



# State Administration and Veterans' Affairs Interim Committee

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## 59th Montana Legislature

### SENATE MEMBERS

JOSEPH TROPILA--Vice Chair  
BILL TASH--Chair  
KEITH BALES  
CAROLYN SQUIRES

### HOUSE MEMBERS

RALPH HEINERT  
VERDELL JACKSON  
RALPH LENHART  
VERONICA SMALL-EASTMAN

### COMMITTEE STAFF

DAVE BOHYER, Lead Staff  
JOHN MACMASTER, Staff Attorney  
FONG HOM, Secretary

# MINUTES

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

September 9, 2005

Capitol Building, Room 137  
Helena, Montana

### COMMITTEE MEMBERS PRESENT

SEN. BILL TASH, Chair  
SEN. JOSEPH TROPILA, Vice Chair

SEN. KEITH BALES  
SEN. CAROLYN SQUIRES

REP. RALPH HEINERT  
REP. VERDELL JACKSON  
REP. RALPH LENHART  
REP. VERONICA SMALL-EASTMAN

### STAFF PRESENT

DAVE BOHYER, Research Director  
JOHN MACMASTER, Staff Attorney  
FONG HOM, Secretary

### Visitors

Visitors' list, [Attachment #1](#).

### COMMITTEE ACTION

- The minutes of the June 24, 2005 meeting were approved and adopted.
- David Niss was instructed to look into the letter from the Sheriffs and Peace Officers Association and report back to the Committee at its next meeting.
- The October 3 meeting was changed to October 6.

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

SEN. TASH called the meeting to order at 8:34 a.m. Committee Secretary took roll visually. **(ATTACHMENT 2)**

**SEN. SQUIRES moved to adopt the June 24, 2005 minutes. Motion to adopt the minutes was approved unanimously.**

## **AGENDA**

### **HJR 42: STUDY OF STATE RETIREMENT PLANS - DAVID SENN, Executive Director of Montana Teachers' Retirement System; and TIM RYAN, TRS Board**

DAVID SENN, Montana Teachers' Retirement System, gave a presentation on retirement funding and the relationship of investments and actuarial management of funds. **(EXHIBIT 1)**

### **QUESTIONS FROM THE COMMITTEE**

SEN. BALES said, in reference to Mr. Senn's statement that Montana is having fewer teachers, that he would like Mr. Senn to go through and give more amplification on that. MR. SENN said actual valuation is based on several assumptions: Longevity and mortality rates. We see our members living longer, so we anticipate a longer payout for benefits. In terms of population, the actuarial standards limit the actuarial assumptions on growth. We assume there would be no growth, so the assumption is that the population number of members will remain constant.

SEN. BALES said that when you consider less student enrollment and less teachers, has there been less teachers than five years ago, what effect does that have? MR. SENN said there has not been a decline in the active members in the Teachers Retirement System. If we see a decline in the number of members participating, we will see a decline in liabilities and a decline in employer contribution. If we see a decline in salaries that are reported to us, the income coming in to amortize the unfunded liabilities will go down and that will show up in valuation as an actuarial loss.

SEN. SQUIRES asked Mr. Senn if the Teachers Retirement System is in trouble; does it need the "infusion" to make it actuarially sound? MR. SENN said that they do need to do something to make the TRS actuarially sound. Definition of actuarially sound is if we can pay off the unfunded liabilities over 30 years. Our amortization period is over 70 years, maybe closer to 80 years. So, we're a long ways to making that payment over a 30-year period of time. If the Legislature would do absolutely nothing, that 4.3% or 4.2% that we're collecting will amortize the unfunded liabilities which are about \$750 million as off July 2004 valuation. We'll amortize that over 70+ years. That's not a good situation, you want to be at 30 or under. If you're not at 30 or under, the auditors are going to give an adverse audit report; the bond rating companies are going to look at and say the state is not taking care of their obligation and paying that off as

required by the Governmental Accounting Standard Board and the 30-year requirement and you'll see a negative impact on the state's bond rating. There is a need to make an infusion into the retirement system and to pay down that unfunded liability and bring that amortization period to 30 years or below. SEN. SQUIRES asked what is the amount that needs to be placed into the fund to make it sound. MR. SENN said that he would be able to give an up-to-date answer once they get the 2005 valuation, but based on the 2004 actuarial valuation that was completed prior to the 2005 session, the contribution rate increase needed to be 2.87%.

SEN. SQUIRES asked how GABA fits in the 2.8%. MR. SENN said that it does and it doesn't. You can separate one benefit from another and say that it falls in. When we talk about the liabilities that the Teachers Retirement System, we have \$3.8 billion in liabilities and we are \$750 million short of having assets that equals those liabilities. That liability includes the liability for all the GABAs we're going to pay to current retirees and future retirees for as long as they live; it includes all the benefits we're going to pay based on the current formula; it includes all survivor benefits, disability benefits, so you can't separate one benefit and say where does it fit in this piece. The 2.87% is amortizing that \$750 million liability which is the difference between actuarial assets and actuarial liability. You have to look at the total liability at \$3.8 billion, that includes everything.

SEN. SQUIRES asked if the Board of Investments is their primary investor and are they the only investor. MR. SENN said they are under the (Montana) Constitution and the Board of Investment is charged solely with the investment function.

SEN. TROPILA said that he was under the impression that public retirement for schools could not be invested in public stock. According to the report from Mr. MacMaster, public school fund and permanent funds in the Montana University System and all other state institutions shall be in public securities of state, subdivisions, local government units, bonds of the United States, guaranteed as to principal and other safe investments as bearing fixed rates of interests as may be provided by law. MR. SENN said that we are not that fund. The Pension Trust Funds in John's report indicates that they are the exception to the Constitution, it can be invested in private equities.

SEN. SQUIRES asked if there is a ballpark figure that this fund needs for an infusion and if an infusion is an issue that we have to settle in December if we have a special session. MR. SENN said that we will need an infusion and we'll have to do something during the special session. HB 181 was tabled in the 2005 session so that we could have this discussion and look for more input on what needs to be done. When we completed the 2004 valuation, we had \$131 million in unrecognized losses, but those will be recognized when we complete the 2005 evaluation. The \$157 million unfunded liability will go up; we will see some increase in unfunded liability but no increase in contribution rates on investment returns for 2005, which is a

little over 8%. That however will not be enough to make up the difference.

SEN. BALES said that after taking and figuring out and if you are still actuarially sound, can you give me the exact things that forced it to be not actuarially sound. The way it looks to me is if things had kept going the way it was, you should have been actuarially sound. MR. SENN said that he was correct from the asset side but he had forgotten the liability side. Had we not increased benefits and everything had stayed the same since 1990, with no enhancement in benefits, we would not be here today. SEN. BALES said because of that and because of the increased benefits, is there any legislation that we have passed that will further exacerbate the problem in the years to come or is there something out there that's going to creep up and bite us even worse in the future. MR. SENN said that there is nothing out there that is going to creep up. In 2001, the Legislature passed a bill that said if this system improves to a point where we could increase the GABA from 1.5% up to a maximum of 3%, the Legislature gave the Retirement Board the authority to do that. But in order to do that, the premise was that the funding has to be there and the amortization period cannot exceed 25 years. In effect what the legislature has done is given the Teachers Retirement Board the authority to reamortize the debt and fund the liability. But that's not going to happen in the near future because the funds are not there. The system would have to get down to a 10-year amortization period before the Board would be able to make that change.

REP. JACKSON asked what can be done to correct the problem rather than put more money into it. MR. SENN said that the Teachers Retirement Board will be discussing options at their meeting in September, what can we do for new hires, how can we change the benefit structure and the delivery of retirement benefits so that it is an attractive system in recruiting and retaining teachers.

**PUBLIC EMPLOYEES RETIREMENT BOARD and PERA - Carole Carey, PER Board President; and Mike O'Connor, Executive Director, PERA**

CAROLE CAREY, President of the Montana Public Employees Retirement Board, gave a presentation (**EXHIBIT 2**) on the PER Board. Ms. Carey introduced Jay Klawon, Board member who has experience in investment management, counseling and financial planning; Mike O'Connor, Executive Director of PERA; the newest Board member, Terry Smith; and the PERB's attorney, Kelly Jenkins.

JAY KLAWON, past member of Board of Investments, Hamilton, Montana, commented to the Committee on being on the Board of Investments as well as on PER Board as a dual member. If part of the process is to assign blame or find blame in what happened, he and perhaps Tim Ryan are probably qualified best for that because Mr. Ryan was the chairman of the TRS and Mr. Klawon was on the Public Employees Retirement Board and they both represented those

boards on the Board of Investments. He has been in the investment business for 18 years, has no vested interests if we increased retirement benefits to state employees, he gains nothing. He is from the private sector. He is convinced that what he did was what he was charged to do by the Constitution. He was on the PER Board for 2 years before he was appointed to the Board of Investments. If you go back to 1999, Greenspan started raising interest rates because the economy was running pretty hard and he was afraid that inflation was going to rear its ugly head. If you look back historically, normally when the Federal Government raises interest rates, they do it too much and that will put us into a recession. Everyone knew the market was overvalued. No one could have predicted 9/11; they could have predicted corporate problems that might have already been brought up. No one could have predicted the depth or the length of the decline of the stock market. I am convinced that the Board of Investments, at the time, had their portfolio, their asset allocations properly positioned for the economic recovery. Once you set up a discipline to have your portfolio properly positioned for that economic recovery, you wait with patience. If you change your discipline and make changes midstream, you are going to create bigger problems than if you just maintain the disciplines you set up.

MIKE O'CONNOR, Executive Director of PERA, talked about PERS ([EXHIBIT 2](#)).

#### QUESTIONS FROM THE COMMITTEE

REP. JACKSON asked Mr. O'Connor if he heard the question asked previously regarding 9/11 and what Montana did in having their portfolio ready for the recovery and could he give more perspective on that as to when that was in place and the amount of money we were able to recover when compared to the loss of 9/11? MR. O'CONNOR said that he heard the question as well as the answer and that is a good question to defer to the Board of Investments. PERS money is given to the Board of Investments because they are the investment vehicle for all retirement systems in Montana.

REP. JACKSON asked what the participation of state employees in IRAs. MR. O'CONNOR said he did not have that information on IRAs, but the Retirement Board also administers a 457 Deferred Comp Plan, which is a supplemental savings plan where people voluntarily defer money and invest it in a set of investment vehicles. There are 7,000 participants in the 457 Plan which includes both active people and people who are no longer working for the state.

SEN. BALES said public employees were given the option of going from defined benefits plan to a defined contribution plan. The thought was to relieve stress off of the retirement system. Sen. Bales asked if Mr. O'Connor could go over the logic behind that and the success or lack of success of that option. MR. O'CONNOR said that legislation was passed in 1999 to create a DC option for public employees. It went into effect in 2001. It gave existing employees and new hires the option of selecting one or the other plans. SEN. BALES asked what effect did

that have on the actuarial soundness of the system, would it have changed the dynamics of where we are at today, and if so, how? MR. O'CONNOR said that the legislation that was passed protected the soundness of the defined benefit plan. The employer still had the obligation to pay that liability out. That will continue until that portion is paid off. It had no impact on the defined benefit plan because there was the measure in the legislation that protected it and kept the defined contribution plan from having any adverse consequences to the DB members.

SEN. SQUIRES asked Ms. Carey who her Board is responsible to. MS. CAREY said that her Board is responsible to the members of the system. They are the fiduciaries of the trust and it is their job to make sure that the retirement systems are intact. SEN. SQUIRES asked if they were attached to any other entities within state government or are they a stand-alone Board. MS. CAREY said that they are under the guise of the Department of Administration.

SEN. SQUIRES said that if the legislature passes something, why does the Board feel that it has the prerogative to challenge that particular issue to the degree that SB 370 was challenged? MS. CAREY explained why the Board did what they did in SB 370. SEN. SQUIRES said that this is the first time she has had the opportunity to address a member of the Board, that each time they tried to approach the Board, the Board was in a meeting according to PER staff. Sen. Squires gave a brief overview of the sequence of events that led up to the polling of the legislators of SB 370. She said that she believes that the PER Board should be attached to another agency for monitoring.

SEN. TASH interjected and said that Sen. Squires had an opportunity to state her concerns and Ms. Carey has had the opportunity to explain the procedure. It has been brought back into what has been the proper actions that were reconsidered and taken and it is a result of those reconsiderations that has prompted this Committee to have this on our agenda. SEN. SQUIRES said that the issue is what we expect from this particular Board since we are going into the huge amount of money in the PERS and TRS. She thinks the accountability should be tightened up. She is fearful of trying to make this decision about PERS based on what has happened to us in the process of SB 370. SEN. TASH said he understood and thought that there will be legislative remedies that will be submitted and brought forth to do that. SEN. SQUIRES stated that she would like David Niss to address a letter that was provided to the Committee from the Sheriffs and Peace Officers. There are some recommendations that can be done because she wants to make sure that the PERB understands that they are responsible to somebody. Sen. Squires said that she wants to make sure while Ms. Carey is here, that Ms. Carey has direction on how the Board will respond and how some of the staff will respond, and the truth will be provided to the Committee each and every step. Sen. Squires said that that is her responsibility as a legislator and she wanted to express her deep concern about this process. She wants this Board to understand that what happened in that particular bill does not

happen to PERS. SEN. TASH said the Committee recognized her concern and understood.

SEN. SQUIRES had wanted Ms. Carey to notify the bill sponsor as to the rulemaking process. Sen. Squires thought some issues might have been resolved if she had known and had had discussions on the proposed rules with PERA staff. Sen. Squires said she was not given the courtesy of being notified by PERS in regards to the rulemaking authority. She worked very closely with the Montana Sheriffs and Peace Officers Association and she thought that some issues might have been resolved if that process had occurred. Sen. Squires thought it imperative that Ms. Carey make sure with her PERA staff that notification and communication always occurs so that they don't run into some of the issues that she ran into this time.

#### **BOARD OF INVESTMENTS - Carroll South, Executive Director**

CARROLL SOUTH gave a presentation (**EXHIBIT 3**) on Pensions & Investments, Montana Board of Investments.

SEN. TASH said that he will hold questions for Mr. South at a later time in the meeting.

#### **SECRETARY OF STATE - Brad Johnson**

BRAD JOHNSON gave a brief overview of the Secretary of State's Office. There are six bureaus that carry out the functions of the office. Those include Administrative Rules of Montana, Business Services, Elections Bureau, Information Technology Division, Management Services, and Records Management. The Secretary of State's Office functions more like a business, generating revenues from user fees in order to run the office. Mr. Johnson introduced his executive staff: Executive Assistant, Susan Ames; Deputy of Records Management, Patty Borsberry; Deputy for Management Services and Administrative Rules, Jean Branscum; Chief Legal Counsel, Elwood English; Communications Director, Bob Garner; Deputy for Elections, Elaine Graveley; Deputy for Business Services, Mike O'Brien; Chief Deputy and Chief of Staff, Mark Simonich; Executive Scheduler, Lynn Staley.

#### **QUESTIONS FROM THE COMMITTEE**

SEN. TROPILA asked if the Secretary of State's Office have their records copied and in a safe place in case of a catastrophe. MR. JOHNSON said they have records backed up and in a separate and secure place.

SEN. SQUIRES said that she had the bill on absentee voter registration; nothing has been provided to her in regards to what that form would be. Is there a copy of that form? MS. GRAVELEY said that has been done and that she will give a copy to all Committee members.

**LAW REGULATING THE INVESTMENT OF PUBLIC EMPLOYEE RETIREMENT SYSTEM FUNDS - John MacMaster, Legal Staff, LSD**

JOHN MACMASTER talked about his revision to his report, distributed previously, of the law regulating the investment of PERS funds (**EXHIBIT 4**).

**OFFICE OF BUDGET AND PROGRAM PLANNING - David Ewer, Executive Director**

DAVID EWER distributed a letter from the Governor to Darrell Layman (**EXHIBIT 5**). Mr. Ewer discussed the situation of the retirement systems. First, the fiscal stress that the current system has that needs to be addressed. Second, what institutional changes we can make to avoid the fiscal stress that we find ourselves in today. Many institutional issues that involve the Legislature, the Executive Branch and the boards are in the letter to Darrell Layman and are contained as ideas. Mr. Ewer wanted to share thoughts about the fiscal fix. He thinks a combination of using one-time money and fund balance to inject cash into the systems would be defensible. The other reality is that, particularly with TRS, much of that contribution that is forced on the school districts ends up getting paid for through a permissive tax levy onto property taxpayers. PERS is a different issue because much of that is within general government. There are three possibilities for universal change: increase employer contributions, change the benefit class for new hires, and/or put one-time money in.

Mr. Ewer stated that the Governor will not support an increase in benefits unless they are funded and does not support incentives for early retirement. Mr. Ewer anticipates a special session, anticipates that the Quality Schools Interim Committee will get their work done, anticipates a solution to be passed in the Special Session, and has advised the Governor to request a one-time infusion of money for retirement. From the Executive Branch side, they are working to bring together the retirement boards and Board of Investments to make changes that are overdue and provide the cohesiveness needed for this mission.

**QUESTIONS FROM THE COMMITTEE**

REP. LENHART asked Mr. South if he has a chart or graph that one can look at that would show the amounts generated and the consequences of combining both options; i.e., a cash infusion and increased contributions. MR. SOUTH said not yet, but that they will have those numbers because the actuary is going to do a Fiscal Year 2005 review of all the pensions. All numbers seen are based on an actuarial review that is over a year old. MR. EWER said that he has asked the retirement systems and they have agreed that the actuary will be prepared to present the kind of information you are asking for.

REP. HEINERT asked Mr. South if he and the Board of Investment have much interface with the retirement boards and if the Board of Investment has regular meetings at any particular time or does he talk to people by telephone. MR. SOUTH said that his Board holds public meetings every six weeks. They have a representative from the Teachers Retirement Board and the Public Employees Retirement Board. They have hired a consultant, on retainer, who will do an

asset/liability study, which will go to each of the nine pension plans and tie all three boards together.

REP. JACKSON asked Mr. South, regarding the 8% assumed return and the mix of equities and fixed investment in his presentation, if he could he give more background on where that came from and how he came up with the figures. MR. SOUTH said that the two pension boards established the actuarial assumption. Currently, as of 2004, the TRS has changed their ROI assumption from 8% to 7.75%. When you do that, it increases the unfunded liability because you don't think you are going to make 8%, you're are only going to make 7.75%. That is not our call. Our duty is to generate the returns that the actuarial assumptions are based on. You get there by historical returns on different asset classes and assuming that over the next 76 years in total, they will perform similar to that. It is a model and that modeling will get more sophisticated when we actually have an asset/liability study.

SEN. BALES asked Director Ewer if he considered some kind of constitutional amendment that ties any increases in benefits to adequate funding for the benefit increase in the same piece of legislation. MR. EWER said he did not consider it because he has faith in the process and he didn't think the Constitution is necessarily the place to do it. JOHN MACMASTER added that Article 8, Section 15, of the Constitution, says that "public retirement systems shall be funded on an actuarially sound basis." That is a good argument that the Legislature cannot increase benefits without a corresponding increase in the contributions.

SEN. BALES said that he would question that because at the point in time when that bill was passed that increased the benefits, there was sufficient money in the investments that it was actuarially sound. Maybe it needs another word put in there, over an extended period of time or something because it can change dramatically from one time to another.

SEN. SQUIRES added that when you say we need to change what it says in there, actuarially sound, he is going to invest the money to make it actuarially sound. The communication has not been there between the three boards to make it, is that right? Your response to this issue should facilitate it becoming better in making those assessments. MR. EWER wanted to respond on behalf of the Governor's Office. The Governor has his area and that is the asset side. The other parties are the liability side. We do need to bring that together so that we are all on the same page on bills; what we support and what we don't support. We need to have that worked out before we get in front of the legislature. We need to have board members in sync as to what we are as an administration. That has not always been the case. All of us in this situation, we need to do a better job. MR. SOUTH said it can only work if we have a governor that is strong enough to make it work. As Mr. Ewer said, these are all quasi-judicial boards, so no one can force them to get together and look at a bill. We can't make anything actuarially sound after the fact.

SEN. SQUIRES asked Mr. Ewer if the Governor will force the boards to work or do we need to legislate the issue that they do need to work together. MR. EWER said that he has a lot of optimism. He doesn't believe that any governor in history has ever invited board members to be in the same room and actually talk with the governor about it. We are doing the unprecedented in getting the boards together and talking and trying to move forward. MR. SOUTH said that all the best planning in the world is for naught if in fact individual legislators, based on the needs of their constituency, introduce bills to increase benefits, not running them by any of the three boards. That has happened in the past. The legislature has to take a tremendous amount of responsibility. The public pension boards represent the beneficiaries. They don't like to be put in a position of testifying against a legislator's bill. That is why this interim committee is critical because you have to bite the bullet and assign a committee and say there will be no pension impact bills introduced that aren't vetted by this committee. You have to have a responsibility here and you can't expect all three boards to do it because these three boards are not going to see some of the bills that you are going to see. That puts them in an awkward position if testifying against the bill for the people that they represent.

SEN. TASH said that vetting retirement bills definitely may be the charge of this Committee. He would suggest to Sen. Squires and other members of the Committee, that should be the outcome of what we are here for. That will be on the future agendas.

SEN. TROPILA said he looks forward to the fruition of what he heard today and that it is something that has been long in coming and agrees with both Mr. Ewer and Mr. South. He would like it to happen and he would like to be part of it.

SEN. SQUIRES asked Mr. South if, when that interaction among the Boards comes about, will he be a part of and monitor those bills that come out of there? MR. SOUTH said he certainly will.

## **VETERANS' AFFAIRS**

### **DEPARTMENT OF MILITARY AFFAIRS - Major General Randy Mosley, Adjutant General for the Montana National Guard and Director of Military Affairs**

Major General Mosley gave an overview of what is happening in the Department of Military Affairs and its Emergency Management Division. He introduced members of his state organization, as well as the military organization. Representing the state organization are: Ralph DeCunzo, Facilities Construction and Contracting Program; Karen Revious, Administrator of Centralized Services Division. Representing the military organization: Assistant Adjutant General for MT Army National Guard, Colonel Stan Putnam; Chief of Staff for Joint Force Headquarters, Colonel Brad Livingston; and Lt. Tracy Swanson.

The Base Realignment and Closure Commission (BRAC) presented a plan to retain a flying mission for the Air National Guard in Montana. He is optimistic that they will be successful in making sure that the new mission does happen on the ground. Major General Mosley also stated that the Army National Guard has not been able to keep its numbers where they want to be and recruiting will continue to be very important.

#### QUESTIONS FROM THE COMMITTEE

SEN. BALES asked how much is being scaled back and what are the current numbers and what are the projected numbers. MAJOR GENERAL MOSLEY said that they have an authorized structure for and have jobs available for 3,200 plus soldiers. In the last ten years, we have been able to fill 2,600 of the jobs. Today, the Guard has 2,499 filled, has 3,200 jobs available, and can't find enough people for 600 of them. As a result, we are bringing the for structure down to what I believe I can recruit and maintain a structure within, which is around 2,500 to 2,600.

#### BOARD OF VETERANS' AFFAIRS - Bob Pavlovich (absent)

SEN. TROPILA, spoke on behalf of Mr. Pavlovich. He thought that Mr. Pavlovich was going to speak on the cigarette tax money, to keep it safe because that is what funds the Veterans Hospital. Their Board of Veterans' Affairs is thinking about building another hospital because of the Kuwait/Iraq War. Our hospitals in Glendive and Columbia Falls are full; Fort Harrison is continually being filled up. The Board of Veterans' Affairs has built a cemetery in Missoula to serve our veterans. There will be a townhall meeting at the hospital in Columbia Falls on September 20, 2005.

#### RULE REVIEW - John MacMaster, Staff Attorney, LSD

JOHN MACMASTER reviews rules for the Department of Administration and Secretary of State. David Niss reviews all rules pertaining to the Department of Military Affairs.

If Mr. MacMaster finds a problem with any proposed rules, he will first try to work it out with the staff of the agency that is involved. If he cannot work it out to his satisfaction, and if the problem is minor, he will say it is fine, but if the problem is anything other than minor, he will bring it to the chair of this committee and then it is up to the chair to decide if the committee as a whole should take it up.

#### STATUS ON UPDATE ON PERS RULES re SB 370 - David Niss

DAVID NISS gave an update on the Public Employees Retirement Board's originally proposed rules regarding SB 370, which the Committee had objected to and the Legislators were polled. The PERB had withdrawn what the Committee had objected to and proposed new rules specifically including the detention officers from the three types of facilities which were originally excluded in the original rulemaking proposal that was proposed. The rulemaking notice has now been published in the Montana Administration Register dated September 7; PER Board

filed a notice of rule adoption exactly as suggested by this Committee to make the change that the Committee desired.

Mr. Niss discussed the letter from the Sheriffs and Peace Officers Association that was sent to each Committee member and in which it was stated what the Association felt had gone wrong with the adoption in this case. It would be appropriate for the Committee at this point to discuss whether they should respond to the Sheriffs and Peace Officers Association letter and whether that response is going to be done at this meeting or at some future meeting.

**SEN. SQUIRES made a motion to instruct Mr. Niss to investigate the methods or manner and report back to the committee what can or cannot be done in regards to the letter from the Sheriffs and Peace Officers. REP. LENHART seconded her motion.**

SEN. TASH wanted Sen. Squires to restate her motion, whether it is more than just a response to the Sheriffs and Peace Officers Association in regards to what their concerns are, or to call for more consideration and possibly a motion to state that, the motion was to be extended for reprimand.

**SEN. SQUIRES responded that it was for Mr. Niss to examine methods, whether their letter needs to have reprimands to be a part of it, to have law changes be a part of it, to have the letter be the only answer, that he take a look and go through that letter and then come back to this group and make a recommendation as to what we do here.**

**REP. LENHART said that he seconds that motion. Sen. Squires' motion passed unanimously.**

#### PUBLIC COMMENT

KATHY McGOWAN, Montana Sheriffs and Peace Officers Association, talked about letter she wrote and that the Association did not want a reprimand but would like existing MAPA laws to be rewritten.

DON WALTERS, retired educator, said that he is thankful that he can work because he couldn't live on his teacher's retirement. He said that taxing retired teachers' retirement is hard on retirees. He is hoping that this Committee will help to rescind taxing retired teachers' income.

CHARLOTTE THOMAS, Montana Retired Educator Association (**EXHIBIT 6**), talked about the concerns of the retired educators regarding their pension funds.

FRANK COLE, talked about the results of his case; i.e., pursuing adjustments to long-time retirees in the Police Officers Retirement System.

LEO BERRY, Association of Retired Public Employees, talked about the loss of institutional knowledge because of term limits. The Association has participated in every retirement bill that has been before the session in the last 25 years and has supported those that benefit the retirees and protected the fund.

**MEASURES ADOPTED BY OTHER STATES TO ADDRESS PUBLIC EMPLOYEE RETIREMENT SYSTEM FUNDING ISSUES - Dave Bohyer, LSD**

MR. BOHYER discussed background information on selected state retirement systems **(EXHIBIT 7)**.

**OTHER BUSINESS**

There was discussion by the Committee on the next meeting date. Sen. Bales cannot make the October 3 meeting and requested that the Committee hold its next meeting on another date. Sen. Tash asked if there was any objection to an October 6th meeting date. It was moved to have the next meeting on October 6 at 8:30 a.m. The motion was seconded and passed unanimously.

REP. HEINERT said it would be helpful for him to know what impacts future legislation will have on retirement systems, including the cost of living adjustments that we build in to our retirement and payout plans. He is looking for costs of benefit on annual basis and the cost of living allowance adjustment. MR. BOHYER will talk to Mike O'Connor on that issue.

**ADJOURN**

The meeting was adjourned at 3:57 p.m.

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