

STATE ADMINISTRATION
JANUARY 16, 1981
SRS AUDITORIUM

The meeting of the House State Administration Committee was called to order at 8:00 a.m. on January 16, 1981, with Chairman Jerry Fedra presiding. The meeting was held at the Department of Social Rehabilitation Services auditorium due to the size of the hearing. All members were present except Representative O'Connell who was excused.

Chairman Fedra opened the hearing on House Bill 45.

HOUSE BILL 45-SPONSOR, REPRESENTATIVE VINCENT, introduced the bill to the committee. This bill represents the recommendations of the Interim Study Committee on Public Retirement Systems brought about by a Joint Resolution of the House and Senate (HJR 40) in the 1979 Legislature. A copy of this study entitled "Coping With Inflation: Cost-Of-Living Adjustments for Public Retirement Plans" is attached and is EXHIBIT 1 of the minutes. Representative Vincent pointed out to the committee, that a very good over-view of the bill is found on pages 9 through 13 of HB 45. Representative Vincent went through these pages of the bill with the committee. In conclusion, he pointed out, that this bill is not asking for something for nothing and that the committee should keep in mind that the biggest part of the funding for this bill would be coming out of the employee's own pocket.

PROPOSERS

ALTON HENDRICKSON, Actuary with Hendrickson & Bird, Inc., stated that he had been hired by the committee and has been working with the committee for the past two years on HB 45. Mr. Hendrickson pointed out the features of a automatic cost-of-living increase and its benefits and advantages. He passed out testimony to the committee entitled "Proposed Cost-Of-Living Formula" and "1981-83 Biennium Funding Requirement". This testimony is attached and is EXHIBIT 2 of the minutes. Mr. Hendrickson stated that the purpose of this increase in retirement benefits is to help the people who need this money and not to make the rich richer. He also said that he did hesitate to put the 12% cap in the bill because the cost of living has been going up at a much higher rate, but it is their responsibility to see that the fund does not go broke so they put in the 12% limit.

LARRY NACHTSHEIM Administrator for the Public Employees' Retirement Board, testified in support of House Bill 45. Mr. Nachtsheim submitted written testimony to the committee which is attached and is EXHIBIT 3 of the minutes.

Following Mr. Nachtsheim's testimony, Chairman Feda opened the hearing to questions from the committee directed to Mr. Nachtsheim because he had to attend another meeting.

Chairman Feda asked Mr. Nachtsheim how many of the retirement funds were adequately funded. He said that most of them were, however, the Highway Patrol could use more money.

Representative Sales asked Mr. Nachtsheim what would happen if there were to be a severe deflation. He said that the consumer price increase cannot be less than 3% or there is no cost-of-living increase. He referred to his handout "Proposed Cost-Of-Living Formula".

There were no further questions for Mr. Nachtsheim.

The hearing was opened again on House Bill 45.

REPRESENTATIVE MANNING submitted proposed amendments to HB 45 to the committee. A copy of these amendments is attached and is EXHIBIT 4 of the minutes. The amendments, he stated, do not affect the bill but would benefit the Volunteer Firemen's retirement program. He said that without the amendment they might be getting 5% of nothing.

MR. G. V. ERICKSON, Joint State Legislative Committee of AARP and MRTA, submitted written testimony to the committee. A copy of this testimony is attached and is EXHIBIT 5 of the minutes.

Mr. BOB JOHNSON, representing the Teachers' Retirement Board, submitted written testimony to the committee. A copy is attached and is EXHIBIT 6 of the minutes.

GLADYS JOHNSON, representing the National Retired Teachers Association and American Association of Retired Persons, submitted written testimony to the committee. A copy is attached and is EXHIBIT 7 of the minutes.

MR. JESSE W. LONG, representing the School Administrators of Montana, arose in support of HB 45 and stated that the School Administrators of Montana during their annual convention unanimously passed a resolution in support of HB 45.

DAVE SEXTON, Montana Education Assoc., arose and stated his support of the bill. He said that he felt this was a conservative approach to the problem. He said that this bill would insure that former employee's can retire with dignity.

CAROLYN FROJEN, member, MRTA Legislative Committee, gave written testimony in support of HB 45. This is attached and is EXHIBIT 8 of the minutes.

LEROY CORBIN, member of the Teachers' Retirement Board, arose in support of the bill with reservations about the wording on Page 18, line 10 Section 15 which says the "state shall reimburse the school district for the amount of the increase in the employer contribution rate...". He questioned the use of the word "shall" instead of possibly "must". He said that this bill is the number one priority of the board and they support this legislation.

TOM SCHNEIDER, representing the Montana Public Employees' Assoc., gave testimony in support of House Bill 45. He pointed out an error in the fiscal note. This was corrected by the committee. A copy of the fiscal note is attached and is EXHIBIT 9 of the minutes. He said that even though they support the bill they would have preferred that there be (1) no limit of 12%, (2) no 3 year waiting period, (3) no 2/3 increase but instead a 100% increase. He pointed out that the PERA has never had an accurate funding program for cost-of-living increases. The increases were not annual and always on an adhoc basis. He said that the Highway Patrol has never received a cost-of-living increase on benefits nor were they covered by social security until 1975. He said that with this bill everyone would be treated equal.

SHAUNA THOMAS, representing the Montana Federation of Teachers, arose in support of HB 45. She said that one of their main concerns was a third source of funding.

HOWARD REINHARDT, President, University Teachers' Union, Local #119, MFT, AFT, AFL-CIO, the University of Montana, Missoula, submitted written testimony in support of House Bill 45. A copy is attached and is EXHIBIT 10 of the minutes.

NADIEAN JENSEN, AFL-CIO, arose and stated her support for House Bill 45.

JACK WILLIAMS, Montana Chiefs of Police, arose and stated his support of House Bill 45.

MIKE MORRIS, Retired Policemens' Assoc., arose and stated his support of the bill.

DAN MIESNER, Montana Assoc. of Counties and Montana League of Towns, stated their support of HB 45.

JOHN MALEE, Montana Federation of Teachers, stated they were in full support of the bill.

HENRY JORGENSEN, representing retired teachers in the Lewis and Clark Retired Teachers' Assoc., gave written testimony to the committee. A copy is attached and is EXHIBIT 11 of the minutes.

BEN BRISCOE, Member of the Montana Joint State Legislative Committee of the National Retired Teachers Assoc. and the American Assoc. of Retired Persons, left written testimony in support of House Bill 45 but he was not present at the hearing. A copy of his testimony is attached and is EXHIBIT 12 of the minutes.

Copies of statements left by other proponents to House Bill 45 who did not testify are attached to the minutes. The names of these persons are listed below.

MARK JENNINGS, Montana Retired Teachers' Assoc.,
MRS. ALICE BALCOMBE, Anaconda Unit, National Retired Teachers'
ED SHEEHY, 1731 5th St. Helena
CHUCK MURRAY, Anaconda Unit, National Retired Teachers' Assoc.,
MARGUERITE PRISBIN, Anaconda Unit, National Retired Teachers
FLORENCE OLSON, Anaconda Unit, Retired Teachers
DAN FISHER, Montana Volunteer Firemens' Assoc.

A Visitors' Register is also attached to the minutes.

OPPONENTS

There were no opponents present at the hearing to HB 45.

Chairman Feda opened the hearing to questions from the committee.

Representative Spilker asked Mr. Hendrickson, what incentive do people have to fight higher inflation under an automatic cost-of-living adjustment.

Mr. Hendrickson said that this bill does not take into consideration 100% inflation and also there is a waiting period of three (3) years before a retired person would receive the benefits. He said that there would always be an incentive to increase your salary and maintain the integrity of a persons retirement benefits for the rest of their lives.

Representative Sales asked if any of the funding came from local sources. The answer was no.

Mr. Rick Tucker, Chief Deputy Director of the Volunteer Firemens' Assoc., was permitted to state that the proposed amendment would not effect the bill but would but would benefit the Volunteer's if passed.

Representative Vincent closed the hearing on HB 45. He stated that they were just trying to keep up with inflation and that this bill was a conservative proposal. He addressed Representative Spilker's concern by stating that he, being a teacher, is constantly striving to better himself and get higher up the ladder so he can earn a better living, and that this type of legislation would not dampen his incentive to fight inflation but is a necessary step to keep up with inflation.

NO Executive Action was taken on House Bill 45.

Meeting was adjourned at 10:00 a.m.

Respectfully submitted,



G. C. "JERRY" FEDA, Chairman

Cathy Martin-Secretary

REPORT OF THE INTER-STATE
COMMISSION (1905)
RELATIONS BETWEEN THE
UNITED STATES AND CANADA

WASHINGTON: 1905



UNITED STATES GOVERNMENT PRINTING OFFICE

WASHINGTON: 1905

HOUSE BILL NO. 45

PROPOSED COST-OF-LIVING FORMULA

- (1) Monthly Benefit Increase =

$$\frac{2}{3} \times (\text{CPI} - 3\%) \times \left(\frac{1}{2} \text{ of average monthly salary}\right)$$

Note: CPI is rate of increase in Consumer Price Index from one calendar year to the next.

- (2) The benefit increase is reduced proportionately for any retiree who did not work the full time required for a benefit of one-half pay.
- (3) The benefit increase is given annually to members who have been retired at least 3 years.
- (4) Consumer price increases over 12% will not be considered, thus limiting the maximum increase to 6%.
- (5) Example:

Consumer Price Increase of 9%

Average Monthly Salary of \$1,300

$$\text{Benefit Increase} = \frac{2}{3} \times (9\% - 3\%) \times \left(\frac{1}{2} \text{ of } \$1300\right)$$

$$= 4\% \times \$650$$

$$= \$26 \text{ per month}$$

HOUSE BILL NO. 45

1981-83 BIENNIUM FUNDING REQUIREMENT

<u>System</u>	<u>Additional % of Salaries</u>	<u>1981-83 Salaries (In Millions)</u>	<u>Funding Requirement</u>
PERS	2.20%	\$ 728.4	\$16,025,000
Teachers	2.23	672.4	14,995,000
Police	4.70	15.2	716,000
Sheriffs	2.44	15.2	371,000
Highway Patrol	3.88	8.2	318,000
Game Wardens	3.51	3.3	115,000
Total		\$1,442.7	\$32,540,000

PROPOSED REVENUE SOURCES

<u>Source</u>	<u>Revenue</u>	<u>% of Total</u>
Employee	\$14,385,000	44.2%
State Budgets	5,931,000	18.2
Tax Premium Fund	418,000	1.3
Driver License Fees	154,000	.5
General Fund	5,826,000	17.9
Coal Tax Trust	5,826,000	17.9
Total	\$32,540,000	100.0%

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES RETIREMENT DIVISION



TED SCHWINDEN, GOVERNOR

1712 9TH AVENUE

STATE OF MONTANA

(406) 449-3154

HELENA, MONTANA 59620

January 15, 1981

Honorable Jerry Feda, Chairman
State Administration Committee
Montana House of Representatives
Capitol Building
Helena, MT. 59620

Re: H.B. 45

Dear Representative Feda:

The Public Employees' Retirement Board endorses House Bill 45 as the bill contains adequate funding.

The Interim Committee worked long and hard on this bill and is to be commended. This bill is long and technical as the Committee attempted to address unique characteristics and funding considerations for each of the state-administered retirement systems.

THIS BILL IS NOT DESIGNED TO INCREASE RETIREMENT BENEFITS.

It is designed to keep future retirement benefits from decreasing at the current rate of inflation. Some of the retirees in these systems have not had a benefit adjustment in 6 years or more and their retirement has eroded at a rate in excess of 10% per year in spendable income.

The automatic cost of living increase outlined in this bill is the first attempt by the Montana Legislature to provide an equitable cost of living adjustment for law enforcement officers, teachers, public employees of both state and local entities, regardless of the system from which they have retired. The same basic formula is used for all systems.

This bill is adequately funded and is supported by the Public Employees' Retirement Board.

Respectfully submitted,

Lawrence P. Nachtsheim
Lawrence P. Nachtsheim, Administrator
Public Employees' Retirement Division

LPN/j

AMENDMENTS TO HB 45

1. Title, line 19.
Following: "19-9-703,"
Insert: "19-12-301,"
2. Page 43.
Following: line 18
Insert: "Section 41. Section 19-12-301, MCA, is amended to read:
"19-12-301. Fire insurance premium tax to be paid
into fund. The state auditor and ex officio commissioner
of insurance shall annually deposit in the volunteer
firefighters' fund a sum equivalent to 5% of the premium
taxes collected from insurers authorized to effect
insurance against risks enumerated in 19-11-512 computed
~~after~~ before the amounts provided for by 19-11-512
~~have-first-been~~ are deducted. The moneys shall be used
for the payment of claims and administrative costs as
provided in this chapter."

Renumber: subsequent sections

HB 45

COST-OF-LIVING ADJUSTMENT TESTIMONY

by

G. V. Erickson - Joint State Legislative Committee of AARP and MRTA

The Joint State Legislative Committee is not only interested in securing cost-of-living adjustments (hereafter referred to as C.O.L.A.) to retirement benefits of public employees, teachers, highway patrol, municipal police, sheriffs, and game wardens who are now retired, but also for those who will retire in the future.

The 1979 Legislature was directed in HJR 40 to establish a committee to study the public retirement systems in view of establishing cost-of-living adjustments for the various systems. HJR 40 Committee Chairman, John Vincent, members of the Committee, the research people of the Legislative Council and Alton Hendrickson, Actuarial Consultant of the various retirement systems are to be commended for the fine work they have done in the proposed formula for providing C.O.L.A. The Joint State Legislative Committee has worked closely with HJR 40 Committee and support the formula and method of financing the adjustment as proposed.

We believe the adjustment, while a modest one, is fair and equitable and, in part, protects retired persons, now and in the future from the erosive affects of inflation.

Over 95 percent of all state and federal employees have some C.O.L.A. Most of them have some limits or caps as to the amount of increase. However, this is not true in regards to civil service and federal employees whose C.O.L.A. is given twice each year and tied directly to the increase in the Consumer Price Index.

The formula as found on page three of the bill, lines 4-10, expressed in mathematical terms follows:

$$1/2 \text{ Average Salary} \times \frac{\text{Cr Yrs}}{30} \times (\text{C.P.I.} - \text{three percent}) \times 2/3 = \text{C.O.L.A.}$$

Substituting figures into formula:

$$1/2 (\$16,000) \times \frac{30}{30} \times (12-3) \times 2/3 = \text{C.O.L.A.}$$

$$8,000 \times \frac{1}{1} \times 6 = \$480 \text{ per year for all retired teachers who taught at least 30 years.}$$

Advantages of formula as proposed: 1) Non-accumulative. When a straight percentage method is used those who now have the largest benefits receive the largest C.O.L.A. 2) All retirees regardless of when they retired are given the same cost-of-living increase. It is the belief that cost-of-living increases are the same or similar for all regardless of present benefit. 3) Future increases are automatically adjusted by using the average salary and percentage changes in C.P.I. 4) Years of service will give greater increases to those who have given the most years of service. 4) Increases in C.O.L.A. will not be based on benefits now being received.

Restrictive safeguards in the formula: 1) The Consumer Price Index is based on the average increase over the previous three-year period. 2) The average salary of active persons is always of the previous year. 3) There would be no C.O.L.A. unless the C.P.I. exceeds three percent. 4) No increase would be based on more than a 12 percent increase (six percent highest benefit) in C.P.I. regardless of how much the C.P.I. exceeded this. 5) No C.O.L.A. would be made during the first three years a person was retired. 6) If the funding request is not granted by the Legislature, the C.O.L.A. and minimum monthly benefits allowances will be reduced to reflect the available funding.

6

State Administration Committee
House of Representatives
Testimony HB 45
F. Robert Johnson
Teachers' Retirement System

The Teachers' Retirement Board is in support of House Bill 45. Most retired members of the Teachers System have not received an adjustment in retirement benefits since July 1976. During that time, inflation has risen nearly 50 per cent.

We think the bill addresses fairly the problem of inflation to its retired members and also assures active members that when they retire, inflation may not be a deterrent in their retirement plans.

The bill provides a continuing adjustment based on the Consumer Price Index, years of service, and is also tied to salaries of current contributing members which is reflective of inflationary trends.

The bill also addresses the minimum benefit which is currently \$200. per month for a member with 30 years of service. This would adjust to \$350. per month for a member with 30 years of service. This should correct inequities that have existed for members who retired with very low salaries but yet served the State of Montana for a good portion of their working lifetime.

We respectfully request your consideration for approval of this measure.

#7

NATIONAL
RETIRED
TEACHERS
ASSOCIATION

AMERICAN
ASSOCIATION
OF RETIRED
PERSONS

MONTANA JOINT STATE LEGISLATIVE COMMITTEE

CHAIRMAN
Miss Gladys Johnson
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Great Falls, MT 59405
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VICE CHAIRMAN
Ms. Norma Keil
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Conrad, MT 59425
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SECRETARY
Mr. Charles P. Johnson
507 N. Dakota
Helena, MT 59601
(406) 442-6396

Helena, Montana
January 16, 1981

To: House of Representatives Administrative Committee
From: Montana Joint State Legislative Committee
Subject: HB45

I am Gladys Johnson from Great Falls to testify in support of HB45. I am chairman and speak for the Montana Joint State Legislative Committee National Retired Teachers Association and American Association of Retired Persons.

It is the responsibility of the Joint State Legislative Committee to work for the improvement of life situations for the elderly citizens of Montana. We seek improved conditions through the promotion of legislation in all areas that affect the elderly.

This committee supports the formula and provisions presented in HB45 as researched and presented through the work of the Interim Committee.

This bill is responsive to our criteria for a Cost of Living Adjustment.

1. The bill is responsive to the substantial reduction in the purchasing power of current benefits.
2. It provides an adjusted index upon a continuously changing base. It is not tied to the individual's fixed retirement benefit.

Mildred H. Moore
President NRTA

Olaf J. Kuusa
President AARP

Cyril F. Brickfield
Executive Director

3. It meets the criterion for providing a reasonable supplemental increase for the cost of basic goods.
4. It provides a meaningful increase when the need is great and yet reduces the cost in consideration to funding.
5. HB45 meets the criterion to assure that all members enjoy some benefit.

The Joint State Legislative Committee applauds the work done by the Interim Committee that has labored for two years to help solve the problems of the retired public servants of Montana.

For four years the Cost of Living Adjustment for all public retirees has been the top priority of the Montana JSLC and the Committee strongly urges favorable consideration of HB45.

Thank you.



Gladys W. Johnson, Chairman
Montana Joint State Legislative Committee NRTA-AARP

235 E. Beckwith
Missoula, Montana
January 16, 1981

Chairman and Members
State Administration Committee

The one area I wish to speak to is the effect of inflation on retirees. It is frightening to me as a retired teacher to find the real value of my retirement income, based on initial replacement rate of 100%, decreasing in five years with just 10% annual inflation, to 62%.

I have attended five meetings of the Study Committee on Public Retirement Systems. I have been very impressed by all the research information presented at the meetings to inform the Committee membership. This has resulted in recommendations to the 1981 Montana Legislature for a bill providing an automatic cost of living increase for the pension systems of the several agencies.

If we retirees can be assured of an automatic cost of living increase each year we will have a degree of security as our years of retirement continue to increase.

With inflation being so very high the passage of HB 45 is extremely important to a segment of our population who have contributed their expertise and services to the state for many years.



Carolyn M. Frojen
Member, MSTA Legislative Committee

REQUEST NO. 42-81

Form BD-15

*Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

ASSUMPTIONS: Based on generally accepted actuarial assumptions as applied in the actuarial valuations of the individual systems and based on the most recent statistical data.

COST TO STATE

	<u>FY 1982</u>	<u>FY 1983</u>
State Employer Contributions (Mixture of general and earmarked funds)	\$ 1,956.153	\$ 2,171,330
General Fund	1,228,603	1,363,750
Coal Tax Trust Fund Income	1,228,603	1,363,750
Insurance Premium Tax	196,068	219,885
Driver License Fees	73,038	73,038
Total	<u>\$ 4,682,465</u>	<u>\$ 5,199,788</u>

	Increase FY 1982	Increase FY 1983
1. Employee Contributions	\$ 3,630,588	\$ 4,029,953
2. State Employer Contributions	1,956,153	2,171,330
3. Local Employer Contributions:		
Reimbursed from (a) General Fund	883,393	980,567
(b) Coal Tax Trust		
Fund Income	883,394	980,567
4. Accruing Cost not Funded by Contributions and Other Revenues		
(a) General Fund	345,210	383,183
(b) Cost Tax Trust		
Fund Income	345,210	382,183
5. Other Sources		
(a) Tax Premium Fund	196,068	219,855
(b) Driver License Fees	73,038	81,073
TOTAL REVENUES	\$ 8,313,054	\$ 9,229,711

Date: _____

STATE OF MONTANA

REQUEST NO. 42-81

FISCAL NOTE

Page 3

Form BD-15

In compliance with a written request received _____, 19 _____, there is hereby submitted a Fiscal Note for HB 45 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

Estimated
Increase
1981-82

Estimated
Increase
1982-83

EXPENDITURES

** Operations	\$ 51,000	\$ 1,000
Benefits and claims to current retirees	<u>1,250,222</u>	<u>1,325,235</u>
	\$ <u>1,301,222</u>	\$ <u>1,326,235</u>

*COMMENTS: The funding required from the general fund and coal tax interest trust fund includes reimbursement to local government of \$2,332,055 for 1981-82 and \$2,588,551 for 1982-83. The balance of \$732,966 for 1981-82 and \$813,592 for 1982-83 is the balance due required to fund future payments. The difference between revenue and benefits the cost is future benefits accruing during the next biennium for present and future retirees.

**The operation costs reflected would be the modifications required to our computerized membership system and the yearly maintenance costs to the system in order to implement the mechanics of the bill.

	<u>FY 82</u>	<u>FY 83</u>	<u>Biennium</u>
<u>TOTAL COST TO STATE</u>	\$ <u>8,602,241</u>	<u>9,550,739</u>	<u>18,152,980</u>

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: _____

UNIVERSITY TEACHERS UNION

LOCAL 119, AMERICAN FEDERATION
OF TEACHERS, AFL-CIO
UNIVERSITY OF MONTANA
MISSOULA, MONTANA 59812



Statement on HB45 by Howard Reinhardt, President, University Teachers' Union, Local #119, MFT, AFT, AFL-CIO, the University of Montana, Missoula.

Legislation which provides continuing protection against inflation for retired teachers and other public employees is overdue. House Bill 45, properly funded, should provide that protection.

My union's support of the bill is muted by several concerns:

First, we are concerned that the actuarial integrity of the system be preserved. We have sound retirement systems because of good management and good legislation and that soundness must be maintained. I think one can argue persuasively that the integrity of the system requires that there be stable funding and that increased benefits for retired persons should not be paid by active members. If there is to be continuing protection for retired persons, there needs to be continuing legislative support. The bill calls for biennial legislative appropriation to cover any short-fall, and provides a reduction in benefits where such appropriations are not forthcoming. One can guarantee neither the actuarial soundness of such a provision nor the continuity of benefits.

Second, our support is based on the assumption that there will be real salary increases in the biennium. We believe in saving for a rainy day but that requires that we have something to save. At the present time about 12.5% of our salaries and 22% of our total compensation are used to provide retirement benefits and the 12.5% is subject to state and federal income tax. Increased contribution to social security and the teachers retirement system would mean that nearly 14% of salary and 25% of compensation would be used to provide retirement benefits. Clearly we can afford these kinds of increased investments only if we receive a real increase in income. I think that others, including here the Montana Federation of Teachers, share these concerns.

In summary, we feel that there should be income protection for retired persons, and that the funding of that protection should neither jeopardize the actuarial soundness of the retirement system nor unfairly treat the active members of the system.

I represent retired teachers in the Lewis & Clark Retired Teachers Association in Helena. My remarks will pertain mainly to retired teachers although HB45 addresses state and city employees as well as teachers.

Briefly I hope to discuss need for the bill, some of its elements, and organizational support.

Federal retired employees and currently working employees keep abreast of inflation with cost of living increases. Many retired teachers receive payments based on earnings years ago when a dollar was worth a dollar. Through no fault of theirs they have seen provision for their later years wiped out by astronomical increase in cost of such necessities as utilities, food, health care, and rent. When a bill was passed some years ago giving a modest increase to teachers retired prior to 1971 a teacher informed me that an increase in her rent consumed the entire retirement increase.

Of 4,529 retirees 700 receive less than \$300 a month, half of them, less than \$500. These statistics will include some teachers who retired with less than the required years for full retirement. The federal government has established a poverty level for determining eligibility for free school lunches at \$6,900 for a family of two; \$8,590 for a family of three.

The bill is a conservative one that in its first year would provide less than a \$500 annual increase per teacher.

It provides for an automatic annual increase based on average teacher salaries relieving the legislature of having to deal with the problem in each session.

Presently employed teachers will benefit from the plan when they retire but not until they have been retired for three years.

It is a true "cost of living" increase in that all retirees will receive the same increase. The cost of living goes up as much for those who receive \$300 a month as for those who receive \$1,000.

Retired teachers have been slow to come forward and ask for legislative relief. But with inflation rate running at 25 percent each biennium a cost of living increase is gaining active support. The Montana RTA endorsed the concept in 1979. The State Retirement Board and its actuary endorses it. The Joint Legislative Committee of Retired Teachers and Retired Persons endorse it. The Legislative Interim Committee after careful study of retirement systems has proposed the bill and endorses it.

Retired teachers have learned from past experience to practice frugality. As prices have soared they have tightened their belts. But there is a limit. They are not asking a great deal. But if they receive something they will know they have not been forgotten. And wouldn't it be tragic if the people who have devoted their lives to the profession of teaching should through no fault of theirs be forced to accept public welfare in their declining years?

Respectfully Submitted,

Henry Jorgensen
Henry Jorgensen

not present
at hearing.

12

EXHIBIT 12



NATIONAL
RETIRED
TEACHERS
ASSOCIATION



AMERICAN
ASSOCIATION
OF RETIRED
PERSONS

MONTANA JOINT STATE LEGISLATIVE COMMITTEE

CHAIRMAN

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SECRETARY

Mr. Charles P. Johnson
507 N. Dakota
Helena, MT 59601
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47th Legislature

State Administration Comm.

January 16, 1981

Mr. Chairman and members of the Committee;

I am Ben Briscoe, a member of the Montana Joint State Legislative Committee of the National Retired Teachers Association and the American Association of Retired Persons. Our Committee approves of HB-45 and requests your favorable action.

I am, also, a member of the Montana Public Employees Retirement System, having worked over 33 years with the State Highway Department and have been retired for over ten years.

Our pension in itself, under PERS when I retired was not sufficient to maintain even a reduced life style and still pay the bills. However, when combined with Social Security benefits, our total receipts were adequate and I had no complaint on that score. Then, National inflation raised its ugly head and continues to be the chief bug-a-boo to this day.

I have some personal figures expressed in percentages that show how national inflation has affected me.. The value of my house and City lot has doubled since my retirement, or so the experts tell me, with the accompanying increases in property taxes and insurance premiums. The cost of home maintenance and repair has also doubled. Transportation costs have risen over 100% since my retirement. Automobiles do wear out. I had to give up on my 1964 Ford this past summer, and by replacing it with a \$5000.00 Honda I was able to keep the percentage of increase a little under the 100%. Utility bills such as Electricity, City Water, and Telephone, surprisingly enough, reflected only minor increases. Bills for Natural gas was the real shocker as since 1972 my bill shows an increase of 171%. On top of this, my December 1980 bill was 50% more than my December 1979 bill. Where this will end I shudder to think. My grocery bill has increased 98% since 1974. I used to

Mildred I. Moore
President. NRTA

Olaf J. Kaasa
President. AARP

Cyril F. Brickfield
Executive Director



NATIONAL
RETIRED
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AMERICAN
ASSOCIATION
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MONTANA JOINT STATE LEGISLATIVE COMMITTEE

CHAIRMAN

Miss Gladys Johnson
3229 4th Avenue, South
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page two

to enjoy shopping for groceries but anymore, I find myself approaching the checkout stand with a chip on my shoulder and it takes a concerted effort to be civil to the check-out clerk especially when she says "Have a nice day", after I have just paid \$2.00 for a pound of bacon that cost less than \$1.60 less than two weeks ago.

We have appeared before this Committee or similar ones every Legislative session since 1971 with requests for relief from National inflation and each time you have responded to our pleas with positive and welcome action. For this we are very grateful.

In 1971 we received a 2.86% increase
in 1973 we received a 3.94% increase
in 1975 we received a 6.90% increase
in 1977 we received a 11.60% increase
in 1979 we received a 10.60% increase

This totals to a 35.9% increase in ten years, but it was not until this past year, 1980, that it became painfully obvious that we had lost ground to inflation. The experts tell us that we had a recession of sorts last year, but it certainly was not noticeable in any of my required purchases.

The proposed formula contained in Section 3 of HB-45 brings a new method of computing the Cost of Living Adjustment. The first, of course, is the elimination of the percentage approach where the adjustment was calculated as a percentage of existing wage or pension. Now the recipient will receive the same adjustment whether his pension was \$100 per month or \$500 per month. This does not penalize the pensioner at the lower income level. A positive feature of this formula, is the inflation cap factor. If the CPI was 15% in 1980, the formula would only recognize 12% of the inflation rate. A significant feature of the formula is that it provides for a minimum benefit dependent on the number of years worked. One other change regards the method

Mildred L. Moore
President NRTA

Olaf J. Kaasa
President AARP

Cyril F. Brickfield
Executive Director



NATIONAL
RETIRED
TEACHERS
ASSOCIATION



AMERICAN
ASSOCIATION
OF RETIRED
PERSONS

MONTANA JOINT STATE LEGISLATIVE COMMITTEE

CHAIRMAN

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page three

of funding the anticipated increase. It is proposed that a 1% increase in contributions from both employer and employee. Another feature of this proposal is that the bill provides for annual adjustments rather than the biennial adjustments that have taken place in the past. One advantage to us pensioners is the removal of the need for us to come to you every session with the same sets of figures and the same arguments as the National inflation rolls along. One advantage to you as Legislators, is that you do not have to put up with us and listen to the same pleas every session, as it does not appear that inflation will be curbed in the foreseeable future. We urge your favorable action on HB-45 as introduced.

NAME

Wack Jennings

BILL NO.

45

ADDRESS

2537 Olafson Drive Missoula Mt.

DATE

Jan 16, 1980

WHOM DO YOU REPRESENT

Montana Retired Teachers

SUPPORT

yes

OPPOSE

AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

COMMENTS:

This bill would provide for a much needed adjustment in older Montanans retirement income. It is a modest and reasonable request. It is non accumulative and all retirees would receive the same Cost of living increase based on C.P.I. and average salary of those working. A Cap has been placed on the increase in order to prevent any excessive increase. We feel the request is reasonable and encourage its passage.

NAME Mrs Alice Balcombe BILL No. HB 45
ADDRESS 1120 W. 4th Anaconda, Mt. DATE 1-16-81
WHOM DO YOU REPRESENT Anaconda Unit, National Retired Teachers Ass.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Strongly support passage of bill for reasons already presented by proponents. No cost-of-living increase has been given to teachers who have retired since 1972 and only an ad hoc increase given in 1976 to those retired before 1972.

In response to some questions from the legislators, as a teacher with only 10 years service in Montana because I was forced by law to retire at age 65 and because by law I can buy only 5 years out-of-state service - I retired with only 15 years service ^{at 37 months}. If it were not for Social Security, I could not support myself. There are many other teachers in similar situations.

I am Ed Sheehy of 1731 5th in Helena.

I am the legislative chairman for the Montana Federation of Chapters, National Association of Retired Federal Employees.

This is a nationwide non profit organization that in 50 years has grown from 14 members to over 400,000. In Montana we have 1600 members in nine local chapters. In Helena we have 170 members.

As instructed by the local chapter members, the state chapters and our state wide officers I am here simply to state we fully support HB 45.

Thank you.

Ed Sheehy

NAME Chuck Murray BILL No. 45
ADDRESS Anaconda 720 W. 3rd St. DATE 1/16/81
WHOM DO YOU REPRESENT Anaconda Unit - Nat. Ret. Teacher's Assoc.
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I strongly urge your support of H.B. #45 on behalf
of the Anaconda Unit of the Nat. Ret. Teacher's Assoc.

Thank you.

NAME Marguerite Brislin BILL No. HB 45
ADDRESS Lorraine Apts DATE Jan 16-1981
WHOM DO YOU REPRESENT Anasconda Unit, National
Retired Teachers
SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

*Strongly support passage
of this bill. It is long overdue
and greatly needed*

NAME Ernest Chen BILL No. HB 45
ADDRESS Kintworth - Indiana DATE 1/16/81
WHOM DO YOU REPRESENT Indiana Teachers Retirement Org.
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I strongly support HB 45.

NAME Sam Fisher BILL No. H.B. 215
ADDRESS 1908 N. Washington St. DATE 1
WHOM DO YOU REPRESENT Montana Vol. Firemen Assoc.
SUPPORT ☒ OPPOSE ☐ AMEND ☒

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Support as amended

COMMITTEE

COMMITTEE

N 92 45—

Date _____

Jun 16

SPONSOR

Wash Joint State Prison NETA-4 APR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.