



**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

## Conference Call Meeting

October 1, 2009

Room 137, Capitol Station  
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.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

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**

REP. GORDON HENDRICK, Vice Chair  
SEN. DAVE LEWIS

### **COMMITTEE MEMBERS PRESENT** (VIA Telephone)

SEN. JOE BALYEAT  
SEN. LARRY JENT  
REP. TIMOTHY FUREY  
REP. PAT INGRAHAM  
REP. ROBERT MEHLHOFF

### **COMMITTEE MEMBERS EXCUSED**

SEN. JOE TROPILA

### **STAFF PRESENT**

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

### **Visitors and Agenda**

Visitors' list, Attachment 1  
Agenda, Attachment 2

### **COMMITTEE ACTION**

- Staff was instructed to prepare an RFI (Request for Information) for actuarial services and to include the actuaries' hourly rate and the estimated number of hours to review the five or six areas as discussed.

### **CALL TO ORDER AND ROLL CALL**

00:00:37 Rep. Hendrick, Acting Presiding Officer, called the meeting to order at 1:31 p.m. The committee secretary called roll; Rep. Hendrick and Sen. Lewis were present at the meeting, Sen. Tropila was excused; other members of the committee were present through teleconference.

### **AGENDA**

#### **REVIEW OF SEPTEMBER 2, 2009 LEGAL MEMORANDUM - David Niss, Legal Staff**

00:02:39 Mr. Niss talked about his memorandum dated September 2, 2009, in response to Dave Bohyer's request for an opinion on whether SAVA may contract for actuarial services (**Exhibit 1**).

#### **Questions**

00:07:46 Rep. Ingraham wanted to know why the committee decided not to hire out an outside consultant and what circumstances led to that informal discussion in the June meeting. Rep. Hendrick said that they were looking at the cost factor. Sen. Lewis said that he made the motion because it seemed that it would be more efficient to use the people who were most familiar with the systems involved.

Rep. Ingraham stated that her concern is putting the people that are already doing the work in a matter of conflict that is referenced in the memo of David Niss.

Sen. Balyeat listed the suggested changes that were discussed at the June meeting:

- a reduced benefit or early retirement, not allowing for full retirement before age 60;
- a reduced retirement benefit for those having fewer than 15 full time years in the system;
- a retirement benefit figured on the highest 15-year average earnings rather than the highest 3 years;
- an escalating benefit retirement age which goes up gradually as life expectancies go up. You have to reach a certain age before you can retire and get full benefits; and
- David Senn's suggestion regarding a hybrid plan between a defined benefit plan and a defined contribution plan.

#### **ACQUIRING ACTUARIAL SERVICES - BACKGROUND AND DECISION TOOL - Rachel Weiss, Staff Researcher**

00:19:19 Ms. Weiss gave a brief overview of the decisions that need to be made to acquire actuarial services to complete HB 659 study (**Exhibit 2**).

### **Questions and Discussion**

00:22:57 Rep. Ingraham asked if the actuaries would work in conjunction with the existing actuaries that represent the retirement boards to glean their information and review what information was represented to the board? Ms. Weiss said that the boards' actuaries know the systems and they also have the numbers. Whatever the committee decides to do, the boards' actuaries will be costing out those proposals as well.

A discussion was held on getting more information on cost factors and what the boards' actuaries are expected to do; i.e., do plan design work or do statutory bill draft review. Ms. Weiss said that a motion from the committee needs to be made to instruct staff to survey what the various firms would charge and bring that back to the committee for its consideration.

00:40:29 Sen. Balyeat suggested listing the five things that had been discussed at the June meeting. He said that a change in the GABA, the Guaranteed Annual Benefit Adjustment, and potentially increasing the state's contribution rate was perhaps discussed either before, during or after the June meeting and they should be added in the RFP as potential suggested changes.

00:42:30 Sen. Jent talked about a bill he had introduced that extended the period of time to 30 years for teachers in return for an increasing benefit.

00:44:23 Rep. Furey wants to look at what an actuary's hourly rate is and what the estimated number of hours for each individual solution to be evaluated would be.

00:45:01 David Niss said that the information that the committee is discussing would better fit within the framework of an RFI, a request for information, rather than a request for proposal. Rep. Ingraham asked if the RFI would include the participation of existing actuaries in order to have the comparison that Sen. Balyeat was looking for? Mr. Niss said that part of the purpose of hiring the committee's own independent actuary is to avoid either an actual or a perceived conflict of interest.

### **Public Comment**

00:52:21 Ms. Weiss entered into the record the Teachers' Retirement Board's comments to the committee written by David Senn, Executive Director (**Exhibit 3**).

00:52:39 Tom Schneider, Montana Public Employees Association, said that the last time the Legislature hired an actuary was to develop a defined contribution plan at the cost of \$60,000.

### **Motion**

00:54:16 Sen. Jent **moved** that the staff of SAVA prepare a Request for Information for actuarial services based on the committee's discussions.

**Discussion**

00:55:00 Ms. Weiss restated the motion asking staff to prepare an RFI for actuarial services to include the actuaries' hourly rate and the estimated number of hours to review the five or six areas as discussed to change the system.

The motion **passed** unanimously with Sen. Tropila's proxy vote voting aye.

00:58:31 Ms. Weiss asked the committee to consider in the RFI whether or not to have staff inquire about using the same actuaries to fulfill the statutory responsibility in the spring to review proposals.

**POSSIBLE RULE REVIEW: MAR Notice No. 44-2-152 - David Niss, Legal Staff**

01:03:30 Mr. Niss said that he had been in negotiations with the agency over his objections to what the agency had proposed in MAR Notice No. 44-2-152, and the agency is going to re-notice those rules to resolve the issues that he has raised with them.

**ADJOURNMENT**

01:04:55 Rep. Hendrick adjourned the meeting at 2:35 p.m. The next meeting will be October 29 and 30, 2009.

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