



State Administration and Veterans' Affairs Interim Committee
65th Montana Legislature

SENATE MEMBERS

SUE MALEK--Chair
DOUG KARY--Vice Chair
DEE BROWN
FRANK SMITH

HOUSE MEMBERS

DENISE HAYMAN
FORREST MANDEVILLE
WENDY MCKAMEY
KATHY SWANSON

COMMITTEE STAFF

SHERI SCURR, Lead Staff
K. VIRGINIA ALDRICH, Staff Attorney
JENNI CARR, Secretary

MINUTES LOG

November 13, 2018
Room 102, Capitol Building
Helena, Montana

Please note: This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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COMMITTEE MEMBERS PRESENT

SEN. SUE MALEK, Chair
SEN. DOUG KARY, Vice Chair

SEN. DEE BROWN
SEN. FRANK SMITH

REP. DENISE HAYMAN
REP. FORREST MANDEVILLE
REP. WENDY MCKAMEY
REP. KATHY SWANSON

COMMITTEE MEMBERS EXCUSED

STAFF PRESENT

SHERI SCURR, Lead Staff
K. VIRGINIA ALDRICH, Staff Attorney
LAURA SHERLEY, Secretary

VISITORS' LIST (Attachment 1)

AGENDA (Attachment 2)

COMMITTEE ACTIONS

CALL TO ORDER AND ROLL CALL

12:30:20 Sen. Malek called the meeting to order at 12:30 p.m. The committee secretary took roll (**Attachment 3**).

SECRETARY OF STATE COREY STAPLETON

Statement on VIP errors, addendum, hiring outside attorney

12:30:57 Sen. Malek reviewed the agenda and the topics of discussion for the Secretary of State Corey Stapleton's presentation. (**Exhibit 1**) (**Exhibit 2**) (**Exhibit 3**)

12:35:14 Sen. Malek asked if the Secretary of State (SOS) office considered other mailer formats, if the SOS office lost partisan election staff, if there is an attorney in the office that could have reviewed the formatting of the voter information packet instead of a private attorney was selected, and what made the SOS say litigation was political.

12:38:04 Secretary Stapleton (**Exhibit 4**)(**Exhibit 5**)

Committee questions and discussion

12:46:49 Rep. Mandeville asked if the Billings Gazette contacted the SOS before publishing it's editorial on the voter information mailer (**Exhibit 6**).

12:48:17 Rep. Mandeville asked if there was a representative from the Billings Gazette present and if the Billings Gazette editorial board was invited to this meeting.

12:49:55 Sen. Malek commented on the committee discussion and asked Secretary of State Stapleton for further information on the mailer printing and postage bids.

12:52:27 Sen. Malek commented on the bids to Print Mail Services and asked if the SOS contacted Print Mail Services to print the mailers.

12:54:57 Rep. Hayman asked Secretary Stapleton to explain the review process for the voter information guides.

12:56:22 Rep. Hayman asked Secretary Stapleton what the SOS review and approval process is for the voter information guides and when the final draft of the first guide was printed.

12:58:10 Rep. Hayman asked Secretary Stapleton what date the first voter information guide was printed and commented on the SOS editing and approval process.

01:31:42 Sen. Brown asked Secretary Stapleton if the funding to pay for the mailers came out of general fund.

01:04:10 Committee discussion on the SOS mailers and funding for the mailers.

Public comment

None

01:10:22 Ms. Scurr reminded the committee of the memo in their packets from the Legislative Fiscal Division (LFD) that reviewed SOS office funding. (**Exhibit 7**)

01:40:28 Julia Platt, LFD, reviewed the funding for the SOS office (see Exhibit 7).

Committee questions

- 01:12:40 Rep. Mandeville thanked the LFD staff for compiling the information and commented on the Billings Gazette research into the SOS funding.
- 01:13:16 Sen. Malek asked Rep. Mandeville to clarify his comments on the Billings Gazette editorial.
- 01:14:23 Sen. Malek asked Ms. Platt if the legislature can recommend changes in licensing fees.

ELECTIONS - UPDATE ON PLANS FOR HAVA FEDERAL GRANT MONEY

Dana Corson, Elections Director, Secretary of State's Office

01:15:48 Director Corson

Committee questions and discussion

- 01:16:38 Sen. Malek asked what the SOS proposal was that was sent to the US Election Assistance Commission (EAC).
- 01:17:34 Sen. Malek asked if the SOS proposal provides grants to state counties.
- 01:18:17 Rep. Hayman asked Director Corson to comment on state counties funding needs and why the grants have not been given to the state counties.
- 01:20:09 Rep. McKamey asked why the EAC has not responded to the SOS proposal.
- 01:20:40 Sen. Brown asked if the committee could assist the SOS by sending comment to the EAC to respond to the SOS proposal.
- 01:21:34 Sen. Malek asked when the HAVA fund money was released to the SOS office and why the grants can not be distributed to state counties.
- 01:25:36 Sen. Malek asked when the current voter registration system was put in place.
- 01:26:11 Sen. Malek asked how much funding was outlined in the SOS proposal to EAC that would go into the new voter registration database.
- 01:27:01 Sen. Malek asked Director Corson if he had the SOS proposal available for the committee to view and asked for further details about the proposal.
- 01:29:04 Sen. Malek commented on old voter machines in state counties and asked for the SOS proposal to be sent to the committee.
- 01:31:33 Sen. Malek commented on the need for voter machine maintenance.
- 01:32:46 Rep. McKamey asked Director Corson to discuss the importance of an updated voter registration database.
- 01:34:56 Sen. Brown commented on the work of the state county clerks and recorders.
- 01:35:48 Rep. Mandeville asked Director Corson to send the EAC response to the SOS proposal to the committee.
- 01:36:26 Sen. Malek asked Mr. Corson to send the SOS proposal and an update on the voter registration database to the committee.

Public comment

None

MPERA RETIREMENT SYSTEM - ACTUARIAL VALUATIONS

Dore Schwinden, Executive Director, MPERA

- 01:37:45 Director Schwinden (**Exhibit 8**)
- 01:41:29 Sen. Malek asked how many defined contribution members there are.
- 01:41:54 Director Schwinden continued his presentation.
- 01:44:39 Sen. Malek asked Director Schwinden to comment on the wage growth assumption percentage.

01:45:30 Director Schwinden continued his presentation.
01:51:04 Sen. Malek asked for clarification on the actual returns.
01:51:54 Director Schwinden continued his presentation.
01:54:40 Sen. Brown asked how much money is normal cross change.
01:55:19 Director Schwinden continued his presentation.
01:56:08 Sen. Brown asked if there is discussion on what to do with the amortization increase.
01:57:34 Rep. Hayman asked how the board manages data in the uneven stock market.
01:59:11 Rep. Hayman asked what the boards strategy would be if the stock market fails.
02:00:29 Director Schwinden continued his presentation.

Committee questions and discussion

02:03:16 Sen. Brown asked for clarification on the new rules for investments.
02:05:44 Sen. Brown commented on the state's retirement fund rate of growth.

Public comment

None

TEACHERS' RETIREMENT SYSTEM - ACTUARIAL VALUATIONS

Shawn Graham, Executive Director, TRS

02:07:27 Director Graham (**Exhibit 10**)
02:09:23 Sen. Brown asked about the potential 1 to 1 ratio of active versus retired members in the Teachers' Retirement System (TRS).
02:10:21 Director Graham continued his presentation.
02:12:26 Sen. Brown asked what would happen to the amortization if the wage growth assumption was 2.5 percent.
02:13:22 Sen. Brown asked what the current wage growth is in TRS.
02:14:29 Sen. Malek asked if the TRS limits the amount a retiree can receive.
02:16:37 Sen. Brown asked about the year average of both tiers and what would happen if the year average for both tiers was 5 years.
02:17:16 Sen. Brown commented on the issue of the year average in TRS.
02:17:59 Sen. Malek asked for a report on the maximum benefit payment in each retirement systems.
02:18:58 Director Graham continued his presentation (see Exhibit 9).

Committee questions and discussion

02:25:21 Rep. Hayman asked if TRS allows a beneficiary to take a lump sum..
02:28:31 Sen. Malek asked if a lump sum withdrawal would be taxed.

Public comment

None

PENSION FUND INVESTMENTS AND RETURNS

Review of written report

02:29:30 Ms. Scurr (**Exhibit 11**)
02:32:52 Sen. Brown asked who decides asset classes.
02:33:42 Sen. Brown asked for a break out report from the Board of Investments on the amount of money paid to outside investors in each plan.
02:34:18 Ms. Scurr continued her presentation.

02:36:32 Rep. McKamey asked for clarification of client criteria.
02:37:03 Ms. Scurr continued her presentation.
02:41:57 Sen. Brown asked for clarification on the use of funds of funds (see Exhibit 11).
02:42:12 Ms. Scurr continued her presentation.

Public comment

None

FINANCIAL RISK ASSESSMENT - STRESS TESTING

Amy Carlson, Legislative Fiscal Analyst

02:45:17 Ms. Carlson and Sam Schaefer, LFD (**Exhibit 12**) (**Exhibit 13**)
03:03:49 Sen. Brown asked for clarification on the request of actuaries.
03:04:18 Mr. Schaefer continued the presentation.
03:05:04 Sen. Brown asked if other states have enacted stress testing
03:06:38 Ms. Carlson continued the presentation. (**Exhibit 14**)

Committee questions

03:09:11 Rep. Hayman asked what the triggers in the financial risk assessment.
03:10:45 Sen. Brown asked Ms. Carlson to speak on the new stress testing method.
03:13:19 Rep. Hayman asked if stress testing is setting up the financial risk assessment report to dueling actuarials.

Agency/Public Comment

03:15:23 Director Schwendin
03:16:27 Sen. Brown commented on providing direction to the Board of Investments.
03:17:04 Director Schwendin
03:17:28 Director Graham

BREAK (Reconvened at 3:37 p.m.)

PUBLIC COMMENT - ANY MATTER UNDER THE COMMITTEE'S JURISDICTION

03:37:49 Roger Hagan, Montana Department of the American Legion and the National Guard Association

COMMITTEE'S PENSION OVERSIGHT DUTIES

Overviews - Ms. Scurr

Legislator's Guide, Historical Perspective, Bill Histories, and Pension Policy Principles

03:38:38 Ms. Scurr (**Exhibit 15**)
03:42:46 Sen. Brown asked that additional information on stress testing be added to the guide.
03:43:37 Ms. Scurr continued her presentation. (**Exhibit 16**) (**Exhibit 17**)

Committee discussion

03:53:54 Sen. Malek asked when the actuarial evaluations are done.
03:55:02 Rep. McKamey commented on the actuarial evaluations being done more frequently due to stress testing.
03:56:47 Rep. Hayman asked if LFD will have recommendations on stress testing.
03:57:46 Rep. Hayman commented on the information given to the committee on stress testing and asked that LFD present stress testing to the Finance Committee.

Green Sheets

- 03:58:30 Ms. Scurr continued her presentation. (see Exhibit 9)
04:03:03 Sen. Malek asked if the committee makes decisions on the green sheets would this would be mandating pay for the next legislature.
04:03:43 Rep. McKamey asked for clarification on agency requirements for how funds are distributed and salaries are adjusted.
04:05:40 Ms. Scurr continued her presentation.

Committee discussion and work session for action on pension topics

Revise/adopt SAVA's Pension Policy Principles

Motion

- 04:16:44 Sen. Kary moved to adopt the SAVA's Pension Policy Principles.

Vote

- 04:16:47 The motion passed unanimously on a voice vote.
04:17:01 Ms. Scurr (**Exhibit 18**)

Public comment - any topic related to pensions

None

COMMITTEE FINAL REPORTS AND BILL RECOMMENDATIONS

Revisit potential committee bill on statutes concerning IT reports to the legislature

Review of issue - Ms. Scurr

- 04:19:27 Ms. Scurr (**Exhibit 20**) (**Exhibit 21, IT reports**)

Agency and public comments

None

Committee questions, discussion, and potential action

- 04:21:27 Rep. Hayman asked why SB 19 (2017) failed to pass.
04:21:49 Rep. Mandeville commented on the decreased general reporting in SB 19.

Summary of interim activity final report and Elections: Accessibility and Cybersecurity final report

Report review including committee bills

- 04:23:30 Ms. Scurr (**State Admin Activities**)

Committee discussion and action to revise/adopt summary of interim activity

- 04:25:57 Rep. Mandeville commented on formatting errors in the table of contents in the report.
04:26:52 Rep. McKamy asked for clarification on reports table of contents.

Report review including detail on LC 323

- 04:28:36 Ms. Scurr (**Elections**)

Motion

- 04:30:56 Rep. Hayman moved to adopt the SAVA's Summary of 2017-18 Activities report.

Vote

04:31:14 The motion passed unanimously on a voice vote.

Motion

04:01:26 Rep. Mandeville moved to adopted the Summary of FY 2018 Public Retirement System Actuarial Valuations green sheets.

Vote

04:01:39 The motion passed unanimously on a voice vote.

Public comment on summary final report

None

RULE REVIEW -- Ms. Aldrich

04:32:41 Ms. Aldrich (**rule review**)

Public comment

None

ADJOURNMENT

04:33:23 Sen. Malek adjourned the meeting at 4:33 p.m.

DRAFT