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 19 1979

MR. President

We, your committee on State Administration

having had under consideration House Joint Resolution Bill No. 40

Holmes (B. Palmer)

Respectfully report as follows: That House Joint Resolution Bill No. 40,

Third Reading Bill,

~~DO NOT PASS~~

BE CONCURRD IN

NAME: Mark Jennings DATE: Mar 19-79

ADDRESS: 2537 Olofen Dr. Miami, Fla. 33150

PHONE: 543-7948

REPRESENTING WHOM? MRTA - AARP

APPEARING ON WHICH PROPOSAL: JHR 40

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: There is no provision for Cost of living increase in the Teachers Retirement System. With the inflationary pressures eroding retirement benefits we feel some provision should be made to remedy this situation for the Teachers Retirement System and those state retirement systems where adjustments are necessary. If the Study could provide for an automatic increase there would be no need to be continuously asking for adjustments.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: William J. Opitz DATE: March 19, 1979

ADDRESS: 2 Wood Court Helena Mont 59501

PHONE: 443-3624

REPRESENTING WHOM? Mont. PSC

APPEARING ON WHICH PROPOSAL: HB-586

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: The Commission supports HB-586 especially
the provision which grants the PSC some
exemptions. This bill is a House
Stat. Admin. Committee sponsored bill which
incorporates the provisions of a PSC
sponsored bill, namely HB-58. HB-58
would have provided the PSC with 10
exemptions and had a fiscal note attached
with the bill. That fiscal note has not
been incorporated in HB-586 and in our
opinion should be so included.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Phil Campbell DATE: 3-19-79

ADDRESS: 1232 E. 6th

PHONE: 442-4250

REPRESENTING WHOM? MEA

APPEARING ON WHICH PROPOSAL: HR 40

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Adequate Retirement Income for Retired
Teachers and Retired Public
Employees

Fact Sheet

from Mark
Jennings
March 19-7
Re: H.B.R. 40

Inflationary pressures have hit particularly hard on this class of retirees. Electric power costs have increased 62% in the last 5 years, and gas rates have increased more than 55% in the past 3 years.

Total cost of living in the past 9 years increased 70% while built-in increases for retired teachers and retired public employees went up only slightly.

The majority of all federal, state, and local government employees are participants in plans which make one or more types of post-retirement cost-of-living adjustments automatically. The Teachers Retirement System, at present, has no provision for such cost-of-living adjustment. We have seen the value of our benefits eroded by inflation, and it appears that this will continue.

The Joint State Legislative Committee for NPSA-AARP and the Montana Retired Teachers Legislative Committee feel that efforts must be made to include a cost-of-living increase in the system not only for teachers now retired but also for those who will retire in the future.

Because retired teachers pension benefits have not kept pace with inflation and in as much as there is no provision for the Teachers Retirement System to provide adjustments in benefits to overcome the effects of inflationary pressure we are asking that H.B. 40 be adopted in order that suitable recommendations can be made to provide a built-in cost-of-living adjustment for the Teachers Retirement System and those state retirement systems where adjustments are necessary.

House Bill 886 revises the laws relating to employee exemptions from the state pay plan. This legislation is recommended by the state administration committee for two reasons:

- 1) The Committee believes that elected officials abuse the use of exempt employees. Elected officials may give an exempt employee a salary higher than his own, and then appeal to the legislature for a salary increase for himself. The elected official will argue since he is the head of his office, he should receive a higher salary than the subordinate employee to whom he gave a raise.
- 2) The most important reason for reducing the number of exemptions allowed under the state pay plan is to save the pay plan.

O'Connell
L. ...
B. ...

The state pay plan does not provide appealing salaries for the state's top public officials. Consequently, these officials take higher paying jobs in private sector or in the public sector in another state.

equity

Many of the state's elected offices, commissions, departments, and boards feel the solution to this problem is to provide exemptions from the state pay plan. The Committee feels that this solution will eventually erode the pay plan.

The Committee feels that the Department of Administration can solve this problem within the next two years. This task will be much more difficult for the department if there are several exempt positions existing in the pay plan. The department should be allowed to evaluate as many positions as possible in order to develop a classification plan for paying adequate salaries to meritorious professionals. Therefore, this bill will aid in the department's ability and flexibility to solve the problem it confronts and also provide the state assurance that such salaries are based on merit and ability.

House Bill ⁸⁸⁶ 823 will reduce the number of exemptions from the state pay plan as follows:

Section 2. subsection (1). Only elected officials will be exempt from the state plan. Chief deputies and executive secretaries will not be exempt. This will reduce the number of exemptions as follows:

	<u>Positions</u>
Governor's office	6
Secretary of State	1
Commissioner of Campaign Finances	1
State Auditor	3
Superintendent of Public Instruction	1
Department of Justice	(59)
Department of Public Service Reg.	6

county attorney
The ...
...

Subsection (2) maintains that state ~~auditors~~ and their chief deputy will still be exempt from the state pay plan.

Subsection (11) reduces the number of positions exempt in the Attorney General's office by 34. This does include the 10 positions he is allowed in section 2-18-104.

Section (3) Currently all constitutionally elected officials are allowed 10 exemptions from the state pay plan, however, elected constitutional officers may have more than 10 if the additional exemptions are approved by the department of administration and in accordance with department of administration criteria. Consequently, many constitutional offices have more than 10 exemptions. The governor has 31, the Superintendent of Public Instruction 12, and the Department of Justice 13. This bill would provide that an elected official will not be allowed more than 15, using the Department of Administration's criteria. The only office that will be affected with this absolute limitation is the Governor's office. The number of exemptions currently allowed the governor will be reduced by 16 under this section.

Finally, the Committee feels that since all elected officials are allowed some exemptions from the state pay plan, the Department of Public Service Regulation should be allowed some exemptions. Thus, HB 886 provides five exemptions for the Public Service Commission.

Total exemptions will be reduced by 122 positions under House Bill 886.

*4,29,000 to implement plan
- classify to the current pay schedule
but thereafter they will be on the pay
plan*

*- Mark Cross
pay is started if they are in
grade and if they are in the*