



State Administration and Veterans' Affairs Interim Committee

61st Montana Legislature

SENATE MEMBERS

JOE BALYEAT
LARRY JENT
DAVE LEWIS
JOSEPH TROPILA

HOUSE MEMBERS

TIMOTHY FUREY
GORDON HENDRICK
PAT INGRAHAM
ROBERT MEHLHOFF

COMMITTEE STAFF

RACHEL WEISS, Research Analyst
DAVID NISS, Staff Attorney
FONG HOM, Secretary

MINUTES

June 26, 2009

Room 137, Capitol Building
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

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To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

COMMITTEE MEMBERS PRESENT

SEN. JOE BALYEAT
SEN. DAVE LEWIS
SEN. JOSEPH TROPILA

REP. TIMOTHY FUREY
REP. GORDON HENDRICK
REP. ROBERT MEHLHOFF

COMMITTEE MEMBERS EXCUSED

SEN. LARRY JENT
REP. PAT INGRAHAM

STAFF PRESENT

RACHEL WEISS, Research Analyst
DAVID NISS, Staff Attorney
FONG HOM, Secretary

Visitors List and Agenda

Visitors' list, Attachment 1
Agenda, Attachment 2

COMMITTEE ACTION

- The Committee approved the State Administration and Veterans' Affairs' Work Plan as discussed.
- The Committee decided to use the expertise of existing actuaries for their HB 659 Study instead doing an RFP to hire new actuaries.
- The Committee agreed to have moderate involvement regarding the SJR 35 Study and in monitoring the implementation of SB 367, and minimal involvement in Rule Review and Legislation review.

CALL TO ORDER AND ROLL CALL

00:00:06 Sen. Tropila, Acting Presiding Officer, called the meeting to order at 8:30 a.m. The secretary took roll visually. Members of the Committee gave a brief introduction of themselves.

AGENDA

OVERVIEW AND ADMINISTRATIVE MATTERS

00:02:27 **Rachel Weiss, Research Analyst, LSD**, gave a brief overview of the duties and responsibilities of the Committee and discussed the Committee's Draft Work Plan (**Exhibit 1**).

00:07:01 **Claims for Legislative Salary and Expense Reimbursements**
Karen Berger, Financial Services Manager, LSD, distributed information on the changes that were adopted by the Legislative Council regarding claims for legislative salary and expense reimbursements (**Exhibit 2**).

RULES, PROCEDURES AND GUIDELINES OF INTERIM COMMITTEES AND PROXY VOTE DISCUSSION

00:09:31 Ms. Weiss discussed the guidelines of interim committees (**Exhibit 3**) and answered questions regarding voting by proxy. It was the consensus of the Committee to accept written proxies.

AGENCY INTRODUCTION AND OVERVIEW

00:13:35 **Secretary of State's Office**
Galen Hollenbaugh, Chief of Staff, gave a presentation on the Secretary of State's Office. He distributed and discussed a flow chart of the Secretary of State's Office (**Exhibit 4**).

Department of Military Affairs

00:20:32 Brigadier General John Walsh gave an overview of the Department of Military Affairs. He distributed a tri-fold showing the impacts that the Department of Military Affairs (**Exhibit 5**) has made.

00:41:43 Lt. Col. Joe Foster, Administrator of Board of Veterans' Affairs, distributed a packet of information regarding the Montana Veterans Affairs (**Exhibit 6**).

00:51:17 A discussion was held regarding Heritage of Montana, VA employment Counseling, and long-term care facilities.

Department of Administration

00:55:23 Janet Kelly, Director, distributed information on the Department of Administration (**Exhibit 7**) and gave a brief overview of the Department's activities.

01:03:09 Rep. Furey asked if the issue regarding state leases for office space get resolved. **Sheryl Olson, Department of Administration**, gave an update of building leases with the state.

Public Employees' Retirement System and Board

01:04:51 Roxanne Minnehan, Executive Director, PERB, distributed the Comprehensive Annual Financial Report (CAFR) of the Public Employees Retirement Board. She gave a brief overview of the Board's different retirement plans and talked about the Board issuing an RFP for a new actuary system called CHEIRON.

01:13:15 A discussion was held on new valuations being included with or without smoothing and if that has any impacts on retirement plans.

Teachers Retirement System

01:15:12 David Senn, Executive Director, TRS, gave an overview of the Teachers Retirement System. He said that Ed McDonald is the new TRS actuary.

-- BREAK --

ROLE OF STAFF AND RULE REVIEW

01:51:04 **Dave Bohyer, Director of Office of Research and Policy Analysis**, distributed a document on Administrative Rule Review (**Exhibit 8**) and gave a brief overview on the authority of the Committee regarding Administrative Rulemaking.

David Niss, Staff Attorney, commented on recent legislation passed in the 2009 Session on rulemaking and its impact on the rule writing process.

PUBLIC COMMENT

None.

HOUSE BILL 659 STAKEHOLDERS INPUT

Teachers' Retirement System

02:04:42 David Senn, Executive Director, TRS, distributed and discussed the Teachers' Retirement Board's comments regarding HB 659 (**Exhibit 9**).

Questions

02:14:00 Sen. Lewis talked about retirement benefits coming from an employee's earnings. He said that he has been a public retiree for the last 10 years and theoretically should he live another 15 years, who will be paying the benefits that he will be receiving.

02:18:35 Sen. Balyeat talked about HB 659's mandate for the Committee, putting together a package of options for TRS that might also apply to PERS, bringing in actuarial expertise on staff to get needed information as quickly as possible, implementing self-adjusting mechanisms, or triggers, to both benefits and contributions, and if triggers are in place for new hires only, would that comport with the court case that is pending.

Sen. Tropila asked if Mr. Senn was considering having the retirement plans sharing the cost of the actuarial fee.

Public Employees' Retirement System

02:34:48 Roxanne Minnehan, Executive Director of PERA, talked about some of the challenges facing the Committee, how to mitigate the impact of prolonged market downturns and how to provide an adequate retirement in the benefit package offered to government employees.

Questions

02:43:11 Sen. Balyeat asked Ms. Minnehan for clarification on her statement that "if you increase rates for existing employees, it would require an additional enhancement." Ms. Minnehan said that in order to increase employee contributions for current members, they would have to get something as a benefit, so you would have to enhance their benefit package in order to increase their employee contributions.

Ms. Minnehan distributed a working paper, "Wharton School: Employees and employers feel the pinch from retirement funding shortfalls" (**Exhibit 10**), which is an objective discussion of the situation that Montana is in now.

Office of Budget and Program Planning

02:45:26 Mark Bruno, representing the Budget Director, offered the support and analytical skills of the Office of Budget and Program Planning into the process by providing independent analysis of retirement issues, helping to understand actuarial analysis, and providing specific expertise in the area of who bears the costs of the employer share of the retirement systems.

MEA/MFT

02:46:31 Tom Bilodeau, Research Director, provided written comments from MEA/MFT (**Exhibit 11**) regarding SAVA's impending work on the pension plans. He also

distributed a book "Characteristics of Large Public Education Pension Plans" that was published by the National Education Association. The book was not a part of his presentation. He suggested that the committee consider bringing in Keith Brainard or Beth Almeida (Executive Director, National Institute on Retirement Security, 1730 Rhode Island Avenue NW, Ste 207, Washington, D.C.) for their expertise.

Montana Public Employees Association

02:58:53 Tom Schneider, Director, talked about the difference between the Defined Benefit Plan versus the Defined Contribution Plan. He would recommend spending time on employee contributions.

Montana School Board Association

03:07:48 Bob Vogel, Director, talked about the Montana School Board Association's concerns regarding recruitment and retention of quality educators.

School Administrators of Montana

03:25:06 Rachel Weiss, Lead Researcher, SAVA, distributed a letter (**Exhibit 12**) from Darrell Rud, Executive Director of the School Administrators of Montana (SAM), expressing commitment from SAM in being active participants throughout the process.

Montana Board of Investments

03:25:56 Carroll South, Executive Director, talked about the current market trend and where the state will be at the end of the fiscal year. He talked about the structure of the pension plan, what happens when normal costs keep increasing, the impacts on the contribution level and the amount remaining on the unfunded liability, and whether or not there will be assets available to pay benefits in 40 years. He said that he will be preparing a report for the Board that will touch on some of these issues.

Rep. Hendrick requested that the committee receive Mr. South's report when it is available.

PUBLIC COMMENT

03:38:52 **Charlene Suckow, Retired Representative for the Montana Retired Educator's Association**, urged the committee to study the current pension systems and to evaluate what is effective about those systems, and what factors could be changed to improve the system.

03:40:17 **Sheryl Wood, Montana Association of Counties**, commented on the employer increases imposed upon local governments through PERS and sheriffs retirements, the cost of living increases, increased contributions by local governments means reduced services by local governments.

ELECTION OF OFFICERS

03:43:27 Sen. Balyeat nominated Sen. Tropila as Chair. The motion passed with Sen. Jent

and Rep. Ingraham voting aye by proxy.

03:44:17 Sen. Lewis nominated Rep. Hendrick as Vice Chair. The motion passed with Sen. Jent and Rep. Ingraham voting aye by proxy.

-- LUNCH BREAK --

SAVA WORK PLAN AND MEETING SCHEDULE

04:43:44 Rachel Weiss, Lead Researcher, LSD, discussed SAVA's draft Work Plan **(Exhibit 1)**.

- agency monitoring
- rule review
- legislation review
- SB 367
- HB 659 Study Plan and HJR 35 Study Plan

04:57:33 David Niss, Staff Attorney, discussed the amount of involvement for Rule Review and suggested eliminating agency monitoring and only raising in writing those proposed rules that are of a concern because of a legal issue that cannot be solved at staff level.

05:01:57 Sen. Lewis **moved** to accept Mr. Niss' proposal on presenting legal concerns on rule reviews. The motion carried with aye proxies from Rep. Ingraham and Sen. Jent.

05:04:22 Sen. Balyeat **moved** that the committee accept recommendations for minimal involvement on agency monitoring. Ms. Weiss clarified Sen. Balyeat's motion by saying that his motion would rule out any reports done on retirement plans if the committee wanted minimal involvement.

Sen. Balyeat **withdrew** his motion and then **moved** for minimal involvement with exception of reports dealing with retirement plans. The motion passed with Rep. Ingraham and Sen. Jent voting aye by proxy.

05:06:13 Sen. Balyeat **moved** that both the HJR35 Study and SB367 Study receive minimal involvement. Ms. Weiss suggested holding off making decisions on HJR 35 until Mr. Bohyer's presentation on that study. Sen. Balyeat **withdrew** his motion.

HJR 35 Study: Public Employee Bonuses

05:10:40 Dave Bohyer, Research Director, LSD, gave a presentation on HJR 35 Study **(Exhibit 13)**.

Discussion

05:23:21 Rep. Hendrick talked about the three bills: HB358 by Speaker Bergren, HB576 by Rep. Warburton, and HB594 by Rep. Hunter, and the importance of doing a good job on the study and presenting their findings at the next legislative session.

05:24:45 Sen. Balyeat asked Mr. Bohyer if he also reviewed the discussions from the Senate State Administration Committee, and if he did, were there any differences between the House State Administration and Senate State Administration discussions with respect to the implications of the resolution.

HB 659 Study of Public Retirement Systems and Redesign

05:35:17 Ms. Weiss gave a presentation on the HB 659 Study (**Exhibit 14**).

05:42:26 A discussion was held regarding using existing actuaries, and hiring a firm versus hiring one person.

05:44:51 Sen. Lewis **moved** to take advantage of existing relationships and expertise and enter into agreements with the present actuarial firms with which the retirement systems have contracts. The motion carried with Rep. Ingraham and Sen. Jent voting aye by proxy.

Ms. Weiss clarified the committee's options for obtaining actuarial services.

PUBLIC COMMENT

06:02:58 **David Senn, Executive Director, Teachers' Retirement System**, commented that goals need to be set. The committee may want to bring Beth Almeida in to look at different goals.

06:03:54 **Tom Bilodeau, Research Director, MEA/MFT**, also commented on having Beth Almeida help the Committee in framing possible questions, objectives and goals and put them into language that will be easier for actuaries to cost out and provide answers.

MOTION ON SJR 35

06:05:45 Sen. Balyeat **moved** for moderate involvement with staff doing the research and presenting their findings to the Committee for a decision on whether to proceed further or not. The motion passed with aye votes from Rep. Ingraham, Sen. Jent and Rep. Furey through their proxies.

MOTION ON SB 367

06:07:46 Sen. Balyeat **moved** for moderate involvement. The motion passed with Rep. Ingraham, Rep. Furey and Sen. Jent voting aye by proxy.

OTHER ISSUES THAT FALL UNDER THE PURVIEW OF SAVA

06:09:17 Rep. Hendrick discussed the issue of mail ballots that he and Rep. Ingraham were involved in their committee. After a brief discussion, Mr. Bohyer told the Committee that the mail ballot study had been taken up by the State Administration and Veterans' Affairs Interim Committee last interim and Ms. Sue O'Connell had written a report on the outcome of that study. Sen. Tropila asked for copy of the report for the committee.

Meeting Dates

06:12:16 There was a discussion on the next meeting date that has been set for

September. It was suggested that the meeting date be changed because of conflicts. Ms. Weiss said that she would work on that and get back to the Committee.

PUBLIC COMMENT

None.

ADJOURNMENT

06:16:35 Sen. Tropila adjourned the meeting at 2:49 p.m.

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