

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Chairman William E. Farrell, on April 3, 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 Paul Rapp-Svrcek, Senator Tom Rasmussen, Senator Eleanor Vaughn

Members Excused: Senator Ethel Harding, Senator Sam Hofman

Members Absent: None

Staff Present: Eddy McClure

SJR 20

Discussion:

Chairman Farrell announced that Ms. McClure has prepared the amendments to SJR20, to include as many programs as possible. There was discussion regarding the Department of Commerce programs, and Senator Bengtson asked if the words "and any other" could be inserted. Chairman Farrell indicated that, instead of "an appropriate interim committee", he would like it to say "the Legislative Audit Committee", noting that those people do the performance audits on all these programs, already, and all they have to do is bring the performance audits, and look into this, based on what the resolution says. Senator Bengtson reported that she discussed this with Dave Lewis, who indicated it sounds like a really good idea, and that is where he goes to get that information. Ms. McClure asked, if they insert "including but not limited to" on line 8, would that be sufficient. Senator Bengtson responded that sounds great, and then asked if they would need an additional appropriation. Chairman Farrell responded no.

Senator Bengtson offered a motion that the amendments to SJR20 be adopted.

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Amendments and Vote:

Motion passed by the committee that the amendments to SJR20 be adopted.

Discussion:

Senator Bengtson offered a motion that SJR20, as amended, do pass.

Recommendation and Vote:

Motion passed by the committee that SJR20, as amended, do pass.

HB 543

Discussion:

Senator Rasmussen asked if there are a lot of amendments to this bill. Chairman Farrell responded that he wanted some more information, and that he talked it over with Mr. Rierson. He further indicated that he did not have a chance to talk to the Department of Administration, but he did talk with the PERS board, and that what he wants to do is not going to work, because not everybody is uniform in the retirement plan. He explained that he wanted to remove it from the health plan, noting it seems to be precedent setting, to allow retirees back into the health plan, and give that money to the retirees as an increased supplement so they could purchase their insurance. He noted it is a non-uniform retirement system, that some are included and some are not. Senator Rasmussen asked if he was not thinking about giving it to everybody, just to the highway patrol. Chairman Farrell responded no, just the same group covered under this bill.

Chairman Farrell then asked Mr. Ashley if there is some way that could be done. Mr. Ashley responded that, if he understands his proposal, the \$.50, per vehicle, which is raised, noting that is approximately \$400,000 a year, would increase the retirement benefit of this portion of the highway patrol officers. Chairman Farrell responded it would be for the same ones who would be eligible, under this bill. Mr. Ashley indicated they would certainly be willing to look at that, but noted his initial thoughts are that they have debated about 169 or 142 people, somewhere in there, and that \$400,000 for those few people would probably be a pretty substantial

benefit enhancement. He indicated his second comment would be that, as far as he is aware, this would be the first time they have taken money and, rather than giving an enhancement to a certain retirement system, they have carved out a portion of the system, and given it just to that portion.

Chairman Farrell indicated he understands that, but asked if something like that has not been done for the firemen, previous to 1973, noting there is a special tax on fire insurance. Mr. Ashley responded that is true, and indicated he withdraws his second comment, noting that there are times when certain members of a particular system are singled out. He gave the example that, in the system they are talking about right now, there is a cost of living increase, which is for only a certain portion of those retirees, when their pension benefits falls below a confirmed officer's beginning salary. He again stated that he withdraws his second comment. Chairman Farrell noted that is the basis that he was looking at, that he knows they do that for firemen, and that the tax was just extended because it was to sunset in two years. He added that the policemen came in with another one, for which the tax was kept on, if they fall below a certain level. He indicated he is not sure that the precedent for that has not already been established.

Senator Bengtson indicated she is not ready to take action, if they can get more proposals and figures on that, and asked Mr. Ashley if that is coming up. Mr. Ashley responded they had not worked on that specific proposal, but indicated he thinks they could do that this afternoon, and have either the amendments, or the supporting information, to the committee tomorrow at this time. Chairman Farrell asked Mr. Ashley if he has any idea of the number of people, noting they were talking about 149, or 169, and pointed out that the worksheet showed an increase, each year. He further asked if Mr. Ashley has any idea of how many people will be under this system, five years from now, noting that, as he understands it, it would apply to anybody hired before 1986, and asked if that is right. Mr. Ashley responded that is correct, and indicated the bill, as written, applies to anyone hired before 1986. He pointed out that those people will continue retiring, up until the year 2006 and that, each year between now and the year 2006, approximately four people, per year, will come on to that benefit. He indicated that, granted, some of those individuals will die during that period of time, but that, generally, the number of people this benefit will serve will increase, between now and the year 2006. Chairman Farrell noted that is generally speaking. Mr. Ashley repeated that

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is generally speaking, noting they will be adding six, and some will die.

Senator Bengtson asked, if they are given a supplement to their retirement income, rather than the health insurance, if that will be a specific amount, or if it will have a cost of living increase, as they go from this year to the year 2006. She pointed out that it could be figured out so the additional tax will generate enough money to give them \$100 a year, but they will come and say they need \$106, and \$110, or whatever the cost of living increase is. She noted that she wonders how they can determine what that motor vehicle tax will be. Chairman Farrell indicated that is why he asked about how many people would be in the system by 1997, noting that he does not know how they figure it, but that is what actuaries are supposed to be able to do. Mr. Ashley indicated he would think that deserves some of their thought this afternoon. Senator Bengtson asked, when they give those kinds of additional sums, by a yearly or biennially process, if it is increased by the cost of living.

Mr. Ashley responded that he thinks it would depend on how the amendments were written, but the way the bill stands, now, there is a \$.50, per vehicle, tax imposed, indefinitely, which he thinks can be expected to increase a little bit each year. He pointed out that, in the last five years, the number of registered vehicles in Montana has been almost steady, noting that is not a rapidly increasing revenue source, unless they increase the \$.50 to \$.75, or \$1.00. He indicated they are right that an increasing number of people will be coming on to this benefit enhancement as they retire, between now and the year 2006, and that, with a flat revenue source and an increasing number of individuals, it seems that the per capita benefit would actually be decreased.

Chairman Farrell pointed out that, under this bill, it is locked in, that 50% of the premium is locked in at this year's premium cost, and asked if that is correct. Mr. Ashley responded that is right, and added that the department is to pick up 50% of the premium, and the increase in the premium is borne by the retirees. He indicated that is not quite as innocent as it sounds, because the costs to the Department of Administration are actually those costs which are billed by medical service providers, and those costs are increasing about 15%, a year. He added that, when they take half of the premium, which the Department of Administration will pay, and the half the retirees will pay, even though that will increase, over time, there is still a gap between those two

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revenue sources, and the actual cost of those claims that they have to pay.

Chairman Farrell indicated that, regarding the premium for a legislator, they purchase \$161, the state pays \$115 of that, and the legislators pay the additional for a family plan. He indicated they don't see, as legislators, the cost of what they pay out in claims, that the rate is simply raised or adjusted, based on the actuarial soundness of the system, and asked if that is correct. Mr. Ashley responded that is right, and indicated that, in other words, they charge everyone under their plan, let's say \$161, but there are certain categories of individuals in the plan, who are more or less expensive than others. He gave the example that active employees tend to be lower cost individuals, whereas retirees, those between age 50 and age 65, when Medicare kicks in, tend to be the most expensive group of employees and, under this bill, the group of people they are talking about subsidizing tend to be those highest cost category of employees.

Representative Connelly stated that she thinks they are getting way off the track. She indicated that, at the present time, there are only 124 retired and, of those, 42 are working in other areas of state government, and are not going to be using this. She indicated that around 200 are now working, that all of those hired after 1986 are not going to be included, and there will be just a few retiring every year, who will come on the plan, which is basically what they want to do, to be able to come back on the state plan, because they were not given that option, and were left out. She stated she thinks there is a lot of smoke, which is not valid, and that she resents the department coming in and doing this.

Mr. Rierson indicated that another thing which has been overlooked is that those officers going off at 50 and 55 will try to get Social Security, and will not all come in on this plan. He further indicated that they realize they have to have Social Security, with Medicare, when they get down the road, and that a lot of the officers who go out, particularly if they are under 55, or thereabout, can get their 40 quarters in, and would have full coverage under Medicare. He added that they will not all come in under this plan, and that he thinks that is an item which has been overlooked.

Chairman Farrell asked Mr. Rierson to clarify that, noting the bill does not say, if they have Social Security, they are not eligible for this plan. Mr. Rierson responded that is true, but indicated there is a deadline and, if they do not sign up, they are out. Representative Connelly reported that

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they have to apply by 1990, in order to come in. Mr. Rierson added that, if they are working now, noting there are a lot of people working for government services, they are not going to drop that just to get a benefit under this plan, that it would be crazy for them to do so. He further noted that there are some who will probably go off in the near future, who have commitments for jobs, especially people who are 50 or 55 years of age, and will not come in on this plan.

Senator Bengtson indicated they could not afford the premiums, and that the companies do not pay if they are double covered, anyway. Mr. Rierson concurred, and added that is an item that has been overlooked, too. He pointed out that it is designed, primarily, for those people they were just talking about. Senator Bengtson indicated that, if there is a real flaw in this, they will see it quickly, and noted they are not going to create a perfect bill.

Senator Rasmussen indicated they can not take things away, once they have been granted. Senator Bengtson noted that she supposes not. Chairman Farrell agreed. Senator Rasmussen noted that his point is, if the bill passes, and there are inequities, and if it is not taken away, everybody else will want the same thing. Senator Vaughn pointed out that the highway fee could be increased, if there is not enough there to pay it. She then asked if people, who retire early at 50, work until they were 65, and have Social Security, are eligible for this. Senator Bengtson noted that is not in the bill. Senator Vaughn then asked if they could pick this up as a supplemental medical plan. Representative Connelly pointed out that there is a deadline for when they can apply.

Senator Vaughn asked if they were working earlier, and did not have this medical, then went to work, and now has Medicare, if they could be eligible, up until 1990, to apply for this as a supplemental medical insurance, even though they have Medicare, but were not entitled to this group insurance when they retired at age 50. Representative Connelly responded that she is not positive how that would work, noting there are only 124, now retired, and of those, 42 are working in state government as a sheriff, or something else, and are building up Social Security.

Senator Bengtson indicated they are concerned about the double dipping, which some would be able to do. Representative Connelly responded that the woman from the retirement board said, if they are getting Medicare, that amount is deducted from this program. She further explained that, if they are paying \$30 to Medicare, that would not be in this premium,

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that, if the premium is \$160, and they are paying \$30 to Medicare, they would have to make up the difference, on this plan.

Mr. Ashley indicated that, the way the bill is written, any highway patrol retiree, regardless of whether they are getting Social Security or not, is entitled to have half pay of their medical benefit. Chairman Farrell indicated that he understood it to be whether they are under Social Security, or not. Mr. Rierson pointed out that it would only be half of the Medicare, that, for instance, if they are paying \$67.50 into Medicare, the supplementary coverage would only be half of that.

Senator Rapp-Svrcek asked if medical coverage, or partial medical coverage, is provided for other retirement systems in the state. Mr. Ashley responded no, that this would be a precedent, in that sense. He added that the point made during the committee hearing is, if the committee approves this new precedent, he thinks they should be ready for 16,000 other individuals, in the seven other state retirements systems, to come before the legislature, next session, complaining of discrimination, and asking how come they are not doing this for them. Chairman Farrell indicated the point was also made that the rest of them are already eligible for Social Security, that there are only three systems which do not have the option for Social Security, right now, and asked if that is right. Senator Rapp-Svrcek indicated that, to him, there is not necessarily a connection between Social Security eligibility and medical insurance payments, that they are two separate issues. He added that he is not sure why they keep coming up in the same conversation, noting that medical insurance payments, whether whole or in part, are separate from being eligible, or not eligible, for Social Security. Chairman Farrell pointed out that it is Medicare, that Medicare is Social Security, and that is why, because they are under the same system. Senator Bengtson added that, unless they have Social Security, they do not have Medicare.

Senator Anderson asked if everyone who retires after 1977, or 1983, are taken care of under Medicare. Chairman Farrell indicated it is 1986. Senator Anderson then asked if it is the ones who retired prior to that time, and Chairman Farrell responded it is those who were hired prior to that time. He further explained that all patrolmen hired previous to 1986 would be eligible for this program, noting that, under this bill, they would be eligible, even if they find a job, and come under Social Security. Senator Bengtson added that they would be eligible to apply, anyway, until 1990. Senator

Abrams asked if it is 124 people. Chairman Farrell responded yes, it is 124.

Ms. King reported that the police, fire fighter and highway patrol retirement programs are designed to make up for the fact that they do not also have Social Security coverage. She pointed out that the police and highway patrol may elect to, but have not, and that the prior ones are the only ones who can not have the option to elect Social Security coverage. Chairman Farrell asked if the highway patrol has elected to, since 1986. Ms. King responded that they have never elected to, but that they can, and have had the ability to elect to be covered by Social Security since 1974, but have not chosen to. She added that this year, tomorrow, they could ask for an election, and vote to come under it.

Senator Vaughn noted that they have not elected to come under Social Security, and indicated that new employees would not be eligible for this benefit, even though they are not under Social Security. Ms. King reported that people hired on the highway patrol, after the end of March, 1986, are mandatorily covered by Medicare. She indicated they can be covered for Medicare, without being covered for Social Security. She further reported there is a mandatory federal law that any new hires, anywhere, after the end of March, 1986, be covered for Social Security purposes, and there is universal Medicare coverage, now, for anyone hired after March, 1986. She noted that is why people hired in the highway patrol, after that time, will, in fact, have Medicare coverage based on their highway patrol wages. She indicated they can have full Medicare coverage, right now, noting that a great number of highway patrol retirees have Medicare coverage, because they were able to have Social Security covered wages between the time they retired at age 50, and age 65.

Chairman Farrell asked, if that is the case, how many of these 129 or 169 are covered by Medicare. Ms. King responded they would have to poll them, and find out. She indicated he might asked the people in the room if they are covered. Mr. Rierson reported that he is covered by Medicare, but indicated another thing they are looking at is getting the family on the plan, because this is not as expensive as it would be out on the open market, to get insurance for the family, noting that is another item as to why the bill was designed.

Senator Bengtson indicated that it could be expanded a great deal more than the 129 people who have retired, that, if they pass on, the wife continues the coverage, and then the children continue the coverage. Mr. Rierson stated that it

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is not for dependents, that there are no dependents on there, at all, it is just the widow, spouse. Representative Connelly added that she has to pay her own. Senator Vaughn asked if there is no half pay. Chairman Farrell asked if she is eligible to stay on the plan, under this bill. Mr. Rierson responded yes.

Mr. Ashley stated that he thinks the legislature, this committee, is trying to draw a distinction because this group of people does not have Social Security. He indicated he thinks they are thinking that, two years from now, they will be able to say the reason they did this is because that group did not have Social Security, and he thinks they want to draw a distinction there. He stated that he does not think it is possible, pointing out that Mr. Rierson reported that he has Medicare coverage. Mr. Ashley indicated that, two years from now, if this bill passes, the legislature will be faced by two individuals; one, under the highway patrol system, who has Medicare, and has half of his insurance premium paid for, and numerous other individuals, probably 16,000, in the other retirement systems, who also have Medicare, but who do not have their insurance premium paid for. He added that the legislature will be faced with the question of why they gave it to this group, and are not giving it to the other groups, that Social Security does not have anything to do with it, in the final analysis.

Senator Bengtson indicated those are the very same reasons they threw up their hands, when they had the health insurance for retirees two years ago, that they ended up with reams of different circumstances. She noted that it is a great problem for retirees, in this state, public retirees. Chairman Farrell asked if that was the interim committee. Senator Bengtson responded it was the interim committee, noting that she could not come up with a recommendation, but that the recommendation which nobody would carry on the floor cost something like \$4 million, to bring equity into the system, and help retirees with their health insurance, because that is a major, major cost for retired people.

Ms. Brown indicated that one of the things that she thinks is most critical here is the question of whether or not highway patrol officers covered by this bill fell through the crack in the benefit net, and need some kind of special assistance. She indicated the key point, she thinks, is that the pension program for highway patrol retirees was designed to make up for the fact that they did not have Social Security or Medicare, and gave the example of someone who retires at age 50, with twenty years of service, at a final salary \$1,500,

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per month, and with a spouse age 47. She reported that the highway patrol benefit would be \$600, per month, which would go to the spouse, if the highway patrol officers dies. She then reported that, for PERS retirees, with those same circumstances, the benefit would be \$225, per month, with the remainder going to the spouse, if the employee dies. She pointed out that the difference is greater than would be made up by Social Security, and that the system was designed to make up for the fact that they did not have Social Security. She stated their position is that they did not fall through the crack, in the first place.

Representative Connelly suggested that maybe there could be an amendment which would take care of the people who have Medicare, noting the ones they are concerned about are those who are not eligible. Chairman Farrell noted it is the ones who have no coverage, at all. Senator Bengtson asked what about the fire fighters and policemen, who do not have Medicare, noting some of them have the same option. Ms. King responded that she thinks, if they want to limit the potential exposure to state and local government, and want to cover people who ended up, at age 65, not having Medicare coverage, that would be a good option, because it would probably be a relatively small group, within the highway patrol, and police and fire. She noted that those groups are very similar to highway patrolmen in that they are eligible for full retirement benefits at age 50. Ms. King indicated that people in those three groups, who have gone on full retirement in those systems, and are working in a Social Security/Medicare coverage job, the great majority of them, by the time they are 65, are eligible to be covered by Medicare, and that she thinks they would be limiting the exposure for both the state and the local government, in terms of their retirement programs, and their health insurance programs, if it were limited to that group. She pointed out that, right now, the way the bill is written, it is not limited to people who do not have Medicare coverage, and they see the real potential for everyone else to want the same benefit.

Chairman Farrell indicated he is not comfortable with the bill, but that he is not real sure these people do not have a legitimate complaint. He stated that he understands the system has been designed for that, but pointed out that, at the time the system was designed, he does not think anyone took into account the cost of medical insurance. He added that he understands what they are saying, but indicated he does not think anybody looked in their crystal ball, and saw that insurance costs were going to go up another 300% or 400%, either. Senator Bengtson indicated it would not be so hard

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to put an amendment on to exclude those covered by Medicare. She indicated that, if they are on Social Security, they are not eligible, and that they have this window of opportunity, until 1990 to do it, adding that maybe this would take care of those older retirees who have found it impossible to get insurance coverage.

Senator Rasmussen stated that he is not comfortable with this bill, as it is, either, and asked Representative Connelly what she thinks about what they were just talking about. Representative Connelly responded that they talked about that, quite a bit, that she thinks it could be done, and maybe it should be. She indicated they wanted to allow them to come back onto the program, because they were never given the option, like other state employees were, of keeping it. She noted that the bill indicates they were. Ms. King indicated they are treated the same way as any other employee. Representative Connelly asked if they were allowed to keep the program, when they retired. Ms. Brown responded that, since 1977, everyone has been able to elect to continue, that all retirees could continue on the plan, but that anyone who retired before that date did not have that option. She indicated that, if they want to help those who did not have the option of staying on the state plan, it would be those who retired before 1977 and, if they want to confine it to those who did not have Medicare, it would be those who did not have Medicare, and who retired before 1977.

Chairman Farrell indicated he knows the highway patrol has had the option, for years, but pointed out that they have also had an increased benefit, over the rest of the retirement systems. He stated that, at that time, their retirement benefits were a lot better than the rest of the system, and they opted not to get into these programs, because they were making better than what everybody else was, at that time. He noted that it has reversed, a little bit, with the increased health insurance, and now they would like to get in. He further stated that he understands that, up front, but that he is not sure the state should penalize those people because they did not realize that health insurance was going to go sky high, adding that, however, he is not sure he wants to open it up to everybody in the retirement systems.

Representative Connelly indicated that they did not come on, at that time, because the Attorney General told them to not come on, that it was going to cost the state \$500,000 a year, if they did, and they did not want them to do that. She pointed out that, actually, over all these years, they have saved the state that much money.

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Senator Anderson stated it would seem to him that the proposed amendment to confine it to the people they are talking about would take out some of the fears the department may have of the additional 16,000 people coming in, and asked if that is right. Ms. King responded yes, because anyone else who wanted the same treatment would be limited, in the same respect, to those who did not have Medicare, which would be a small group.

Chairman Farrell asked if the committee would like to postpone executive action, in order to look into some amendments which would do what they are talking about. There was discussion regarding the committee's meeting schedule, and Senator Rasmussen asked that it be scheduled so that people who are interested will know, in advance. Chairman Farrell suggested that the committee take executive action on Thursday.

Representative Connelly asked Chairman Farrell if he wants her to prepare the amendments. Chairman Farrell responded yes, if she has looked into them, and asked Ms. McClure to work with them on the amendments.

ADJOURNMENT

Adjournment At: 10:45 a.m.


WILLIAM E. FARRELL, Chairman

WEF/mhu
EXACTION.043

ROLL CALL

STATE ADMINISTRATION COMMITTEE

51ST LEGISLATIVE SESSION

DATE: April 3, 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

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MR. PRESIDENT:

We, your committee on State Administration, having had under consideration SJR 20 (first reading copy -- white), respectfully report that SJR 20 be amended and as so amended do pass:

1. Page 2, line 6.

Strike: "an appropriate interim committee"

Insert: "the Legislative Audit Committee"

2. Page 2, line 8.

Following: "programs"

Insert: ", "

Following: "including"

Insert: "but not limited to"

3. Page 2, line 9.

Following: "(1)"

Insert: "the growth through agriculture program,"

Following: "lean program"

Insert: ", "

4. Page 2, lines 10 and 11.

Following: "program."

Strike: "both"

5. Page 2, line 12.

Following: "program"

Insert: ", the renewable resource development program,"

6. Page 2, line 14.

Following: "Conservation,"

Strike: "and"

7. Page 2, line 24.
Following: "facilities;"
Strike: "and"

8. Page 3, line 1.
Following: "program"
Strike: "."
Insert: "; and

(e) the Local Government Assistance Division's community block grant program; and

(4) the airport lending program, administered by the Department of Administration."

AND AS AMENDED DO PASS

Signed: Farrell
William E. Farrell, Chairman