



## LEGISLATIVE FINANCE COMMITTEE

### 68th Montana Legislature

#### SENATE MEMBERS

Mike Cuffe  
Janet Ellis  
Tom Jacobson  
Ryan Lynch  
Daniel Salomon

#### HOUSE MEMBERS

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

#### COMMITTEE STAFF

Amy Carlson - Legislative Fiscal Analyst  
Julie Johnson - Attorney  
Katya Grover - Secretary

# MINUTES LOG

December 09, 2022  
Room 317  
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. David Bedey (R)  
Sen. Mike Cuffe (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)  
Rep. Bob Keenan (R)  
Rep. Emma Kerr-Carpenter (D)  
Sen. Ryan Lynch (D)  
Rep. Bill Mercer (R)  
Rep. Sharon Stewart Peregoy (D)

**MEMBERS EXCUSED:**

Rep. Mary Caferro, Vice Chair (D)  
Rep. Jim Keane (D)  
Rep. Regier (R)  
Rep. Jonathan Windy Boy (D)

**STAFF PRESENT:**

Amy Carlson, Legislative Fiscal Analyst  
Julie Johnson, Attorney  
Katya Grover, Secretary

**AGENDA ([Attachment 1](#))**

**VISITORS' LIST ([Attachment 2](#))**

**CALL TO ORDER/ROLL CALL**

08:07:04 Sen. Daniel Salomon called the meeting to order at 8:07 AM. The committee secretary took roll. Vice Chair Caferro, Rep. Keane, Rep. Regier, and Rep. Windy Boy were excused.

**PRELIM. STATEWIDE ANALYSIS OF 2025 BIENNIUM BUDGET PROPOSAL**

08:08:36 Amy Carlson, Director, Legislative Fiscal Division ([Exhibit 1](#))  
([Exhibit 2](#))

**PENSION SYSTEM FYE 2022 ACTUARIAL VALUATIONS**

**Teachers' Retirement System**

08:25:21 Denise Pizzini, Chief Legal Counsel, Teachers' Retirement System ([Exhibit 3](#))

**Committee Questions**

08:42:40 Chair Salomon asked Ms. Pizzini whether current recession would create stress to the retirement system.

08:43:52 Ms. Pizzini continued with her report.

**Committee Questions**

08:48:27 Rep. Bedey asked Ms. Pizzini about the matrix shown on slide 11 of [Exhibit 3](#) and asked whether or not those standards indicated that the system was strong.

08:51:30 Rep. Bedey asked Ms. Pizzini a follow up question about the amortization period.

08:52:40 Rep. Hamilton asked Ms. Pizzini whether the Board of Trustees had a discussion about a 30-year amortization period used by the Montana TRS vs. 15–20-year amortization period practiced in the industry.

08:54:30 Rep. Hamilton asked Ms. Pizzini whether the Board of Trustees discussed the actuarial valuations and the long-term return.

- 08:55:48 Rep. Hamilton asked Ms. Pizzini whether the Board of Trustees discussed the idea of the funding ratio and assumed rate of return.
- 08:56:52 Rep. Mercer reiterated information from slide 13 of [Exhibit 3](#) and asked Ms. Pizzini to confirm that he understood it correctly.
- 08:57:39 Rep. Mercer noted that the timing of July 1, 2023, presented a challenge and requested the Board of Trustees do an analysis that would be provided during the 2023 Legislative Session and that would provide a preview of where the Retirement System would be in July of 2023.
- 08:59:09 Rep. Mercer asked Ms. Pizzini why based on the 2021 study the Board of Trustees reduced the assumed rate of return to 7.3 percent. Rep. Mercer also asked Ms. Pizzini whether the Board has a robust discussion on why not to use a lower rate of return.
- 09:02:04 Rep. Mercer reiterated the content of slide 3 of [Exhibit 3](#) and asked Ms. Pizzini to confirm that he understood the information correctly. Rep. Mercer also asked to elaborate on the process of reaching the inactive members who have a balance that could be cashed out.

### **Public Employees' Retirement System**

- 09:04:35 Dore Schwinden, Executive Director, Public Employees' Retirement System ([Exhibit 4](#))
- 09:11:18 William Holahan, Deputy Director, Public Employees' Retirement System (page 7 of [Exhibit 4](#))

### **Committee Questions**

- 09:23:16 Rep. Hamilton asked Mr. Holahan for his opinion on the number of the drop off ratio for active and inactive employees.
- 09:25:43 Sen. Cuffe asked whether the report given presently was the same that was provided to the SAVA committee. Mr. Schwinden addressed the question.
- 09:26:14 Rep. Mercer requested a chart be provided containing information reflecting an age distribution of the entire population: retiree and active population. Mr. Holahan addressed the information request.
- 09:27:49 Rep. Mercer requested from Mr. Schwinden that a chart be provided containing information going back 5 years that would show the number of current employees opting to use DC Plan as opposed to DB plan. Mr. Schwinden addressed the information request.
- 09:30:00 Rep. Mercer noted that both the TRS and PERS determined that they would go to a 7.3 investment rate of return and that TRS did so based on an actuary recommendation and asked whether it was also a recommendation of the actuary for the PERS. Mr. Schwinden and Mr. Holahan addressed the question.
- 09:32:53 Rep. Mercer asked Mr. Holahan whether anyone on the Board asked if Cavanaugh Macdonald made a different recommendation to any other retirement plan around the country with respect to the assumed rate of return.
- 09:36:07 Rep. Mercer requested that PERS provided a preview based on ASOP No. 4 to the committee during the Legislative Session. Mr. Schwinden addressed the information request.
- 09:37:31 Rep. Jones confirmed with Mr. Schwinden that the historical rate of return has been around 7.5 percent for the 30-year return period. Rep. Jones asked Mr. Schwinden whether the inflationary changes taking place in the last 3 years or so have been taken into consideration in calculating the investment rate of return.

- 09:42:03 Rep. Jones asked Mr. Schwinden about active employee numbers with respect to the state vs. local numbers. Rep. Jones referred to a fairly significant population increase in the State of Montana and asked Mr. Schwinden to elaborate on the reasons why the number of active employees remains the same despite the population increase.
- 09:44:44 Sen. Cuffe spoke about the reason why he asked earlier whether the same report was provided to the SAVA committee.
- 09:45:55 Rep. Jones noted that the state is an undying entity and asked Mr. Schwinden to elaborate on the reasons why the 30-year period was used.
- 09:47:50 Rep. Hamilton provided a comment with regard to the 30-year period. Rep. Hamilton also addressed Rep. Mercer's questions. Rep. Hamilton asked Mr. Holahan about proposed assumed rate of return.
- 09:49:16 Rep. Hamilton asked Mr. Holahan to elaborate on the significant difference in the capital forecast between RVK, Inc. and Cavanaugh Macdonald.
- 09:52:06 Rep. Mercer provided a follow-up comment on his earlier data request and clarified that the data, consistent with questions from Rep. Jones, should show distribution of the active participants in PERS by the governmental entity. Mr. Holahan responded to the data request.
- 09:53:25 Ms. Carlson announced that the Pew Charitable Trust, who has worked with this committee on pension issues, had a new work on comparisons of best practices across the states, and they have offered to work with Montana on understanding how Montana compares to the best practices in other states.
- 09:54:01 Rep. Jones noted that the Pew has provided the committee with good quality work and expressed his hope that this organization would continue working with Montana.

#### **LFC RECOMMENDATIONS TO THE LEGISLATURE (MCA 5-12-205 (7)) UPDATE**

- 09:54:55 Quinn Holzer, Assistant Director, Legislative Fiscal Division ([Exhibit 5](#))
- 10:04:15 Amy Carlson, Director, Legislative Fiscal Division ([Exhibit 5](#)) ([Exhibit 6](#))

#### **Committee Questions**

- 10:05:49 Rep. Bedey provided his recommendations regarding item 6 (page 3 of [Exhibit 5](#)) and item 9 (page 3 of [Exhibit 5](#)). Mr. Holzer addressed Rep. Bedey's comment.
- 10:07:44 Rep. Hamilton asked Mr. Holzer to elaborate on item 5 (page 3 of [Exhibit 5](#)).

#### **Discussion on Companion Bills**

- 10:09:33 Rep. Jones
- 10:12:18 Julie Johnson, Staff Attorney, Legislative Services Division
- 10:13:40 Rep. Jones
- 10:15:19 Sen. Keenan
- 10:17:04 Rep. Mercer
- 10:18:35 Chair Salomon
- 10:19:19 Chair Salomon
- 10:19:55 Rep. Bedey
- 10:21:17 Rep. Jones

10:25:10 Rep. Hamilton  
10:26:35 Rep. Mercer  
10:27:11 Sen. Keenan  
10:28:03 Chair Salomon

### **Further Committee Questions**

10:28:14 Sen. Ellis asked Mr. Holzer to elaborate on recommendation 5.a.i (page 3 in [Exhibit 5](#)) and asked what historically has been done.  
10:32:40 Sen. Ellis noted that the title of PD 0020 did not match up with the content of the bill and asked Ms. Johnson to comment on that.  
10:34:39 Rep. Mercer referred to recommendation 9.b (page 4 of [Exhibit 5](#)) and followed up on Rep. Bedey's comments. Mr. Holzer responded to Rep. Mercer's suggestion.

### **UPDATES FROM IBCS AND MARA**

10:36:44 Chair Salomon opened the updates section of the agenda.  
10:36:59 Rep. Hamilton provided an update on the work of Section A of the Interim Budget Committees.  
10:42:00 Sen. Keenan provided an update on the work of Section B of the Interim Budget Committees.  
10:46:25 Rep. Holmlund provided an update on the work of Section C of the Interim Budget Committees.  
10:48:30 Rep. Mercer provided an update on the work of Section D of the Interim Budget Committees.  
10:54:31 Rep. Bedey provided an update on the work of Section E of the Interim Budget Committees.  
11:02:29 Sen. Cuffe provided an update on the work of Section F of the Interim Budget Committees.  
11:09:04 Rep. Jones provided an update on the work of the MARA committee.

### **Discussion on LC 1112: Making the IBC's Permanent**

11:19:43 Rep. Mercer introduced the discussion. ([Exhibit 7](#))  
11:21:23 Rep. Kerr-Carpenter asked Rep. Mercer to confirm that the bill would not preclude an IBC committee to team up with an interim committee on a study.  
11:25:04 Rep. Bedey noted that whether an IBC committee chose to do a study could be expressed in that committee's work plan.  
11:25:59 Chair Salomon added to the discussion and expressed his agreement with Rep. Mercer.  
11:26:37 Rep. Bedey expressed his agreement with Rep. Mercer and Chair Salomon and spoke about the IBC committees needing maximum flexibility in their work.

### **STATE INFORMATION TECHNOLOGY REPORT**

11:28:19 Matt Van Syckle, Chief Technology Officer, State Information Technology Services Division ([Exhibit 8](#)) ([Exhibit 9](#))

**PUBLIC COMMENT**

11:33:28 None.

**COMMITTEE BUSINESS**

**Executive Action on LFC Recommendations to the 2023 Session and Any Other Items**

11:34:00 Chair Salomon opened the work session.

**Motion**

11:34:26 Rep. Mercer referred to item 6, HB 2 Companion Bill, on page 3 of **Exhibit 5** and moved to strike section “c” and insert the following language: “If a companion bill is referred to a free conference committee, it should be noticed in time to allow for public participation.”

**Discussion on the Motion and Friendly Amendments**

11:35:02 Sen. Keenan

11:35:10 Rep. Mercer

11:36:15 Rep. Bedey

11:36:33 Rep. Hamilton

11:36:45 Rep. Mercer

11:36:59 Sen. Cuffe

11:37:10 Rep. Mercer

11:37:56 Ms. Carlson

11:38:14 Rep. Jones

11:38:40 Sen. Cuffe

11:38:47 Chair Salomon

11:39:07 Ms. Carlson

11:39:26 Rep. Jones

11:40:57 Sen. Keenan

**Vote on the Motion with Friendly Amendments**

11:42:00 Carried unanimously by voice vote. Vice Chair Caferro, Rep. Keane, Rep. Regier, and Rep. Windy Boy were excused.

**Motion**

11:42:31 Rep. Mercer referred to item 9, One-Time-Only Alternative Designation, on page 4 of **Exhibit 5** and moved to take the language that is in “b. i.” and change the words “is directed to” to “may”.

**Vote**

11:42:31 Carried unanimously by voice vote. Vice Chair Caferro, Rep. Keane, Rep. Regier, and Rep. Windy Boy were excused.

**Motion**

11:44:09 Rep. Jones moved the recommendations entitled “2025 Biennium LFC Budget Recommendations to Subcommittees” as amended twice be set forth and be provided to the leadership of the upcoming Session.

**Discussion on the Motion**

11:44:27 Mr. Holzer  
11:45:21 Rep. Jones  
11:47:08 Chair Salomon

**Motion**

11:47:25 Rep. Mercer referred to item 6 of **Exhibit 5** and moved to add “discourage utilization of companion bills as an open vehicle for late session carriers of significant policy” in the document entitled “2025 Biennium LFC Budget Recommendations to Subcommittees”.

**Discussion on the Motion**

11:48:07 Rep. Jones

**Vote**

11:48:13 Carried unanimously by voice vote. Vice Chair Caferro, Rep. Keane, Rep. Regier, and Rep. Windy Boy were excused.

**Item 12 of List of LFC Recommendations: Other or Biennium Specific Items**

**Wordsmithing Discussion**

11:48:20 Chair Salomon  
11:48:34 Rep. Hamilton  
11:48:53 Ms. Carlson  
11:50:22 Rep. Jones  
11:51:57 Sen. Keenan  
11:52:13 Ms. Carlson  
11:52:42 Rep. Hamilton  
11:53:24 Sen. Keenan  
11:53:52 Rep. Bedey  
11:55:10 Chair Salomon  
11:55:44 Rep. Bedey  
11:56:29 Rep. Hamilton  
11:56:58 Chair Salomon  
11:57:04 Rep. Hamilton  
11:57:25 Chair Salomon  
11:57:41 Rep. Hamilton  
11:57:58 Sen. Jacobson  
11:58:20 Ms. Carlson  
11:58:38 Sen. Jacobson

11:59:28 Chair Salomon  
11:59:40 Ms. Johnson  
12:00:05 Chair Salomon  
12:00:11 Rep. Jones  
12:01:40 Chair Salomon  
12:01:46 Rep. Jones  
12:02:09 Ms. Carlson  
12:02:34 Rep. Hamilton  
12:03:16 Sen. Cuffe  
12:03:17 Sen. Keenan  
12:03:30 Chair Salomon  
12:04:07 Mr. Holzer  
12:04:43 Chair Salomon  
12:04:55 Sen. Jacobson  
12:06:02 Ms. Carlson  
12:06:30 Chair Salomon  
12:06:42 Ms. Carlson  
12:07:16 Sen. Cuffe  
12:07:24 Chair Salomon  
12:07:47 Mr. Holzer  
12:08:18 Chair Salomon  
12:08:27 Rep. Bedey  
12:09:56 Chair Salomon  
12:10:07 Rep. Bedey  
12:10:20 Rep. Hamilton

**Motion**

12:11:02 Vote on the motion to move the language of item 12 in the document entitled “2025 Biennium LFC Budget Recommendations to Subcommittees” with the discussed changes.

**Vote**

12:11:02 Carried unanimously by voice vote. Vice Chair Caferro, Rep. Keane, Rep. Regier, and Rep. Windy Boy were excused.

12:11:16 Chair Salomon

**Motion**

12:11:22 Rep. Jones restated his original motion made at 11:44:09 AM and moved the recommendations entitled “2025 Biennium LFC Budget Recommendations to Subcommittees” as amended be set forth and provided to the leadership of the upcoming Session.



**Vote**

- 12:11:22 Carried unanimously by voice vote. Vice Chair Caferro, Rep. Keane, Rep. Regier, and Rep. Windy Boy were excused.
- 12:11:38 Sen. Keenan stated that he will carry HB 1 in the 2023 Session and noted that at some point there needed to be a discussion on whether permanent IBC's have been budgeted for and where they would fit in HB 1 or HB 2.
- 12:12:10 Ms. Carlson stated that MARA committee and IBC's were budgeted for in LFD budget in HB 2.

**Motion**

- 12:12:29 Rep. Jones moved PD 0020 and LC 1112 set forth as LFC committee bills.

**Discussion on the Motion**

- 12:13:02 Rep. Hamilton
- 12:13:21 Rep. Jones
- 12:13:51 Rep. Hamilton
- 12:14:25 Rep. Jones
- 12:15:11 Ms. Johnson
- 12:15:49 Rep. Hamilton
- 12:16:06 Ms. Johnson
- 12:16:33 Rep. Jones
- 12:16:58 Ms. Johnson
- 12:17:41 Chair Salomon
- 12:18:02 Rep. Jones
- 12:18:33 Ms. Johnson
- 12:18:46 Rep. Jones
- 12:18:53 Rep. Bedey
- 12:19:38 Ms. Carlson

**Vote**

- 12:20:06 Carried unanimously by voice vote. Vice Chair Caferro, Rep. Keane, Rep. Regier, and Rep. Windy Boy were excused.

**Update on LFD Preparations for Session**

- 12:20:47 Amy Carlson, Director, Legislative Fiscal Division

**Presentation of 30-Year Pin**

- 12:21:25 Joe Triem, Deputy Director, Legislative Fiscal Division, spoke of accomplishments of Amy Carlson, Director, Legislative Fiscal Division, and presented her with a 30-year pin.
- 12:24:23 Amy Carlson, Director, Legislative Fiscal Division
- 12:24:59 Chair Salomon

12:25:22 Rep. Holmlund

**Instructions to Staff**

12:26:42 Amy Carlson, Director, Legislative Fiscal Division

**ADJOURNMENT**

12:27:16 Chair Salomon adjourned the meeting at 12:27 PM.