



Spring 2011

## Association of Montana Retired Public Employees

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*A non-profit organization of P.E.R.S. Retirees for P.E.R.S. Retirees*

## Note From Our President - Rusty Wrigg

The 2011 Montana Legislative Session is now over and the dust has settled. Although we were able to protect all existing benefits and laws, we were unsuccessful in passing any improvements. Most of our efforts this session concentrated on defeating attacks on our existing laws and benefits. (See the Legislative Report elsewhere in this publication) There is every indication that the advocates for reducing retirement benefits will be back next session trying to make drastic cuts to retirement benefits. Changes such as taking away or reducing the GABA, changing the retirement system to a defined contribution plan only and possibly reducing current retirement benefits have all been mentioned.

AMRPE contracts with the Browning, Kaleczyc, Berry and Hoven Law Firm, with our principle lobbyist being Leo Berry, senior partner. Leo has been with our organization almost since inception and does very good work helping to improve and protect retiree benefits. We also have a board legislative committee that works closely with the lobbyists developing legislation and providing direction on introduced bills. Our Board Members also provide testimony to legislative committees on all retiree related bills.

During the interim we will continue to monitor legislative committee activities toward retiree is-

sues, the PERA Board, the state health plan changes and the Board of Investments activities. The Public Employee Retirement System still faces an unfunded liability of \$1.35 billion, which still needs to be addressed. Leo Berry was instrumental in getting HB 632 introduced, which was designed to divert some of the expected increase in coal tax revenue into PERS and TRS to pay down the unfunded liabilities. It passed the House by 56 votes but got caught up in politics in the Senate committee. We will pursue this approach again in the next session, as it does not increase any taxes and would bail out the unfunded liability of both PERS and TRS. Our members can help by discussing their concerns with their elected representatives and senators throughout this interim in their home towns.

Although we continue to work hard to increase our membership base, we currently have lost ground over the last year with attrition, and now have only about 1500 active members out of 20,000 + total PERS retirees. These are difficult financial times for our members, but for a very low cost, you are getting needed representation in the legislature. Please encourage your fellow retirees to join AMRPE. You will see elsewhere in this publication an appeal for help recruiting new members.

## Significant Changes Ahead for State Health Insurance Plan

Expect to see significant changes in out of pocket costs for members of the state employee health insurance plan in the next two plan years, 2012 and 2013, because there will be no increase in the employer contribution to the plan. The current contribution by the state (employer) is \$733.00 per month per active employee. This accounts for about 70% of the income to the plan. The remaining income is from retiree and employee premiums. The significance of the employer contribution is that it subsidizes costs for employee dependents and retirees.

A combination of premium increases and benefit reductions will be needed to cover the ever increasing costs to the plan. The Health Care and Benefits Division (HCBD) and the State Employee Group Benefits Advisory Council (SEGBAC) are currently reviewing various options that include increases in deductibles, co-pays and out of pocket maximums.

A more positive option under consideration for Medicare eligible members is to offer a Medicare Advantage group plan. A Medicare Advantage plan is an insured product administered and sold by New West Health Insurance Company. The member cost would be less than the current premium being paid by Medicare eligible members and the benefit structure would have differences compared to the current plan.

Final decisions regarding the state's health insurance plan will be made in late August. Plan members will be informed of changes through the annual change process that is launched in late September. AMRPE board member John McEwen is a member of the SEGBAC and actively supports retirees in the health benefit arena.

Talk with your legislators during the interim and express to them your concern regarding funding health insurance for retirees. They need to hear from you.

## MEMBERSHIP DUES & MEMBERSHIP DRIVE

In our initial newsletter of 2011 we also included our annual membership renewals. The Association of Retired Montana Public Employees (AMRPE), of which you are a member, only sends out renewals in late January or early February of each year.

Occasionally the retiree arm of the American Federation of State, County and Municipal Employees (AFSCME) sends out a blind solicitation to all retirees in PERS. This happened again as recently as last fall and caused some confusion with our members, including some sending AFSCME membership dues that they thought were going to us. Please be aware that this could continue to be a confusing situation. If you have questions regarding your payment, please call Martha at 406-495-9270 in Helena.

As of this month this organization has about 1500 dues paying members, including both annual and life memberships. These concerned members are carrying the load protecting the retirement benefits for 20,000 + retired Montana

public employees. Because our major expense, lobbying and legal, approaches \$20,000 biannually, we need to rapidly increase our membership base.

With that in mind, we are enclosing a brochure for you to help us in recruiting new members. This can be done in one of two ways - by you filling out the contact information of a retired friend, acquaintance or coworker that you know, or by giving it to a retiree to fill out and return it to us. We will then send them a membership packet. First year memberships are always free in AMRPE.

Only as a group of active public retirees can we protect our benefits. By pooling our resources together, for a minimal \$15 annual membership, we can continue our important work during future legislative sessions.

Your help is needed to increase our membership and will be greatly appreciated. Help AMRPE to help to protect our retirement income.

# 2011 LEGISLATIVE SESSION: NOTHING GOOD HAPPENED, NOTHING BAD HAPPENED

By Leo Berry

During the 2009 - 2011 interim, the State Administration and Veteran Affairs Committee studied the retirement systems, the actuarial funding of the systems and various options to change the systems.

AMRPE entered the 2011 legislative session with a great deal of trepidation. There were numerous bill draft requests submitted in advance of the session that caused us concern. We were uncertain as to the outcome, but we were confident that retirement issues would be at the forefront of the session.

We spent a good deal of time and effort during the interim looking at not only the practical, but the legal options that might be available to current retirees. Our primary concern was that the legislature may try to change the retirement systems for currently retired employees. Legal research indicated that the legislature could change the retirement systems for new employees, but the legislature could **not** change the retirement systems for current retirees, without changing the Montana Constitution (see HB 197 at end of article).

While there were numerous bills introduced that would have modified the various systems, the focus of the legislature was on trying to establish a defined contribution plan to replace the current defined benefit plan. A defined contribution plan is one that does not guarantee a certain retirement benefit, but provides for contributions to an account which is then invested and when the employee retires, the account provides the retirement benefit. In this type of plan the employee's retirement benefit is dependent on how well the account is invested. The problem that was never adequately addressed in the various legislative proposals is that the current retirement system depends on future employees becoming members and therefore contrib-

uting to the trust. Unless there is a means to replace those future employee contributions that would be lost by switching to a defined contribution plan, the defined benefit trust fund, for us and future retirees in that plan, becomes more actuarially unsound.

Many legislators just wanted to create a defined contribution plan for new employees without giving recognition for the need to "back fill" the lost contributions. As the legislature progressed, it finally became clear to most that it was not a simple matter to convert to a defined contribution plan and in the end, all proposals failed to be enacted.

While there were dozens of bills introduced dealing with employee benefits and retirement, AMRPE focused on eleven bills that directly affected either your benefits or the actuarial soundness of the PERS system.

Our most serious concern was with House Bill 197 by Representative Brian Hoven of Great Falls. It would have submitted a constitutional amendment to the voters to allow the legislature to amend public retirement plans even for existing employees and retirees. The Montana Constitution currently provides protection from the legislature changing your retirement benefits because employment with a public body is a contract which cannot be voided by the legislature. This bill, if approved by the voters, would have allowed the legislature to change those benefits. While the U.S. Constitution would have provided protection against those changes, it would have required a lengthy and expensive legal challenge to do so. We testified and lobbied hard against this bill. The bill failed to get out of the House State Administration Committee and died unanimously.



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**PERA retirees working for  
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**We're on the Web at:**

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### **AMRPE Accomplishments Over 28 Years**

- ◆ Lobbied for one time pension increases in 1983, 1985 and 1993.
- ◆ In 1993 we supported a Constitutional Amendment keeping retirement trust funds from being used for other purposes.
- ◆ In 1997 we successfully lobbied for the 1½% GABA (Guaranteed Annual Benefit Adjustment).
- ◆ In 2001 we successfully lobbied for an additional 1½% bringing the GABA to 3% annually.
- ◆ In 2009 we successfully lobbied for inflationary state tax relief to any retiree with income less than \$30,000.
- ◆ In 2011, we successfully protected all current retiree benefits.

### **Moved? Membership Change of Address**

**Mail To: AMRPE, P.O. Box 4721, Helena, MT 59604-4721**

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