



## State Administration and Veterans' Affairs Interim Committee

### 61st Montana Legislature

#### SENATE MEMBERS

JOE TROPILA--Chair  
JOE BALYEAT  
LARRY JENT  
DAVE LEWIS

#### HOUSE MEMBERS

GORDON HENDRICK--Vice Chair  
TIMOTHY FUREY  
PAT INGRAHAM  
ROBERT MEHLHOFF

#### COMMITTEE STAFF

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

# MINUTES

August 17, 2010

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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#### **COMMITTEE MEMBERS PRESENT**

SEN. JOE TROPILA, Chair  
REP. GORDON HENDRICK, Vice Chair

SEN. JOE BALYEAT (conference call)  
SEN. LARRY JENT  
SEN. DAVE LEWIS

REP. TIMOTHY FUREY  
REP. PAT INGRAHAM  
REP. ROBERT MEHLHOFF

#### **STAFF PRESENT**

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

#### **Visitors**

Visitors' list, Attachment #1.

## COMMITTEE ACTION

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## CALL TO ORDER AND ROLL CALL

00:00:01 SEN. TROPILA call the meeting to order at 8:02 a.m. The secretary took roll. Everyone was present. Sen. Balyeat participated via phone.

## AGENDA

- **HB 659 STUDY AND REDESIGN**

- ▶ **Teachers' Retirement System**

**Cavanaugh Macdonald Consulting, LLC - Ed Macdonald and Todd Green, actuaries**

00:01:57 Ed Macdonald gave a presentation on the proposed benefit structure for new hires only (**Exhibit 1**).

**Questions**

00:07:10 SEN. BALYEAT asked if there was a built-in bias on analysis of the money purchase plan since the target interest is 7% and the plan assumption is 7.75%. **Mr. Macdonald** said the 7.75% return in the pension plan that currently exists does not affect the benefit of the members. It affects the funding requirements of the state.

00:11:24 Todd Green gave a presentation on the costs impact of the five plan alternatives (**Exhibit 1, page 10**).

**Questions**

00:14:40 SEN. BALYEAT asked if employees will have a choice of paying a lower rate and then, if they decide whether or not to stay 30 years, pay the higher rate. **Mr. Macdonald** said that would not be an option. What they have to do is come up with their best estimate as to the decremental costs or incremental costs of this plan. What happens is that every employee in the current system pays 7.15% whether they leave at 25 years retirement or 30 years retirement. You need to define what the employee contribution is in statute and that can only vary if statute is changed.

00:21:13 SEN. LEWIS said, in trying to follow what other states are doing, there is a general movement to extend the time that you use to figure final average earnings and to extend the vesting. **Mr. Macdonald** said that a few states have looked at either extending vesting for new hires, making it longer and harder to vest, and extending the final average earnings.

00:25:51 SEN. BALYEAT said that of all the options put before them, the four PRO options and the Money Purchase Plan option, the Money Purchase Plan was the only

one that actually reduced the normal cost rate. If we use one of these options and move to a 15-year vesting and 5-year final average earnings, the pension system itself sees no benefit from that because it is just absorbed in a lower increase in the rate assessed against new employees. **Mr. Macdonald** said they have a graph on the last page of their presentation that shows a graphical representation of what the required contributions under GASB are. Under any of these scenarios, the long-term funding issues of the current plan are not being addressed. There are increases in the contributions required to adequately fund the TRS system, whether you put in a new plan or don't do anything.

00:30:52 SEN. JENT asked about the current unfunded accrued liability of the system and how it would be affected by redesign. **Mr. Macdonald** said that since nothing is being done to the existing TRS benefits for the people who are currently in there, the unfunded accrued liabilities are essentially the same. The only way to change that is to increase assets or decrease liabilities which would mean a decrease in benefits.

00:33:42 REP. INGRAHAM said that we keep talking about just the employee costs. Is there no effect to the employer costs? **Mr. Macdonald** said that there is an effect on how the unfunded liability of the current TRS system is paid off, but they are just talking about the incremental costs now to the employee of putting them in one of the PRO plans.

00:34:44 **Mr. Macdonald** discussed the numbers for the current plan, the Money Purchase Plan, and PRO Plans I and II, starting on page 19 (**Exhibit 1**).

#### **Questions**

00:40:38 SEN. LEWIS said he is trying to convert the chart to dollars and asked what the salary base would be that we would apply this to? **Mr. Macdonald** said the total payroll is just under \$700 million. That is \$680 million for Teachers. He noted all charts assume that the Annual Required contributions will be made.

00:47:47 SEN. JENT asked a series of questions related to the GASB. **Mr. Macdonald** explained what GASB is and how states must report the ARL.

SEN. JENT asked if there is any history of states leaving their bond ratings downgraded for failing to pay ARC.

01:14:37 **David Senn, Executive Director, Teachers' Retirement System**, said the chart on page 19 shows the decreasing funding ratio. He points out that number is an accounting number. It is not a funding policy of the Teachers' Retirement Board. They would not support lowering that rate and rolling that 30-year amortization period over and over. The Board has historically supported amortizing that unfunded liability to zero. TRS' goal is to get the system to 110% funded so there is a little cushion. Also, all new benefit enhancements to be 100% funded, not keep amortizing those over a longer period of time. They would not support that in a funding policy.

01:20:40 SEN. LEWIS asked Mr. Senn about giving the TRS Board the ability to set employer and employee contribution rates.----

## **Buck Consultants - Doug Fiddler and Dave Slishinsky (phone)**

- 01:25:46 Mr. Fiddler gave a presentation on their review of the cost analysis for the Teachers' Retirement System (**Exhibit 2**).
- 01:39:11 Mr. Slishinsky emphasized that the funded status continues to decrease even though the 30-year funding contribution is made is determined on an actuarial basis. Part of that is the contribution is redetermined and reamortized and you never get to the point of fully amortizing the unfunded liability. Also, the amortization of the unfunded liability is being calculated at the level percentage of the payroll. What happens in that amortization is that the unfunded liability continues to go up because the initial payments still aren't sufficient to pay any of the principal of the unfunded. In the 30-year period, it is year 17 when that turns around.
- 01:40:17 Mr. Slishinsky asked Mr. Macdonald to comment on why the PRO plan changes are only affecting the new members. **Mr. Macdonald** said that when we calculate the normal rate change, we used the existing population as if it were always in the PRO plan.
- 01:43:31 REP. INGRAHAM asked if Mr. Fiddler could explain what he meant by the other option of variable interest credit. **Mr. Fiddler** used the basic pension funding equation to explain how the interest credit would vary to mitigate state's risk of poor investment returns.

## **BREAK**

- 02:11:05 The meeting reconvened at 10:13 a.m.

### **► Public Employees' Retirement System (PERS)**

#### **Cheiron, actuary for PERS - Stephen McElhaney**

- 02:12:44 Mr. McElhaney gave a presentation on the Public Employees' Retirement System (**Exhibit 3**).
- Questions**
- 02:20:15 SEN. BALYEAT asked why the actuarial accrued liability goes from \$4.9 billion up to \$5.2 billion from June 30, 2009, to June 30, 2010, based on the revised assumptions. **Mr. McElhaney** said that is a normal increase in the accrued liability which occurs because the active members of the plan earned an additional year of service and that gets added each year to the liability.
- 02:29:39 REP. HENDRICK asked about the effects of members retiring early in the MPP. **Mr. McElhaney** said when you move to an individual account plan and annuity factors, you move away from the concept of an actuarial reduction.

## **Buck Consultants - Doug Fiddler, Consultant**

- 03:01:09 Mr. Fiddler gave a presentation on the PERS projections (**Exhibit 4**).
- 03:05:16 SEN. BALYEAT asked if the normal cost rate of 9.55% on page 3 of Exhibit 4 Buck Consultants' calculated rate or expected rate or is it PERS' actual rate. **Mr. Fiddler** said that is PERS' actual rate.
- 03:20:51 REP. FUREY asked, if projections are based on a 4% increase in payroll each year, what happens if growth is never zero? **Mr. Fiddler** said they are looking at 30-year projections. The payroll growth includes new hires, includes promotions, includes moving through any salary matrix. It is not just a salary growth.
- 03:24:00 **Mr. Fiddler** discussed the required contributions to fund the system.
- 03:28:45 SEN. LEWIS asked Mr. McElhaney about the increases in contribution rate in his presentation. **Mr. Fiddler** expanded on the answer.
- 03:31:00 SEN. JENT asked about an equilibrium point at which investment returns would return the system to solvency. **Mr. McElhaney** used his program to explain.

#### **Public Comment**

- 03:44:40 **Tom Schneider, Montana Public Employees Association**, said he is interested in the actuaries bringing forth all projections and ideas. The Association passed a resolution to support a defined-benefit plan and is working with PERS on their changes.
- 03:50:03 **Roxanne Minnehan, Executive Director, Montana Public Employees' Retirement Administration**, said that the modified defined-benefit plan that the Board is proposing puts the onus onto the system for long-term sustainability.
- Ken Nelson's email**
- 03:51:12 Ms. Weiss submitted and read Ken Nelson's email into the record.
- 03:52:29 SEN. LEWIS **moved** to put Mr. Nelson's email into the record (**Exhibit 5**). The motion **passed**.

#### **LUNCH**

05:01:13 The meeting reconvened at 1:03 p.m.

- **INTRODUCTION OF THE NEW DIRECTOR OF LEGAL SERVICES OFFICE - Lee Heiman**

05:01:54 Mr. Heiman introduced Rob Stutz as the new director of the Legal Services Office.

- **HB 659 STUDY AND REDESIGN**

05:03:29 SEN. BALYEAT discussed his proposal for a compromise between the Money

Purchase Plan and the PRO options. He also discussed the letter that the Teachers' Retirement Board sent regarding the Money Purchase Plan. SEN. BALYEAT said he wanted to offer as a compromise something that is halfway between the PRO and the MPP.

05:07:33 SEN. BALYEAT said his proposal would ask for legislation to be drafted to switch to a Money Purchase Plan for new PERS hires with one key change. New hires would get an option to contribute .5% more if they believe they are going to be there for at least 30 years. If they do stay for more than 30 years, the employer will match that .5% and grant the interest credit as well. If they opt for the .5% higher contribution, and don't stay for 30 years, they will forego any employer match on that .5% extra contribution, and also forego any interest credit on that .5% contribution.

#### **Discussion**

05:10:53 Mr. Slishinsky said that there are some federal rules for the employer to be able to pick up the employee contributions so the contributions can be made with pre-tax money. Other states have created two plans for new hires to choose from and once they choose into that plan, then the contribution defined under that plan is fixed.

#### **Motion by Sen. Balyeat**

SEN. BALYEAT **moved** for legislation to be drafted to switch to a Money Purchase Plan for new PERS hires and providing an opportunity for new hires to contribute an addition .5% if they stay at least 30 years.

05:13:41 SEN. LEWIS said that one of the big issues is trying to provide incentives for people to go 30 years. It seems like this proposal with the option of the extra .5% would be a powerful incentive for people to put in the full 30 years in their careers.

#### **Public Comment**

05:14:56 **Tom Bilodeau, MEA/MFT**, said MEA/MFT has never been a supporter of a Money Purchase Plan option.

05:25:28 REP. FUREY asked if there was anything in writing that clearly defines what we are voting on. **Ms. Weiss** said that pages 6 and 7 of the Cavanaugh Macdonald presentation provides a summary of the Money Purchase Plan that was costed out. Sen. Balyeat's motion would piggy back on this scenario.

05:26:04 SEN. JENT asked if there was anything wrong with having more than one alternative for Teachers' Retirement redesign. He said he is not adverse to have several options drafted by staff to be continued because these discussions will be continued when the Legislature convenes in January.

05:28:10 REP. MEHLHOFF said he is uncomfortable with making changes to what the committee has been doing without more scrutiny by people to consider all options. Maybe the best course of action is to send more than one option to the

next Legislature and let them make a decision based on what they see by that time. He is concerned that they have not discussed if there might be some ramifications of Sen. Balyeat's proposal.

05:32:00 **David Niss, Staff Attorney**, read the text of section 1, subsection (2) of HB 659. Mr. Niss said that the competition between one competing design and another competing design is to be weighed and determined by the committee rather than the Legislature.

05:34:47 SEN. BALLYEAT understands Sen. Jent's suggestion and Rep. Mehlhoff's concurrence with that. He said he is willing to offer a second motion to have legislation drafted on one of the PRO options with a slight modification based upon discussions he's had.

05:37:00 The committee discussed having more than one bill drafted for HB 659.

### **5 Minute Recess**

06:00:18 The meeting reconvened at 2:03 p.m.

06:02:08 Ms. Weiss asked Sen. Balyeat if his motion includes Money Purchase Plans A and B for just TRS or was he contemplating a Money Purchase Plan for TRS and PERS. SEN. BALLYEAT clarified that the motion would be just for TRS. He said that this motion is to draft a bill implementing the redesign for new hires. The bill would not address any kind of an increase in employer contribution rates.

06:03:40 Ms. Weiss asked Sen. Balyeat to amend his motion to make clear within the body of the motion that it is just TRS.

### **Amended Motion by Sen. Balyeat**

06:03:50 SEN. BALLYEAT moved that his motion be amended to reflect that his first motion be only for the Teachers' Retirement System.

### **Discussion**

06:04:14 REP. INGRAHAM said that she would like to say that it would be 60 years, especially since we are looking at TRS being 65 years, she is not sure that is unreasonable to have the full retirement to start at the 60 years.

06:04:51 SEN. BALLYEAT suggested that the committee go with the assumptions made by Buck Consultants in their analysis of the actuary costing.

06:05:29 Ms. Weiss said that Buck Consultants and Cavanaugh Macdonald disagreed on the retirement eligibility age. They both costed it out at 55 and vested. The concern came between Buck and Cheiron for the PERS system.

06:05:58 SEN. BALLYEAT said that he thought it was TRS. He asked if someone could address Rep. Ingraham's concern. **Ms. Weiss** said that the Money Purchase Plan elements start on page 5 of Buck Consultants' report and also lists retirement eligibility at age 55 invested.

- 06:08:37 Mr. Fiddler said that Buck Consultants did cost it at 55 and vested it at 5 years. There will be some reduced costs if you extend that out to a later age.
- Restatement of Sen. Balyeat's motion**
- 06:10:08 Ms. Weiss restated the motion to have a bill drafted to switch to a Money Purchase Plan for new hires only based on the previously set parameters just for the Teachers' Retirement System for retirement eligibility at age 60 and vested with a second modification to allow for two options for new hires, one at the current statutory employee contribution rate and one at half a percent higher, that half a percent would be matched with the employer contribution and interest if the employee stayed beyond 30 years.
- Roll Call Vote**
- 06:11:10 The motion passed unanimously on a roll call vote (**Attachment 2**).
- Motion by Sen. Balyeat**
- 06:11:51 SEN. BALYEAT **moved** to have legislation drafted to implement PRO, switch to 5-year average earnings and 15-year vesting but increase the employer rate at .54%.
- 06:15:58 Ms. Weiss asked if Sen. Balyeat said "keep the employer rate at the .54 increase". SEN. BALYEAT said it was employee rate.
- 06:16:08 SEN. BALYEAT said that it gives members on his side of the aisle pause to be willing to even have this legislation drafted because they aren't willing to vote for anything at this stage that increases the employer rate. That needs to be left for the Legislature. His motion here includes drafting a bill that makes no reference to increasing employer rates.
- Discussion**
- 06:18:16 **David Senn, Teachers' Retirement System**, said that the Board is interest in the funding of TRS as well as the redesign of it. They see little gain in going to a longer vesting period.
- Motion to amend by Sen. Jent**
- 06:20:19 SEN. JENT said that he would like to amend Sen. Balyeat's motion to go from a 15-year vesting to a 10-year vesting.
- Discussion**
- SEN. BALYEAT discussed the differences in costing estimates on pages 12-15 of the Cavanaugh Macdonald's costing.
- 06:25:33 SEN. JENT **withdraws** his motion.
- 06:25:41 SEN. BALYEAT said his motion is to draft legislation to implement the PRO option for new hires, to not include any kind of increase in employer contribution rates but to include an increase in employee contribution rate of .54%, to include average final compensation to a 5-year average for new hires, and to change the vesting to a 15-year schedule.

06:28:47 SEN. LEWIS discussed a list of top 100 benefits received by retirees in each system..

### Recess

06:36:16 The meeting reconvened at 2:39 p.m.

06:37:33 Ms. Weiss restated the motion: draft legislation to implement the Professional Retirement Option (PRO) for new hires to not include any employer increase but would include a .54% increase for employees and would change the final average compensation from 3 years to 5 years and vesting from a 5-year cliff to a 15-year schedule.

### Roll Call Vote

06:38:02 The motion **passed** 5 to 3 with Sen. Balyeat, Sen. Jent, Sen. Tropila, Rep. Furey and Rep. Mehlhoff voting aye; Sen. Lewis, Rep. Hendrick, and Rep. Ingraham voting no (**Attachment 3**).

### Motion by Sen. Balyeat

06:39:51 SEN. BALYEAT **moved** to draft legislation with respect to PERS to implement the changes that were costed out to reduce the normal cost rate.

### Discussion

06:41:19 REP. INGRAHAM asked if Sen. Balyeat was talking about proposal 11 that the PERS Board brought before the committee regarding changing the multipliers for the different years of service and changing the years from 60 with 5 years to 65 years without including the contribution additions. SEN. BALYEAT said he doesn't have that in front of him. He does agree with the part that Rep. Ingraham said about "without including any employer contribution increase". He said that a more exact rendering of proposed changes would be those changes that were costed out by Cheiron.

06:42:41 Ms. Weiss said that those changes were also proposed by the Public Employees' Retirement Board in their proposal 11 (**Exhibit 6**), which would increase the highest average compensation time period from 3 to 5 years, increase the retirement age to 65 with 5 years of service, and create a phased in multiplier for different years of service. The multiplier is 1.5% a year for service from 5 to 10 years, 1.7857% per year with at least 10 years but less than 30 years of service, and 2% a year for years of service 30 and higher.

### Roll Call Vote

06:45:42 The motion failed on a tie roll call vote (**Attachment 4**).

- **DEPARTMENT OF ENVIRONMENTAL QUALITY REQUEST FOR COMMITTEE BILL - John North, Chief Legal Counsel**

06:46:38 Mr. North discussed the Department of Environmental Quality's request for a bill to amend MAPA to change language of an e-notice of proposed rulemaking. He distributed amendments that shows their ideas for the proposed concept (**Exhibit**

7).

**Motion by Sen. Lewis**

06:49:48 SEN. LEWIS **moved** to approve the request for draft legislation from the Department of Environmental Quality. The motion **passed** unanimously on voice vote.

**No Public Comment given**

- **ADMINISTRATIVE RULE REVIEW - David Niss, Staff Attorney**

06:50:48 Mr. Niss said that the Department of Administration has begun to finalize a rulemaking action to repeal some personnel policies that were included in Administrative Rules of Montana (ARM). He discussed the reasons for the department's actions and the conversations he has had with the department.

**No Public Comment given**

- **FINANCE COMMITTEE REFERENCE BOOK OVERVIEW AND DISCUSSION - Greg DeWitt, Legislative Fiscal Division**

07:00:10 Mr. DeWitt referred the committee to the Legislative Fiscal Division's Legislative Budget Options (**Exhibit 8**). Members of the Fiscal Division gave a brief overview of the purpose of the Reference Book.

07:04:06 ▶ Limit reserve amount for state employee group health plan - Lois Steinbeck

**Public Comment**

07:09:51 **Tom Schneider, Montana Public Employees Association**, said he is on the state health insurance committee and claims for payment of services have skyrocketed. He said that premiums will be borne by the people in the plan with no state participation in the state share. If there was any time in history that we don't want to go this direction, it would be right now. We need to put this off and look at the new medical legislation. He would not support this concept.

07:11:59 ▶ Limit the reimbursement for the grandfathered reserve - Lois Steinbeck

07:15:35 ▶ Change participation requirements for retirees in state health plan - Lois Steinbeck

07:17:51 ▶ Eliminate or reduce the Montana youth challenge program - Matt Stayner

07:22:09 ▶ Eliminate Montana National Guard Scholarship Program - Matt Stayner

07:25:47 ▶ Elimination of 2009/2010 General Fund carry-forward appropriations - Matt Stayner

07:29:06 ▶ Employee furloughs - Greg DeWitt

### Public Comment

- 07:33:54 **Roxanne Minnehan, Executive Director, MPERA**, said that you would have to look at this closely because of the impact on retirees.
- 07:34:37 ▶ Eliminate Election Day paid holiday - Greg DeWitt
- 07:36:00 ▶ Four-day by ten-hour workweek for all but 24/7 functions - Greg DeWitt
- 07:40:58 ▶ Consolidate network computing servers - Greg DeWitt
- 07:43:36 ▶ Review Montana Veterans' Home procedures to determine residents' ability to pay and reduce Veterans' Home cigarette tax minimum ending balance - Lois Steinbeck
- 07:50:00 ▶ General Fund retirement statutory appropriations - Greg DeWitt

### Public Comment

- 07:52:08 **David Senn, Director, Teachers' Retirement System**, said that if 2.49% of teachers' salary collected through a statutory appropriation was reduced or lost, that amount would have to be increased somewhere else that would be added to the 6% that we were talking about earlier.
- 07:53:05 **Roxanne Minnehan, Executive Director, MPERA**, said that she wants to be on record saying that this option would not be helpful to the retirement systems if you are not able to make it up elsewhere.
- 07:53:35 **Doug Neil, Montana State Firemen's Association**, said that the Firemen's Association already pays more money into the pension system than any other contributors and he cannot go to his organization and ask for more.
- 07:57:15 ▶ Eliminate General Fund subsidy of the 1% optional retirement program - Greg DeWitt

### • RETIREMENT PROPOSAL REVIEW - Rachel Weiss

- 08:05:03 Ms. Weiss discussed Legislative concepts from stakeholders (**Exhibit 9**) and proposals for the committee to enact upon (**Exhibit 10**).

#### ▶ Montana Judges Association

- 08:06:59 REP. INGRAHAM said she doesn't need any more fiscal analysis. If we look at our scope of our Principles and Guidelines, we are only suppose to be funding a base of financial security. This proposal which would end up being 100% retirement, is not called for at this time.
- 08:08:00 SEN. JENT said that the proposal probably won't affect many judges.

08:10:00 **Ms. Weiss** discussed the draft reports for the report required by 5-5-228, MCA, and requested feedback from the committee members.

▶ **Montana State Firemen's Association**

08:14:29 The Chair asked Doug Neil to explain No. 3, change the definition of compensation in FURS.

08:14:34 **Doug Neil** said this bill has been before MPERA and the SAVA Committee and explained the proposal.

08:17:02 **Recommendation by Rep. Mehlhoff**  
REP. MEHLHOFF **recommended** a do pass for Montana State Firemen's Association's proposal.

**Roll Call Vote**

The motion **failed** on a tie roll call vote (**Attachment 5**).

▶ **Montana Public Employees' Retirement Proposals**

08:25:43 Ms. Minnehan requested that the committee push forth the proposals 11, 12, and 13 of the Public Employees' Retirement Board for purposes of bill drafting.

08:26:22 **Discussion**  
Ms. Weiss said that Ms. Minnehan is only requesting that the committee authorize that legislation be drafted. It is not a recommendation on the merits of it. It is similar to what the committee did in June when they authorized drafting of some of the public employees' retirement board proposals but did not authorize drafting proposals 11, 12, and 13. Ms. Weiss said that Ms. Minnehan is asking that the committee authorize those bills to be drafted and those bills will go forward as Public Employees' Retirement Board bills and will not be considered bills that the SAVA committee recommends.

08:27:59 SEN. BALYEAT said that proposal 11 is basically equivalent to the proposal that he offered earlier that was voted down on a tie vote except that there is a rate increase in the Board's proposal. He asked why the committee is revisiting this issue again. **Ms. Weiss** said that the technical difference between the bill is that Sen. Balyeat's motion would have made it a SAVA committee bill. If a motion were to be made on Ms. Minnehan's request, it would be to authorize the Public Employees' Retirement Board to draft that particular bill but it would be by the request of MPERB and not by the request of the SAVA committee. A SAVA committee bill would have to have a sponsor from the SAVA committee.

08:29:48 SEN. BALYEAT asked Ms. Minnehan if it was acceptable to her and PERB to draft legislation leaving the employer contribution part out. **Ms. Minnehan** said that she does not know what the Board would approve. Their fiduciary responsibility is to ensure that the retirement systems are sound.

**Motion by Sen. Balyeat**

08:33:29 SEN. BALYEAT **moved** to authorize drafting of legislation for the benefit changes to Public Employees' Retirement Board proposal 11 but without the funding changes and is not considered SAVA committee bills.

**Roll Call Vote**

The motion **passed** 7 to 1 on a roll call vote with Sen. Jent voting no (**Attachment 6**).

**Motion by Sen. Balyeat**

08:35:40 SEN. BALYEAT **moved** to recommend bill drafting of the Public Employees' Retirement Board's proposals 12 and 13 to reflect benefit changes to the Sheriffs' Retirement System and the Game Wardens Retirement System respectively, but without the funding changes and that they are not SAVA committee bills. The motion **passed** on a voice vote with Sen. Jent voting no.

► **Teachers' Retirement Board proposals**

08:36:14 Mr. Senn discussed the Teachers' Retirement Board's proposals 14 and 16.

**Questions**

08:37:20 SEN. BALYEAT said that given the two motions that were passed earlier which were two different proposals to change the TRS benefits for new TRS members, what are the differences between the two bills that were passed. **Mr. Senn** said that there is quite a bit of difference. The two bills passed earlier only address new hires and save a few tenths of a percent of new member salary and generates very few dollars. Proposal 14 will put in the additional funding that would be necessary to meet that 5% or 6% increase in contribution rate that would be required. This proposal also closes some of the current expensive type provisions in the system that people have an opportunity to select against the system. This goes a little bit farther, cleaning up some areas, and putting in additional funding.

**Motion by Sen. Balyeat**

08:40:18 SEN. BALYEAT **moved** to have draft legislation that addresses the benefit changes in the Teachers' Retirement System's Proposal 14 to include amending statutes related to working retirees, repeal all or most of the exceptions to the 10% cap, and the full actuarial reduction for early retirement, and the actuarial interest rate on buy backs.

08:40:55 REP. MEHLHOFF said one provision regarding working retirees affects him directly at the College of Technology and he may abstain from voting.

**Roll Call Vote**

08:42:18 The motion **passed** on a roll call vote with Rep. Mehlhoff abstaining and Rep. Hendrick voting no (**Attachment 7**).

**No public comment given**

- **MEMBER ISSUES -- NEXT MEETING DATE**

08:42:54 REP. FUREY discussed a bill that is being drafted by Sen. Cliff Larson regarding the First Time Home Buyer Plan for veterans and active duty soldiers.

08:44:23 REP. MEHLHOFF discussed the stand down which is Veterans4Veterans that will be held in September.

08:46:16 Ms. Weiss said that the next SAVA meeting will be September 13, 2010.

- **ADJOURNMENT**

08:46:44 With no further business before the committee, Sen. Tropila adjourned the meeting at 4:49 p.m.

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