



**Objections to Provisions of House Bill 1645
April 2, 2008**

Establishes a two-tier system of benefits for Group II retirees.

- It creates a two-tier system for Group II employees. This change is not new to the legislature. It is a change advocated by those who have sought to reduce retiree benefits for years. There is no cost savings in this change and it treats one employee differently from a co-employee even though they are both expected to perform the same job with the same level of competence and professionalism.
- Prior legislatures have killed this move by wide margins. Changes made to the structure of the system and to retiree benefits should be made cautiously and for other than to make some simply “feel good”. Employees make life-altering decisions based on what they will receive for benefits. Any change that does not take into account all the ramifications of the change, especially one that has no positive financial impact on the system, should be studied very carefully.

Removes retirement incentives for Group I retirees that the Retirement Commission did not want removed.

- Removing language from the definition of income included as compensation used to determine a retiree’s monthly pension benefit is detrimental to educators if the result is the loss of retirement incentives paid out to reduce district payrolls. [Is the “to reduce district payrolls” a new thought? If so, we should add another bullet or sentence.]
- The Retirement Commission recommended this change because the Retirement System said it would affect those members who are “bought out” of their contracts in order to avoid a termination fight. Since then, some supporters of the bill have said all retirement incentives are excluded by this change. Group I educators will see a significant reduction in their benefit if this is the case.
- It is doubtful this recommendation would have been included in the commission report if this were the case. School districts and locals negotiate retirement incentives as a way to manage the payroll of a district. More experienced educators take advantage of this incentive, which in turn, allows school districts to replace them with employees at a lower pay scale. The Retirement System told the commission that consideration for the impact of these incentives are already considered and budgeted into the benefit formula.



Changes the composition of the board of trustees despite the long-term success of the board with its current structure.

- Re-organizing the board of trustees is another worn-out tactic used by those who have consistently sought to reduce retiree benefits. The board, without legislation that authorizes the benefit, grants no benefit of any nature that a retiree receives.
- A review of trustee meeting minutes indicates that in very few cases have the trustees been divided on significant issues considered by the board. The reality is that legislative representatives supported board decisions as often as employee trustees supported them.
- Currently there are three employer representatives on the board, one recommended by the Local Government Center and the two legislative appointees. ~~Should the reorganization occur, employees would have just one more seat than employers.~~

Freezes the healthcare subsidy without considering new information about the need to impose such a freeze.

- The medical subsidy is too important to make benefit or funding changes without accurate and complete information. Since the commission dissolved, new information about the funding and legal status of the system has come to light.
- Group I members face the most immediate crisis but that is still three years away. A great deal of groundwork has been done so that any group looking at the subsidy would not have to start from scratch. It can use this information and gather whatever else it needs to address this issue fairly and objectively.
- If the legislature does not agree that more accurate information is available, then the change contained in HB 1645 that freezes the benefit should be applied only to Group I at this time. If a freeze is imposed, it should be temporary. ~~sunsetting every two years. That will force~~ The legislature should then review ~~to look at~~ the performance of the subsidy and its funding stability with an eye toward its availability long term for all members in the closed group. ~~freezing the benefit short term.~~