Public Comment: SAVA Meeting November 4, 2005

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PERS DCRP Participant

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- Mr. Chairman, Members of the Committee
- My name is Terrence M. Smith, Financial Officer Big Sky County W&S District.
- I am the most recent appointee to the PERB.
- I come before you as a member of the PERS DC Plan not as a Board Member of PERB.
- In no way should my opinions be interpreted as those of the PERB Board.
- Having sat in on two of meetings to date I don't believe enough has been discussed regarding the DC Plan and the effects of the perfect financial storm.
- I believe the committee should know the extent of the impact of the perfect financial storm on the new DC Plan.
- The increase in the GABA for the PERS DB plan consumed approximately 490 million dollars of the so called surplus. This was a increase in benefits to one plan when there were about to be two plans, an eleventh hour increase for one plan (the old 3 for me and none for you). The surplus of the DB trust from which the new benefits were bestowed were a result of all the member's employee and employer contributions including the future PERS DC participants (expected to be 30% of total participants). The new benefits however were only considered for the 70% of participants who were expected to remain in the DB plan. There was no consideration or change in the DC Plan statute that would protect and or treat equally the 30% who were expected to switch to the DC Plan. I am not an attorney but from my perspective it appears to potentially violate the equal protection clause. It certainly went against the legislative intent on not harming the new plan with increase in benefits to the PERS DB Plan.

- As a result of the one sided increase in benefits and the market decline there was an unfunded liability of 234 million instead of a 250 million surplus (GABA increase excluded, market decline included), that was allocated to the new DC plan. (Approximately 10 million in unfunded liability to the DC Plan, Peter paying for Paul's eleventh hour benefit increase). And the icing on the cake, the stock market decline which was widely expected by the markets at the time of the benefit increase added another 15 million. So the perfect financial storm which was compounded by the 11^{th} hour benefit increase to the favored DB plan put a 25 million dollar ball and chain on the new DC plan. (The auditing actuary for the 2004 PERS actuarial valuation refused to audit and or give an opinion on the Plan Choice rate worksheet, all he would do was check the math! The Plan Choice Rate worksheet is contained in the packet provided by PERS)

- Was the legislative intent of the 1998 law establishing the DC plan met?

- I ask this committee was there a violation of the equal protection clause by the law increasing the GABA from 1.5% to 3% (2000) with no provisions for the pending DC Plan (1998)?

STATE ADMINISTRATION AND VETERANS' AFFAIRS INTERIM COMMITTEE
NOVEMBER 4, 2005
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