

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON STATE ADMINISTRATION**

**Call to Order:** By **CHAIR JAN BROWN** on March 14, 1991, at 8:00 a.m.

#### **ROLL CALL**

##### **Members Present:**

Jan Brown, Chair (D)  
Vicki Cocchiarella, Vice-Chair (D)  
Beverly Barnhart (D)  
Gary Beck (D)  
Ernest Bergsagel (R)  
Fred "Fritz" Daily (D)  
Ervin Davis (D)  
Jane DeBruycker (D)  
Roger DeBruycker (R)  
Gary Feland (R)  
Gary Forrester (D)  
Patrick Galvin (D)  
Harriet Hayne (R)  
Betty Lou Kasten (R)  
John Phillips (R)  
Richard Simpkins (R)  
Jim Southworth (D)  
Wilbur Spring (R)  
Carolyn Squires (D)

**Staff Present:** Sheri Heffelfinger, Legislative Council  
Judy Burggraff, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

##### **Announcements and Discussion:**

**CHAIR BROWN** announced the following bills are pending:

HB 871, sponsored by REP. CODY, is a bill on the Citizens Advocate. REP. DAILY is still checking on the cost of a toll-free number.

SB 222, sponsored by SEN. VAN VALKENBURG, is a bill on police retirement. Ms. Heffelfinger is working on the coordination and instruction amendments.

SB 251, sponsored by SEN. GAGE, is a Highway Patrol suspension bill and was referred back to this Committee. There was a

question on an amendment, and they are waiting to see what happens with another bill.

The Committee will take another look at SB 241, sponsored by SEN. BLAYLOCK, which deals with dual compensation.

She has been asked to resurrect HB 661 pertaining to the PERS raise, which was tabled at her request. Appropriations wants to use it as a negotiating tool with some of the retirement bills they have. They want to amend HB 661.

REP. BECK is checking into SB 448, sponsored by SEN. TOWE, which deals with the old prison.

There has been some interest in reviving SB 301, which deals with the Legislators' health insurance.

REP. FORRESTER asked CHAIR BROWN if she had the names of the Appropriations subcommittee members for the pay plan. CHAIR BROWN said no.

#### HEARING ON SB 243

##### Presentation and Opening Statement by Sponsor:

SEN. JOE MAZUREK, Senate District 23, Helena, said SB 243 would make the Chief Water Judge a member of the Judges' Retirement System. After Bruce Loble, the new Chief Water Judge, was appointed last year, he learned that he wasn't a member of the Judges' Retirement System. When the Water Court was established, there was no provision for judges' retirement. The Water Court is an extension of the District Court. In 1973 the Montana Water Use Act was passed, and an administrative process was set up for the adjudication of water rights. In 1979 SB 76 was passed, which was to protect Montana's water rights against down-stream users and to quantify and qualify the water rights for the future. It was necessary to have a general stream adjudication so that use rights would no longer have to be relied upon. It was determined that there was a need to adjudicate all pre-1973 water claims and bring the federal claims in. The Reserve Water Rights Compact Commission is trying to negotiate settlements of water claims with all of the federal entities including Indian tribes and agencies of the federal government. At that time, four branches of the District Courts were created. A water judge was appointed for each district. Each water judge is a district court judge who has duties assigned to him or her in the water area. In 1981 the Legislature realized that the District Courts would not be in a position to get this overall stream adjudication accomplished. A law was then passed creating the position of Chief Water Judge. Judge Leslie from Gallatin County was the first Chief Water Judge. Unfortunately, to some extent, the system was designed around Judge Leslie, who at that time was going to be a retiring District Court Judge. He had already qualified for judges' retirement. The hope was that this process

would be accomplished promptly. The qualifications are identical to other District Judges. The salary and expenses are the same as a district judge, but there is no mention of retirement in the enabling legislation. In 1987 the Legislature realized that the process was going to take longer because of how the process evolved and how complicated it was. The qualifications were changed for the appointment of the Chief Water Judge, so it would go through the same process that anyone applying for District Court Judge has to go through. They go through the Judicial Nominating Commission. The only difference is that instead of being appointed by the Governor, the appointment is made by the Chief Justice of the Supreme Court. Judge Loble supervises other judges, is paid the same, and has the same allowances. There is no reason that he should not be in the Judges' Retirement System. The Senate State Administration Committee accepted the amendment to fund this by taking money directly from the Water Development Account, which is where the rest of the funding for the Water Court comes from. There is a need for continuity in this position. Judge Loble will have to be reappointed every four years, but this major task relies a great deal on a person being familiar with the background. If there isn't continuity in this position, the process will be substantially slowed down. The Workers' Compensation Judge is similar. That position is reappointed every four years, and has the same salary as a District Judge, and has direct appeal to the Supreme Court. When that position was established, the Legislature specifically provided the Workers' Compensation Judge to be a member of the Public Employees' Retirement System (PERS). That was not the case with the Water Judge. This is an issue of fairness.

#### Proponents' Testimony:

Bruce Loble, Chief Water Judge, said he has been in the position for about nine months. If this bill is passed, it will give incentive to the Chief Water Judge to continue working actively to end the adjudication. The job is sometimes difficult, and it is important that the adjudication of water rights in Montana be done properly. He hopes to see the end in the next 10 to 15 years, and he wants to finish the job. The front page of the Independent Record today says "Water Worries" and the headline says "Missouri Basin War Escalates," which is about the water rights on the Missouri River. "We're in the same process in the adjudication of Montana. We're trying to get the water rights done." There were 200,000 claims filed in 1982. Montana has been divided into 84 basins; 45 basins have already been decreed. The program is almost half-way through. Almost all judges in Montana are members of the Judicial Retirement System. The Chief Water Judge has the all the elements of a District Judge and functions at the same jurisdictional level. The statute says the Chief Water Judge is to receive the same salary and expenses as provided for District Judges. The position was funded and created with Judge Leslie in mind. Judge Leslie was a retired District Judge. The position was funded using his retirement funds and then a little extra from the Water Development Account

to pay the remainder of his salary. When he was appointed and the position was created, the concept was that Judge Leslie was not going to take any additional retirement. As a result the Legislature never addressed this issue, and the error should be corrected.

Opponents' Testimony: None

Questions From Committee Members:

REP. PHILLIPS asked SEN. MAZUREK where the Water Development Account comes from. SEN. MAZUREK said it comes from the Resource Indemnity Fund.

REP. BERGSAGEL said Section 2, Ln. 23, says to contribute an amount equal to 34.71 percent of the salary paid to the Chief Water Court Judge. The fiscal note says the Judicial Retirement System requires contributions equal to 48 percent of the active member's salary. He asked SEN. MAZUREK to explain. SEN. MAZUREK said the fiscal note should have been amended. That amount was prior to the amendment that passed. Under the fiscal impact, it says an initial contribution of approximately \$19,400 is necessary. That is the amount that would come from the Water Development Account each year to fund this.

REP. DAILY asked SEN. MAZUREK why he chose the Water Development Account. SEN. MAZUREK said because that is where all the funding for the Water Court comes from. That is the source for the entire budget. He proposed two options to the Senate Committee, and they chose this one. Politically, it was a better alternative than rearranging all the district court fees, which is where other judges' retirement comes from. Then there would be concerns by counties, cities, and district courts. The Water Development Account is more directly related to where the rest of the money comes from. REP. DAILY said he agreed that the Judge should receive retirement. He has a concern with where the money is coming from. If 34 percent is taken from that account, there may be a project that won't receive funding. SEN. MAZUREK said he didn't know how much money is in the account, but \$38,000 for the biennium is the amount being discussed. REP. DAILY said \$38,000 taken from that account is a great deal of money for projects.

REP. ROGER DEBRUYCKER said it was argued in Committee last session that the Judges' Retirement System wasn't adequately funded. "We are running behind \$1 million in 1992 and over \$1 million in 1993." The technical notes says this does not adequately fund a new member too. SEN. MAZUREK said the fiscal note was prepared before the amendment was included in the bill. This bill is fully funded as amended. There is some concern of the overall adequacy of funding of the Judges' Retirement System.

REP. SIMPKINS asked SEN. MAZUREK if he made comparisons on how much the cost of retirement would be in PERS rather than the

Judges' Retirement System. **SEN. MAZUREK** said no. It would be less because of the difference in the retirement systems. **REP. SIMPKINS** said this is an appointed position. **SEN. MAZUREK** said it is appointed by the Chief Justice. **REP. SIMPKINS** said he wasn't familiar with other appointed positions by the Governor and if those people were treated as state employees and covered under the insurance program and PERS. He asked **SEN. MAZUREK** if he was familiar with the other type of appointments. **SEN. MAZUREK** said the Workers' Compensation Judge is somewhat similar. He is a member of PERS by statute. He asked **REP. SIMPKINS** if he was talking about all the boards and bureaus or if he meant just judicial appointments. **REP. SIMPKINS** said the appointed positions, such as, the Commissioner of Political Practices. **SEN. MAZUREK** said yes. They are full-time positions as opposed to a board or commission. They qualify for PERS and insurance. They are public employees just as judges are public employees.

**REP. KASTEN** asked **SEN. MAZUREK** if judges received Social Security. **REP. MAZUREK** said all state employees receive Social Security. **REP. KASTEN** said the 13.42 percent wasn't covered in the bill as amended. Is the employer's contribution covered? **SEN. MAZUREK** said that is what the amendment does. He referred the question to **Linda King, PERS**. She said the bill as amended fully funds the retirement contributions that are needed for the Chief Water Judge in the retirement system. He is the only judge whose retirement contributions will be fully funded. **REP. KASTEN** said in the PERS system, the employee gives a 6 percent contribution and the employer gives a 6.41 percent contribution. What is the contribution for the judges. **Ms. King** said in the Judges' Retirement System, each member pays 7 percent of their salary as the employee contribution to the system. Each judge pays that same 7 percent. There isn't a different percentage contribution rate between members of the same system. The total cost in that system is another 6 percent from the state and 34.74 percent from court fees, effective July 1. It is 31 percent until July 1 and one-quarter of the Supreme Court fees.

#### Closing by Sponsor:

**SEN. MAZUREK** said he now has the information to answer **REP. DAILY'S** question -- there is \$7.5 million in the Water Development account. **REP. SPRING** will carry the bill.

#### HEARING ON SB 231

#### Presentation and Opening Statement by Sponsor:

**REP. DAVID WANZENRIED**, House District 7, Kalispell, co-sponsor of SB 231, presented the bill, which is sponsored by **SEN. RICHARD MANNING**, Senate District 18, Great Falls. The bill proposes to change the limitations and retirement allowances for retired persons who return to employment. In Section 2, Pg. 6, under existing law, when a person returns to work he is entitled to work up to 60 days per year before it has any effect on the

retirement allowance. The problem is that the law doesn't specify what a day is. It could be a minute, an hour, or eight hours. This bill proposes to establish a distinction of how many hours can be worked before the retirement allowance is effective. There would be two different distinctions: 1. A person under 65 years of age who returns to work can work up to 600 hours per year before his retirement benefit would be affected. It is a dollar for dollar trade off. After 600 hours he would lose one dollar for every dollar that he earned over 600 hours. 2. Section 2, Ln. 14, says a person over the age of 65 who returns to work would be entitled to work 600 hours or earn half of their retirement allowance before the retirement allowance would be affected. For a dollar earned, he would lose a dollar in the retirement allowance. There are many older retired people saying that they cannot keep pace with rising costs. Many of those people return to work instead of trying to change the retirement benefits. Many state agencies are in need of skilled retired persons, on a limited basis, who have retired recently and are no longer working for the agency. The bill proposes to allow those persons who have retired to return to work because of the need for additional income or to fill a need of the employer.

Proponents' Testimony:

Tom Schneider, Montana Public Employees Association (MPEA) presented written testimony. EXHIBIT 1

Linda King, Public Employees' Retirement Board, presented written testimony. EXHIBIT 2

Opponents' Testimony: None

Questions From Committee Members:

REP. BERGSAGEL said there is no mention of salaries anywhere in the bill. He asked Ms. King if anyone has correlated that with Social Security. Ms. King said Social Security has separate earning amounts. If they are over 70, they can earn any amount without offsets.

Closing by Sponsor:

REP. WANZENRIED said this bill will encourage retired people to go back to work.

HEARING ON SB 350

Presentation and Opening Statement by Sponsor:

SEN. PAUL SVRCEK, Senate District 26, Thompson Falls, said SB 350 provides a cleanup of the sunrise law that is presently in statute. During the 1989 session, the sunrise law was amended by two different bills, which were not totally compatible. SB 350 would clarify and remove some of the ambiguity. Section 1

requires applicants to submit draft legislation with their application for sunrise review. Section 2 clarifies that applicants must pay a fee for the consolidation of existing licensing boards. Section 3 clarifies who is considered an applicant proposing consolidation of existing boards. It sets forth certain information that must be filed. Section 4 deletes the current requirement that a legislative or executive department study the need to license a new profession or occupation. Section 5 repeals a certain section of the Code which requires a report to the Legislative Audit Committee prior to issuing any licenses. Under a federally mandated program, one of the amendments that was made in 1989 was to exempt federally mandated licensing from sunrise requirements. The ultimate decision of the Legislative Audit Committee was that the sunrise review is probably a good procedure. It saves time for the Legislature; and most importantly, it brings potentially "warring" parties together prior to coming before the Legislature. These relatively minor changes are needed clarifications of the sunrise law.

Proponents' Testimony:

Jim Kembel, Administrator, Public Safety Division, Department of Commerce, said the professional licensing is part of our program.

Scott Seacat, Legislative Auditor, said SB 350 is a clean-up bill.

Opponents' Testimony: None

Questions From Committee Members: None

Closing by Sponsor:

SEN. SVRCEK closed the hearing on SB 350. He said anyone on the Audit Committee could carry the bill.

EXECUTIVE ACTION ON SB 350

Motion/Vote: REP. SQUIRES MOVED SB 350 BE CONCURRED IN. Motion carried unanimously.

Motion/Vote: REP. PHILLIPS MOVED SB 350 BE PLACED ON THE CONSENT CALENDAR. Motion carried unanimously.

EXECUTIVE ACTION ON SB 231

Motion/Vote: REP. PHILLIPS MOVED SB 231 BE CONCURRED IN. Motion carried unanimously.

REP. WANZENRIED will carry the bill.

HEARING ON SB 192Presentation and Opening Statement by Sponsor:

SEN. BILL FARRELL, Senate District 31, Missoula, said SB 192 will reduce the cost of state government and refund some money. This was a bill that passed the 1989 Legislature. At that time, it was thought there would be approximately 14 or 15 people who would be eligible. Under this program, retirees from the Highway Patrol may be eligible for benefits out of the Part B Payment Plan on Medicaid payments. After the bill was instituted, the retirement system sent letters to all the retirees asking them to respond if they were eligible. To date, no one has been eligible to receive this payment on Part B of Medicaid. This bill leaves the option open until July 1, 1991, so if it is determined that there are people still eligible, they will receive this benefit. The retirement system will re-notify the retirees to let them know that this benefit will expire and if they are eligible they are to send in their paperwork.

Proponents' Testimony:

Linda King, Assistant Administrator, Public Employees' Retirement Division, presented written testimony on behalf of the Public Employees' Retirement Board. EXHIBIT 3

Opponents' Testimony: NoneQuestions From Committee Members:

REP. COCCHIARELLA said she remembered the bill that was passed the last session and is confused about Ms. King saying that there is no one that would be eligible. Ms. King said that is correct. Notices have been mailed out to all retirees in the Highway Patrol Retirement System explaining the new benefit, what the eligibility requirements are, and it asks people to apply. "We have not received one application from someone who is not already receiving their hospital insurance pre-paid." REP. COCCHIARELLA asked her to clarify the bill that was passed last session and why it was passed. Ms. King said during the last session, the Highway Patrol people indicated that there were a number of people that would be covered by this bill, but no one has been eligible. REP. COCCHIARELLA asked if there was a potential for future people to be covered. Ms. King said as the days go by it is less likely, because more people are paying into Medicare not only through other jobs after they leave the Highway Patrol but also in the Highway Patrol itself. Every new hire after April, 1986, has to pay Medicare Insurance. Most Highway Patrol officers, while they were not covered for Social Security purposes while serving in the Highway Patrol, did terminate employment around age 50 and were able to get sufficient Social Security credits under another job and do not need this benefit. They already had enough Social Security credits to have it pre-paid. There was the possibility that some elderly people,



particularly those who had a disability retirement, didn't have the opportunity to get Social Security credits after they left Highway Patrol. That has not occurred.

Closing by Sponsor:

SEN. FARRELL said this problem was brought to the Legislature last session, and it was addressed. So far, no one has been eligible for it. It is time to end the program and return the money back to the General Fund. Rep. Phillips will carry the bill.

HEARING ON SB 264

Presentation and Opening Statement by Sponsor:

SEN. HARRY FRITZ, Senate District 28, Missoula, said SB 264 affects the Optional Retirement Program (ORP) in the University System. It calls for an independent actuarial study to be carried out under the auspices of the Legislative Auditor to determine that portion of the unfunded liability in the Teachers' Retirement System (TRS) that obligates the University System. The ORP was established four years ago in the 1987 Legislature. The University System pays 4.5 percent of each optional retiree's salary to the TRS. This bill is asking to examine that percentage and determine whether it is sufficient, too much, or not enough. "If it is not enough, we will pay a little more. If it is too much, then we might be able to credit members of the ORP with a little more to their retirement."

Proponents' Testimony:

David Evenson, University System, presented written testimony.  
EXHIBIT 4

Craig Roloff, University System, urged support of the bill on behalf of the faculty of Montana State University. It will address the issues involving faculty members concerned with fairness and equitable treatment. Right now they have a prevailing sense that their retirement income is being unfairly diminished. Only 200 people left the TRS to become ORP members. It is only one-tenth of the Montana University System membership and about one-hundredth of the total membership of the TRS. Their main concern is that if there was an independent study, it would give them an opportunity to identify exactly what the impact of this program is. Measures could be taken to resolve that obligation and provide the faculty with a more equitable level of state contribution for their retirement.

David Senn, Executive Secretary, Teachers' Retirement Board, said the study is an audit. "We withstand the test of audit every two years." There is no objection to this type of scrutiny. The 4.5 percent contributed by the University System on behalf of their members who elect the ORP is a percent of that salary. The

reason is that the Legislature enhances the TRS just about every legislative session. When that is done, that cost of the enhancement is funded over all future salaries over the next 40 years, but this session it has been changed to 30 years. The enhanced benefits are funded over a long period of time, and it is over all future projected salaries. For that reason, the 1987 Legislature felt it was necessary that some contribution continue, and it would be reviewed to determine if it is adequate. He presented a handout to explain what the study will provide. **EXHIBIT 5.** It includes three schedules from the regular evaluation. The evaluation was done June 30, 1989. He explained each schedule. On Schedule 3, Subsection (1)(c) Fund Assets, that figure is an assumption. "It is a number that we don't know for the University System. There is no way to determine this number. We are going to have to make some assumptions in order to do the study." What are the assets of the University System? This is one retirement system, which is a multi-employer retirement system, that includes school districts, community colleges, University System, and the Office of Public Instruction. Many entities participate. "We do not keep assets by entity. There has never been a need for it; we evaluate it as one single system." Under Subsection (2)(b), the rate needed for the unfunded liability is 5.6 percent. "We don't need the full-employer contribution." This is what the University is funding with the 4.5 percent. They are contributing less than the total rate for the Retirement System. In the study done in 1990, it was determined that 4.5 percent was about right. "We lost four-tenths of the year in our funding amortization, but it is difficult to stand before any of the Committees and argue that four-tenths of the year was an adverse impact. We concluded that it would not be an adverse impact on the TRS." The 4.5 percent provides adequate funding. "I don't expect that the independent actuary will come up with exactly the same numbers. We will see that the numbers and the work that was done in 1990 by our actuary was relatively close."

Eric Feaver, Montana Education Association (MEA), stated his support of the SB 264 as "you see it." The MEA opposed the bill as it was introduced in the Senate.

#### Opponents' Testimony:

Gene Huntington, Montana Retired Teachers' Association, said that the benefit would be provided at the cost to current retired teachers or future retirees by extending the unfunded liability or diminishing the ability of the fund to provide adequate compensation to the currently retired teachers. In 1987, long-term commitments were made. If those commitments are changed, the Legislature or the Board of Regents will have to find new resources to pay for them.

Tom Ryan, retired teacher, presented written testimony.

**EXHIBIT 6**

Questions From Committee Members:

REP. DAVIS asked Mr. Evenson if he agreed or disagreed with Mr. Senn's explanation of what the study was apt to do. Mr. Evenson said an actuarial study of that type depends on the assumptions that are established in the beginning of the study. "Mr. Senn indicated that one of the assumptions his actuary made and under which the system was conceived was that all future salaries would be pledged as collateral, if you would, against the benefits that were being offered to retirees." If that assumption is used, the two actuaries will come within the same range of each other.

REP. DAVIS asked Mr. Senn to respond to that. Mr. Senn said, "We have always funded benefits over future salaries, and if we are going to calculate a percentage of future salaries I agree with Mr. Evenson. That assumption is the foundation for funding retirement systems. The actuaries should have numbers that are very similar."

REP. KASTEN said the Legislative Auditor's office is going to issue the report. There is no appropriation. "In Appropriations they have cut your request." She asked Mr. Seacat if he was going to have the staff to do this. Mr. Seacat said it would be contracted. The University System and the TRS would be billed for the cost. There would be no significant FTE (Full Time Equivalent) impact on the office.

REP. SIMPKINS said to Mr. Seacat since the bill has been amended, is the bill needed or would a legislative request be better. Mr. Seacat said if he is to take care of the cost on this with Senate Finance and Claims, the bill is needed. There won't be a problem. He just needs the appropriation authority. This will be tied in with the regular biennial audit of teachers and the University System. The audit schedule fits in well. The next audit will be for the two fiscal years ending in 1992.

REP. FORRESTER said to Mr. Evenson, "you made a deal in 1987 and you don't like the deal." Mr. Evenson said a deal was made in 1987 that this actuarial study would be reported to the Legislature. The language of the amendment that was passed in 1987 speaks for itself. The University System would stand forward to meet its obligation. "I don't think we have backed away from that deal." REP. FORRESTER said if the deal wasn't backed away from, how long will this actuarial report stand? "If this actuarial report comes back and it is fine the way it is, is it going to be two or four years when you are back saying we want out of it again?" Mr. Evenson said he didn't think the University System has ever said it wanted out of the TRS or out of this deal. There is a problem and a need to establish a competitive and fair ORP for the faculty in the University System. That is a state obligation to give them a equitable retirement opportunity as the public school teachers in the state have. REP. FORRESTER said more money is not being asked for; changing the direction of the money is what is being asked for.

Mr. Evenson said yes. The issue is about money -- who receives it and who pays. "Do we fund the TRS or do we fund individuals in the ORP." REP. FORRESTER asked, "If TRS comes to the Legislature in two years, since we didn't believe the actuarial report, are you going to stand behind it the way that they are standing behind it now?" Mr. Evenson said the University System Board of Regents will operate ethically in good faith. One concept is to have the Legislative Auditor arbitrate this dispute. It is an issue of a great deal of money -- \$1.5 million. The allocation of resources is the decision of the Legislature. REP. FORRESTER asked Mr. Evenson if he hoped an actuarial study would be in his favor, so more money would go to ORP. Otherwise, the actuarial study that was done in 1987 could be left in place the way it is. Mr. Evenson said he hoped that the need for the ORP would be recognized by the Legislature and that money would be found to provide for that need. REP. FORRESTER said, "You aren't asking the Legislature for more money; you are asking to redirect the money." Mr. Evenson said yes. REP. FORRESTER said, "You're saying the deal made in 1987 probably wasn't the best and now you want to change the terms." Mr. Evenson said there was a dispute in 1987. The University System argued that there was not an adverse impact, or the adverse impact was not as extensive as that which was claimed by the TRS. They wanted more money than the 4.5 percent. It became a question of who had the correct argument. That was what the actuarial study was to try to determine.

REP. FORRESTER asked Mr. Senn how long should Legislators believe actuarial studies. Do they change every two years? Mr. Senn said actuarial evaluations change every two years because two years of the unfunded liability is amortized. The numbers go down, the amortization period goes down, and the unfunded liability dollar amount changes. The assumptions do not change every two years. An evaluation and a review of the assumptions are done every five years. It is called an experience study, which views what the experience has been related to each one of the assumptions -- mortality, turnover, withdrawal, interest earning, and salary. If there is a trend developing where the assumptions are different than the actual experience, then changes will be made. The changes are made probably less than once every ten years. Some of those changes were made in 1989. REP. FORRESTER asked if a trend has developed. Mr. Senn said the trend is that the assumptions have been very close and right on target. REP. FORRESTER said the estimates are fairly accurate. They are pretty close with what an actuary stated in 1987. Mr. Senn said yes. REP. FORRESTER asked how much does an actuarial report cost. Mr. Senn said the TRS uses a local actuary, Hendrickson, Miller and Associates. "We pay \$10,000 for our normal evaluation, and we paid an additional \$6,000 in 1990 for the special study that was done. Mr. Seacat mentioned that we were going to agree to pay equally for this. My Board Chairman has indicated that we spent \$6,000 already for the study. We may ask the University System to pay for the first \$6,000 of any additional study. We can talk about splitting up the costs over

and above that." The TRS is currently in the process of requesting proposals from actuaries. It is done periodically, and the proposals are almost twice the normal costs. Outside actuary fees range from \$150 to \$200 per hour. Alton Hendrickson is paid \$75 per hour.

REP. DAVIS asked Mr. Huntington to comment on whether or not there was a disagreement with Mr. Senn. Mr. Huntington said there wasn't a disagreement with Mr. Senn or the Teachers' Retirement Board. His role is to work to get the facts that the University System wants. "We are opposed to the concept." REP. DAVIS asked if he could suggest an amendment. Mr. Huntington said his concern was that the bill may be amended back to its original form at some point. He didn't suggest any amendments.

REP. DAVIS asked SEN. FRITZ if he anticipated any amendments from this Committee or on the floor. SEN. FRITZ said no.

Closing by Sponsor:

SEN. FRITZ said there are over 15,000 members in the TRS and 500 university personnel in the ORP. "All we want is an independent actuarial study that the University System can put some faith in." He is a member of the TRS and wouldn't support a bill that would undermine the system.

EXECUTIVE ACTION ON SB 264

Motion: REP. DAILY MOVED SB 264 BE CONCURRED IN.

Discussion:

REP. FORRESTER said Mr. Senn testified that their audit figures are on target. The actuarial fee would be about \$20,000, but he didn't really know for sure. No matter how it is split up, the taxpayers will have to pay for it. It is a turf battle between a bunch of university professors -- some of them covered by TRS and some by ORP. They made a deal and don't like it, so they want another actuarial study in hopes to make a different set of figures. Maybe then they could put more money into a different retirement system that a few people want. ORP is a minority, but they want to break the deal they made in 1987. It was actuarially sound according to Mr. Senn, but they want the state to pay the \$20,000 for an audit. It is a bad idea.

REP. COCCHIARELLA referred to Mr. Huntington's testimony. No one on this Committee has the intention of amending this bill back to the way it was when there were all the objections. This bill studies the issue and provides good information to the Legislature, so the Legislators can form their decisions. It is important. It doesn't have an impact on what happened in 1987 except to provide a way to make a different or better decision in the next session. The objections have been removed from the bill. It should be passed. REP. FORRESTER said it was his

impression that when an actuary did this original study, it was done on a 36 year plan. Now, in four years, the only people that hope to gain from this are the ORP. The TRS, which is already under-funded, would lose. Then it would cost \$210,000. Mr. Senn said he has audited the plan, and it seems to be on target with what the original actuary said four years ago. He doesn't see the sense in spending another \$20,000 for something the administrator says is on target with what the original actuary said.

REP. SPRING said this bill belongs in file 13.

REP. COCCHIARELLA said to REP. FORRESTER that it was incorrect when he said the only people who would benefit from this would be the ORP. That is not true. The purpose of the bill is to find out who might benefit and who might not. There is nothing in the bill that says it has been determined and set up for ORP to win in this situation. The study would provide the opportunity to find out what is going on. The TRS might benefit in the end.

CHAIR BROWN asked Mr. Seacat to clarify the cost. Would it be additional costs, or would it be worked in with the regular audit? Mr. Seacat said it would be an additional costs of about \$15-20,000. It would be above the traditional work.

**Motion/Vote:** REP. FORRESTER MADE A SUBSTITUTE MOTION THAT SB 264 BE TABLED. Motion carried 11 to 8. EXHIBIT 7

#### EXECUTIVE ACTION ON SB 192

**Motion:** REP. KASTEN MOVED SB 192 BE CONCURRED IN.

#### Discussion:

CHAIR BROWN said she had received a letter from Greg Petesch, Legislative Council, that said SB 192 is in conflict with HB 711. It is imperative that the conflict be resolved. She asked Ms. Heffelfinger to address the conflict. Ms. Heffelfinger said HB 711 will be heard in the Senate State Administration Committee on March 19. It is an act to provide supplemental Highway Patrol benefit payments for certain retirees, to provide an increase in the motor vehicle fees, and to provide a statutory appropriation. HB 711 keeps that \$.25 and actually adds another \$.25 that goes to the Highway Patrol Retirement Fund. HB 711 has a coordination instruction on it, but it needs to be clarified so both bills can pass. If both bills were to pass, the motor vehicle registration fee would be set at \$5.00 and only \$.25, not \$.50, would be going into the supplemental Highway Patrol Retirement benefit provided for in HB 711. It would still eliminate the supplemental benefit of SB 192, but it would allow another \$.25 to go to the Highway Patrol Retirement Fund as provided for in HB 711.

REP. SIMPKINS said Pg. 4 reduces the fee to \$5.00 and the other bill raises it to \$5.50. Are coordinating instructions needed?

**Ms. Heffelfinger** said no. HB 711 has that coordination instruction on it, so if both bills pass the fee will be \$5.25. If SB 192 does not pass, the fee will be \$5.50.

**REP. SIMPKINS** said the reason why several Highway Patrolmen could have been covered by Medicare is because they could be a dependent of a spouse that worked and had Medicare coverage.

**CHAIR BROWN** asked **REP. GALVIN** to explain a possible amendment that was given to Rep. Cocchiarella and then to Ms. Heffelfinger. **REP. GALVIN** said the possibility still exists that someone might have to use the money already in this fund, even though there were no returns from the questionnaire. It might be possible to hold the money in a special fund and let it earn interest just to hedge against the potential that someone might become eligible for this situation. **Ms. Heffelfinger** said on Pg. 2, Subsection (4), it says the benefit under this section must be returned to the State Treasurer for deposit in the General Fund prior to December 1, 1991. It would be amended so that the money would stay where it is, but the program itself would end. **REP. GALVIN** said yes; that was his intent.

**REP. PHILLIPS** said that about over \$400,000 is the amount that is being discussed. "If the money went to the Highway Patrol Officer's Fund and there is somebody who is eligible, I would rather see a provision saying that the General Fund would pay it, because one individual sure isn't going to cost \$480,000." **REP. GALVIN** asked where does it say one individual. **REP. PHILLIPS** said two years has passed and there hasn't been any changes, and the chances of anyone applying for the money are getting slimmer. **REP. GALVIN** said that is true; but if that money is ever needed two to five years from now, it would be available. If that money is earning interest, it will be that much larger when it is returned to the General Fund.

**REP. SIMPKINS** asked if the money goes into the General Fund, will it be available for supplemental appropriations, or would it just sit there until the 1993 session? **REP. PHILLIPS** said he thought it would just sit there, but he wasn't sure.

**REP. SIMPKINS** asked **Ms. Heffelfinger** if **REP. GALVIN'S** proposal was to just change the date. **Ms. Heffelfinger** said his proposal would delete the new section. The money would never be reverted to the General Fund.

**REP. SIMPKINS** asked **REP. GALVIN** if he would be amenable to forget everything else and just change the date to December 31, 1992. That is right before the 1993 session. Then that money reverts to the General Fund and is available that year for appropriation processes. **REP. GALVIN** said he didn't know if December 31, 1992, was a sufficient length of time. **REP. SIMPKINS** said letters have been sent to every retiree, and letters will be sent again to every retiree to ask specifically if they are eligible. There is another year and a half to try to find anyone who is eligible.

If no one is found, then about \$500,000 will be available for reappropriation in the next legislative session. This Legislature would reappropriate money to take care of any individual that was found to be eligible. That would be the intent of this legislation.

REP. PHILLIPS said the bill says after July, 1991, no one will be eligible. "They are going to have a window to get in, and then after that you can forget it." They have had their chance. The bill is perfectly good the way it is.

CHAIR BROWN said she was confused as to why Rep. Connelly came in with the other bill. If, as Linda King said, no one has applied for the benefit, why was the bill needed to increase the money.


REP. KASTEN said the other bill provides different benefits. Since the Highway Patrol Officers cannot use or have not used this money, they want the money to be used for HB 711 because they knew no one was going to apply under this program. They thought they had a better chance of getting the benefit they wanted, because they felt the funding was there.


Motion/Vote: REP. COCCHIARELLA MADE A SUBSTITUTE MOTION THAT SB 192 BE TABLED. Motion failed 9 to 10. EXHIBIT 8

CHAIR BROWN deferred executive action on SB 192 until Tuesday.

ADJOURNMENT

Adjournment: 10:08 a.m.

  
JAN BROWN, Chair

  
JENNIFER THOMPSON, Secretary

JB/jb/jt



# HOUSE OF REPRESENTATIVES

## STATE ADMINISTRATION COMMITTEE

ROLL CALL

DATE 3/14/91

NAME	PRESENT	ABSENT	EXCUSED
REP. JAN BROWN, CHAIR	✓		
REP. VICKI COCCHIARELLA, VICE-CHAIR	✓		
REP. BEVERLY BARNHART	✓		
REP. GARY BECK	✓		
REP. ERNEST BERGSAGEL	✓		
REP. FRED "FRITZ" DAILY	✓		
REP. ERVIN DAVIS	✓		
REP. JANE DEBRUYCKER	✓		
REP. ROGER DEBRUYCKER	✓		
REP. GARY FELAND	✓		
REP. GARY FORRESTER	✓		
REP. PATRICK GALVIN	✓		
REP. HARRIET HAYNE	✓		
REP. BETTY LOU KASTEN	✓		
REP. JOHN PHILLIPS	✓		
REP. RICHARD SIMPKINS	✓		
REP. JIM SOUTHWORTH	✓		
REP. WILBUR SPRING	✓		
REP. CAROLYN SQUIRES	✓		

11:00  
3-14-91  
JDB


HOUSE STANDING COMMITTEE REPORT

March 14, 1991

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report  
that Senate Bill 231 (third reading copy -- blue) be concurred  
in.

Signed: \_\_\_\_\_

  
Jan Brown, Chairman

Carried by: Rep. Wanzenried

11:50  
3-14-91  
JDB

HOUSE STANDING COMMITTEE REPORT

March 14, 1991

Page 1 of 1

Mr. Speaker: We, the committee on State Administration report that Senate Bill 350 (third reading copy -- blue) be concurred in and be placed on consent calendar.

Signed:   
Jan Brown, Chairman

# MONTANA

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Helena, Montana 59604

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Toll Free 1-800-221-3468

**PUBLIC**

**EMPLOYEES**

**ASSOCIATION**

EXHIBIT 1

DATE 3/14/91

HB SB 231

March 14, 1991

## SENATE BILL 231

I am Tom Schneider, representing the Montana Public Employees Association. SB 231 did not originate with our Association but from a conversation between a retired employee and a legislator who then asked if I would assist him.

I looked at the problem and agreed that there was a problem and went to Mr. Nachtsheim and Ms. King, at PERD, and asked for their help in coming up with suitable language to correct the flaws in the current law. They were very helpful and the result of our work is SB 231 as amended.

While we do not want to entice employees who retire to return to work, we do know that in this age of high living costs many of our retirees are hard put to make ends meet. At the same time there are times that public employers need the expertise of a former employee for a limited period of time. SB 231 was written to help out in either or both of these situations. It was written in the PERD office so I know that it meets their requirements and I feel that it meets the needs of our retirees.

I feel privileged to have been asked to help out. MPEA supports SB 231. Thank you for your support of SB 231 and I will be happy to answer any questions.

**Eastern Region**  
P.O. Box 22093  
Billings, MT 59104  
(406) 245-2252

**Western Region**  
P.O. Box 4874  
Missoula, MT 59806  
(406) 251-2304



## SENATE BILL 231

SB 231 is a bill to update and improve the limits placed upon retired members of the Public Employees Retirement System with regard to employment and earnings with covered employers when drawing a retirement benefit.

This bill was written to provide fairness for all retirees who return to partial employment after retirement. It is written with the understanding that some retirees simply cannot make ends meet after retirement and need to work part time to do so. And it is written to allow the employers access to former employees who have skills that are badly needed for a limited number of hours.

The main problem with the current language in the law is that "day" means one minute or eight hours. SB 231 will correct that inequity by limiting the retiree to 600 hours before receiving a reduced benefit.

The new provisions allow retirees under the age of 65 to work up to 600 hours of covered employment before their retirement benefits are reduced by \$1 for each \$1 earned.

After age 65, retirees would ;be allowed to earn up to half of their retirement benefit or work 600 hours whichever is greater. Most retirees returning to work after age 65 are doing so either because they have to or because the employer needs their expertise. If we just allowed employees to earn up to half of their retirement benefit it would result in an inequity for those retirees who have been retired the longest because they receive lower benefits than those just retired.

SB 231 will clear up the problems of the current law and allow all retirees the ability to supplement their retirement earnings, if they choose to do so, and meet their retirement needs.

TESTIMONY OF THE  
PUBLIC EMPLOYEES' RETIREMENT BOARD

Presented by Linda King, Asst. Administrator  
Public Employees' Retirement Division

The return to work provisions found in current PERS retirement statutes recognize needs on the part of both public employers and retirees to have some flexibility in allowing retired members return for limited periods of time to public service after retirement. SB 231 represents an update of these current limits based on actual experience.

In the past, the Legislature recognized that public employers sometimes experienced a need to recall a previous employee for special duty -- usually due to an unforeseen medical emergency on the part of a regular staff member or due to an influx of work for a short period of time. However, sometimes the need regularly occurs during peak work periods. Allowing an employer to recall a retiree to active employment for a limited time period saves a public employer money -- because they do not have to provide significant training to a new employee in order to take over job responsibilities for a short period of time.

If a retiree had to cease receiving their retirement benefits because they came back to fill-in for a short period, most would not accept this offer from their previous employers because the compensation received would not make up for their lost retirement benefits.

There is no impact to the PERS if retirees are allowed to return to covered employment for limited time periods. The retirement benefit of this person is not increased because of this additional work.

The Board does agree that some type of limitations on return to covered employment need to be in state law. Otherwise, a PERS member could "retire" one day and then return to work full-time on a permanent basis after one month and draw both a full-time salary and a full-time retirement benefit. This would be "double dipping" and not in the best interests of the state or the retirement system.

This bill provides equitable return to work provisions in a manner which can be effectively administered. The Public Employees' Retirement Board requests your favorable consideration of this proposal.

## TESTIMONY

## PUBLIC EMPLOYEES' RETIREMENT BOARD

Presented by Linda King, Asst Administrator  
Public Employees' Retirement Division

On behalf of the Public Employees' Retirement Board, I am here today to ask you to end eligibility for a supplemental benefit in the Highway Patrol Retirement System for which no one has qualified and for which no qualified applicant is expected to apply. The Board further requests that the funding already collected and not needed be deposited into the State's General Fund and that the additional vehicle registration fee be reduced back to its former level prior to the time this benefit was enacted.

As you have already heard, the Legislature enacted the supplemental benefit to reimburse those highway patrol retirees (or their surviving spouses) who must self-pay Medicare Hospital Insurance. While virtually everyone in this country is eligible for this coverage, there are some without sufficient Social Security credits to have this coverage paid for them. Those few people must self-pay for this coverage.

Because Highway Patrol Officers in Montana are not covered by Social Security, it was argued that many had to self-pay this portion of Medicare. However, no documentation of the need was available.

After over 16 months since the benefit became available, no eligible retiree or spouse has applied to receive the benefit. The retirement division does not believe there will be an eligible applicant in the future. We do not believe that additional vehicle registration fees should be continue to be collected to fund a benefit no one will use. We do not believe we should continue to hold funds on deposit in our accounts which will not be needed to fund benefits in the Highway Patrol Officers' Retirement System.

It is both a pleasure and an obligation for the Board to make this request. Nothing is served, including the Highway Patrol Retirement System and its members, by collecting fees to fund a benefit that no one will ever need. The Board also expects that the approximately \$430,000 which will flow to the General Fund during FY 92 will be useful to the citizens of the state.

On behalf of the Public Employees' Retirement Board, we respectfully request your approval of this legislation.

The Law establishing the Optional Retirement Program (ORP) was passed by the 50th Legislature and became effective January 1, 1988. The University System requested the ORP because it was needed as a recruiting tool. The majority of colleges and universities in the United States have a defined contribution retirement plan similar to the Montana ORP. The lack of a defined contribution retirement program in Montana made the University System less competitive when recruiting new faculty. Some prospective faculty members would decline employment offers because Montana did not have a retirement program compatible with the program they had joined in another state.

The Teachers Retirement System (TRS) vigorously opposed the ORP bill. TRS saw the ORP as competition and argued that the ORP would create an adverse impact. The University System argued that this assumption was not true. As a result of the controversy, the University System proposed a number of compromise amendments. The amendments were proposed as a good faith effort to prevent the bill from being killed.

- There would be an actuarial study beginning July 1, 1990 to determine if there truly is an adverse impact on TRS from the ORP. (i.e. who has the correct argument -- TRS or the university system). The results of the actuarial study would be reported to the 52nd Legislature.
- A contribution would be made to TRS in the interim to mitigate any potential adverse impact.
- The contribution would be returned to ORP participants if no adverse impact on TRS was established.
- The Board of Regents would be liable for an additional contribution to TRS assuming an adverse impact was found and the current contribution to TRS is not sufficient to mitigate the adverse impact.

Following is the legal text authorizing the compromise.

19-21-111. Actuarial investigation to determine unfunded liability.

(1) On June 30, 1990, the Teachers' Retirement board shall make an actuarial investigation of the Teachers' Retirement System to determine the past service unfunded liability active, inactive, and retired members of the Montana University System. The valuation must determine the effect on the amortization of the unfunded liability of the Teachers' Retirement System caused by persons electing to participate in the Optional Retirement Program. The board shall report its findings to the 52nd legislature.



(2) If the valuation determines that the percentage contribution established in 19-21-203(2)(b) has an adverse effect on the amortization of the unfunded liability, then the Board of Regents shall pay an additional sum over a period of 40 years to rectify the adverse effect.

(3) Changes in the Teachers' Retirement System occurring after July 1, 1987, that create additional unfunded liabilities may not be considered in the valuation, and the Board of Regents may not be required to pay an additional sum on that account except to the extent that those changes benefit members of the Teachers' Retirement System who are employees of the Montana University System.

(4) If the valuation determines that the Board of Regents is paying an amount in excess of that needed to amortize the unfunded liability, the Teachers Retirement board shall credit the Board of Regents for the excess payments. The Board of Regents shall credit the active participants in the optional retirement program with the excess payments.

Following is the break-out of the employee/employer contribution for both TRS and ORP.

Retirement Contribution Rates Compared for TRS and ORP

	<u>TRS</u>	<u>ORP</u>
Employee Contribution	7.044%	7.044%
Employer Contribution	7.459	2.956
TOTAL	<u>14.503%</u>	<u>10.000%</u>
Additional contribution to TRS	-0-	4.503
TOTAL COST	<u>14.503%</u>	<u>14.503%</u>

An employee leaving the TRS program before retirement may only withdraw the employee contribution (7.044%). Under the ORP the employee has (10%) of salary. Therefore faculty who leave Montana before retirement are better off in the ORP.

The cost to the employer is the same under both systems (i.e., the University System has no financial incentive to steer new employees to the ORP). New faculty are joining the ORP in overwhelming numbers -- over 90% of the new faculty join the ORP. This is good evidence that the ORP is a desirable option for new faculty and a useful recruiting tool.

The university system had made following contributions to the ORP since the bill was effective on January 1, 1988.

ORP Contributions

	<u>Percent</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>TOTAL</u>
Employee	7.044%	329,893	870,616	1,075,103	2,275,612
Employer	2.956	138,439	365,352	451,073	954,864
TRS (est.)	4.503	210,890	556,556	677,402	1,444,848
TOTAL	14.503%	679,222	1,792,524	2,203,578	4,675,324

# STATE-BY-STATE LISTING

State	Page Numbers			Contributions	
	TIAA-CREF Supplements Public Plan	TIAA-CREF Is Alternate to Public Plan	TIAA-CREF Is the Single Plan	ER	EE
Alabama	1			5.0	5.0
Arizona		3		7.0	7.0
Arkansas		3.4		10.0	6.0
Colorado			21	7.0	7.0
Connecticut		4.5		9.0	5.0
Delaware			21	11.0	4.0
District of Columbia			21	15.0	-
Florida	1	5		11.0	-
Indiana		6	21.22	15.0	0
Iowa		6		10.0	5.0
Kansas			22	5.0	5.0
Kentucky			22.23	5.0	5.0
Maine			23	8.0	6.0
Maryland		6.7		7.25	0
Michigan		7.8	23.24	12.0	0
Minnesota		8		13.0	2.5
Montana		9		2.96	7.04
Nebraska			24-26	6.0	6.0
Nevada			26	8.0	8.0
New Hampshire			26	8.5	6.0
New Jersey			26.27	8.0	5.0
New York		9-11		12.0	0
North Carolina	2	11.12		6.2	6.0
North Dakota			28	10.0	2.0
Oklahoma	2			15.0	0
Oregon		12		6.0	6.0
Pennsylvania		12-15	28	8.95	5.0
Rhode Island			29	9.0	5.0
South Carolina		15		4.25	6.0
Tennessee		15.16		11.0	-
Texas		16-18		8.5	6.65
Utah			29	14.2	0
Vermont			30.31	15.0	0
Virgin Islands			31	11.25	5.75
Virginia		18.19		10.0	0
Washington			31.33	7.5	7.5
West Virginia		20		6.0	6.0
Wyoming		20		7.54	3.71

ORP-Type Plans at Publicly-Supported Colleges and  
Universities in the States Bordering Montana

<u>System or Institution</u>	<u>ORP Contribution Rates (% of salary)</u>
1. Faculty and exempt Staff of the public institutions in Utah. Non-exempt employees participate in the state system.	14.2% by the institution
2. Faculty and officers of the Montana University System may participate in an ORP or the state system.	2.956% by the institution 7.044% by the participant
3. All employees at Wyoming public institutions may participate in an ORP or the state system.	11.25% by the institution
4. Faculty and academic personnel at Washington State University System.	Under age 35 = 5% by institution 5% by participant  Age 35 to 50 = 7.5% by institution 7.5% by participant  Over age 50 = 7.5% by institution 7.5% by participant or if elected = 10% by institution 10% by participant
5. Faculty and Professional Staff of the Nevada University System.	10% by the institution 10%* by the participant
6. Faculty at the Oregon State Board of Higher Education may participate in an ORP or the state system.	6.0% by the institution on salary above \$4,800. 6.0%* by the participant on salary above \$4,800.  *paid for by the institution.
7. Faculty, Executive and Administrative staff. North Dakota	9.5 by the institution 1.5% by employee
8. Faculty and Staff at Idaho	5.86% by State and 5.34% by employee 3.03% unfunded liability contribution by State.

Public Colleges and Universities  
with Optional Retirement Plans

Over 600 public colleges and universities in 36 states and the District of Columbia offer ORP-type plans. (Two additional states, Alaska and Louisiana, adopted ORP legislation in 1989 with implementation currently pending.) These institutions offer such plans to their faculty and administrative officers as (A) an alternative to their state's retirement system, (B) as a supplement to the state's retirement system, or (C) as the single retirement plan.

- A. There are a total of 418 publicly supported institutions in 20 states in which an ORP is offered as an alternative to the public retirement plan to faculty and administrative officers. These states are as follows:

Arizona	Michigan	South Carolina
Arkansas	Minnesota	Tennessee
Connecticut	Montana	Texas
Florida	New York	Virginia
Indiana	North Carolina	West Virginia
Iowa	Oregon	Wyoming
Maryland	Pennsylvania	

- B. There are 20 publicly supported institutions in 4 states in which an ORP-type plan is offered as a supplement to the state retirement system for faculty and administrative officers. These states are:

Alabama  
Florida

North Carolina  
Oklahoma

- C. There are 163 publicly supported institutions in 17 states and the District of Columbia in which the state retirement system does not cover faculty or administrative officers and in which an ORP-type plan is available to such employees. These states are:

Colorado  
Delaware  
District of  
Columbia  
Indiana  
Kansas  
Kentucky

Maine  
Michigan  
Nebraska  
Nevada  
New Hampshire  
New Jersey

North Dakota  
Pennsylvania  
Rhode Island  
Utah  
Vermont  
Washington

SECTION III

SCHEDULE 1

NORMAL COST ALLOCATION

(1) Normal Cost Contribution Rate:

(a) Retirement	6.780%
(b) Disability	0.231
(c) Death	0.246
(d) Vested	0.296
(e) Withdrawals	1.274 -----
(f) Total Rate	8.827%

(2) Present Value of Future Salaries  
Of Current Members \$2,653,246,516

(3) Present Value of Future Normal Costs  
For Current Members (1(f) \* (2)) \$ 234,202,070

SCHEDULE 2  
PRESENT VALUE OF BENEFITS

(1) Present Value of Benefits - Inactive Members	
(a) Retirement	\$ 402,453,500
(b) Disability	14,178,690
(c) Death	18,404,900
(d) Vested	19,133,110
(e) Withdrawals	4,773,958
(f) Tax Sheltered Annuity	3,236,181
(g) Excess Interest Payment	89,643
	-----
(h) Total Inactive	\$ 462,269,982
(2) Present Value of Benefits - Active Members	
(a) Retirement	\$ 857,424,370
(b) Disability	14,826,848
(c) Death	22,626,545
(d) Vested	41,536,845
(e) Withdrawals	90,250,667
(f) Tax Sheltered Annuity	1,501,475
(g) Legacy Fund	38,248
	-----
(h) Total Active	\$1,028,204,998
	-----
(3) Total Liabilities	\$1,490,474,980



SCHEDULE 3  
LIABILITY ALLOCATION AND STATUTORY FUNDING

(1) Unfunded Past Service Liability		
(a) Present Value of Benefits		\$1,490,474,980
(b) Present Value of Future Normal Costs		\$ 234,202,070
(c) Fund Assets		\$ 653,744,203
		-----
(d) Unfunded Liability (a)-(b)-(c)		\$ 602,528,707
(2) Contribution Rates Amortized over 36.31 Years		
(a) Present Value of Salaries During Next 36.31 Years		\$10,615,374,123
(b) Unfunded Contribution Rate 1(d)/2(a)		5.676%
(c) Normal Cost Rate (Schedule 1)		8.827
		-----
(d) Statutory Funding Rate		14.503%

I am Tom Ryan. I speak on this Bill as a person who served on the Teachers' Retirement Board for eight years. I was serving on the Board when the question regarding the separate private retirement program came before the legislature.

Besides treating the individual retirees fairly when deciding on whether his or her pension could be approved the Board at the same time had to consider the unfunded liability facing the Teachers' Retirement System. (1) To aim at reducing the amount and (2) to try and prevent increases in the unfunded liability.

In the eight years I spent on the Board including a term as Chairman, I think we made considerable progress in reducing the unfunded liability by about \$10 million.

A second marked success during those eight years was the Boards screening persons that resulted in the appointment of Dave Senn, as the present Executive Secretary, director of the Teachers' Retirement System.

Through the efforts of the TRS Board we were able to show the legislature that it was reasonable to expect continuing contributions from the University System as their fair share in dealing with the unfunded liability.

Some of the professors I had in the immediate post-World War II period are still on TRS pensions and are part of the University System's obligation to continue with the amount agreed to by Carroll Krause and Dave Evenson and the other advocates of the new optional retirement system.

I believe the University System should continue to be obligated to care for those wonderful old professors now retired.

EXHIBIT 7  
DATE 3/14/91  
HB SB 264

HOUSE OF REPRESENTATIVES  
STATE ADMINISTRATION COMMITTEE

ROLL CALL VOTE

DATE 3/ BILL NO. SB 264 NUMBER

MOTION: To table by Rep Forrester

NAME	AYE	NO
REP. VICKI COCCHIARELLA, VICE-CHAIR		✓
REP. BEVERLY BARNHART		✓
REP. GARY BECK		✓
REP. ERNEST BERGSAGEL	✓	
REP. FRED "FRITZ" DAILY		✓
REP. ERVIN DAVIS		✓
REP. JANE DEBRUYCKER	✓	
REP. ROGER DEBRUYCKER	✓	
REP. GARY FELAND	✓	
REP. GARY FORRESTER	✓	
REP. PATRICK GALVIN	✓	
REP. HARRIET HAYNE	✓	
REP. BETTY LOU KASTEN	✓	
REP. JOHN PHILLIPS	✓	
REP. RICHARD SIMPKINS	✓	
REP. JIM SOUTHWORTH		✓
REP. WILBUR SPRING	✓	
REP. CAROLYN SQUIRES		✓
REP. JAN BROWN, CHAIR		✓
TOTAL	11	8

EXHIBIT 8DATE 3/14/91HB SB 192

## HOUSE OF REPRESENTATIVES

## STATE ADMINISTRATION COMMITTEE

## ROLL CALL VOTE

DATE 3/14/91 BILL NO. SB 192 NUMBER \_\_\_\_\_MOTION: Rep. Cocchiarella to table.

NAME	AYE	NO
REP. VICKI COCCHIARELLA, VICE-CHAIR	✓	
REP. BEVERLY BARNHART	✓	
REP. GARY BECK	✓	
REP. ERNEST BERGSAGEL		✓
REP. FRED "FRITZ" DAILY	✓	
REP. ERVIN DAVIS	✓	
REP. JANE DEBRUYCKER		✓
REP. ROGER DEBRUYCKER		✓
REP. GARY FELAND		✓
REP. GARY FORRESTER		✓
REP. PATRICK GALVIN	✓	
REP. HARRIET HAYNE		✓
REP. BETTY LOU KASTEN		✓
REP. JOHN PHILLIPS		✓
REP. RICHARD SIMPKINS		✓
REP. JIM SOUTHWORTH	✓	
REP. WILBUR SPRING		✓
REP. CAROLYN SQUIRES	✓	
REP. JAN BROWN, CHAIR	✓	
TOTAL	9	10

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

STATE ADMINISTRATION COMMITTEE BILL NO. SB 243  
DATE 3/14/91 SPONSOR(S) SEN. MAZUREK

PLEASE PRINT

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.



# HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

STATE ADMINISTRATION COMMITTEE BILL NO. SB 350  
 DATE 3/14/91 SPONSOR(S) SEN. SVRCEK

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
SCOTT SEARST	LEGISLATIVE AUDITOR			X
W. James Kambel	Public Safety Div / Doc			x

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

# HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

STATE ADMINISTRATION

COMMITTEE

BILL NO.

SB 192

DATE 3/14/91

SPONSOR(S) SEN. FARRELL

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
VDA King FERD	Public Empl. Ret. Board	SB 192	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.



# HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

STATE ADMINISTRATION COMMITTEE BILL NO. SB 264  
 DATE 3/14/91 SPONSOR(S) SEN. FRITZ

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Tom RYAN	Retired Teachers	264	X	
Dave Evenson	University System	264		X
Steve Brown	TIAA-CREF			X
Scott Searcy	Legislative Auditor			
Gene Huntington	Retired Teachers		X	
CRAIG ROLOFF	University System	264		X
David Searcy	TBS	264		X

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.