

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON STATE ADMINISTRATION

Call to Order: By Senator Eleanor Vaughn, on February 15, 1993,
at 10:00 a.m.

ROLL CALL

Members Present:

Sen. Eleanor Vaughn, Chair (D)
Sen. Jeff Weldon, Vice Chair (D)
Sen. Jim Burnett (R)
Sen. Harry Fritz (D)
Sen. John Hertel (R)
Sen. Bob Hockett (D)
Sen. Bob Pipinich (D)
Sen. Bernie Swift (R)
Sen. Henry McClernan (D)
Sen. Larry Tveit (R)

Members Excused: None.

Members Absent: Sen. Burnett, Sen. Hertel

Staff Present: David Niss, Legislative Council
Deborah Stanton, Committee Secretary

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

Committee Business Summary:

Hearing: SB 300
Executive Action: SB 300, SB 268, SB 222, SB 276, SR 4

HEARING ON SB 300

Opening Statement by Sponsor:

Sen. Bianchi, Senate District #39, presented SB 300. An interim committee was created to study the eleven retirement systems in this state which Sen. Bianchi served on. They met several times and took testimony from citizen members of the retirement system. The biggest problem that they saw in all of the existing retirement systems is the lack of a post retirement adjustment. It was pointed out time after time, how teachers that retired 20 or 25 years ago at a retirement of two to three hundred dollars are now basically living in poverty because there is no system in this state to adjust the cost of living for the retirees. The

committee heard all kinds of horror stories about how some people have spent 30 or 40 years working either for the state or working as a teacher somewhere, retired and did not have the income to live even a few years beyond retirement to support themselves. Two approaches were presented to the committee. One was a cost of living adjustment (COLA) and that is done based on the inflation rate that the federal government figures out and the rate of inflation changes each year. Because of the changes from a COLA position, it was agreed upon in the subcommittee and with the retirement groups that it was something beyond the means of the state to afford. What SB 300 does is present a GABA (guaranteed annual benefit adjustment). The bill basically, through employee/employer contributions, says that there will be a 2% annual adjustment to everyone's retirement benefits. The systems this bill covers are the Teachers' Retirement Systems and the Public Employees Retirement Systems. Some of the other systems have things built in to cover this issue. The committee heard from people that Montana has an obligation to take care of the people that retire from this system, and the longer we wait to accept that responsibility, the more money it will cost and the bigger the hole we are digging for ourselves in the state. We have to do something fast before we cannot administratively or financially accept the situation. Realizing the way this bill is written and realizing the impact on the general fund, there are some amendments to the bill (EXHIBIT #1, sb030001.adn). The retirement boards have looked at this bill and agree that this is important to get this in place. We can come back and look at this the next session. There will be no fiscal impact on the general fund this session.

Proponents' Testimony:

Tom Bilodeau, Secretary-Treasurer of the Montana Public Employees Pension Security Council (PEPSCO) spoke in favor of SB 300 and gave written testimony (EXHIBIT #2).

Tom Schneider, Montana Public Employees Association (MPEA) spoke in support of SB 300. At the MPEA convention this year a resolution was passed unanimously authorizing MPEA to increase the employee contribution to cover some type of a cost of living bill for Public Employees Retirement System (PERS) retirees. SB 300, with its employee contribution increase, is totally approved by MPEA. This bill would cover the issue of inflation and the retiree's increase in cost of living. This bill would pay for the cost of living in advance and there would not be a need to keep coming to the Legislature for the ad hoc increases which over the last 20 years have probably cost a lot more than if the automatic increase would have been in place 20 years ago. He urged support of SB 300.

John Denherder, President of the Montana Public Employees Pension Security Coalition. PEPSCO is a broad coalition of affiliated associations consisting of both active and retired Montana public

employees. Mr. Denherder introduced the associations: MEA, Tom Bilodeau; Association of Montana Retired Public Employees, Gene Allen; Montana Public Employees Association, Tom Schneider; Montana Retired Teachers' Association, Albe Thomas and Montana Federation of Teachers and State Employees and the American Federation of State, County and Municipal Employees, John Malee.

Mark Cress, Administrator of Public Employees' Retirement Division, spoke in support of SB 300 and gave written testimony (EXHIBIT #3).

Gene Allen, Association of Montana Retirement Public Employees, spoke in support of SB 300. There are many reasons for the passage of this bill and he concurs with previous testimony.

Dave Senn, Executive Director of the Teachers' Retirement System, informed the committee that the Teachers' Retirement Board is in support of the cost of living increase for the retirees. The Teachers' Retirement Board advanced the legislation in 1989 to provide for the use of some of the interest earnings to provide some small increase to retired members. Those increases have averaged less than 2% over the last four years since 1989. It is important to provide some protection against inflation. Even a mild increase in the consumer price index substantially erodes away retirement benefits. This bill does provide funding by both the employee and the employer. It would be wise to cut the expenses and take the employees up on their offer to help fund retirement benefits. Insurance increases have in the past been more than the retirement benefit increases so the net benefits are less now than when the retirees retired. It is important to provide some protection against inflation for the retirees and he urged support of SB 300.

Don Waldron, Montana Rural Education Association, spoke in support of SB 300.

John Malee, Montana Federation of Teachers and Montana Federation of State Employees and a member of PEPSCO, spoke in support SB 300. Mr. Malee stated this bill will not cost anything for the next two years and urged passage of SB 300.

Jack Cohn, Retired Teachers of Montana, spoke in support of SB 300.

Opponents' Testimony:

Dave Ashley, Deputy Director, Department of Administration appeared as a reluctant opponent to SB 300. The Department of Administration does not disagree with the retirees needing this benefit. This is responsible legislation in the sense that it is funded. In considering this bill he urged the committee to keep some things in mind. He asked if state employees who are facing a pay freeze for 1994-95 can afford this bill. With employee

contributions going up less than 1% employees will see a reduction in their take-home pay. Also can employers afford this benefit. There will be \$45 million being transferred to the public sector in 1994-95 to pay for this enhancement. Those revenues would come from cities, counties, and school districts and state agencies. There is a question whether state agencies could afford this benefit. State agencies are being asked to live within their 1992-93 expenditure patterns. If this bill goes forward what it will mean is that this is simply another unfunded increase that state agencies are being asked to absorb within their 1992-93 expenditure level. This bill has a 2% floor in benefits. The department is concerned whether we want to lock ourselves into that guaranteed floor. Mr. Ashley turned his comments to the amendments which would have the affect of delaying this \$45 million cost for two years and have that sum paid for in the 1996-97 biennium.

Questions From Committee Members and Responses:

None.

Closing by Sponsor:

Sen Bianchi said we have a responsibility to face this session and do something for retired employees. It's not going to get better. Every organized group agreed and passed resolutions in their meetings to start funding this program. They have accepted that and they are willing to fund this program. The state has to do the same. This is a fair and responsible bill and if we don't take the bull by the horns it will only get tougher to afford into the future as more people retire. He urged the committee to pass the bill with the amendments.

Sen. Vaughn submitted letters in support of SB 300 into the record as exhibits.

EXECUTIVE ACTION ON SB 300

Motion: Sen. McClernan moved to amend SB 300.

Discussion: Sen. Hockett asked if there was an actuarial study made of the unfunded liability of this system and where it would go. Mr. Senn stated the actuaries of the Teachers' Retirement System and the Public Employees Retirement System have reviewed the proposal and provided these costs as the cost increases necessary in employee/employer contributions to adequately fund this system and maintain the current amortization for unfunded liability.

Sen. Swift asked Mr. Senn if overall that amounts to 4% to get a 2% increase. Mr. Senn said in the Teacher's Retirement System 3.66% in order to prefund a 2% increase for all retirees in the future.

Vote: Motion to amend SB 300 CARRIED with Sen. Swift and Sen. Tveit voting no.

Motion/Vote: Sen. Pipinich moved SB 300 DO PASS AS AMENDED. Motion SB 300 DO PASS AS AMENDED CARRIED with Sen. Swift and Sen. Tveit voting no.

EXECUTIVE ACTION ON SB 268

Discussion: There was discussion on SB 268. David Niss talked about the language in lines 18, 19, 20, and 21. If the language is left in it would require a license agent to accept the registration forwarded to the election administrator. There was some testimony that it could be picked up afterwards but there was also testimony to the affect that sometimes the employees of the license agents, because they are minors, would not be available to witness the forms and if the language is left in it would require the person registering to come up with their own witness. If the language was stricken, it would not then require all of the language contained in the last sentence of section 1, beginning with "if" on line 18 through the period on line 21, and it would not require the license agent to send those in. The inconvenience was only presented to the license agent and the only reason that they object to that is if the clerk, as a minor, would actually serve as a witness. If some other witness could be procured at the time then they probably wouldn't object to that language being left in.

There was further discussion on minors registering people to vote. Sen. Weldon stated he suspected that the Secretary of State would be willing to provide voter registration cards and information to the various agencies. The Secretary is committed to increasing voter registration. Sen. Weldon will check with the Secretary of State to see if he would be willing to initiate such a program.

Sen. Vaughn explained there was an amendment with a request to strike from line 18, "if the applicant" and through line 21.

Motion/Vote: Sen. Weldon moved to amend SB 268 (SB026801.adn). Motion to amend SB 268 CARRIED UNANIMOUSLY.

Motion/Vote: Sen. Weldon moved SB 268 DO PASS AS AMENDED. Motion SB 268 DO PASS As Amended CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 222

Motion: Sen. Pipinich moved SB 222 DO PASS.

Discussion: Sen. Hockett asked if the present holiday, Columbus

Day, was a legal, federal/state holiday now. We're reaching a point where the number of public paid holidays is beginning to bother me in terms of cost. We don't want to add another one. Sen. Fritz said this does not add another holiday.

Motion: Sen. Swift proposed a substitute motion to make this American Heritage Day rather than American Indian Heritage Day. Sen. Fritz said after conferring with the co-sponsors of the bill, they are not willing to do that. He asked to have it American Indian Heritage Day. Sen. Weldon stated he would support American Heritage Day if it comes back from the House that way. For the sake of public discourse on the issue, it would be advisable to leave it American Indian Heritage Day. Sen. Swift said in view of the fact that there were three people from the committee absent, he did not want to hold the vote up so that it might not meet transmittal, he rescinded his motion.

Vote: Motion SB 222 DO PASS CARRIED with Sen. Swift voting no.

Discussion: Sen. Weldon asked to move from the table SB 176. The reason to move it from the table is to offer amendments that strike sections 1, 2, 5 and 7. Sections 3, 4 and 8 will stay.

Motion: Sen. Weldon moved to bring SB 176 off the table. Sen. Pipinich did not want it moved from the table.

Vote: Motion failed with the four no and three voting yes to bring it off the table. It was decided to wait on that bill.

EXECUTIVE ACTION ON SB 276

Discussion: There was discussion on SB 276. Sen. Weldon said the penalty applied to one particular part, attaching the advertisement to the paycheck. He asked about applying the penalty also to the posting. But it would be hard to prove who posted the advertisement. Sen. Pipinich said there were a lot of political advertising on the Bulletin Board at Stone Container. It is put up for a month and then the janitor takes it all down. It would be hard to penalize someone for putting things on the bulletin board. Sen. Swift said other organizations would be involved in this sort of thing also. Sen. Vaughn stated that when it is attached to the paycheck everyone sees the advertisement. When it is on the bulletin board some see it and some don't. Sen. Hockett said it was restricted in public schools to have anything put in the mailboxes or posting of brochures or campaign literature on bulletin boards.

Motion/Vote: Sen. Weldon moved SB 276 DO PASS. Motion SB 276 DO PASS CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SR 4

Motion/Vote: Sen. Swift moved SR 4 DO PASS. Motion SR 4 DO PASS CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 154

Discussion: Sen. Weldon mentioned that he would like to take SB 154 off the table. His amendment (sb015401.adn EXHIBIT #13) would not put any prohibition on surplus campaign funds, it simply says you cannot use it for personal use.

Motion: Sen. Weldon moved to take from the table SB 154 for further discussion.

Discussion: Sen. Vaughn commented that the committee could discuss the amendments but should wait until a later date for action.

Sen. Weldon suggested the committee schedule a date for executive action on the remaining bills.

ADJOURNMENT

Adjournment: 12:00 a.m.


SENATOR ELEANOR VAUGHN, Chair


DEBORAH STANTON, Secretary

EV/ds

ROLL CALL

SENATE COMMITTEE

STATE ADMINISTRATION

DATE 2-15-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Eleanor Vaughn	✓		
Sen. Jeff Weldon	✓		
Sen. Jim Burnett		✓	
Sen. Harry Fritz	✓		
Sen. John Hertel		✓	
Sen. Bob Hockett	✓		
Sen. Henry McClernan	✓		
Sen. Bob Pipinich	✓		
Sen. Bernie Swift	✓		
Sen. Larry Tveit	✓	<i>AWA</i>	
David Niss	✓		

FC8

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 15, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration Senate Bill No. 300 (first reading copy -- white), respectfully report that Senate Bill No. 300 be amended as follows and as so amended do pass.

Signed: Senator Eleanor Vaughn
Senator Eleanor Vaughn, Chair

That such amendments read:

1. Page 1, line 23.

Strike: "7.65%"

Insert: "6.70%"

2. Page 1, line 25.

Following: "~~increases to:~~"

Insert: "On July 1, 1995, the normal contribution of each member is 7.80% of the member's compensation."

3. Page 3, line 17.

Strike: "8.59%"

Insert: "6.70%"

Following: "July 1, 1993"

Insert: ", and increases to 8.89% on July 1, 1995"

4. Page 6, line 21.

Strike: "8.264%"

Insert: "7.044%"

Following: "compensation."

Insert: "On July 1, 1995, the normal contribution of each member increases to 8.226% of earned compensation."

5. Page 9, line 5.

Strike: "9.899%"

Insert: "7.459%"

6. Page 9, line 7.

Following: "period."

Insert: "On July 1, 1995, this amount increases to 9.826% of the earned compensation of each member."

-END-

ADW
Amd. Coord.
Sec. of Senate

371316SC.SAN

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 15, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration Senate Bill No. 268 (first reading copy -- white), respectfully report that Senate Bill No. 268 be amended as follows and as so amended do pass.

Signed: Senator Eleanor Vaughn
Senator Eleanor Vaughn, Chair

That such amendments read:

1. Title, line 7.

Strike: "FOR"

Insert: "A"

Following: "REGISTRATION"

Insert: "FORM"

2. Title, line 8.

Strike: ", PERMIT, OR CERTIFICATE"

3. Page 1, line 13.

Following: "licenses"

Strike: ", permits, or certificates"

4. Page 1, line 15.

Strike: "attached to"

Insert: "made available with"

5. Page 1, line 17.

Strike: ", permit, or certificate"

6. Page 1, lines 18 through 21.

Strike: "If" on line 18 through "administrator." on line 21

-END-

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 15, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration Senate Bill No. 222 (first reading copy -- white), respectfully report that Senate Bill No. 222 do pass.

Signed Senator Eleanor Vaughn
Senator Eleanor Vaughn, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 15, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration Senate Bill No. 276 (first reading copy -- white), respectfully report that Senate Bill No. 276 do pass.

Signed 
Senator Eleanor Vaughn, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 15, 1993

MR. PRESIDENT:

We, your committee on State Administration having had under consideration Senate Resolution No. 4 (first reading copy -- white), respectfully report that Senate Resolution No. 4 be adopted.

Signed: Senator Eleanor Vaughn
Senator Eleanor Vaughn, Chair

Amendments to Senate Bill No. 300
First Reading Copy

SENATE STATE ADMIN.

EXHIBIT NO. 1

DATE 2-15-93

BILL NO. SB 300

For the Committee on State Administration

Prepared by David S. Niss
February 15, 1993

1. Page 1, line 23.

Strike: "7.65%"

Insert: "6.70%"

2. Page 1, line 25.

Following: "~~increases to:~~"

Insert: "On July 1, 1995, the normal contribution of each member
is 7.80% of the member's compensation."

3. Page 3, line 17.

Strike: "8.59%"

Insert: "6.70%"

Following: "July 1, 1993"

Insert: ", and increases to 8.89% on July 1, 1995"

4. Page 6, line 21.

Strike: "8.264%"

Insert: "7.044%"

Following: "compensation."

Insert: "On July 1, 1995, the normal contribution of each member
increases to 8.226% of earned compensation."

5. Page 9, line 5.

Strike: "9.899%"

Insert: "7.459%"

6. Page 9, line 7.

Following: "period."

Insert: "On July 1, 1995, this amount increases to 9.826% of the
earned compensation of each member."

AMEND SB 300, AS FOLLOWS:

1. Page 1, line 23.
Following: "contribution of each member is"
Strike: "7.65%"
Insert: "6.70%"
2. Page 1, line 24.
Following: "compensation."
Insert: "On July 1, 1995, the normal contribution of each member is 7.80% of the member's compensation."
3. Page 3, line 17.
Strike: "8.59%"
Insert: "6.70%"
Following: "July 1, 1993."
Strike: "."
Insert: ", and increases to 8.89% on July 1, 1995."
4. Page 6, line 21.
Strike: "8.264%"
Insert: "7.044%"
Following: "earned compensation."
Insert: "On July 1, 1995, the normal contribution of each member increases to 8.226% of earned compensation."
5. Page 9, line 5.
Following: "equal to"
Strike: "9.899%"
Insert: "7.459%"
6. Page 9, line 7.
Following: "payroll period."
Insert: "On July 1, 1995, this amount increases to 9.826% of the earned compensation of each member."

SENATE STATE ADMIN.

EXHIBIT NO. 2 A coalition concerned about

DATE 2-15-93 projecting public employee pensions and the pension funds

BILL NO. SB 300

PEPSCO

Montana Public Employee Pension Security Coalition

1232 East Sixth Avenue • Helena, MT 59601
(406) 442-4250

Before the Senate State Administration Committee
February 15, 1993

GUARANTEED ANNUAL BENEFIT ADJUSTMENTS SB300 – SENATOR DON BIANCHI Tom Bilodeau, Secretary-Treasurer / PEPSCO

MEA/MEA-R
Montana
Education
Association

AMRPE
Association of
Montana
Retired
Public
Employees

MPEA
Montana
Public
Employees
Association

MRTA
Montana
Retired
Teachers
Association

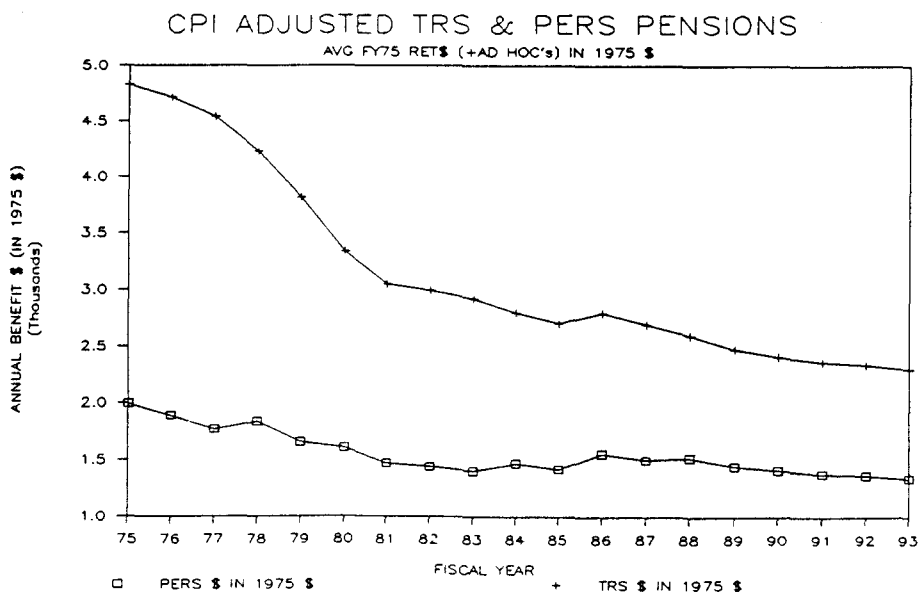
MFT-MFSE
Montana
Federation
of
Teachers
and
State
Employees

AFSCME
American
Federation
of
State,
County
and
Municipal
Employees

Even with occasionally enacted pension benefit adjustments, the average Montana Public Employee Retirement System (PERS) employee who retired in 1975 will this year receive less than \$300 per month in PERS benefits. During the same seventeen year period, the typical Teacher Retirement System (TRS) retiree experienced inflation cut the buying-power of his/her TRS pension in half. In simple fact, after a career's worth of service to the people of Montana, a public retiree's first pension check will be his/her largest; thereafter every check will be devalued by inflation. It's a serious, obvious and continuing problem with the basic structure of Montana's PERS and TRS retirement programs.

The failure of Montana's TRS and PERS benefit plans to provide a minimal financial floor (not to mention security) for retirees against the ravages of inflation and impoverishment during retirement is readily demonstrated. For example, occasionally enacted "ad-hoc adjustments" to TRS benefits have provided an "average" 1975 retiree with benefit adjustments in only seven of seventeen years; and in only one of these years (FY86) did the ad-hoc adjustment provide a benefit increase that matched or exceeded that year's annual cost of inflation. (See table on back of these materials.)

Over this same seventeen year period, both TRS and PERS retirees have -- even with the ad-hoc adjustments -- lost effective pension benefit purchasing power to inflation. Indeed, the typical TRS retiree experienced a fifty percent loss in retirement benefit purchasing power! The "real-life" impact on TRS or PERS retirees is devastating.



SB300: "GABA" -- *guaranteed annual benefit adjustments*

SB300, the "GABA bill" -- sponsored by Senator Bianchi -- responds to PERS and TRS benefit deficiencies first acknowledged to exist by Montana Legislative Committee review more than a decade ago. (See: Coping with Inflation: Cost of Living Adjustments for Public Retirement Plans, Interim Study Committee on Public Retirement Systems, Legislative Council, December-1980.) SB300's enactment is long overdue!

SB300's benefit adjustment provides:

a "guaranteed, annual benefit adjustment" (GABA) increasing PERS and TRS benefits by +2% ;

payable as of January 1 of each year to every PERS and TRS beneficiary who has been retired (receiving benefits) for thirty-six (36) or more months as of January 1; and

"marries" this guaranteed adjustment (GABA) to the existing PRBA "excess earnings" distribution by limiting the combined maximum annual benefit adjustment to the greater of GABA or nationally recognized (CPI-U) increases in the cost-of-living.

SB300's GABA is not a "COLA" (cost-of-living adjustment) and is not likely to fully compensate pensioners for future losses in pension purchasing power resulting from inflation. GABA does, however, provide a far greater certainty of minimal security (a "financial floor") than afforded by "ad hoc" benefit adjustments alone. While GABA's fixed rate +2% benefit adjustment is not likely to keep pace with inflation, it does regulate total system cost and makes both cost projection and funding much more certain. Implementation of a GABA would also reduce the magnitude and resulting fiscal shocks of ad hoc adjustments deemed necessary or prudent by future Legislatures.

The function of a GABA -- though at a much more certain and diminished rate -- would parallel and be consistent with Montana income tax indexing policy and by the federal government in respect to Social Security/SSI, federal civil service pension systems and other programs. Finally, enactment of a GABA would bring Montana's PERS and TRS pension systems into line with the automatic benefit adjustments already existing among other Montana sponsored pension plans and the clear majority of other states' public and school employee pension programs. (See page 3.)

Finally, Senator Bianchi and PEPSCo recognize that there is "*no free lunch.*" Unlike most previous PERS or TRS adjustments -- SB300 is fully funded. The bill will pay for GABA through increased employer and employee payroll contributions. Public employers will be expected to pay two-thirds and employees one-third of GABA's costs. For PERS, employer rates would increase from 6.7% to 8.59% (+1.89%), while employee rates would increase from 6.7% to 7.65% (+.95%). For TRS, employer rates would grow from 7.459% to 9.899% (+2.44%) and employees rates would increase from 7.044% to 8.264% (+1.22%). 2 to 1 cost-sharing between employer and employee retains greater pension asset value as employer-paid contributions are never withdrawn when an employee retires early. Additionally, as a matter of public policy, the additional employer share of GABA costs appropriately distributes the cost of adjustments for current retirees on the state or schools rather than on individual employees for whom no individual benefit will accrue.

PEPSCo believes SB300's GABA is a realistic and prudently funded means to provide minimal pension security for people who commit a career to the needs of our citizens, our children and our future. Given that it is fully-funded, actuarially sound, carefully drafted and can be readily administered by PERS and TRS, both the TRS and PERS Boards endorse GABA. On behalf of both active and retired employees of the state of Montana, the universities and the schools, PEPSCo urges this Committee to approve and the 53rd Montana Legislature to enact SB300.

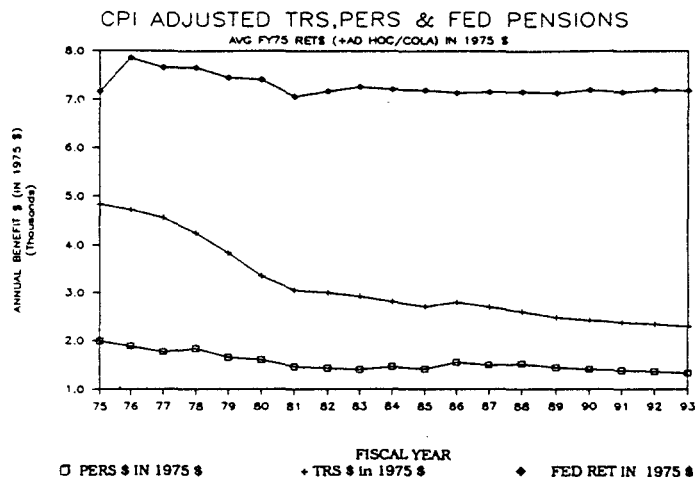
FEDERAL CIVIL SERVICE RETIREMENT SYSTEM
COLA ADJUSTMENTS & THE IMPACT
OF INFLATION ON AVG 1975 FED RETIREE BENEFITS

SOCIAL SECURITY

YEAR	AVG 1975 FEDERAL RET BENEFIT	ANNUAL FED COLA	ADJUSTED BENEFIT	CPI ADJUSTED BENEFIT	SOCIAL SECURITY COST OF LIVING ADJUSTMENTS
1974-75	\$7,164	1.051	7,529	7,164	1975 8.0%
1975-76	(BASE)	1.102	8,297	7,858	1976 6.4%
1976-77		1.043	8,654	7,668	1977 5.9%
1977-78		1.073	9,286	7,661	1978 6.5%
1978-79		1.078	10,010	7,448	1979 9.9%
1979-80		1.137	11,382	7,409	1980 14.3%
1980-81		1.044	11,882	7,058	1981 11.2%
1981-82		1.087	12,916	7,168	1982 7.4%
1982-83		1.039	13,420	7,260	1983 3.5%
1983-84		1.035	13,890	7,209	1984 3.5%
1984-85		1.033	14,348	7,188	1985 3.5%
1985-86		1.013	14,534	7,136	1986 1.3%
1986-87		1.042	15,145	7,164	1987 4.2%
1987-88		1.041	15,766	7,158	1988 4.0%
1988-89		1.047	16,507	7,131	1989 4.7%
1989-90		1.054	17,398	7,185	1990 5.4%
*1990-91		1.039	18,077	7,140	1991 3.7%
*1991-92		1.035	18,709	7,184	1992 3.0%
*1992-93		1.031	19,289	7,176	*1993 2.5%

SOURCE: US CSRetS & US-DoL/BLS (JUNE-1975 \$ BASE)

* INDICATES ESTIMATES FOR RECENT YEARS.



PUBLIC SCHOOL EMPLOYEE PENSION PROGRAMS
SUMMARY OF AUTOMATIC BENEFIT ADJUSTMENT PROVISIONS

Type of Provision	Number of Plans	Percent Amount
Fixed \$ Per Year	1	
% Equal to CPI	0	
% Based on CPI, with Cap	25	
Median Cap		3.0%
Mean Cap		3.4%
Fixed %	9	
Median Cap		3.0%
Mean Cap		2.4%
Contingent on Fund Earnings	6	
Number/% of Automatic-Adjust Plans	41	57%
Automatic-Adjust Plans/Total	72	

Source: NEA-Research Retirement Plan Survey (1988);
See also: Wisconsin Legislative Council Survey (1990).

-HEA-

TRS BENEFITS, AD-HOC ADJUSTMENTS & INFLATION
 IMPACT ON AN "AVERAGE" 1975 TRS RETIREE WITH 25 YRS SERVICE

Feb-93

YEAR	AVG FY'75 RETIREE BENEFIT \$	PLUS			1975 \$ PURCHASING POWER INDEX	RETIREE'S			TOTAL \$ LOST TO INFLATION
		AD HOC BENEFIT ADJUSTMENTS	AD HOC ADJUSTED BENEFIT	% CHGE ANNUAL BENEFIT		ADJUSTED BENEFIT \$	ANNUAL \$ LOST TO INFLATION	TOTAL \$ LOST TO INFLATION	
1974-75	\$4,832	BASE	\$4,832	BASE	1.000	\$4,832	BASE	----	
1975-76		FORMULA(=\$145)	\$4,977	3.00%	0.947	\$4,713	(\$119)		
1976-77		FORMULA(=\$149)	\$5,126	3.00%	0.886	\$4,542	(\$290)		
1977-78		0	\$5,126	0.00%	0.825	\$4,229	(\$603)		
1978-79		0	\$5,126	0.00%	0.744	\$3,814	(\$1,018)		
1979-80		0	\$5,126	0.00%	0.651	\$3,337	(\$1,495)		
1980-81		0	\$5,126	0.00%	0.594	\$3,045	(\$1,787)		
1981-82		FORMULA(=\$262)	\$5,388	5.11%	0.555	\$2,990	(\$1,842)		
1982-83		0	\$5,388	0.00%	0.541	\$2,915	(\$1,917)		
1983-84		0	\$5,388	0.00%	0.519	\$2,797	(\$2,035)	(\$31,940)	
1984-85		0	\$5,388	0.00%	0.501	\$2,700	(\$2,132)		
1985-86		FORMULA(=\$300)	\$5,688	5.57%	0.491	\$2,793	(\$2,039)		
1986-87		0	\$5,688	0.00%	0.473	\$2,691	(\$2,141)		
1987-88		0	\$5,688	0.00%	0.456	\$2,594	(\$2,238)		
1988-89		0	\$5,688	0.00%	0.434	\$2,469	(\$2,363)		
1989-90		"PRBA"(\$133)	\$5,821	2.34%	0.414	\$2,410	(\$2,422)		
1990-91		"PRBA"(\$145)	\$5,966	2.49%	0.396	\$2,363	(\$2,469)		
1991-92		"PRBA"(\$120)	\$6,086	2.01%	0.384	\$2,337	(\$2,495)		
1992-93*		"PRBA"(\$ 93)	\$6,179	1.53%	0.372	\$2,299	(\$2,533)		

SOURCE DATA: TRS FILES & US-DoL/BLS (JUNE-1975 \$ BASE) CPI-U / PURCHASE POWER DATA - 6/93 ESTIMATED.

HEA

PERS BENEFITS & AD-HOC ADJUSTMENTS
 IMPACT ON AN "AVERAGE" 1975 PERS RETIREE
 WITH 20 YRS SERVICE

FEB 93

YEAR	AVG FY'75 RETIREE BENEFIT \$	PLUS			1975 \$ PURCHASE POWER INDEX	RETIREE			TOTAL \$ LOST TO INFLATION
		AD HOC BENEFIT ADJUSTMENTS	AD HOC ADJUSTED BENEFIT	% CHGE ANNUAL BENEFIT		ADJUSTED BENEFIT \$	ANNUAL \$ LOST TO INFLATION	TOTAL \$ LOST TO INFLATION	
1974-75	\$1,993	BASE	\$1,993	BASE	1.000	\$1,993	BASE	----	
1975-76		0	\$1,993	0.00%	0.947	\$1,887	(\$106)		
1976-77		0	\$1,993	0.00%	0.886	\$1,766	(\$227)		
1977-78		FLAT X (\$331)	\$2,224	11.57%	0.825	\$1,834	(\$159)		
1978-79		0	\$2,224	0.00%	0.744	\$1,654	(\$339)		
1979-80		FLAT X (\$240)	\$2,464	10.80%	0.651	\$1,604	(\$389)		
1980-81		0	\$2,464	0.00%	0.594	\$1,463	(\$530)		
1981-82		FORMULA(=\$120)	\$2,584	4.87%	0.555	\$1,434	(\$559)		
1982-83		0	\$2,584	0.00%	0.541	\$1,398	(\$595)	(\$8,471)	
1983-84		FORMULA(=\$240)	\$2,824	9.29%	0.519	\$1,466	(\$527)		
1984-85		0	\$2,824	0.00%	0.501	\$1,415	(\$578)		
1985-86		FORMULA(=\$324)	\$3,163	12.00%	0.491	\$1,553	(\$440)		
1986-87		0	\$3,163	0.00%	0.473	\$1,496	(\$497)		
1987-88		FORMULA(=\$174)	\$3,337	5.50%	0.454	\$1,515	(\$478)		
1988-89		0	\$3,337	0.00%	0.432	\$1,441	(\$552)		
1989-90		"PRBA"(\$69)	\$3,406	2.08%	0.413	\$1,407	(\$586)		
1990-91		"PRBA"(\$77)	\$3,483	2.26%	0.395	\$1,376	(\$617)		
1991-92		"PRBA"(\$58)	\$3,541	1.67%	0.384	\$1,360	(\$633)		
1992-93		"PRBA"(\$46)	\$3,587	1.29%	0.372	\$1,334	(\$659)	----	

SOURCE DATA: PERS & US-DoL/BLS (JUNE-1975 \$ BASE)

TESTIMONY OF THE
PUBLIC EMPLOYEES' RETIREMENT BOARD

Presented by: Mark Cress, Administrator
Public Employees' Retirement Division

I am here on behalf of the Public Employees' Retirement Board in support of SB 300. The Public Employees' Retirement Board strongly supports the need for adjustments to maintain the purchasing power of our retired public employees. Other proponents today have given excellent testimony demonstrating this need. I am not going to repeat that testimony. Rather, I will speak to why the board believes that SB 300 is the appropriate way for this legislature to address the need for cost of living adjustments.

Cost of living adjustments are an appropriate and necessary part of a retirement benefit. They are part of most other state retirement systems. Of 85 state plans in a recent survey, over 70% had some type of structured cost of living increases. This legislature has granted cost of living increases in the past and I am sure will do so in the future.

The issue is not whether we need to provide such increases but whether we plan for them and fund them in an effective manner.

The best fiscal policy is to plan ahead for retirement benefits and set money aside throughout the working life of the employee. When you do this, the employee can contribute to their own benefits, you can earn interest on your money, and you accumulate adequate assets to cover the cost of benefits. Also, the cost is born by the same generation benefiting from the employee's labor.

I'd like to give you a simplified example of how that funding works. Assume I set aside \$100 a month, every month, for 25 years. After 25 years I will have set aside \$30,000. If I have invested that money and earned 8%, I would have accumulated \$95,000 by the end of the 25th year. Now, after 25 years I decide I want to start drawing out a benefit. I can take an annuity of the \$95,000 for 25 years with a monthly benefit of over \$730. In 25 years I will pay out \$220,000.

In this simple example, if you pay for the benefit as you go it will cost you \$220,000 as opposed to \$30,000 if you set money aside while the employee is working.

Cost of living adjustments are appropriate and necessary. The legislature has provided them in the past and its very likely you will provide them in the future. This committee recently endorsed SB 203 that gives a 5% ad hoc adjustment to PERS retirees. Will we pay as we go, our \$220,000 figure, or will we plan ahead for these adjustments and begin setting money aside?

I encourage you to give serious consideration to SB 300.

Amendments to Senate Bill No. 268
First Reading Copy

Requested by Sen. Pipinich
For the Committee on State Administration

Prepared by David S. Niss
February 12, 1993

1. Title, line 7.
Strike: "FOR"
Insert: "A"
Following: "REGISTRATION"
Insert: "FORM"

2. Page 1, line 13.
Following: "licenses"
Strike: ", permits, or certificates"

3. Title, line 8.
Strike: ", PERMIT, OR CERTIFICATE"

4. Page 1, line 15.
Strike: "attached to"
Insert: "made available with"

5. Page 1, line 17.
Strike: ", permit, or certificate"

6. Page 1, lines 18 through 21.
Strike: "If" on line 18 through "administrator." on line 21

February 15, 1993

18
SENATE STATE ADMIN.EXHIBIT NO. 5DATE 2-15-93BILL NO. SB300

Senator Eleanor Vaughn, Chair
Senate State Administration Committee
State Capitol, Helena MT 59620

Dear Senator Vaughn,

I am writing this letter in support of SB 300 which provide a guaranteed annual benefit adjustment for retired PERS and TRS beneficiaries. As you know all of us since 1975 have seen our purchasing power per dollar drop so much so that if we have not received an increase in wages or increased purchasing power of at least 155% then our incomes have not kept up with average inflation. Typical retired TRS beneficiaries have had 8 adjustments totaling 25% and PERS beneficiaries have had 10 adjustments totaling 60% both a far cry short of what is needed to meet inflation. Even if the GABA called for in this legislation were in effect it would be a far cry short of being a real COLA.

I have interviewed a number of local retired teachers, all of whom have retired 14 to 16 years ago. Their working experience has ranged from as little as 15 to as much as 47 years. All are hurting. The biggest public assistance to them has been the cost of living adjustments in Social Security Benefits. The dollar value of Social Security is, in several cases, more important than the dollar value of their TRS checks. Almost all have seen significant erosion of their personal savings also.

Over 6,000 retired teachers and an equally large number of retired public employees will appreciate your support of this legislation. Thank you.

Sincerely,

Michael W. Paterson
3906 Heritage Drive
Billings, MT 59102

18 SENATE STATE ADMIN.
EXHIBIT NO. 6
DATE 2-15-93
BILL NO. SB 300

Senator Eleanor Vaughn, Chair
Senate State Administration Committee
State Capitol, Helena, MT 59620

Dear Senator Vaughn,

This is letter of support for SB 300, GABA retirement bill and is for the committee.

I can not tell you how strongly I feel for retired public employees who have been devastated by the adverse effects of inflation on the purchasing power of their retirements. My aunt taught for 48 years and retired at what was then more than half of her pay. that plus social security made her early days quite comfortable. Now however, due to the failure of the Teacher's Retirement Benefits to adjust for inflation, her less than \$600 TRS benefits per month plus social security has put her in a position to depend upon extensive family assistance to help meet expensive and increasing nursing home costs. Although the proposed GABA would fail to meet cost of living increases it would go a long way in helping to maintain purchasing power. Purchasing power of retirements must be maintained! I strongly urge your committee's support of this bill.

Thank you for your services.

France E. Paterson
3906 Heritage Drive
Billings, MT 59102

cc Chet Blaylock

This is a FAX Transmission from



2201 St. Johns Avenue • Billings, Montana 59102

SENATE STATE ADMIN.

EXHIBIT NO. 7

DATE 2-15-93

BILL NO. SB 300

FROM: MAIN OFFICE - FAX # 1-406-255-3520

DATE: 2/5/93 NAME: Mike Paterson

TO: Sen. Vaughn

TOTAL NUMBER OF PAGES INCLUDING COVER SHEET: 2

If there are any problems with this transmission call 406-255-3670.

Senator Eleanor Vaughn, Chair
Senate State Administration Committee
State Capitol, Helena, MT 59620

Dear Senator Vaughn,

This is letter of support for SB 300, GABA retirement bill and is for the committee.

I can not tell you how strongly I feel for retired public employees who have been devastated by the adverse effects of inflation on the purchasing power of their retirements. Some of these people have seen themselves reduced to the point of having to be helped by general public assistance because of inflation.

Several years ago, when visiting my parents in Livingston, I found out that one of my favorite teachers, a Senior English teacher of 50 years of service was on welfare. She had been very frugal over the years, saved and invested her money and was quite comfortable when she did retire. The Livingston District wisdom in those days had not elected to go with Social Security and therefore she did not have this benefit. Over a period of years her younger brother mismanaged her financial affairs leaving her penniless save for her state retirement. This wonderful dedicated lady died in her mid 90's on welfare. I think this is wrong! Disgraceful! Purchasing power of retirements must be maintained! There are many others who are hurting! The GABA bill addresses this issue. It is not adequate, but it is a start. I strongly urge your committee's support of this bill.

Thank you for your services.

Michael W. Paterson
3906 Heritage Drive
Billings, MT 59102

cc Chet Blaylock

This is a FAX Transmission from

SENATE STATE ADMIN.

EXHIBIT NO. 8

DATE 2-15-93

BILL NO. SB 300



2201 St. Johns Avenue • Billings, Montana 59102

FROM: MAIN OFFICE - FAX # 1-406-255-3520

DATE: 2/5/93 NAME: Ala. Anderson

TO: Senator Vaughn #18

Senator Keating

TOTAL NUMBER OF PAGES INCLUDING COVER SHEET: 3

If there are any problems with this transmission call 406-255-3670.

2029 Forest Park Dr.
Billings, MT 59102
February 5, 1993

Senator Eleanor Vaughn, Chairperson
Senate State Administration Committee
State Capitol, Helena, MT 59620

Dear Senator Vaughn:

This is a letter of support for SB 300, GABA retirement bill, and is for the committee.

I have had the opportunity of observing the devastating effects of inflation on retirement incomes. I see teachers and administrators from my youth who continue to live in this community struggling to make ends meet and maintain their dignity. It is a cruel thing, indeed, to see after knowing of their years of dedicated service to youth.

Please support this bill. Thank you for your attention to this matter.

Sincerely,



Alan J. Anderson

 cc: Senator Tom Keating

This is a FAX Transmission from



2201 St. Johns Avenue • Billings, Montana 59102

SENATE STATE ADMIN.
 EXHIBIT NO. 9
 DATE 2-15-93
 BILL NO. SB 380

FROM: MAIN OFFICE - FAX # 1-406-255-3520

DATE: 2/5/93 NAME: Don Bender

TO: Senator Vaughn

TOTAL NUMBER OF PAGES INCLUDING COVER SHEET: 2

If there are any problems with this transmission call 406-255-3670.

Senator Eleanor Vaughn, Chair
Senate State Administration Committee
State Capitol, Helena MT 59620

Dear Senator

This is a letter of support
for SB 300 which is a Retirement Bill.
This letter is for the committee.

I feel that some type of
cost of living increase is necessary
for our states retired teachers.
It has been too long coming.
Dedicated teachers who have served
the states students loyally
find that just a few years
after retirement they can't make
ends meet.

This legislation is fair and
long overdue.

Thanks

Donald Bender
Billings, MT

Feb. 15, 93

Senator Eleanor Vaughn, Chair
 Senate State Administration Comm.
 State Capitol, Helena, MT 59620

SENATE STATE ADMIN.
 EXHIBIT NO. 710
 DATE 2-15-93
 BILL NO. SB 300

Dear Senator Vaughn:

I strongly support SB 300, GABA retirement bill and is for the committee.

Our retired public employees have been devastated by the adverse effects of inflation on the purchasing power of their retirements.

Purchasing power of retirements must be maintained. There are many others also hurting. The GABA bill addresses this issue. It is not adequate, but it is a start. I strongly urge your committee's support of this bill.

Sincerely,

Donald Russell

2029 Ave C

Billings, MT.

59102

3113 40 St. W.
Billings, MT 59106
February 15, 1993

Senator Eleanor Vaughn, Chair
Senate State Administration Committee
State Capitol, Helena MT 59620

SENATE STATE ADMIN.

EXHIBIT NO. 11

DATE 2-15-93

BILL NO. SB 300

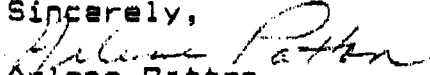
Dear Senator Vaughn:

This fax is in support of SB300.

Many young teachers are learning that teacher retirement is not an asset if they live more than ten years past retiring. This is another factor in people choosing teaching as a profession.

I am nearing retirement and so is my husband and we face this very difficult problem we see retired teachers living under. We have a son who is teaching and he is beginning to understand the lack of support for retired teachers in Montana. We certainly want him to stay in teaching and stay in Montana as he is an excellent teacher. This is his choice too.

Sincerely,


Arlene Patton

Commissioners
Kay McKenna, Mayor
Margaret Crennen
Tom Huddleston
Colleen McCarthy
Mike Murray



City-County
Administration Building
316 North Park
Helena, MT 59623
Phone: 406/447-8000

William J. Verwolf
City Manager

City of Helena

SENATE STATE ADMIN.

EXHIBIT NO. 12

DATE 2-15-93

BILL NO. SB 300

February 9, 1993

Senator Eleanor Vaughn, Chair
Senate State Administration Committee
Montana State Senate
State Capitol
Helena, MT 59620

Dear Senator Vaughn:

The Helena City Commission would like to go on record in support of SB 300 which would guarantee an annual increase to PERS retirees. Although it would mean a substantial cost increase for both the City and its employees, the Commission feels that benefit outweighs the negative impact.

The Helena City Commission would urge you to support SB 300. I have included enough copies of this letter for the members of your Committee.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Shelly Laine".

Shelly Laine, Director
ADMINISTRATIVE SERVICES

Amendments to Senate Bill No. 154
First Reading Copy

Requested by Sen. Weldon
For the Committee on State Administration

Prepared by David S. Niss
February 12, 1993

SENATE STATE ADMIN.
EXHIBIT NO. 13
DATE 2-15-93
BILL NO. SB154

1. Title, lines 4 and 5.

Strike: "PROVIDING FOR THE DISPOSITION"

Insert: "PROHIBITING THE USE OF"

2. Title, line 6.

Following: "COMMITTEE"

Insert: "FOR PERSONAL EXPENSES"

3. Page 1, line 13 through page 2, line 2.

Following: "may"

Insert: "not"

Strike: "only" on page 1, line 13 through "contributed" on page
2, line 2

Insert: "for personal expenses"

4. Page 2, lines 3 through 6.

Strike: subsection (2) in its entirety

Insert: "(2) For the purposes of this section, "personal
expenses" means expenses of a candidate, the family of a
candidate, a former candidate, or the family of a former
candidate, which expenses were not directly related to the
service of the candidate or former candidate in public
office."

53rd LEGISLATIVE SESSION

STATE ADMINISTRATION COMMITTEE

I, Senator Treit do hereby submit my
vote to Chairman Vaughn as follows:

BILL NUMBER SB 276

MOTION

Do Pass		
Yes	_____	No <u>X</u> _____
Do Not Pass		
Yes	_____	No _____
Indefinitely Postponed		
Yes	_____	No _____
Tabled		
Yes	_____	No _____

DATE

Sen. Treit
SIGNATURE

53rd LEGISLATIVE SESSION

STATE ADMINISTRATION COMMITTEE

I, Senator McDermott do hereby submit my
vote to Chairman Vaughn as follows:

BILL NUMBER 276

MOTION

Do Pass Yes _____ No _____

Do Not Pass Yes _____ No _____

Indefinitely Postponed Yes _____ No _____

Tabled Yes _____ No _____

DATE _____

[Signature]
SIGNATURE _____

53rd LEGISLATIVE SESSION
STATE ADMINISTRATION COMMITTEE

I, Senator Triet do hereby submit my
vote to Chairman Vaughn as follows:

BILL NUMBER SB 222

MOTION

Do Pass		
Yes	_____	No <u>X</u> _____
Do Not Pass		
Yes	_____	No _____
Indefinitely Postponed		
Yes	_____	No _____
Tabled		
Yes	_____	No _____

DATE

Sen Triet
SIGNATURE

53rd LEGISLATIVE SESSION

STATE ADMINISTRATION COMMITTEE

I, Senator Triet do hereby submit my
vote to Chairman Vaughn as follows:

BILL NUMBER SB 268

MOTION

Do Pass		
Yes	_____	No <u>X</u> _____
Do Not Pass		
Yes	_____	No _____
Indefinitely Postponed		
Yes	_____	No _____
Tabled		
Yes	_____	No _____

DATE

Sen. Triet
SIGNATURE

53rd LEGISLATIVE SESSION
STATE ADMINISTRATION COMMITTEE

I, Senator Treit do hereby submit my
vote to Chairman Vaughn as follows:

BILL NUMBER SR4

MOTION

Do Pass
Yes X No _____

Do Not Pass
Yes _____ No _____

Indefinitely Postponed
Yes _____ No _____

Tabled
Yes _____ No _____

DATE _____

Sen. Treit
SIGNATURE

DATE 2-15-93

SENATE COMMITTEE ON State Administration

BILLS BEING HEARD TODAY: SB 300

Name	Representing	Bill No.	Check One	
			Support	Oppose
John Malee	M.F.T./M.F.S.E	300	X	
TOM BILODEAU	WSEA	300	X	
Tom Ryan	MRTA	300	X	
Alb Thomas	MRTA	300	X	
John M. Dee Herder	PEPSCO	300	X	
Willard Kramlich	Self	300	X	
Gene Allen	AMPRE	300	X	
Einar Brosten	MVA	300	X	
Dave Ashley	Dept of Adm	300		X
MARK CRESS	PERD	300	X	
Nick Morrison	Self	300	X	
JIM POWELL	SELF	300	X	
FRANK MORGAN	SELF	300	X	
Tom Schauder	MPEA	300	X	
Jack E. Colvin	M.R. Teachers	300	X	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY