

SENATE FINANCE COMMITTEE
MINUTES OF MEETINGS
FEBRUARY 13, 1973

The meeting was called to order at 2:55. Senator Lamb was in the chair.

PRESENT: Floyd R. Lamb, Chairman
Warren L. Monroe
B. Mahlon Brown
James I. Gibson
William J. Raggio
Clifton Young
Archie Pozzi
Earl Oliver, LCB Fiscal Analyst

Senator Lamb said he felt it was wise and prudent to hang onto the water and Marlette system. He said in a few years we will be paying Carson City through the nose for the water if the system were sold to them. Senator Gibson said that while we have money that is the place to put it, developing our resource. They felt they should raise the tariff to help make the system somewhat self sustaining.

RETIREMENT SYSTEM:

Senator Lamb said that, "Dean Weams, whom I have a great deal of respect for, has made a motion that we raise the contribution one and one." The employee and employer are now contributing matching dollars. Senator Lamb said he hated to set a precedent of dumping general fund money into the contributions through the employer to make the fund more solvent, and that the fund was in worse shape than you think. Senator Pozzi said there were 3,000 recipients. Senator Lamb said the trust fund should take care of workers as it is their money, but to take money out of the general fund would mean we are getting away from the concept of equal contributions. They discussed a moratorium on changing benefits on retirement payments. They also said that to give substantially higher contributions by the employer would be putting a burden on every municipality, as they would then have to contribute an additional 2% toward the employers contribution.

The contributions are now 6% employee, 6% employer, the governor's request is for 6% employee and 8% employer, and the committee discussed a contribution of 7% employee and 7% employer.

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(If everyone who was eligible went on retirement.)
Senator Lamb said if/the retirement system had to pay off it wouldn't have the money. Senator Gibson said there is a deficit in the actuarial obligation. This imbalance or deficit has gone from 22 million two years ago to 120 million today. As the number of state employees continues to grow this imbalance or deficit will get larger and larger. They are trying to arrest the rate of liability. There is only one state which is fully funded, and in that state if everyone went on retirement they would have money to pay the benefits.

Senator Lamb said there was an investment policy here that had to be changed, where they could get the best retirement fund money. He wanted to see a build up of a cushion against depletion of the fund.

Senator Young asked if the increase in salaries wouldn't put a strain on the retirement fund. Senator Gibson said that there was an argument that the state should pay the entire contribution. He said if they started paying a higher rate for the employer there would be pressure in the future to pay the entire sum. He said part of what has hurt the retirement system was that turnover was 25-30% but this has stabilized and there are more career employees now with a lower turnover rate of 12%, and this has affected the solvency of the system.

Senator Lamb said that the firm of Harris, Kerr, and Forrester, has agreed to meet twice with the committee and go over the retirement problems. He said one of their recommendations was that we go to a 7-7 contribution. Senator Lamb said the lack of solvency scares him to death. Senator Gibson said other states don't have nearly the benefits that ours do. Senator Lamb said ours was one of the finest in the country with regard to benefits.

Senator Monroe suggested they take action as soon as possible on the retirement fund because the municipalities meet in April and will have to know whether they will have to contribute 8% or not. Earl Oliver was instructed to find out where the governor's bill concerning retirement was in the legislature (what progress had been made).

SALARY INCREASES - CLASSIFIED EMPLOYEES:

Senator Monroe said he didn't think they could go above a 5.5% increase which is the limit allowed by the federal wage control board.

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Senator Young asked how you could justify anything more than a cost of living increase. Mr. Oliver said that the salary survey which the Personnel Division did didn't justify an increase to 5%. Senator Lamb said he didn't think the committee would be adverse to giving a 5% raise each year. Senator Young said he would look into the CPI study. Senator Lamb said what's killing us is the tenure--it will cost \$881,000 for merit increases.

They discussed the fact that the welfare administration budget is asking for an increase of 60%. Most agencies are asking a 40% increase throughout the budget. There are 3,496 requested new employees; 2,350 paid through the general fund; 2,400 authorized funds; 250 court, legislative council bureau, and unclassified employees, and a total of 7,250 state employees.

REORGANIZATION:

Senator Lamb said that he felt the reorganization of the Department of Administration might give Howard Barrett too much time to work with budgetary matters. He said it was perhaps a case of the tail wagging the dog, and that Howard Barrett was almost the governor now in terms of power. Senator said Mr. Barrett was a qualified and capable man who has made himself indispensable to three governors. The committee mentioned that Mr. Barrett had worked the proposed raises and the reorganization into the budget and it was very difficult to compare changes from last biennium and the upcoming biennium. Senator Lamb said he wanted to see what the budget looked like without the reorganization and without the pay raises in the budget, then they could put their own pay raises into classified employees wages. He said, "We want to see what the salaries were before the reorganization." He also said "Don't ever let anyone take away the right to set unclassified salaries from the legislature."

With regard to salaries, they are requesting \$881,000 for a step increase to provide an additional step. They are also requesting a 5% salary increase and the CPI (cost of living) is another factor on top of that. The committee wanted to know what employees would be paid without those three raises which are proposed.

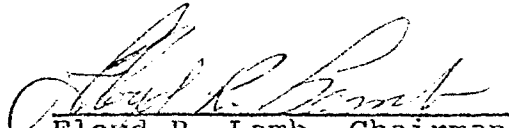
The meeting adjourned at 4:00 p.m.

Respectfully submitted,

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Ellen Hocker, Secretary

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APPROVED:



Floyd R. Lamb, Chairman