

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chairman William E. Farrell, on March 1, 1989, at 10:00 a.m., Room 331, Capitol.

ROLL CALL

Members Present: Senator Hubert Abrams, Senator John Anderson, Jr., Senator Esther Bengtson, Senator William E. Farrell, Senator Ethel Harding, Senator Sam Hofman, Senator Paul Rapp-Svrcek, Senator Tom Rasmussen, Senator Eleanor Vaughn

Members Excused: None

Members Absent: None

Staff Present: Eddy McClure

HEARING ON HB 89

Presentation and Opening Statement by Sponsor:

Representative Ray Peck stated HB89 is a clean-up bill, indicating he will generally introduce it to the committee, and give it over to Linda King to go through the specifics.

He indicated it deals with corrective adjustments to the retirement, that it mentions elected officials, judges, Montana Highway Patrol, sheriffs, game wardens, municipal officers, the fire fighters unified retirement, and also deals with an increase for minors, and how custodians process their applications; it clarifies all of these. Representative Peck noted it changes language such as "acknowledge", which was determined to require a notary, to "witness", so it is not required that they notarize some of these papers, adding it deals with the question of when payments begin on some of the retirement processes. He indicated there are some amendments, which he thought had been delivered to the committee, and the committee's staff attorney has gone to get them. He noted this is a review of the original bill when it was completed, and action of the retirement board, since the bill was submitted. He stated the first amendment would allow a member to qualify service in out-of-state states, where there was not

a public retirement program at the time they were there. He noted there is no problem, now, for the states that have retirement programs but, in those states where there is not one in existence, there is a problem with the current law. Representative Peck stated the Board, at their recent meeting, approved that change. He indicated the remaining amendments came as a result of a conversation between Linda King and the Chief Justice relative to the bill, noting some concern had been expressed that the language of the bill would reinstate the mandatory retirement age, which is illegal now. He noted the Chief Justice indicated he did not think that was true, but that it might, in fact, require that allowances be paid to a retiree prior to retirement, and there is a language clean-up there.

Representative Peck then indicated Linda King would go through the specifics with the committee.

List of Testifying Proponents and What Group they Represent:

Linda King, Assistant Administrator, Public Employees'
Retirement System
Tom Schneider, Montana Public Employees Association

Testimony:

Ms. King indicated the amendments are on their way, and offered a copy to the Chairman to refer to during her testimony, a copy of which is attached as Exhibit 1. She noted the amendments do not do a tremendous amount to the system, that they just take a lot of paper.

Ms. King's written testimony is attached as Exhibit 2.

Testimony:

Mr. Schneider stated they dealt with these changes with the PERD Board for the last 2 years, that they are in total agreement on them, and ask that the committee support the bill.

List of Testifying Opponents and What Group They Represent:

None.

Questions From Committee Members:

Q. Senator Bengtson indicated she is confused about buying out-of-state service and having it apply to our retire-

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ment system. She asked, if they have had a refund from another state, can they not buy back that period of time.

- A. Ms. King responded that, last session, the Legislature considered and approved a bill which would allow people who are currently members of the PERS, who had been members of other public retirement systems and had received a refund of those contributions, meaning that they no longer could receive a benefit, to purchase up to 5 years of service credit based on that time into PERS. She indicated they are proposing to change one thing, which was clarified by the Attorney General, that the refund they received from the other state or civil service had to occur prior to their membership starting date in PERS.

Ms. King indicated the other issue, which was brought to the Board's attention, is that a number of public employees that would have been eligible to be covered under another public retirement system, were not, because perhaps that state did not have a public retirement system at that time, or they worked for 12 years in another state, but only the last 2 years were covered under a retirement system, because that is when they finally got one. She noted they were not eligible to qualify for 5 years, that only 2 were covered and that is what they got a refund for. She stated the amendment would clarify that a member would be eligible to purchase up to 5 years of out-of-state public service, or federal service, even here in Montana, that they either got a refund for, or they served prior to there being a public retirement system, and did not have the ability to have that service covered. Ms. King noted that, if those people had stayed in the other state, they would have gotten credit for all the years they served before there was a retirement system, so they would have received a retirement benefit for that service, if they had stayed there; they gave it up by coming to here.

- Q. Senator Bengtson indicated, if they had gotten a refund, she would think that would terminate their retirement benefit.
- A. Ms. King responded that it did, in the other state.
- Q. Senator Bengtson asked what would be the cost of them buying that service and applying it to Montana.

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- A. Ms. King responded they would have to pay the actuarial cost of the benefit in Montana, which is based on their salary plus interest from their 6th year of service in PERS to the time in which they buy it, noting they are paying the actuarial cost. She stated it is an issue of getting toward pension portability, noting people give up their retirement benefits when they move from state to state and, when they come from another state to Montana, they have given up benefits in that other state. She indicated this allows them to buy, paying their own money, at no cost to the system, up to 5 years that they gave up when they came here.
- Q. Senator Harding asked, in PERS, can people pay in more money to increase their retirement.
- A. Ms. Kind responded that PERS, and the various systems, have specific statutes that allow purchase of out-of-state, or military service, noting it is different in the various systems. She noted that, in the judges' retirement, they can only buy active military service, for which they were drafted out of the judiciary to perform. She indicated some systems have very little service that can be bought, and other systems have a number of different types that can be bought.
- Q. Senator Harding asked if people can pay more than their percentage, whatever the percentage is, into this retirement system; more than the monthly assessment.
- A. Ms. King responded that, in PERS, people may choose to make additional contributions to receive an additional benefit at retirement, but noted that she would recommend to most people that this is not the way PERS is set up, and it does not significantly increase their retirement benefit. She indicated they could do better by putting it in deferred compensation.
- Q. Senator Harding indicated she did not understand what Ms. King said about the difference in the \$10 or \$15 a month.
- A. Ms. King responded that, when people buy 1 to 5 years, under the provisions of this bill, it goes into the calculation of their benefits under the defined benefit formula. She stated that, if someone retires and has 25 years of PERS service, plus 5 years of out-of-state service, they will receive 30/60ths, or 1/2 of their final average salary, instead of 25/60th, pointing out they increase their benefits by buying service.

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- Q. Senator Rapp-Svrcek asked Ms. King what the pressing need is for an immediate effective date.
- A. Ms. King responded the immediate effective date would go back and put all of these into law at the earliest possible time. She indicated that, in terms of any administrative changes, allowing service purchases, or any of those things, the sooner the better. She stated they see them as needed to clarify the existing provisions of law, so the sooner the better.

Ms. King then indicated they asked for a retroactive applicability date on the bill so that people who are terminating their employment, as soon as possible, would have the ability to put off their retirement dates, as opposed to having to start them immediately. She noted they are trying to cover people as quickly as possible.

Closing by Sponsor:

Representative Peck indicated he has probably had some of the same problems that perhaps the committee is having, noting there is a lot of little nit-picky stuff in here. He stated he studied the bill very thoroughly, and still is not very confident about it, but, when Ms. King brought him the letter that said the Chief Justice had looked this bill over, he felt much better about it.

Representative Peck then stated he is surprised that the fiscal note did not come up in questions, indicating there is no fiscal impact to the retirement system. He indicated he thinks this is really just a housekeeping bill that is pretty extensive but, having had the Chief Justice look at it and say it is appropriate and good, that allowed him to sleep better at night.

Chairman Farrell announced the hearing on HB89 as closed.

DISPOSITION OF HB 89

Discussion:

Senator Bengtson stated that HB89 is just housekeeping, and moved that the amendments be adopted.

Senator Harding offered a motion that HB89 be concurred in as amended.

Amendments and Votes:

Motion passed by the committee that the amendments to HB89 be adopted.

Recommendation and Vote:

Motion passed by the committee that HB89 be concurred in as amended.

HEARING ON HB 141

Presentation and Opening Statement by Sponsor:

Representative John Phillips stated this is another one of Linda King's retirement bills, but assured the committee that it is much simpler than the last one. He indicated this one has to do with how public administrators pay into their retirement system. He then indicated Ms. King would explain the bill, noting it is not difficult, at all.

List of Testifying Proponents and What Group they Represent:

Linda King, Assistant Administrator, Public Employees' Retirement System

Testimony:

Ms. King's written testimony is attached as Exhibit 4. She explained that, in most counties, public administrators are appointed but, in several counties, they are elected and serve on a fee basis, adding that they do not get a salary, but receive a percentage of the estates closed.

List of Testifying Opponents and What Group They Represent:

None.

Questions From Committee Members:

- Q. Senator Harding asked if this was requested by these elected officials.
- A. Ms. King responded they have had to deal with a couple of retirements of individuals in that situation within the past year, and that they were, in fact, getting ripped off in comparison to other members in the system

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with similar amounts of contributions. She stated it is on behalf of these people, but they did not ask for it.

- Q. Senator Hofman indicated the public administrator in Gallatin County does this on a part-time basis, and he has a farming business, an auctioneers business, and a lot of other things going on at the same time. He asked if these people are wanting to get in on this for additional retirement funds.
- A. Ms. King asked if this person is elected in Gallatin County. Upon Senator Hofman's response that he is, Ms. King indicated that person would have the right to elect PERS membership, just as the legislators do, and he would also have the same right as the legislators to annualize, to get a full year's service for every year he serves in office. She stated that, if they are only working part-time, their salaries will be fairly low, and they will not receive any benefit increase over what anyone else receives, adding they will receive their fair share, under this bill. Ms. King indicated that, right now, sometimes they are receiving 1/4 of what you would expect, based on their contribution.

Closing by Sponsor:

Representative Phillips indicated there is no money involved in it, and it may help a few people. He noted he does not have anyone to carry it on the floor. Senator Harding volunteered to carry the bill.

Chairman Farrell announced the hearing on HB141 as closed.

DISPOSITION OF HB 141

Discussion:

Senator Harding offered a motion that HB141 be concurred in. Senator Bengtson asked how many public administrators will be included. Ms. King responded that every county has a public administrator, but not all of them are elected, and not all of them are paid on a fee basis, indicating they are talking about 2 or 3 people in the state that would be affected by this bill, adding they feel it is important to give them equitable benefits. Ms. King indicated there could be more, in the future.

Recommendation and Vote:

Motion passed by the committee that HB141 be concurred in.

HEARING ON HB 235

Presentation and Opening Statement by Sponsor:

Representative Gary Spaeth stated this is a very good bill, an important bill, and that it allows members to purchase up to an additional 5 years of service; 1 year for each 5 years they have been a member of PERS. He indicated it is the flip side to the early retirement bill, which he carried in the last session, but this bill does not have the same long-range potential problems that some people had with that bill, and some of the costs that bill had. He pointed out this is a bill that will allow people to retire early who have had 20 years or more of service. He indicated that, in PERS, individuals can retire with a penalty after 25 years of service, in addition to the other age requirements, and this will allow people with 20 years to purchase the additional 5 years. Representative Spaeth stated the thing to remember is that the reason this bill does not have the same cost considerations the other early retirement bill that he carried 2 years ago did, is because the members who elect to take advantage of this service, or option, will be paying the costs. He stated there is no impact to the retirement system, it is actuarially sound, it has the same advantages, will maybe encourage people to retire earlier than they would otherwise, and there will be some other side benefits.

Representative Spaeth pointed out that, on page 2, number 3, right now they can elect to purchase 5 years in other categories, and this bill is written so that individuals can not collect up to 15 years, they can only purchase 5 years.

List of Testifying Proponents and What Group they Represent:

Tom Schneider, Montana Public Employees Association
Terry Minow, Montana Federation of Teachers; Montana
Federation of State Employees
Nadlean Jensen, Executive Director, Council 9 AFSCME
Linda King, Assistant Administrator, Public Employees'
Retirement System
Dave Milot, representing himself
Tom Bilodeau, Research Director, Montana Education Association
Dennis Hemmer, Montana Retired Teachers; Non-affiliated State
Employees

Testimony:

Mr. Schneider's written testimony is attached as Exhibit 5. He indicated this bill is exactly the same as SB125, which Senator Nathe had for the teachers' system, which already passed through this committee, and noted the difference between this bill and that bill is the dates. He stated this bill provides that it only covers people who are employed prior to July 1, 1989, and it further provides that, if an individual has 5 years of out-of-state, and 5 years of military, they can still purchase up to 5 years, under this act, if they have 25 years of service, until January 1, 1990. He noted he thinks the teachers' bill had a date of July 1, adding that the original bill had a date of October 1, 1989, but the House State Administration Committee looked at it, and said they wanted to change that date to January 1, 1990. He indicated they have no problem with that, and it does not actuarially change the effect of the bill.

Mr. Schneider indicated the bill allows a person to buy one additional year of credit for each 5 years that they worked. He stated it does not change the qualification of the system; they still have to have 25 years of service, or be age 50 to draw an early retirement benefit, adding they are not allowing more people to buy, that they are simply saying, if a person has 25 years, retires today, and is not age 60, they would pay a penalty. He pointed out they can, now, out of their own pocket, buy 5 years of service, which will qualify them for calculation purposes, not qualification, but calculating purposes, to add 5 years to the 25, and have 30 years which, with the current formula, is 30/60th, or 1/2 pay. He noted that will get rid of the 6% per year penalty they are currently assessed for retiring with less than 30 years of service. Mr. Schneider stated the total cost is borne by the member, that they will have to pay the 6% they would normally pay and, in addition, they would have to pay the 6.417% that the employer would normally pay, adding that will be based on their salary at the time they buy the service. He indicated that, if a person has 25 years today, and is going to retire today, that is at individual's salary at the time they retire. He added that, however, if that person has 5 years today, they could buy 1 year, which would be based on the salary as of today for the 5th year. He indicated, when a person gets 10 years, they could buy another year, when they have 15, they can buy another year and, 20, up to 25. He stated those years are bought at a cheaper salary, but the system has the money, then, for that full period of time, and will be able to earn the interest on it, which is why the person who retires today

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would have to pay for that service based on their final salary, because the system has not had the money for that period of time.

Mr. Schneider stated they think it is a very good bill, that the idea came out of New Mexico, where it passed in 1987. He indicated they spent 2 years talking to the PERD Board about it, who had their actuary study it, and he is the one who came back and said, with that contribution rate, it would be actuarially sound, and would not have an adverse affect on the system.

Testimony:

Ms. Minow stated they rise in support of HB235, adding that Mr. Schneider did a good job of describing the bill. She indicated it is a fair bill, and a fully-funded bill. Ms. Minow stated it offers an option to members of PERD who would like to improve their retirement benefits, adding that, hopefully, the companion bill, HB234, will also be coming before this committee in the near future. She stated they urge the committee to give HB235 a do pass recommendation.

Testimony:

Ms. Jensen stated they, too, rise in support of HB235, adding this is not a cost to the state, that it lies with the member who opts to buy the time. She indicated they would ask the committee to support HB235.

Testimony:

Ms. King stated she would like the committee to know that the Board has looked at this bill very carefully, and that they support this bill for several reasons. She indicated, first of all, there is an equity issue now in PERS, where people who are either members of the military, or had service out of state, are allowed to buy up to 5 years in the system, whereas people who have been members, and long-term employees of the state and local government, are not allowed that same opportunity. She stated that, in the interest of equity, it allows long-term employees of the state and political subdivisions the same advantages that people who come from out of state, or who have military, now have. She indicated that, just as importantly, after January 1, 1990, its puts a cap on the amount of service that can be purchased, noting it does not prohibit anyone from purchasing military or out-of-state, or 1 for 5, that it says the total that can be purchased in all of these areas is a maximum of 5, so that there are not people

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who buy 15 years into the system, noting that does represent a cost to the system. She indicated putting a cap at 5 years provides for the long-term actuarial soundness of the system, because the members pay the costs of providing the benefits at retirement, that it is not borne by another person or group of people. Ms. King stated they request the committee's favorable consideration.

Testimony:

Mr. Milot stated he represents himself and several hundred members of the PERS system. He stated they are strongly in favor of HB235 and that, when passed, this bill, along with HB234, will create a fair and equitable method for employees choosing early retirement. He indicated it will show employees across the state that you care about their well-being, and will bring a badly needed boost to morale. Mr. Milot stated it will definitely assist the present administration in meeting its goal in reducing full-time employees through attrition, and will save valuable state funds needed for use in other areas.

Mr. Milot pointed out that there are many current PERS members who will be retiring soon after this legislation becomes effective, himself included.

Testimony:

Mr. Bilodeau stated this bill is the corollary of SB125, which he understands the committee has already looked at, indicating it is a very good bill, and they believe it would be of great value to their classified members.

Testimony:

Mr. Hemmer stated they would echo the sentiments heard earlier, indicating that there may be a money savings to the state. He stated he thinks it will encourage employees with the highest steps in longevity increments to go ahead and retire, and will allow the state an opportunity, if they fill those positions, to fill them at a lower step and lower increments and, consequently, save some money on these positions. He indicated they would urge the committee's support.

List of Testifying Opponents and What Group They Represent:

None.

Questions From Committee Members:

- Q. Senator Rapp-Svrcek asked Mr. Schneider if this bill only covers people that are employed with the state prior to July 1, 1989.
- A. Mr. Schneider responded yes. He stated the bill has a requirement that only people who are working right now, and up to July 1, 1989, will have the benefit of buying the 5 years, adding they would have it as long as they continue to work, but it would be limited to the people who are employed, right now. He indicated the actuary wants to take a look at what the real cost of this bill is, that he wants to cover everyone who is working now so they can take a look and see what the effect of the bill is on that group of people and then, if they have predicted right, the next session can change it and include those people beyond July 1, 1989. He noted everyone who is working, today, is covered by this bill.
- Q. Senator Rapp-Svrcek indicated it seems to him that, if the people who are presently working are covered, once this bill goes into effect, 2 years down the line, if for some reason the actuary decides it is not a good idea to cover anyone who has been employed from that date forward, that creates an unfair system for those people that were most recently employed.
- A. Mr. Schneider responded that he can not argue with the logic of the actuary. He indicated those people do not work right now, and it is very difficult to argue, with the actuary saying let's take a look at this thing, and he will have a better idea. Mr. Schneider indicated maybe the cost will be cheaper 2 years from now, and they can reduce the cost of the benefit. He noted that is why the date was put in there.
- Q. Senator Vaughn asked, if they work 25 years, and buy 5 years that they pay for themselves, can they retire as if they had worked 30 years.
- A. Ms. King responded yes, noting they are eligible to retire if they have 25 years of service, so they are not becoming initially eligible through the purchase of this. She indicated that, when they retire, they will have 25 plus 5, or 30/60ths, and it is used to calculate the actuarial reduction, noting there is no reduction at 30 years, so they would retire with the regular retirement

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benefit, regardless of their age. She added that, obviously, if they are 60 or over, they already have it.

- Q. Senator Hofman asked, regarding a person who has been in the service for 5, 6, 7, 8 years, and then goes to work for the state, and works for 20 years, can he buy 5 years military service time, to bring him to 25, and then would he be eligible to buy 5 more years, and retire from the state with 30 years, having only worked 20.
- A. Ms. King responded their PERS membership service is what qualifies them to buy the 1 for 5 and, if they had 20 years of actual service in PERS, they would only be eligible to buy 4, on the 1 for 5 basis, because their military service will not qualify them to buy an extra year of this service. She indicated that, up until January 1, 1990, people will have the opportunity to buy up to 5 years of all 3 but, after that point in time, noting this is an important part of the bill in order keep the costs down, there is a cap that says 5 years maximum. She indicated that anyone in the system today will be able to buy 5 years at some time in the future, adding it can be a combination of all of them, or all in one category. She stated it puts a cap on the amount of service that can be purchased, without taking away current benefits that people have, and who may be retiring in the very near future.
- Q. Chairman Farrell asked if 7 years were allowed in SB125; 2 years of military, and 5 years of additional service.
- A. Mr. Schneider responded no, that SB125 dealt exactly with this. He stated the teachers' system has 2 different categories of military service, but they were allowing the purchase of 5 years in that bill.
- Q. Chairman Farrell then indicated Section 7, coordinating instructions, states the contribution rate provided for in Section 2, and asked if this is of this bill, or HB234.
- A. Mr. Schneider responded that is HB234. He explained that, if HB234 passes, it increases the employee and employer contribution over a 5 year period, but it also changes the formula of the retirement system; it makes it better. He indicated there is a coordinating clause so that, if a person buys 5 years of service, they would have to pay the rate in HB234, otherwise, it would be too much of a give-away; the cost would be too high. He

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noted that, when he says 6% on the employee and 6.417% on the employer, if HB234 passes, that rate would change to buy these 5 years of service.

Q. Chairman Farrell asked if that does not affect this bill.

A. Mr. Schneider responded it does not change this bill.

Closing by Sponsor:

Representative Spaeth stated he appreciates the opportunity to close, that he thinks it has been very well covered, and had a good hearing. He indicated he carried the employee wage freeze bill, that half of his proponents today were opponents, and that he has carried early retirement bills, and the other half of his proponents have been strong opponents. He stated the thing he likes about this bill is that all his previous opponents are now together as proponents of this bill, adding he does not think that came about coincidentally, because 2 years went into this bill; a lot of work, a lot of people working on all sides of this bill. He stated he thinks it is a good bill, for a good benefit to state employees, particularly those that are looking towards retirement. He noted it is actuarially sound, that it doesn't cost government, and actually may save government some money in the long-run. He indicated he is not that concerned regarding Senator Rapp-Svrcek's concern, stating there is a transitional period, that they do this all the time, noting he does not think it is a great concern, and hopes it is not of his. Representative Spaeth urged the committee's do pass.

DISPOSITION OF HB 235

Discussion:

Senator Harding offered a motion that HB235 be concurred in.

Recommendation and Vote:

Motion passed by the committee that HB235 be concurred in.

HEARING ON HB 421

Presentation and Opening Statement by Sponsor:

Representative Richard Nelson indicated HB421 is quite unique in that it involves an agreement between 4 retirement systems

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on one approach, one single approach, uniform approach, to post-retirement adjustments for all 4 systems. He stated that, anytime you can get 4 systems to agree on one thing, he thinks that is something of an accomplishment.

Representative Nelson stated HB421 will provide an opportunity for a possible increase in monthly benefits paid to retirees through the distribution of investment earnings. He indicated it has been determined that about 14,600 retirees will be benefitted by this legislation, and could result in approximately \$90,000 into the state economy, each year. He noted there are 8,400 members of the PERS, 5,300 teachers, 50 former game wardens, and 74 former sheriffs that will receive this benefit. Representative Nelson stated the game wardens and sheriffs have not received any adjustment since 1970, and any benefit increases under this program are entirely dependent on the investment yield of the retirement systems. He added that, however, there is no guarantee of any increase in any year. He indicated that, to be eligible for the adjustments, retirees, or their beneficiaries, must be at least age 55, and must have received a retirement allowance for at least 24 consecutive months, on or before June 30 in the year the adjustment is made. He added that recipients of disability or survivorship allowance must only have received their allowance for at least 24 consecutive months on or before June 30th.

Representative Nelson indicated that, at the end of each fiscal year, the actual investment income is determined and, from the actual investment income, the actuarially required investment income, which has been tagged at 8% of the assets, the actual administrative costs, and the actual investment costs will be subtracted. He stated the remainder, or excess, represents invested earnings not required to actuarially fund the system during that particular fiscal year. He stated the Board will then apportion a percentage of that remainder as having been earned on that portion of the retirement fund balance representing assets allocated to retired members. He indicated the amount of investment earnings allocated to retired members will be deposited in a reserve fund, and that no more than 90% of the amount available in the reserve fund during any given year may be used to fund post-retirement adjustments payable to eligible members or beneficiaries. He added that, if the amount in the reserve fund will not fund an average monthly increase of at least \$1, no adjustment will be made during that year. He indicated the average post-retirement adjustments made each year are also limited, or capped, by the percentage increase in the CPI for the previous calendar year. He stated post-retirement adjustments will be

made effective January 1 of each year in which funds are available in the post-retirement reserve fund, and that the adjustments will be made in the form of a monthly annuity benefit. He added that retirees receiving optional retirement allowance will have the amount adjusted by the appropriate optional annuity factor.

List of Testifying Proponents and What Group they Represent:

David L. Senn, Teachers Retirement Board
Linda King, Assistant Administrator, Public Employees' Retirement System
Tom Ryan, Teachers' Retirement Board
Tom Harrison, Montana Sheriffs & Peace Officers Association
Alve Thomas, President, State Retired Teachers Association
Dick Williams, President, Association of Montana Retired Public Employees
Tom Schneider, Montana Public Employees' Association
Terry Minow, Montana Federation of Teachers
David Evenson, Montana University System
Tom Bilodeau, Research Director, Montana Education Association

Testimony:

Mr. Senn's written testimony is attached as Exhibit 11. He stated that, in any year they do not make interest earnings, noting the rate is currently 8%, there will not be a distribution, and there may not be a distribution in the following year, until they make up that loss, adding they will maintain full funding for all retirement systems. He noted this bill will have no impact on the funding of the system. Mr. Senn distributed materials relating to the Teachers' Retirement System, a copy of which is attached as Exhibit 12. He went over the figures outlined in the material. He indicated they will not distribute the entire amount in one check to all retirees, that they will set that aside, buy a monthly annuity, and distribution will be based upon their total years credible service in the Teachers' Retirement System.

Testimony:

Ms. King stated HB421 is the result of a year's dialogue between the Public Employees' and Teachers' Retirement Boards, and active and retired members of these 4 retirements systems. Ms. King's written testimony is attached as Exhibit 13. She distributed materials, a copy of which is attached as Exhibit 14.

Testimony:

Mr. Ryan stated that they are 100% behind this, and hopes the committee will concur.

Testimony:

Mr. Harrison stated they are strongly in favor of this bill.

Testimony:

Mr. Thomas' written testimony is attached as Exhibit 16.

Testimony:

Mr. Williams' written testimony is attached as Exhibit 17.

Testimony:

Mr. Schneider stated they have some 1,200 retired members. He indicated they worked with all these groups over the past 2 years, and this bill came out of that effort. He stated they think it is a step in the right direction. He noted it is not a cure-all to the problems of the retirees, but they ask that the committee look at it favorably.

Testimony:

Ms. Minow stated this is a good bill, a fair bill, a necessary bill, and they ask that the committee give it a do pass consideration.

Testimony:

Mr. Evenson stated they have looked at this bill, he believes it is a good proposal, and they urge the committee's support.

Testimony:

Mr. Bilodeau stated they similarly urge the committee's support. He indicated they would like to echo some of the comments previously made, noting this is the first step towards looking at what is a truly needed fix for retirement benefits, an actual formula-driven automatic cost of living adjustment.

List of Testifying Opponents and What Group They Represent:

None.

Questions From Committee Members:

Senator Harding asked Ms. King to provide the committee with copies of the examples she referred to.

Q. Senator Rasmussen pointed out that, in looking at the example Mr. Senn distributed, there was \$10 million, net, left after administration, and so forth, and asked Mr. Senn why it was cut in half.

A. Mr. Senn responded a distribution is made on the basis of the assets of the retirees' interest in the retirement system, that they have both retired members and contributing members.

Q. Chairman Farrell asked Mr. Senn where the interest goes, right now, if it is not distributed in retirement benefits.

A. Mr. Senn responded that, in years when they have had an actuarial gain in the funding or amortization of their unfunded liability, it has gone towards enhancing the amortization of that unfunded liability.

Q. Chairman Farrell asked Mr. Senn if it is reducing the years.

A. Mr. Senn responded yes.

Q. Chairman Farrell asked how many years they have had this.

A. Mr. Senn responded that, for example, during the last biennium, noting their actual valuations are done every other year, the Teachers' Retirement System had an actuarial loss.

Q. Chairman Farrell asked Mr. Senn, in that case, would this not happen, would they not distribute the funds.

A. Mr. Senn responded that, in that case, they may not distribute, noting it depends on what the cause was. He noted the cause was not the result of a shortage in interest earnings, that it was the result of frozen salaries in school districts, noting they had a huge withdrawal factor from the Teachers' Retirement System, and their withdrawals increased from \$2 million to \$6 million that particular year. He stated they would have had a distribution in that particular year.

SENATE COMMITTEE ON STATE ADMINISTRATION

March 1, 1989

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- Q. Chairman Farrell asked Mr. Senn, if that happens, will they be back, after they distribute this money, asking for an increase, or will they run past the 40 year actuarially sound problem.
- A. Mr. Senn responded they would not be back asking for an increase in the contribution rate to fund this because of this distribution.
- A. Chairman Farrell indicated that is not his question. He stated that, under this bill, Mr. Senn said they would probably go ahead and distribute the money, noting, had they not had an actuarial sound year and lost a year or two in their retirement system, that, instead of 36 1/2, they are up to 38 1/2. He asked, when they go past the 40 years, do they not have to come back to the Legislature and look for an increased contribution.
- A. Mr. Senn responded the retirement system will remain on an actuarial sound basis. He indicated they would have reason to come back to the Legislature to look at what has happened in their actuarial funding, if they are losing ground. Mr. Senn stated these are the reasons for that. He indicated it would not be attributable to a distribution under this proposal, that it would be attributable to other things, which they have identified, and which are reasons for concern, but not reasons for alarm at this point.
- Q. Senator Hofman asked, if this money is allocated out, are they ever going to catch up with the unfunded liability, or aren't they supposed to.
- A. Mr. Senn responded they will catch up with the unfunded liability, stating he does not believe this proposal will have any impact on the unfunded liability of the Teachers' Retirement System. He asked the committee to keep in mind that they had salaries frozen, noting benefits were also frozen at that level, and indicated it does impact the funding of the system, but also has the positive impact of reducing the liability to some extent. He noted these things work hand in hand and, over a period of time, you can track what are the costs to the system, and will see the system continue to make progress. He indicated there is no cause for alarm at this point in time, noting that they have identified what the cause is for the slow-down in the amortization of the unfunded liability. He stated they have not started to

SENATE COMMITTEE ON STATE ADMINISTRATION

March 1, 1989

Page 20 of 21

lose ground in that unfunded liability, that they are amortizing it.

Q. Senator Bengtson asked how they got these different retirement systems to cooperate.

A. Mr. Senn responded they made them an offer they could not refuse.

Q. Senator Bengtson asked if there were winners and losers in this.

A. Mr. Senn responded no, that they started out with a proposal that required a person to have been retired 3 years, and be age 60. He indicated they worked with the retirement groups, looked at the retirees in each organization, and found that age 55 and 24 years met the requirement of the sheriffs, teachers', PERS, and the game wardens. He stated that, looking at each group, this is where the norm was, and it would provide for an increase for the majority of the retirees. He noted they will not hit everyone that is retired, but will hit the majority, and they will be getting something each year, rather than an ad hoc adjustment, or increase, every other year.

Q. Senator Rapp-Svrcek Mr. Senn why would they distribute funds, for any reason, if they had lost funds in any given year, whether or not this particular system, set up in this bill, would come into play.

A. Mr. Senn responded that they did not actually lose any funds in a given year, noting that, in FY88, the Teachers' Retirement System had a total income of \$109 million, they had a total expenditure of \$51 million, and they had income of \$60 million. He noted the system is being funded, they are making progress, although not as much progress as they would like to see every year, adding that happens, from time to time, for various reasons.

Closing by Sponsor:

Representative Nelson indicated, regarding the matter of unfunded liability, he was given a list that mentioned the rule of thumb is not to exceed 40 or 42 years. He stated PERS has a rating of 24.96 years, the sheriffs zero, game wardens 11.27, and the teachers' retirement 35.47 years, noting all of them are reasonably sound. He indicated the committee

SENATE COMMITTEE ON STATE ADMINISTRATION

March 1, 1989

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should keep in mind that, on making this adjustment, the older retirees are subject to inflation in general, with the largest rate of inflation being the medical area, prescriptions, and that type of thing. He stated it is really needed, noting he realizes the committee has seen a lot of retirement bills, and indicated this is probably the motherhood, baseball and apple pie bill of the bunch, and it is probably the ala mode on the apple pie. He indicated, when it is passed by the committee, Senator Beck will carry it on the floor.

DISPOSITION OF HB 421

Discussion:

Senator Harding offered a motion that HB421 be concurred in.

Recommendation and Vote:

Motion passed by the committee that HB421 be concurred in.

ADJOURNMENT

Adjournment At: 11:35 a.m.


WILLIAM E. FARRELL, Chairman

WEF/mhu
HB89.031

ROLL CALL

STATE ADMINISTRATION COMMITTEE

51ST LEGISLATIVE SESSION

DATE: March 4, 1989

NAME	PRESENT	ABSENT	EXCUSED
HUBERT ABRAMS	✓		
JOHN ANDERSON, JR.	✓		
ESTHER BENGTON	✓		
WILLIAM E. FARRELL	✓		
ETHEL HARDING	✓		
SAM HOFMAN	✓		
PAUL RAPP-SVRCEK	✓		
TOM RASMUSSEN	✓		
ELEANOR VAUGHN	✓		

SENATE STANDING COMMITTEE REPORT

page 1 of 3
March 1, 1989

MR. PRESIDENT:

We, your committee on State Administration, having had under consideration HB 89 (third reading copy -- blue), respectfully report that HB 89 be amended and as so amended be concurred in:

Sponsor: Peck (Harding)

1. Page 1, line 22.

Strike: "up" through "of"

Insert: "; (a)"

2. Page 2, line 1.

Following: "~~system~~"

Insert: "; and

(b) public service employment that occurred before the public employer adopted a public retirement system"

Following: "."

Insert: "(2) A member may not qualify more than 5 years of service under this section."

ReNUMBER: subsequent subsections

3. Page 3, line 9.

Following: "19-3-902"

Insert: ", terminated covered employment,"

4. Page 3, line 13.

Following: "the"

Insert: "terminated"

5. Page 3, line 16.

Following: "eligible"

Insert: "terminated"

6. Page 7, line 22.

Following: "service"

Insert: "and terminating covered employment"

7. Page 7, line 25.

Strike: "and has"

Insert: ", "

8. Page 8, line 1.

Following: "service"

Insert: ", and terminated covered employment"

9. Page 8, line 10.

Following: "by the"

Insert: "terminated"

10. Page 8, line 13.
Following: "eligible"
Insert: "terminated"

11. Page 11, lines 17 and 18.
Strike: "and" on line 17 through "has" on line 18
Insert: ", "

12. Page 11, line 18.
Following: "years"
Insert: ", and terminated covered employment"

13. Page 11, line 25.
Following: "the"
Insert: "terminated"

14. Page 12, line 3.
Following: "eligible"
Insert: "terminated"

15. Page 14, line 22.
Strike: "and" through "has"
Insert: ", "

16. Page 14, line 23.
Following: "years"
Insert: ", and terminated covered employment"

17. Page 15, line 5.
Following: "by the"
Insert: "terminated"

18. Page 15, line 8.
Following: "eligible"
Insert: "terminated"

19. Page 16, line 1.
Following: "rank"
Insert: "and has terminated covered employment"

20. Page 16, line 5.
Strike: "and"
Insert: ", "

21. Page 16, line 7.
Following: "rank"
Insert: ", and has terminated covered employment"

22. Page 16, line 11.
Following: "by the"
Insert: "terminated"

23. Page 16, line 14.
Following: "eligible"
Insert: "terminated"

24. Page 18, line 14.
Following: "A"
Insert: "terminated"

25. Page 18, line 18.
Following: "allowance"
Insert: "for an eligible terminated member"

AND AS AMENDED BE CONCURRED IN

Signed: William E. Farrell
William E. Farrell, Chairman

W. E. Farrell
11/20/89
11/20/89

SENATE STANDING COMMITTEE REPORT

March 1, 1989

MR. PRESIDENT:

We, your committee on State Administration, having had under consideration HB 141 (third reading copy -- Blue), respectfully report that HB 141 be concurred in.

Sponsor: Phillips (Harding)

BE CONCURRED IN

Signed: Farrell

William E. Farrell, Chairman

11.6.89
31.30
1

SENATE STANDING COMMITTEE REPORT

March 1, 1989

MR. PRESIDENT:

We, your committee on State Administration, having had under consideration HB 235 (third reading copy -- blue), respectfully report that HB 235 be concurred in.

Sponsor: Spaeth (Nathe)

BE CONCURRED IN

Signed: *William E. Farrell*
William E. Farrell, Chairman

*H. C. 69
1.1.89
P. P. 11*

SENATE STANDING COMMITTEE REPORT


March 1, 1989

MR. PRESIDENT:

We, your committee on State Administration, having had under consideration HB 421 (third reading copy -- blue), respectfully report that HB 421 be concurred in.

Sponsor: Nelson, R. (Beck)

BE CONCURRED IN

Signed: 
William E. Farrell, Chairman

4/1/89
3:11 p.m.
1-7

Amendments to House Bill No. 89
Third Reading CopyRequested by the Public Employees' Retirement Board
For the Senate Committee on State Administration

February 27, 1989

1. Page 1, line 22.
Strike: "up" through "of"
Insert: ": (a)"
2. Page 2, line 1.
Following: "~~system~~"
Insert: "; and
(b) public service employment that occurred before the
public employer adopted a public retirement system"
Following: "."
Insert: "(2) A member may not qualify more than 5 years of
service under this section."
Renumber: subsequent subsections
3. Page 3, line 9.
Following: "19-3-902"
Insert: ", terminated covered employment,"
4. Page 3, line 13.
Following: "the"
Insert: "terminated"
5. Page 3, line 16.
Following: "eligible"
Insert: "terminated"
6. Page 7, line 22.
Following: "service"
Insert: "and terminating covered employment"
7. Page 7, line 25.
Strike: "and has"
Insert: ", "
8. Page 8, line 1.
Following: "service"
Insert: ", and terminated covered employment"
9. Page 8, line 10.
Following: "by the"
Insert: "terminated"
10. Page 8, line 13.
Following: "eligible"
Insert: "terminated"
11. Page 11, lines 17 and 18.

Strike: "and" on line 17 through "has" on line 18
Insert: ", "

12. Page 11, line 18.
Following: "years"
Insert: ", and terminated covered employment"

13. Page 11, line 25.
Following: "the"
Insert: "terminated"

14. Page 12, line 3.
Following: "eligible"
Insert: "terminated"

15. Page 14, line 22.
Strike: "and" through "has"
Insert: ", "

16. Page 14, line 23.
Following: "years"
Insert: ", and terminated covered employment"

17. Page 15, line 5.
Following: "by the"
Insert: "terminated"

18. Page 15, line 8.
Following: "eligible"
Insert: "terminated"

19. Page 16, line 1.
Following: "rank"
Insert: "and has terminated covered employment"

20. Page 16, line 5.
Strike: "and"
Insert: ", "

21. Page 16, line 7.
Following: "rank"
Insert: ", and has terminated covered employment"

22. Page 16, line 11.
Following: "by the"
Insert: "terminated"

23. Page 16, line 14.
Following: "eligible"
Insert: "terminated"

24. Page 18, line 14.
Following: "A"
Insert: "terminated"

SENATE STATE ADMIN.

EXHIBIT NO. 1

DATE 3/1/89

BILL NO. HB89 pg 3

25. Page 18, line 18.
Following: "allowance"
Insert: "for an eligible terminated member"

STAFF TESTIMONY

EXHIBIT NO. 2DATE 3/1/89BILL NO. H389 p91

BILL TO GENERALLY REVISE AND CLARIFY

PROVISIONS OF PERS, JUDGES', HIGHWAY PATROL, SHERIFFS, GAME WARDENS'

MUNICIPAL POLICE AND FIREFIGHTERS' UNIFIED RETIREMENT SYSTEMS

Presented by:

Linda King, Assistant Administrator
Public Employees' Retirement Div.

On behalf of the Public Employees' Retirement Board, I am here today to ask your consideration of a bill to generally revise provisions found in the retirement systems administered by our agency. While the proposed changes to these systems are relatively minor, they are meant to address important issues of equity which have come to the Board's attention since the 1987 Legislature.

The first change proposed in this bill affects the "out-of-state" service buyback provisions passed during the last session. The Board requests that you repeal the requirement that PERS members must have received a refund of their "out-of-state" or federal retirement contributions before becoming members of PERS.

The original intent of this requirement was to prevent PERS members with a vested interest in another retirement system from transferring that liability to PERS. As the Board began administering this provision in 1987, they found that this requirement served to unintentionally deny this buy-back to a significant number of people who were PERS members, then had out-of-state or federal service, and then rejoined PERS.

An Attorney General's opinion was requested to clarify this portion of the law and the proposed repeal will bring the statutes in line with the ruling which stated that it was obviously not the intent of the Legislature to deny this option to previous PERS members. Since it is not to the monetary advantage of members to give up a vested interest in another retirement system, this repeal is not expected to transfer a liability to PERS from another retirement system.

The amendment to this section which has been proposed today would also allow current PERS members who worked for another public employer prior to that employer being covered by a public retirement system to qualify such service in PERS, provided that the total service purchased in this section can be no more than 5 years. The Board is requesting this amendment in response to a request brought before them at their last meeting. It is the Board's opinion that if this type of service can be certified by the previous employer, it should be allowed to qualify members for the purchase provisions of this part of PERS law. It is not the Board's intent to allow persons who were not eligible for membership in a former employer's public retirement system to purchase out-of-state service in PERS through this amendment.

The next area of proposed change are amendments which would allow members of the various retirement system to elect, in writing, a later annuity starting date than currently allowed in the statutes. A few years ago, in order to protect the interests of members who did not file their retirement applications at the proper time, the Legislature mandated that all annuities would start "on the first day of the month following the member's last day of membership service" after reaching minimum age and/or service requirements.

A really unintentional result of this statutory change was to prevent persons from exercising the option of putting off their annuity starting dates in order to decrease or eliminate an early retirement reduction or in order to decrease a tax liability. Under current law, if a person aged 50 has terminated covered employment and is minimally eligible to receive retirement benefits on a given date, the annuity must begin on the first day of the next month. If he doesn't apply for his retirement for 10 years, we have to compute his retirement allowance based on his age and service at the time he terminated his employment, pay him a lump sum of 120 benefit payments, and then continue paying the early retirement allowance to him for life.

Under the current proposal, if an individual chooses in writing to put off his annuity starting date, we will compute his allowance based on his age and service as of the date of the member's choice. If he elects a later starting date, he will receive no back payments but the monthly benefit amount will be increased if he belongs to a retirement system with early retirement provisions. If he belongs to a system without early retirement provisions, he will permanently forgo benefits which would have been payable; however, this may be advantageous to some members depending upon their individual tax situations.

This proposal will allow members who plan to work elsewhere, and who do not need a retirement benefit at the time they terminate covered employment with the state or one of the political subdivisions, the ability to increase the allowance they choose to receive at a later date and/or to decrease their federal tax liabilities.

It was recently brought to our attention that these changes leave some doubt as to whether the retirement benefit may start before a member actually terminates membership service. Therefore, the Board has requested the remaining amendments to this bill to clarify that no retirement allowance may be paid during periods when a member is still employed and earning service credits in the retirement systems.

This bill also includes provisions to allow elected members whose terms of office are set by statute to retire with January 1 effective dates, even though they may actually continue in office for one to seven days in January. The Board proposes that these elected officials not make contributions or earn service credits for these days in return for beginning their retirements on January 1 rather than February 1.

The next amendment proposed is to extend the "old money purchase option" to all PERS members. In 1973, when the Legislature changed PERS from a defined contribution (or "money purchase") retirement plan to a defined benefit plan, they provided what should have been a significantly higher retirement allowance to PERS members. At that time, they realized there might have been some current members of the system who would have received a higher allowance under the old plan, so those members were given the option of choosing the "money purchase" plan. It was expected that the new plan would provide higher benefits to new members from that day forward.

Some PERS members have relatively "flat" salary histories because they have remained in the same job over all or a majority of their careers and possibly because of salary freezes in the past several years. The Board has noted that a small number of PERS members with these "flat" salaries will continue to receive a slightly higher benefit under the "old money purchase plan" than under the current 1/60 formula. Because a member's contributions and interest (with a matching state annuity) actually pay for the retirement benefit under the old plan, it is equitable to extend this option to all PERS members and not limit it to those who happened to be members when the law was changed.

The next amendment addresses the payment of optional death benefits to the beneficiaries of PERS members who are terminally ill when leaving covered employment. Currently, the statutes define this situation by allowing those beneficiaries to choose optional death benefits if the member dies within 4 months of termination, but prior to retirement, or within 4 months of beginning a disability retirement allowance.

The Board has noted over the past couple of years that a small, but significant, number of members have died 5 or 6 months after leaving covered employment -- probably due to advances in medical science which have prolonged a terminally ill person's life expectancy. Their beneficiaries, however, lose the ability to elect an optional death benefit because of this slight increase in life expectancy.

Since the four-month period found in current law basically is an arbitrary figure, we urge increasing this time period to 6 months, thereby maintaining the intent of offering this option to the beneficiaries of terminally ill PERS members.

Another proposed amendment would extend the election of an optional death benefit to minor beneficiaries of deceased PERS members. Quite simply stated, this appears to be the last vestige of age discrimination found in this statute. While no one has sued the retirement system over the denial of this option, the possibility remains quite real as long as the current prohibition remains in effect.

Since minors do have some limitations founded in law for making legal decisions and receiving monetary payments, provisions are added for election of such an optional benefit by the minor's custodian or the election of the benefit when the minor reaches majority.

This bill also proposes to repeal reference to a "penalty retirement age" in the Judges' Retirement System. During the last Legislature the mandatory retirement provisions were removed from this retirement system. However, an oversight resulted in this definition remaining in the statutes.

The remaining amendments deal with the method by which members of the Judges', Sheriffs', Game Wardens', Highway Patrol and Municipal Police retirement systems must elect their designated beneficiaries. Until recently, members of all retirement systems designated those beneficiaries on their membership cards which were only required to be "witnessed." However, during a review of proposed administrative rules, the Legislative Code Committee noted that the terminology used in these retirement systems -- "duly acknowledged" -- was actually defined elsewhere in statute as meaning "notarized."

Because it was not the intent to require that these four systems be singled out to require membership cards to be notarized, and because this oftentimes results in the unnecessary expenditure of time and money, the Board requests that the language in these four statutes be changed to require the designation of beneficiaries be "witnessed." This change will bring these statutes in line with the other retirement systems and will eliminate an inadvertent and unnecessary requirement.

On behalf of the Public Employees' Retirement Board, I thank you for your consideration of these proposals and would be pleased to answer any questions you may have.

EXHIBIT NO. 3

DATE 3/1/89 STATE ADMINISTRATION COMMITTEE

BILL NO. HB 89, HB 235, HB 421

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Tom Schneider DATE: 3/1/89

Address: Box 716
Alena

Phone: 442-4600

Representing whom?
MPA

Appearing on which proposal?
HB-89-235-421

Do you: SUPPORT? AMEND? OPPOSE?

Comments:
see Exhibit #5

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

STAFF TESTIMONY

BILL TO CLARIFY PERS STATUS OF PUBLIC ADMINISTRATORS BILL NO. HB 141

PAID ON A FEE BASIS

Presented by:

Linda King, Assistant Administrator
Public Employees' Retirement Div.

On behalf of the Public Employees' Retirement Board, I am here today to urge your favorable consideration for a bill which is aimed at defining the membership service for a special class of PERS members -- Public Administrators paid on a fee basis.

These elected public officials are currently a very small part of the PERS membership; however, current statutes and administrative rules combine to deny those members an equitable retirement allowance.

The first problem is in granting membership service to these members. PERS members are granted service credit for each month in which they make contributions to the retirement system based upon the number of hours worked during that month. No record of hours worked is maintained for elected officials, but all other elected officials receive a fixed monthly salary. Public Administrators paid on a fee basis receive a percentage of the estates closed. If 10 estates are closed one month, they receive a fee for those 10 in one month; if no estates are closed in another month, they receive no compensation for that month. Because of this, there are months where these people may work long hours but would receive no service credit in PERS because no contributions have been received by the system.

The next problem is in computing their "Final Average Salary." Statues define this as the average of the highest consecutive 3 years salary. Unlike most PERS members, Public Administrators' compensation may vary widely from year to year simply because of the amount and size of estates settled. Current law results in a lower than equitable Final Average Salary for these members.

The Board is proposing to remedy these problems by granting service credits on an annual basis to these members over the entire period of their elected service, regardless of contributions received in any given month. The second part of the proposal is to calculate these members' Final Average Salary by using the average of the highest 3 years compensation received as a Public Administrator.

The Board believes these changes will result in an equitable retirement benefit being paid to this special class of PERS members and urges your favorable consideration of this legislation.

I would be please to answer any questions which you may have.

PUBLIC

EMPLOYEES

ASSOCIATION

SENATE STATE ADMIN.

EXHIBIT NO. 5DATE 3/1/89BILL NO. HB235 p34

March 1, 1989

TO: Honorable Members, Senate State Administration Committee

FROM: Thomas E. Schneider, Executive Director

SUBJECT: House Bill 235

House Bill 235 is part of a two bill package which MPEA feels eliminates the problems of SB 149 of last session while providing the benefits of that legislation. It is the number one priority of the membership along with salary increases.

The bill is the result of two years of work with the PERD Board and Actuary and is totally funded according to the Actuary. The bill provides that the employee who chooses to buy service will pay the entire cost.

I am attaching an explanation of the bill and would answer any questions you may have. Thank you very much for your support.

The logo consists of a rectangular box with a thick black border. Inside the box, the letters "MPEA" are printed in a bold, sans-serif font, centered horizontally and vertically.

House Bill 235 allows a member of PERD to purchase one year of additional service for each five years of creditable service to a maximum of five years of additional service.

The member must pay the current contribution rate for both the employee and the employer based on the employees salary at the time of purchase. (Current rate - 6% for the employee and 6.417% for the employer) For the employee who wishes to buy time right now and retire, this bill would require a lump sum payment based on the employee's current salary. For an employee who is not ready to retire, the employee can make application and make installment payments to purchase the credit. Installment payments would, of course, include interest. Installment payments would have to be completed by date of retirement.

This bill only allows members employed before July 1, 1989 to purchase any additional credit and further provides that a member can buy military, out of state and additional service under this bill until January 1, 1990, but after that date all three types can continue to be purchased but the total of all three cannot exceed five years.

One of the important offshoots of this bill is that a women who either enters the job market late or takes time off to start and raise a family could replace up to five of those lost years.

This is a simple example of how the bill works:

Current Mem: 25 years of service - \$ 10,000 average salary (Also current salary for this illustration)

Current Law:

25/60 = 41.666% of \$ 10,000 = \$ 4166.66 Annual Benefit. If this member is under age sixty a 1/2% per month or 6% per year reduction for the number of months or years under 30 the member has is applied. For this example that would result in the following reduction.

\$ 4166.66 less 30% (6% x 5) = \$ 4166.66 - \$ 1250 = \$ 2916.66 Annual Benefit

WITH HB 235

Member purchases five years: 12.417% x \$ 10,000 = \$ 1241.70 x 5 = \$ 6,208.50 Cost

Benefit Calculation

25 years + 5 years purchased = 30/60 = 50% x \$ 10,000 = \$ 5,000.00 Annual Benefit

This cost to benefit ratio would run consistant in calculating benefits with other salaries or number of years purchased.

Example: A member with a \$ 30,000 a year salary would cost three time as much and the benefit would be three times greater.

REMEMBER - the advantage of this bill over the bill two years ago is that only the person that uses it pays for it and it allows a person who qualifies for an early retirement benefit to retire with half pay.

The bill would be effective on passage and approval.

RETIREMENT LEGISLATION

Some questions that are being asked:

1. Why didn't we put SB 149 from last session back in this time?
 1. The bill to buy up to five years has two major advantages.
 - a. A person with 25 years can buy 5 years and not only get rid of the penalty but also retire with 30 years or 50% of average salary. SB 149 would have deleted the penalty but the benefit would still have been 41.66% of salary.
 - b. Only a person who uses the 5 year bill will pay for it. SB 149 would have required all members of PERD to pay an additional 1% of salary for a few to retire without penalty. Because of not using employee contribution to remove the penalty, it allows for a bill to improve the benefits for everyone thus we have submitted the second bill which changes the calculating formula from 1/60 to 1/56 in the second bill. This will improve the benefit for every member of the system whether they have 5 years of service or 35 years of service and all in between.
2. Do I have to pay a lump sum?
 1. If you are ready to retire when the bill passes you would have to pay a lump sum. If you want to buy up to five years but are not ready to retire yet you can make arrangement to pay in installments. If you have completed five years now you can buy one year based on current salary and pay either in a lump sum or in installments. If you have eighteen years now you can buy 3 years now based on current salary and pay lump sum or installments.
3. If I have three years of military service can I still buy five years?
 2. All military and out of state service which is applied for and paid for prior to January 1, 1990 counts fully toward your retirement plus you may buy up to five additional years of service.

After January 1, 1990 you may still buy military service, out of state service or up to five additional years of service but the total cannot exceed five years.
4. Why are the total number of years limited after January 1, 1990?
 3. The cost of buying additional service would have been as much as 6% higher if the limit had not been applied.
5. When are the bills effective?
 1. Both bills are effective on the date the Governor signs them. The .15% increase in employee contributions in the formula change bill (6.0% to 6.15%) will not be effective until July 1, 1989.
6. What else?
 1. MPEA worked with the PERD Board for the past eighteen months to come up with legislation that would not result in the confrontation of two years ago. At this point these bills do that and we are working together for passage.

EXHIBIT NO. 6

DATE 3/1/89

BILL NO. HB 235

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DAVE MILOT

DATE:

3-1-89

Address:

5100 Ray Lane
Florence Mt.

Phone:

273-2399

Representing whom?

myself

Appearing on which proposal?

HB 235

Do you: SUPPORT? X AMEND? OPPOSE?

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE STATE ADMIN.

EXHIBIT NO. 7

DATE 3/1/89

STATE ADMINISTRATION COMMITTEE

BILL NO. HB235

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

DATE:

DENNIS HEMMER

3-1-89

Address:

613 Highland
Helena MT 59601

Phone:

442-4555

Representing whom?

Non Aligned State Employees

Appearing on which proposal?

HB 235

Do you:

SUPPORT? AMEND? OPPOSE?

Comments:

see Exhibit #8

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE STATE ADMIN.

EXHIBIT NO. 8

DATE 3/1/89

BILL NO. HB 235

TESTIMONY OF DENNIS HEMMER

HOUSE BILL 235

On behalf of my clients I urge your support of House Bill 235.

Its often said that "There's no free lunch". However, this bill is free. It represents an opportunity to give a benefit to state employees at no cost to the state. All increases in benefits are paid by the employee.

The proposal is actuarially sound and therefore will have no detrimental effects to the retirement fund.

This proposal is very similar to early retirement incentives offered by private industry with the exception that all the costs under this bill are borne by the employee.

The bill will save the state money because it will encourage those employees with the highest steps and most longevity increments to retire. They will in most cases be replaced with newer employees with fewer steps and longevity increments.

You have an opportunity to give the State's employees an added benefit at no cost. I urge you to boost employee morale by approving House Bill 235.

House Bill 235 is the result of two years of work with the PERD Board and Actuary. The bill is patterned after legislation which passed in the state of New Mexico two years ago. House Bill 235 was submitted together with HB 234 as a package to replace legislation which passed in 1987 only to be vetoed by the Governor.

This bill simply allows a member of PERD to buy one year of service for each five years of membership with PERD. This in effect allows a member to buy out the penalty for retiring early. The member pays the full employee - employer contribution necessary to actuarially fund the change so the system is not damaged and there is no cost to the state or any local government.

To explain the bill:

Section 1. Provides that any member of PERD as of June 30, 1989 may buy one

(1) year for each five years of membership service for the purpose of calculating his/her retirement benefit.

(2) The cost to buy each year of service will be the employee - employer rate in effect at the time of purchase times the salary earned at the time of purchase. Contributions may be made in a lump sum or by installments as agreed to by the PERD Board. All payments would have to be completed by the date of retirement.

(3)(a) A members who has qualified and purchased up to five years of military service and/or five years of out of state service by January 1, 1990 could still buy up to five years of additional service provided for by this bill but after that date a member would be limited to five years of a total combination of all three. (The House State Administration amended the date from October 1, 1989 to January 1, 1990 to allow additional time for members currently purchasing military or out of state service to complete the purchase. All parties agreed to the change.)

(4) The additional service provided for in this bill does not count toward qualification. This means a person would still have to have 25 years of creditable service to qualify for retirement but once that is completed, the person could buy five years of additional service under this bill and have 30 years for calculating the benefit. Section 2 (b) and Section 3 (3) provide that the years will be used for calculation and must be used to reduce or eliminate the penalty for early retirement.

Section 8. Provides that this bill is effective on passage and approval.

The bill is very similar to SB 125, which allowed TRD members to purchase up to five years of service. That bill has passed the Senate and is in the House now.

SENATE STATE ADMIN.

EXHIBIT NO. 9

DATE 3/1/89

BILL NO. HB 235

SENATE STATE ADMIN.

EXHIBIT NO. 10

DATE 3/1/89

STATE ADMINISTRATION COMMITTEE

BILL NO. HB 421

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME:

David L. Senn

DATE:

3-1-89

Address:

Phone: 1144 -3134

Representing whom?

Teachers Retirement Board

Appearing on which proposal?

HB 421

Do you: SUPPORT? AMEND? OPPOSE?

Comments:

see Exhibit # 11 & #12

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

HB 421

Teachers' Retirement Board
March 1, 1989
David L. Senn

Title: "An act providing a postretirement adjustment for certain members of the public employees', teachers', sheriffs' and Montana state game wardens' retirement systems or their beneficiaries: and providing an effective date."

HB 421 will provide an opportunity for possible increases in monthly benefits paid to retirees through the distribution of investment earnings. Any benefit increases under this program are entirely dependent upon the investment yield of the retirement system. However, there is no guarantee of an increase in any year.

Annually at the close of each fiscal year, the investment income of the fund will be compared to the actuarially assumed rate required to fund the retirement benefits. If the actual investment income, less the system's administrative and investment costs, is more than the actuarially assumed return required, a portion of these earnings based on the assets allocated to retired members, will be deposited in a reserve fund. No more than 90% of the amount available in the reserve fund will be distribution to all eligible recipients in the form of a lifetime monthly annuity. If the amount available will not fund an average monthly increase of at least \$1.00 per month, no adjustment will be made. Also, the average adjustment payable to all eligible recipient may not exceed the CPI for the previous calendar year. If this proposal had been available to the Teachers' Retirement System on January 1, 1989, sufficient funds would have been available to pay an average annual benefit increase of 1.67% to all eligible recipients. If this legislation is adopted, the first adjustment will be payable as of January 1, 1990.

Eligible recipients, as of June 30, of each year, will include a member or beneficiary who is receiving a service retirement allowance and who is 55 years of age or older and a member or beneficiary who is receiving a disability or survivor allowance. The recipient must have been receiving a monthly service, disability or survivor allowance for at the 24 consecutive months preceding June 30, in the year the adjustment is made. The amount of the monthly adjustment paid to the member or beneficiary will be based upon the recipients current age, years of service and benefit option selected at the time of retirement.

For example: If this proposal would have been available on January 1, 1989, a member age 62 with 25 years of service would have received a monthly increase in benefits of \$7.50. A member age 70 with 25 years of service would have received an increase of \$9.00.

TEACHERS' RETIREMENT SYSTEM

EXAMPLES OF POSSIBLE TRS POST RETIREMENT ADJUSTMENTS
BASED ON ACTUAL YIELD IN FY 88

TRS Fund Balance (6/30/87)		503,606,670
TRS Fund Balance (6/30/88)		561,331,968
FY 88 Investment Income		51,877,012
Actuarially Required Yield		8.00%
Actuarially Required Investment Income		40,959,178
Investment Income Over Required Rate		10,917,834
Administration and Investment Costs		754,761
Net Funds Available		10,163,073
Retirees' Allocation of Total Assets		50.80%
1988 Funds available to fund adjustment		5,162,841
10% Reserve for future adjustments		516,284
Net funds available to fund adjustment		4,646,557
Current Annual Benefits of 5,293 Eligible Retirees		36,694,989
Eligible Retirees' Total Years of Service		133,449
Average age of eligible retiree:	71.98	
1988 Cost to fund 4.14% Cap		11,545,711 (Insufficient)
Funding Available for 1989 adjustment	*****	4,646,557
Average annual benefit increase:	1.67%	

EXAMPLES OF POSSIBLE PERMANENT MONTHLY RETIREMENT ADJUSTMENTS -- 1988 FUNDS
(CPI Cap not reached -- no effect)

SERVICE AGE	5	10	15	20	25	30	35
55	1.35	2.70	4.05	5.41	6.76	8.11	9.46
56	1.37	2.74	4.10	5.47	6.84	8.21	9.58
58	1.41	2.81	4.22	5.62	7.03	8.43	9.84
60	1.45	2.90	4.35	5.79	7.24	8.69	10.14
62	1.50	3.00	4.50	6.00	7.50	9.00	10.50
65	1.59	3.18	4.78	6.37	7.96	9.55	11.14
67	1.67	3.33	5.00	6.67	8.33	10.00	11.67
70	1.80	3.60	5.40	7.20	9.00	10.80	12.60
75	2.10	4.21	6.31	8.41	10.52	12.62	14.72
80	2.53	5.07	7.60	10.13	12.67	15.20	17.73
85	3.12	6.25	9.37	12.49	15.61	18.74	21.86
90	3.97	7.94	11.91	15.88	19.85	23.82	27.79

EXHIBIT NO. 13

HB 421

DATE 3/1/89BILL NO. HB421

Linda King, Assistant Administrator
Public Employees' Retirement Div.

HB 421 is the result of six months' dialogue between the Public Employees' and the Teachers' Retirement Boards and representatives and retirees from the Game Wardens', Public Employees', Sheriffs' and Teachers' Retirement Systems.

The Public Employees' Retirement Board supports this legislation as an orderly and planned means to provide some level of defense against inflation for retirees on fixed incomes without disturbing the actuarial funding of the systems.

The permanent adjustments provided in this bill are actuarially funded from investment income and require no change in employee or employer contribution rates. Because funds are reserved in each year to pay the total future costs of each benefit increase, this is a more cost-effective approach than ad-hoc cost-of-living adjustments. Taxpayers will not be required to bear the costs of these adjustments.

This legislation, which has some computer costs at the beginning, will more than pay for itself in administrative savings. In addition, the legislature will be relieved from the time and associated costs of reviewing "ad hoc" increases in every session. Hours of administrative time in drafting, costing, preparing and presenting testimony on separate "ad hoc" provisions will be alleviated.

Approximately \$90,000 of spendable income will be added to the state's economy in 1990 based on the FY 1988 investment returns and retirement data.

In years when investment yields are lower than the actuarially required rate of return, there will not be any additional retirement adjustments. Historically, when investment income is down there is a corresponding downturn in inflation rates, as well.

While the bill does anticipate the continued good performance of the Board of Investments, it does not anticipate any change in portfolio mix of the retirement system trust funds, or in the long-term investment strategy of the Board.

The handout includes sample calculations of post retirement adjustments which could be made for retirees in the PERS, Game Wardens' and Sheriffs' Retirement Systems, based on FY 1988 investment yields. It should be noted that each system stands alone and the rate of benefit increase is based on the investment return of that system, the current level of benefits and the current number of retirees. The sample calculations are based on the regular retirement options and would be adjusted for any optional retirement benefits being received.

Even though the PERS is the largest system, its members would not receive the largest increase. The amount to be divided is larger than the other systems, but the number of retirees is proportionally even larger.

The Public Employees' Retirement Board views this proposal a very equitable and cost-effective means of maintaining the level of spendable income for the retirees of these systems and respectfully requests your favorable consideration of its provisions.

(Minimum age: 55; Retired for 2 years)

EXAMPLES OF POSSIBLE PERS POST RETIREMENT ADJUSTMENTS
BASED ON ACTUAL YIELD IN FY 88

PERS Fund Balance (6/30/87)	628,625,984
PERS Fund Balance (6/30/88)	692,744,348
FY 88 Investment Income	64,637,070
Actuarially Required Yield	8.00%
Actuarially Required Investment Income	50,821,936
Investment Income Over Required Rate	13,815,134
Administration and Investment Costs	990,809
Net Funds Available	12,824,325
Retirees' Allocation of Total Assets	48.00%
1988 Funds available to fund retiree COLA for life	6,155,676
10% Reserve for future COLA's	615,568
Net funds available to fund COLA	5,540,108
Current Annual Benefits of 8,387 Eligible Retirees	38,930,888
Eligible Retirees' Total Years of Service	149,323
Average age of eligible retiree:	70.91
CPI (4.14%) would limit total annual increase to:	1,611,739
1988 Cost to fund 4.14% Cap \$7.83 per \$1	12,619,915 (Insufficient)
Funding Available for 1989 COLA	5,540,108
Average Annual Increase:	1.82%

EXAMPLES OF POSSIBLE PERMANENT MONTHLY RETIREMENT ADJUSTMENTS -- 1988 FUNDS
(CPI Cap not reached -- no effect)

SERVICE	5	10	15	20	25	30	35
AGE	1.26	2.51	3.77	5.02	6.28	7.53	8.79
40	1.28	2.56	3.84	5.13	6.41	7.69	8.97
45	1.32	2.64	3.95	5.27	6.59	7.91	9.23
50	1.37	2.74	4.11	5.48	6.85	8.21	9.58
52	1.39	2.79	4.18	5.58	6.97	8.37	9.76
55	1.44	2.88	4.32	5.76	7.20	8.64	10.08
56	1.46	2.92	4.37	5.83	7.29	8.75	10.20
58	1.50	2.99	4.49	5.99	7.49	8.98	10.48
60	1.54	3.09	4.63	6.17	7.72	9.26	10.81
62	1.60	3.20	4.79	6.39	7.99	9.59	11.18
65	1.70	3.39	5.09	6.79	8.48	10.18	11.87
67	1.78	3.55	5.33	7.10	8.88	10.65	12.43
70	1.92	3.84	5.76	7.67	9.59	11.51	13.43
75	2.24	4.48	6.72	8.96	11.20	13.45	15.69
80	2.70	5.40	8.10	10.80	13.50	16.20	18.90
85	3.33	6.65	9.98	13.31	16.64	19.96	23.29
90	4.23	8.46	12.69	16.92	21.15	25.38	29.61

(Minimum age: 55; Retired for 2 years)

EXAMPLES OF POSSIBLE SRS POST RETIREMENT ADJUSTMENTS
 BASED ON ACTUAL YIELD IN FY 88

SRS Fund Balance (6/30/87)	22,479,253
SRS Fund Balance (6/30/88)	25,727,381
FY 88 Investment Income	2,526,202
Actuarially Required Yield	8.00%
Actuarially Required Investment Income	1,854,101
Investment Income Over Required Rate	672,101
Administration and Investment Costs	10,011
Net Funds Available	662,090
Retirees' Allocation of Total Assets	31.69%
1988 Funds available to fund retiree COLA for life	209,816
10% Reserve for future COLA's	20,982
Net funds available to fund COLA	188,835
Current Annual Benefits of 70 Eligible Retirees	402,503
Eligible Retirees' Total Years of Service	1,200
Average age of eligible retiree:	69.55
CPI (4.14%) would limit total annual increase to:	16,664
1988 Cost to fund 4.14% Cap \$8.17 per \$1	136,142
Funding Available for 1989 COLA	136,142
Average Annual Increase:	4.14%

EXAMPLES OF POSSIBLE PERMANENT MONTHLY RETIREMENT ADJUSTMENTS -- 1988 FUNDS
 (CPI Cap applied)

SERVICE AGE	5	10	15	20	25	30	35
40	3.92	7.84	11.76	15.67	19.59	23.51	27.43
45	4.03	8.06	12.09	16.12	20.15	24.18	28.21
50	4.19	8.37	12.56	16.75	20.93	25.12	29.30
52	4.26	8.53	12.79	17.06	21.32	25.59	29.85
55	4.40	8.81	13.21	17.62	22.02	26.42	30.83
56	4.46	8.92	13.37	17.83	22.29	26.75	31.21
58	4.58	9.16	13.74	18.32	22.89	27.47	32.05
60	4.72	9.44	14.16	18.88	23.60	28.32	33.04
62	4.89	9.77	14.66	19.54	24.43	29.31	34.20
65	5.19	10.37	15.56	20.75	25.94	31.12	36.31
67	5.43	10.86	16.29	21.72	27.15	32.58	38.01
70	5.87	11.73	17.60	23.47	29.33	35.20	41.07
75	6.85	13.70	20.56	27.41	34.26	41.11	47.97
80	8.25	16.51	24.76	33.02	41.27	49.52	57.78
85	10.17	20.35	30.52	40.70	50.87	61.05	71.22
90	12.93	25.87	38.80	51.74	64.67	77.61	90.54

(Minimum age: 55; Retired for 2 years)

EXAMPLES OF POSSIBLE GWRS POST RETIREMENT ADJUSTMENTS
BASED ON ACTUAL YIELD IN FY 88

GWRS Fund Balance (6/30/87)	7,941,330
GWRS Fund Balance (6/30/88)	8,955,279
FY 88 Investment Income	859,038
Actuarially Required Yield	8.00%
Actuarially Required Investment Income	649,870
Investment Income Over Required Rate	209,168
Administration and Investment Costs	11,716
Net Funds Available	197,452
Retirees' Allocation of Total Assets	47.63%
1988 Funds available to fund retiree COLA for life	94,047
10% Reserve for future COLA's	9,405
Net funds available to fund COLA	84,642
Current Annual Benefits of 44 Eligible Retirees	403,421
Eligible Retirees' Total Years of Service	1,121
Average age of eligible retiree:	67.56
CPI (4.14%) would limit total annual increase to:	16,702
1988 Cost to fund 4.14% Cap \$8.60 per \$1	143,634 (Insufficient)
Funding Available for 1989 COLA	84,642
Average Annual Increase:	2.44%

EXAMPLES OF POSSIBLE PERMANENT MONTHLY RETIREMENT ADJUSTMENTS -- 1988 FUNDS
(CPI Cap not reached -- no effect)

SERVICE AGE	5	10	15	20	25	30	35
40	2.61	5.22	7.82	10.43	13.04	15.65	18.25
45	2.68	5.36	8.05	10.73	13.41	16.09	18.78
50	2.79	5.57	8.36	11.14	13.93	16.72	19.50
52	2.84	5.68	8.51	11.35	14.19	17.03	19.87
55	2.93	5.86	8.79	11.72	14.66	17.59	20.52
56	2.97	5.93	8.90	11.87	14.83	17.80	20.77
58	3.05	6.09	9.14	12.19	15.24	18.28	21.33
60	3.14	6.28	9.42	12.57	15.71	18.85	21.99
62	3.25	6.50	9.75	13.01	16.26	19.51	22.76
65	3.45	6.90	10.36	13.81	17.26	20.71	24.17
67	3.61	7.23	10.84	14.46	18.07	21.68	25.30
70	3.90	7.81	11.71	15.62	19.52	23.43	27.33
75	4.56	9.12	13.68	18.24	22.80	27.36	31.92
80	5.49	10.99	16.48	21.97	27.47	32.96	38.45
85	6.77	13.54	20.31	27.09	33.86	40.63	47.40
90	8.61	17.22	25.82	34.43	43.04	51.65	60.26

EXHIBIT NO. 15

DATE 3/1/89

STATE ADMINISTRATION COMMITTEE

BILL NO. HB 421

WITNESS STATEMENT

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

NAME: Tom Pizer DATE: March 1, 89

Address: 907 Washington

Phone: 442-8999

Representing whom? Tenors Retirement Board

Appearing on which proposal? HB 421

Do you: SUPPORT? AMEND? OPPOSE?

Comments: Board HAS APPROVED

The concept -

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

Montana Retired Teachers Association



Testimony given 3/1/89 to the Senate State Administration
Alve Thomas, State President, Retired Teachers Association

SENATE STATE ADMIN.

EXHIBIT NO. 16

DATE 3/1/89

BILL NO. HB 421

We support H.B. 421 to provide a post retirement adjustment for teachers and state employees.

Many of our members have been retired for years and receive the same pension benefits that they received the first year that they retired. The cost of living has gone up every year, sometimes sharply other years moderately, but always up. Purchasing power has constantly eroded.

We believe this bill will be beneficial to retirees and will not cause an increase in taxes nor will it require a larger contribution by active teachers. There is no cast to the General Fund or to local government. It will be funded entirely by the annual investment income. The bill is actuarilly sound and there is no negative impact to the retirement system.

Recipients eligible for this adjustment must have been receiving benefits for 24 months preceding July 1 of each year and have attained the age of 55 years.

The monthly adjustment will be determined upon the recipient's age and years of service. Those who taught for the greater number of years and those who are older and have been retired for the longest time will receive the largest adjustment.

We urge you to vote favorably on H.B. 421. Thank you for your consideration.

TESTIMONY HB 421
ASSOCIATION OF MONTANA RETIRED PUBLIC EMPLOYEES
PRESIDENT DICK WILLIAMS

The Association of Retired Public Employees is a private voluntary organization comprised of retired state, county and municipal employees. The Association has in excess of 4,000 members.

Increases in retirement benefits for retired public employees are critical to the well-being of our elderly. Those on fixed incomes and retirement benefits are most severely affected by the rising costs of necessities. Although inflation has slowed in recent years, it must be remembered that the elderly are subject to inflation that greatly exceeds that of the general population. The basic necessities of life have been hit by inflation to a far greater extent than the average would indicate. While general inflation last year was about 4.4 percent, the following table indicates how retirees have been affected:

MEDICAL COSTS: Semi-private

1986 Hospital Room	\$ 229.00
1988 Hospital Room	275.00
Increase of \$46.00 or 20 percent	

BASIC PHONE:

1986 Rates	\$ 18.17
1988 Rates	19.39
Increase of \$1.22 or 7 percent	

INSURANCE COSTS: Without dental coverage

a) Retiree and Spouse
Medicare Eligible

1986 Rates	\$ 121.80
1989 Rates	Currently being negotiated.
Estimated increase of \$45.00 or 37 percent	

b) Retiree and Spouse
Under 65

1986 Rates	\$ 151.40
1989 Rates	Currently being negotiated.
Estimated increase of \$45.00 or 30 percent	

ENERGY:

a) Electricity/Kilowatt hour

1986 Rates 5.3 cents

1988 Rates 6.2 cents

Increase of 0.90 cents or 17 percent

b) Natural Gas

1986 Rates \$ 3.36/mcf

1989 Rates 3.51/mcf

Increase of 0.15 or 4 percent

WATER:1987 Rates \$ 1.52/100³ft1989 Rates 1.85/100³ft

Increase of .33 or 22 percent

HB 421 is a reasoned approach to providing needed periodic increases in retirement benefits for retired public employees as well as members of the other retirement programs. It provides for increases in benefits when excess earnings are accumulated on that portion of the funds attributable to the retirees. The Association does not view HB 421 as a cure-all to the problem of a constant erosion of the fixed retirement benefits of our members as there will be some years in which no increase in benefits will be received. However, the Association endorses the bill and the Legislature's willingness to address the important issue of benefits increases.

VISITORS' REGISTER

STATE ADMINISTRATION COMMITTEE

DATE: March 1, 1989

NAME	REPRESENTING	BILL #	Support	Oppose
Madrian Jensen	AFSCME	HB 89 HB 421 HB 235	X	
Roy Kallio	Retired Teacher	HB 421	✓	
Tom Schneider	AMPEA	HB 89, 421 HB 235	✓	
Richard Weir	AMRPE	HB 421	✓	
Pauline James	AMRPE	HB 421	✓	
Old Jones	Self	HB-421	✓	
D.W. Wright	Self	HB-441	✓	
Dennis Hammer	Montana Retired Teachers Assoc affiliated State Emp	HB 421 HB 235	✓	
Don L. Brown	Self	HB 421	✓	
Tom Harmon	MT Sheriff's + Peace Officers Assn	HB 421	✓	
W. White	Myself	HB 235	X	
Janice d. Reiberg	Self	HB 89	X	
TOM BILODEK	MEA	HB 421 HB 89 235	X	
LINDA KING	Public Employees' Retirement Div	HB 89, 141, 235, 421	X	
Leo Berry	AMRPE	421	X	
Ken Martin	AMRPE	421	X	
Dave Senn	TRS	421	X	
Tom Ryan	TRS (BOARD)	421	X	
Terry Minow	MFT	HB 235 421	X	

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY