

HOUSE BILL NO. 659  
INTRODUCED BY D. ROBERTS

A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE STATE ADMINISTRATION AND VETERANS' AFFAIRS INTERIM COMMITTEE TO EXAMINE AND RECOMMEND TO THE 62ND LEGISLATURE FUNDING AND BENEFIT CHANGES IN THE STATEWIDE PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS; PROVIDING AN APPROPRIATION; AND PROVIDING AN EFFECTIVE DATE."

WHEREAS, Article VIII, section 15, of the Montana Constitution requires all public retirement systems to be funded on an actuarially sound basis; and

WHEREAS, the recent economic collapse of the financial markets in the United States has severely affected the market value of investments and adversely affected the funding of Montana's statewide retirement systems; and

WHEREAS, the July 1, 2008, actuarial valuation for the Teachers' Retirement System (TRS) showed that current contribution rates will not amortize the system's unfunded liability within the 30-year amortization period considered to be the benchmark for actuarial soundness; and

WHEREAS, if investment earnings for TRS continue to dramatically decline, even with contribution increases, the system's liabilities may not amortize in any length of time unless significant funding is provided and TRS is redesigned to reduce the accrual of benefit liabilities; and

WHEREAS, based on actuarial projections that take into consideration continued market declines since the actuarial valuation of July 1, 2008, for the retirement systems administered by the public employees' retirement board, the unfunded liabilities in the public employees', game wardens' and peace officers', and sheriffs' retirement systems may also not amortize in any length of time without increased contributions and benefit or plan design changes; and

WHEREAS, an appropriate interim committee of the Legislature should examine the funding and benefits in all of the statewide retirement systems, which include the public employees', teachers', judges', game wardens' and peace officers', sheriffs', firefighters' unified, municipal police officers', and volunteer firefighters' retirement systems, review options for changing benefits and plan design, consider the purpose of retirement plans as a part of an overall compensation package for public employees, and develop legislation for consideration by the next Legislature; and

WHEREAS, such an examination and the development of legislation to implement plan redesign and

funding changes will require that the committee be authorized to hire actuarial and other expert consulting services.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Interim committee to examine and recommend changes to statewide retirement systems.** (1) In addition to fulfilling its duties under 5-5-228(2)(a), the state administration and veterans' affairs interim committee established in 5-5-228 shall:

- (a) review current trends and best practices in public retirement plan design and funding;
- (b) examine various options for changes to each of the statewide retirement plans administered by the public employees' retirement board, such as but not limited to changes in:
  - (i) the benefit formula multiplier for each year of service;
  - (ii) the minimum age at which a retirement plan member is eligible for full benefits or for reduced, early retirement benefits; and
  - (iii) the minimum years of service required for a retirement plan member to be eligible for full retirement benefits or for reduced, early retirement benefits.

(2) With respect to the teachers' retirement system, the committee shall compare and contrast various options for redesigning the system, including money purchase plan design options and other alternative and hybrid defined benefit plan options, and shall develop legislation to implement a redesign of the teachers' retirement system that:

- (a) ensures members will have a guaranteed benefit in retirement;
- (b) provides that the employer and employee shall share in some manner the risk of actuarial gains and losses and allows for the adjustment of employer and employee contributions accordingly;
- (c) is sustainable and funded on an actuarially sound basis;
- (d) provides benefits designed to attract and retain qualified and competent employees in a competitive labor market and to facilitate effective workforce management;
- (e) complies with the federal Internal Revenue Code governing tax-qualified public pension plans;
- (f) provides that the system is administered by the teachers' retirement board and provides that system assets are invested by the board of investments, as required by the Montana constitution; and
- (g) provides a foundation for financial security in retirement, taking into consideration that:
  - (i) a retirement plan is only one part of an employee's compensation package that also includes salary,

health insurance benefits, and other benefits;

(ii) an employer-sponsored public retirement plan is not intended to be the sole provider of income to an employee in retirement; and

(iii) deferred compensation, personal savings and investments, and social security should be part of an employee's financial planning for retirement.

(3) (a) The committee may hire consulting services as needed.

(b) The public employees' retirement and teachers' retirement boards and their respective staffs shall provide requested information and actuarial analysis to the extent feasible within the framework of the retirement boards' fiduciary and constitutional responsibilities.

(c) The board of investments and its staff shall also provide requested information and analysis to the extent feasible and consistent with its fiduciary and constitutional responsibilities.

(4) The committee shall involve public employers, public employees, members of the current public employees' retirement systems, public employee and retiree representative organizations, public retirement plan administrators, and other interested parties in the process of developing options and recommendations.

(5) Subject to 5-5-211, the speaker of the house and the senate committee on committees are encouraged to:

(a) consult with the legislative council to determine the most appropriate number of members and support staff for the state administration and veterans' affairs interim committee; and

(b) appoint members from the 61st legislature's standing house and senate state administration committees, house appropriations committee, and senate finance and claims committee to the extent feasible.

**NEW SECTION. Section 2. Appropriation.** There is appropriated from the general fund to the legislative services division \$200,000 for the purposes of [section 1].

**NEW SECTION. Section 3. Effective date.** [This act] is effective July 1, 2009.

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