

October 14, 2009

Janet Kelly, Director  
Department of Administration  
Room 130, Mitchell Bldg  
Helena, MT 59620

Dear Director Kelly,

The Association of Montana Retired Public Employees is an association of more than 1800 members. Our purpose is to advocate for the maintenance and improvement of retirement benefits for state and local government retirees. Many of our members are members of the state employee group benefit plan.

We are dismayed by the recent, surprise decision of your department to change the health insurance premium structure within the plan for pre-Medicare retirees who purchase insurance for themselves and dependents. For at least the past thirty years the premiums set for this retiree subgroup have been the same as employees and their dependents. For the coming 2010 plan year retirees will pay between \$60 and \$75 a month more than employees in the heretofore equivalent categories of retiree/spouse, retiree/children and retiree/family.

This decision not only impacts 575 retirees and their dependents but impacts current employees as well. All of a sudden expectations have changed. Employees contemplating retirement now must deal with a new uncertainty. It has always been easy for plan participants to see that the group consists of active and retired employees subject to the same premium structure, the only difference being employment status. Employees and retirees understand the nature of group insurance. Risk is shared, healthy people pay for sick people, young pay for old, etc., so why the rush to make such a change? We understand that health care costs are approaching black hole status, but there are many areas where changes could have been made so that the burden could be shared across the group.

During the 2009 legislative session AMRPE board members provided input to the general government subcommittee as they considered the issue of the retiree "subsidy" and the options presented to them by legislative staff. One of the suggestions we made to the committee was that a change in the premium structure between active and retired employees was a major policy decision that needed to be carefully thought out and opened to wide input. Your department made this policy change without considering this suggestion. The benefits advisory council was not consulted before this change was made.

We are supportive of the plan and thankful for the benefits that it provides. However we do intend to work on returning the rate structure to its former status. We will continue to participate in the ongoing review of the plan by the Legislative Finance Committee. Time will tell, but we believe that your decision is contrary to the sentiment of the legislature.

Thank you

Charles F. Stohl  
President, Association of Montana Retired Public Employees