



LEGISLATIVE FINANCE COMMITTEE

67th Montana Legislature

SENATE MEMBERS

Janet Ellis
Tom Jacobson
Bob Keenan
Ryan Lynch
Daniel Salomon

HOUSE MEMBERS

David Bedey
Mary Caferro
Frank Garner
Jim Hamilton
Kenneth Holmlund
Llew Jones
Jim Keane
Emma Kerr-Carpenter
Bill Mercer
Sharon Stewart Peregoy
Jonathan Windy Boy

COMMITTEE STAFF

Amy Carlson - Legislative Fiscal Analyst
Julie Johnson - Attorney
Kathy Sangray - Secretary

MINUTES LOG

December 16, 2021
Room 102
Helena, Montana

Please note: This document is a Minutes Log and provides annotation 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 recording 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 the 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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MEMBERS PRESENT:

Sen. Daniel Salomon, Chair (R)
Rep. Mary Caferro, Vice Chair (D)
Rep. David Bedey (R)
Sen. Janet Ellis (D)
Rep. Frank Garner (R)
Rep. Jim Hamilton (D)
Rep. Kenneth Holmlund (R)
Sen. Tom Jacobson (D)
Rep. Llew Jones (R)
Sen. Bob Keenan (R)
Rep. Emma Kerr-Carpenter (D)
Sen. Ryan Lynch (D)
Rep. Bill Mercer (R)
Rep. Sharon Stewart Peregoy (D)
Rep. Jonathan Windy Boy (D)

MEMBERS EXCUSED:

Rep. Jim Keane (D)

MEMBERS ABSENT:

STAFF PRESENT:

Amy Carlson, Legislative Fiscal Analyst

Julie Johnson, Attorney

Kathy Sangray, Secretary

AGENDA ([Attachment 1](#))

Legislative Finance and State Administrative and Veterans' Affairs Joint Meeting

CALL TO ORDER

13:04:07 Sen. Daniel Salomon-R called the meeting to order at 1:04 PM.

Pension Systems Reports

Teachers' Retirement System Report

13:05:33 Shawn Graham, Executive Director, Teachers' Retirement System (TRS), reviewed TRS Valuation Results.

[EXHIBIT 1](#)

13:21:13 Rep. Kerr-Carpenter asked about the projected demographics for teacher retirements over the next ten years.

13:21:42 Mr. Graham explained his perspective on COVID-19 related retirements.

13:23:13 Sen. Kary asked if inactive members are considered in the TRS liability.

13:24:15 Mr. Graham explained that TRS accounts for inactive, terminated, vested members are entitled to retirement benefits, and inactive, terminated, non-vested members are only entitled to their contributions plus interest.

13:25:26 Sen. Kary asked what would happen to retirement benefits for a deceased inactive, vested member.

13:26:10 Mr. Graham explained that if a terminated, vested member dies the beneficiary would receive monthly retirement benefits. If a terminated, non-vested member dies the beneficiary receives a refund of contributions plus interest. TRS encourages inactive, non-vested members to withdraw their funds from the system.

13:27:32 Rep. Holmlund asked if substitute teacher wages are included in the report.

13:27:51 Mr. Graham explained that the report considers only full-time teachers. However, substitute teachers are considered part time and can be members of TRS.

13:28:32 Rep. Holmlund asked what happens if someone withdraws from TRS and then goes back to work substitute teaching.

13:28:55 Mr. Graham explained that those returning to work can participate in TRS and would be eligible to redeposit the withdrawn funds back into TRS along with the service credit.

13:29:54 Rep. Holmlund asked if the number of substitute teachers are identified.

13:30:10 Mr. Graham said they do not track position, just the value to wages and FTE status.

Public Employees' Retirement System Report

- 13:30:37 Dore Schwinden, Executive Director Montana Public Employees Retirement Administration (MPERA) explained report of MPERA Valuation Results.
[EXHIBIT 2](#)
- 13:37:12 William Holahan, Deputy Director, MPERA continued Valuation Results report and benefits paid out by county.
- 13:48:09 Rep. Hamilton asked about rate of return assumptions used to calculate the amortization time frame and the funded ratio.
- 13:50:00 Mr. Schwinden stated that the rate is based on what is reasonably expected in the next two valuations so that assumptions will be met. A new valuation study will be done June 2022 to reevaluate that rate which will impact the funded status.
- 13:51:45 Rep. Hamilton asked why the highest projection for the long-term capital market forecast is used in the valuation.
- 13:53:11 Mr. Schwinden explained that actuaries use a different time horizon than investment consultants for investment returns.
- 13:53:57 Rep. Hamilton asked how to reconcile the below average funded ratio with the above average assumed rate of return.
- 13:54:55 Mr. Schwinden asked for clarification on the question.
- 13:55:10 Rep. Hamilton rephrased the question.
- 13:55:37 Mr. Schwinden explained that in a nationwide survey of similar public plans, Montana is above the median rate for return on investment, and the funded ratio is also in better shape than similar plans.

SAVA HJ 8 Pension Study Update

- 13:56:51 Rebecca Power, Legislative Services Division SAVA Researcher, gave update on pension study.
[EXHIBIT 3](#)

Legislative Fiscal Division Summary

- 14:01:19 Sam Schaeffer, LFD explained Pension Systems' Funding.
[EXHIBIT 4](#)
- 14:01:20 Rep. Windy Boy left the meeting.
- 14:11:16 Rep. Jones asked how fluctuating inflation rates are factored into risk analysis studies moving forward.
- 14:14:50 Mr. Schaeffer stated that systems are impacted by GABA rates and it's a policy issue to determine if the GABA is adequate considering rising inflation.
- 14:16:54 Rep. Hamilton commented on correlation between inflation, bond interest rates and bond prices.
- 14:17:55 Rep. Jones reiterated his point about the fixed 3% GABA rate for current retirees and maybe that needs to be increased to account for higher inflation rates today.
- 14:19:00 Rep. Hamilton pointed out that fluctuations in rate of return need to be considered.
- 14:19:38 Sen. Cuffe recalled work done in the past and pointed out that progress has been made.
- 14:20:18 Rep. Jones agreed on progress but believes the rate of return projection is too high.
- 14:20:57 Rep. Mercer asked a question on statutory appropriation to PERS.
- 14:21:33 Mr. Schaeffer explained the figures on the report on Statutory Appropriation to PERS.

14:22:31 Chair Salomon thanked the speakers.
14:23:07 Sen. Ellis adjourned the SAVVA committee.
14:23:49 Recessed
14:34:06 Reconvened

Committee Business

14:34:46 Sen. Kary gave report on Subcommittee Section A.
14:37:30 Amy Carlson (LFD) gave an update on the NCSL summit.
14:38:09 Rep. Jones stated he did not use budgeted funds to attend the summit.
14:38:19 Ms. Carlson discussed NCSL and introduced Katy Callon, LFD analyst.
14:40:28 Rep. Mercer thanked Ms. Callon for her work.
14:41:17 Ms. Carlson introduced Joe Baan, LFD analyst.
14:42:20 Ms. Carlson awarded service pins to Matt Hartnett for 5 years and Joe Triem for 20 years.
14:46:00 Chair Salomon commented.
14:46:19 Rep. Mercer commented on reports available online regarding HB 358.
14:46:53 Rep. Caferro left the meeting.
14:49:16 Rep. Holmlund talked about how rules are enforced regarding asbestos.
14:51:40 Sen. Keenan asked where the statutes are regarding the handling of asbestos.
14:51:54 Rep. Holmlund further explained the problem.

Pubic Comment

14:52:47 None

Committee Business continued

14:53:15 Ms. Carlson went over the Suicide Prevention Research suggested work plan.
[EXHIBIT 5](#)
14:57:31 Rep. Bedey stated that the Health and Human Services interim committee is working on a Children's Mental Health System study and they have discussed CSCT. Can these two efforts be coordinated to avoid duplication of work.
14:58:01 Ms. Carlson said they could coordinate.
14:58:21 Josh Poulette, LFD, said it makes sense to address Suicide Prevention for all age cohorts. He mentioned that Mr. Rosston from DPHHS has talked to the interim committee and he's willing to talk to this committee as well.
14:59:21 Ms. Carlson said she could reach out to the Health and Human Services committee to coordinate with them.
14:59:28 Sen. Salomon discussed the importance of addressing suicide prevention and encouraged coordination.
14:59:52 Ms. Carlson talked more about coordinating efforts.
15:00:17 Mr. Poulette said the Suicide Prevention Coordinator has a report on statistics that he will forward to the committee.
15:00:46 Rep. Holmlund commented that Mr. Rosston has been the Suicide Prevention Coordinator for some time, but his position was moved from Department of

- Administration to DPHHS because of availability of more people to work with him.
- 15:01:20 Rep. Kerr-Carpenter said she talked to Mr. Poulette about opening research to include both children and adults to get a better view of the issue. She is happy to continue helping work on this issue.
- 15:02:01 Chair Salomon asked for further discussion.
- 15:02:18 Ms. Carlson will put it on the agenda for the next meeting to discuss Suicide Prevention and to meet with the panel of experts.
- 15:02:33 Rep. Mercer requested information for the next meeting on all the federal funding sources for suicide prevention so it can be considered as part of the conversation.
- 15:03:22 Chair Salomon agreed that would be helpful. Asked for any further public comment.

ADJOURNMENT

Adjournment: 15:04:16