



## Montana Legislative Services Division

EXHIBIT 2  
DATE 04/03/07  
SB COMMITTEE STUDY RESULTS

PO BOX 201706  
Helena, MT 59620-1706  
(406) 444-3064  
FAX (406) 444-3036

### REQUESTER REVIEW OF INITIAL BILL DRAFT

DATE: April 2, 2007  
TO: (H) State Administration Standing Committee  
FROM: Sheri Heffelfinger

Enclosed is a draft of LC2575, which I believe implements your request. After you have reviewed the draft, please immediately return the attached instruction letter to me or call me at 444-3596 with your instructions.

In accordance with Legislative Council Rules of Procedure, if I have not received instructions from you by 5 p.m. on Wednesday, April 4, 2007, I will place the enclosed draft on hold or submit the draft for legal review by the Legislative Services Division.

After this draft has been submitted for legal review, you may request additional changes. However, after one redo, additional changes requested by you will result in the draft being moved to the bottom of my bill drafting priority list. An exception may be made for clerical errors only.

**INSTRUCTION LETTER FOR PROCESSING LC2575 AFTER INITIAL REVIEW**

Deadline for notifying drafter with your instructions: **Wednesday, April 4, 2007**

TO: Sheri Heffelfinger  
FROM: (H) State Administration Standing Committee

I have received LC2575 for initial review, along with its cover letter dated April 2, 2007.

Here are my instructions for processing LC2575:

- [ ] **PROCEED.** This draft is satisfactory as is. Please submit this draft for legal review by the Legislative Services Division now.
- [ ] **PROCEED AFTER MAKING THE ENCLOSED CHANGES.** Enclosed are changes that will make the draft satisfactory. Please submit this draft for legal review by the Legislative Services Division after making these changes.
- [ ] **MAKE THE ENCLOSED CHANGES--THEN RETURN TO ME.** Please return the draft (with changes made) to me for review.
- [ ] **PUT ON HOLD. I NEED MORE TIME TO REVIEW THIS DRAFT.** I have no changes to make at this time, but I need more time to determine what, if any, additional changes need to be made.
- [ ] **CANCEL THIS DRAFT REQUEST.**

Signature \_\_\_\_\_

**Unofficial Draft Copy**

As of: April 2, 2007 (5:42pm)

LC2575

\*\*\*\* Joint Resolution No. \*\*\*\*

Introduced By \*\*\*\*\*

By Request of the House State Administration Standing Committee

A Joint Resolution of the Senate and the House of Representatives of the State of Montana requesting that the legislative council designate an appropriate interim committee or assign sufficient staff resources to examine public employee retirement plan design and funding options and draft a retirement plan redesign bill that may be considered by the next legislature.

WHEREAS, excess actuarial unfunded liability has caused the teachers', public employees', and sheriffs' retirement systems to become actuarially unsound; and

WHEREAS, actuarial soundness is required by the Montana Constitution under Article VIII, Section 15, and Montana's current statutory law, section 19-2-409, MCA, interprets actuarial soundness to be actuarial funding sufficient to amortize system unfunded liabilities over 30 years or less; and

WHEREAS, the legislature is faced with the prospect of spending millions of taxpayer dollars to the public employee retirement systems and raise employer contribution rates so the system actuarial liabilities can be amortized in 30 years based on the latest actuarial valuation; and

WHEREAS, defined benefit plans, by their very nature, have unfunded liabilities because they plans guarantee a set retirement benefit for employees regardless of plan experience;

**Unofficial Draft Copy**

As of: April 2, 2007 (5:42pm)

LC2575

and

WHEREAS, defined contribution retirement plans do not incur unfunded liabilities or involve actuarial funding because benefits are not guaranteed by the employer, the employer is only obligated to pay defined contributions, employees control their own investments, and employee account balances, including employer contributions, are portable; and

WHEREAS, the purpose of House Bill No. 814 was to provide the legislature with the opportunity to consider and debate the merits of requiring that new public employees join a defined contribution retirement plan instead of defined benefit retirement plans; and

WHEREAS, more time and study is necessary in order to craft legislation to address technical and policy concerns.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate an appropriate interim committee, pursuant to section 5-5-217, MCA, or direct sufficient staff resources to:

- (1) research and examine options for moving Montana's public employee retirement systems from defined benefit retirement plans to a defined contribution retirement plan;
- (2) review appropriate actuarial data and information relevant to the examination of the options; and
- (3) draft a bill that may be introduced for consideration and debate during the 61st regular legislative session that would

**Unofficial Draft Copy**

As of: April 2, 2007 (5:42pm)

LC2575

provide that future public employees be covered in a defined contribution retirement plan rather than a defined benefit retirement plan.

BE IT FURTHER RESOLVED, that the appropriate interim committee or the legislative services division secure necessary actuarial and consulting services and that the public employees' retirement board, the teachers' retirement board, and the board of investments provide input and assistance; and

BE IT FURTHER RESOLVED, that if the study is assigned to staff, any findings or conclusions be presented to and reviewed by an appropriate committee designated by the Legislative Council.

BE IT FURTHER RESOLVED, that all aspects of the study, including presentation and review requirements, be concluded prior to September 15, 2008.

BE IT FURTHER RESOLVED, that the final results of the study, including the bill draft and any findings, conclusions, comments, or recommendations of the appropriate committee, be reported to the 61st Legislature.

- END -

{ Name : Sheri S. Heffelfinger  
Title : Research Analyst  
Agency: Legislative Services Division  
Phone : 444-3596  
E-Mail: sheffelfinger@mt.gov }