

HOUSE JOINT RESOLUTION NO. 59
INTRODUCED BY D. HIMMELBERGER

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 STUDY PUBLIC EMPLOYEE RETIREMENT SYSTEMS AND PRODUCE A LEGISLATOR'S GUIDE ON MONTANA'S PUBLIC EMPLOYEE RETIREMENT PLANS THAT INCLUDES COMPARISONS OF PLAN DESIGN AND FUNDING OPTIONS AND OFFERS FINDINGS AND RECOMMENDATIONS.

WHEREAS, the fair value of invested assets of Montana's public employee retirement systems is in excess of \$7 billion; and

WHEREAS, the actuarial accrued liabilities of the retirement systems amount to \$7.8 billion; and

WHEREAS, the excess actuarial unfunded liability has caused actuarial unsoundness in the teachers', public employees', and sheriffs' retirement systems; 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, to address the actuarial unsoundness of the teachers' and public employees' retirement systems, the Legislature during the December 2005 special session appropriated from the general fund to the teachers' retirement system \$100 million and to the public employees' retirement system \$25 million and during this 2007 regular session is considering appropriating additional millions to the teachers' retirement system; and

WHEREAS, the current structure and funding of Montana's public employee retirement plans is set by statute, making it the Legislature's duty to ensure that statutory provisions reflect sound policy principles that balance considerations about actuarial soundness, employer objectives, employee retirement savings, and Montana's tax base; and

WHEREAS, previous Legislatures and interim legislative committees have laid a foundation upon which this and the next Legislature can continue to build; and

WHEREAS, the public employee retirement boards, directors, attorneys, and actuaries can assist the Legislature by providing information, research, and analysis to evaluate strengths and weaknesses, identify

alternatives, and make recommendations; and

WHEREAS, pursuant to section 5-5-228, MCA, the State Administration and Veterans' Affairs Interim Committee is responsible for the legislative oversight of the public employee retirement plans; and

WHEREAS, a legislator's guide on Montana's retirement systems that is updated before each legislative session and that may be explained to legislators is a valuable resource that will assist Montana's Legislature in making informed retirement policy and funding decisions.

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 study public employee retirement systems and produce for the next Legislature a legislator's guide that includes:

- (1) a brief history of Montana's retirement plans;
- (2) a concise summary of the rationale for the current retirement plan features of Montana's public employee retirement systems, including but not limited to vesting, early retirement, disability, postretirement benefit adjustments, postretirement earning limits, service purchase and rollover provisions, and benefit formulas;
- (3) an overview of and background on policy principles established by the State Administration and Veterans' Affairs Interim Committee pursuant to section 5-5-228(2)(b), MCA, the retirement boards, and the Board of Investments;
- (4) a review of current trends and best practices in public retirement plan design and funding, including a compilation of research and analysis comparing and contrasting options such as money purchase plans, cash balance plans, floor plans, pension equity plans, deferred retirement option plans, and other hybrid defined benefit and defined contribution retirement plans;
- (5) a comparison of Montana's public employee retirement systems with current trends and best practices, and identification of viable alternatives to current structure and funding;
- (6) a general analysis of the fiscal implications of potential plan design changes on employee and employer contributions, retirement savings, investment responsibilities, and funding obligations; and
- (7) findings and recommendations, including recommendations from the Teachers' Retirement Board, the Public Employees' Retirement Board, and the Board of Investments, on whether Montana's public employee retirement plans should be updated or changed and if so, how, to best serve public employers, public employees, and all people of Montana.

BE IT FURTHER RESOLVED, that the Public Employees' Retirement Board, the Teachers' Retirement Board, the Board of Investments, and the National Conference of State Legislatures be requested to provide assistance and technical expertise in gathering and analyzing information, identifying and analyzing options, and developing findings and recommendations.

BE IT FURTHER RESOLVED, that if considered necessary by the designated interim committee, the Legislative Council be requested to authorize the expenditure of interim committee resources for consulting services.

BE IT FURTHER RESOLVED, that if the study is assigned as a staff study rather than a committee study, the State Administration and Veterans' Affairs Interim Committee provide guidance and oversight.

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 informational briefings on the public employee retirement systems be made available to the next Legislature, including a briefing from the presiding officer of the State Administration and Veterans' Affairs Interim Committee.

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

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