



Montana School Boards Association
Testimony in Opposition to LC2005-3
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State Administration and Veterans' Affairs Interim Committee
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Mr. Chairman, Members of the Committee, The Montana School Boards Association (MTSBA) appreciates this opportunity to share our thoughts with the Committee on LC2005-3 – a bill to increase employer contributions for certain public employee retirement systems, “close the loopholes” in the Teachers’ Retirement System, and appropriate funds to pay for the increased employer contributions and any one-time infusions of money into the systems.

As currently written, we oppose the bill. We fully understand the need for the Committee and the Legislature to address the actuarial soundness of the Teachers Retirement System (TRS), the Public Employees’ Retirement System (PERS) and the other public employee retirement systems covered in the bill. And we appreciate some of the other provisions of the bill, like the definition of “Full-time service” on page 9, line 14, that lends clarity by stating that it means “service that is at least 180 days or 1,440 hours in each fiscal year.”

We also appreciate the willingness to infuse one-time funds into the systems to reduce the increases in the percentages of employer contributions, although a 1.15% increase next year, up to 2.3% the following year; and an increase of 3.45% over current level in 2009 is a substantial increase – some 46%.

So our first concern – and maybe something the Committee has already considered – would be to see if the State would look at an infusion of funds over time that may limit the increases in the county retirement levies anticipated by the employer increases already mentioned? For example, would \$40 million per year over the next five years – doubling the state contribution – have a noticeable impact? The current level of \$100 million would pay for at least 2.5 years of this commitment right off the bat.

Whatever the increases in the employer contribution is to be we know it will be painful – there’s no way around it and we are not here to place blame for why it has to happen.

Let me move on to the portion of the current proposal that we find most objectionable. We understand that the Committee’s focus and the focus of all of the retirement systems is to restore

actuarial soundness. What we have not heard talked about is the huge impacts the changes in this bill will have on school districts' ability to retain quality administrators in particular.

The bill draft talks about "closing loopholes" – that is certainly one perspective of what the language in Section 10 (page 15) is doing. The perspective for a few Montana school districts is very different. Instead of slamming the door on any creative way for a school district to keep a long term administrator in place, give school districts some help in their ability to retain quality employees.

In a report entitled, "Who Will Staff Montana's Schools?", Dr. Dori Nielson found that:

- Retirement is one of the top three reasons teachers leave their positions. The other two reasons are for higher salaries and to take a position out of state.
- Nearly half of the current superintendents and principals intend to retire within the next five years. Fifty-five percent of them are 50 years old or older.

If you are slamming the door on school districts' ability to retain administrators because of the retirement system – help open another door. The Legislature should be considering a 2% multiplier – an incentive that would keep administrators in Montana districts for 30 years plus. And I can't see that this move damages the retirement system – in fact, it better serves those it should serve – the employees and the employers who are paying into the system.

One of Dr. Nielson's recommendations was to, "Allow broader opportunity to teach after retirement to meet the needs of local schools and communities as well as the needs of the retiree."

Passing this bill in this form will guarantee that more teachers and administrators will head out-of-state when they can draw retirement here. We lose some of our best and brightest, the state loses tax revenue, communities lose respected members, and students lose trusted mentors. Address one problem only to create an even bigger one – a more systemic one – that just doesn't make sense.

The changes suggested in Section 10 do not address the problems that got us to this point. That section of the bill should be taken out until a careful review can be done of the impacts of such actions from existing research.

Another section where we question the purpose and intent of the language is in Section 6, page 11. In particular look at the language in (2)(b) on line 7, page 12. The bill has already taken tools away from school boards to help retain administrators. Is this language now saying that you want to discourage or prevent school boards from offering salary incentives to administrators to try to keep them a few more years? The end-of-career promotions may be seen as extension-of-career promotions for a school board, who are the ONLY ones that can approve any such promotions. Adopting this language as "the policy of the state" infringes on local control. There's no reason for this section to be in the bill.

In summary, we appreciate the work you need to do to recapture the actuarial soundness of the state retirement systems. We would respectfully suggest that you maintain that focus and leave the additional decisions that will have huge impacts on school districts' abilities to recruit and retain until a time when they can be viewed more comprehensively. Thank you for the opportunity to comment.