

Proposal for Retirement Plan Legislation
(for the 2009 Legislative Session)

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PROPOSER'S NAME/TITLE: Rep. Gary MacLaren, as Vice Chairman, State Administration and Veterans' Affairs Interim Committee

ORGANIZATION: State Administration and Veterans' Affairs Interim Committee

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1. What is the problem or issue?

The issue relates in general to subsection (6) of HJR 59 (2007) that the SAVA undertake and report on "... a general analysis of the fiscal implications of potential plan design changes on employee and employer contributions, retirement savings, investment responsibilities, and funding obligations". The specific issue relates to the fiscal implications of a transition from the statutory provisions of the Public Employees' Retirement System (PERS) whereby the membership of the existing defined benefit (DB) plan would be frozen, i.e., no new members would be allowed to join the DB plan and, instead, all new PERS-eligible employees would automatically become members of the PERS defined contribution (DC) plan.

Under current circumstances, in order for the SAVA to gain a sense of the fiscal implications of potential plan design changes, those plan design changes must be transformed into legislation and the legislation subjected to the analysis and reporting required by the fiscal note process in Title 5, chapter 4, part 2, MCA.

2. What do you want the legislation to do?

- (a) Freeze the membership of the PERS DB plan as of a date certain, e.g., June 30, 2009.
- (b) Beginning on a date certain, e.g., July 1, 2009, all newly hired, PERS-eligible employees who are not active, inactive, or retired members of the PERS DB plan automatically become members of the PERS DC plan.

(over)

3. If possible, please list the MCA (Montana Code Annotated) sections that would need to be amended.

Numerous sections of Title 19, chapters 1 through 3, MCA, et seq.

4. Which retirement plan or plans would be covered by the legislation? (If the proposal is limited to certain plans, please indicate why.)

The legislation would cover the PERS DB and DC plans. There may be some incidental revisions to some of the other systems.

5. If the proposed change requires additional funding, what funding sources do you propose (e.g., an increase in employer contributions, employee contributions, or both)?

The change is expected to have an effect on the unfunded accrued actuarial liability (UAAL) of the PERS DB plan, but the direction and magnitude of the effect is unknown. Employers that participate in the PERS are responsible for the UAAL and, due to the variety of PERS employers, funding sources vary. For state government employees, additional costs would largely be borne by the state general fund and, to the extent possible, to special revenue funds. For local government employees, additional costs would largely be borne by the local jurisdictions' general funds (primarily property tax revenue) and, to the extent possible, other funds available to the respective local jurisdictions (state and federal funds, grants, fees, special levies, etc.).

If there is additional UAAL for which additional general fund expenditure is necessary, some or perhaps all of the additional expenditure might be offset by contribution amounts that are different (less) from contribution amounts currently set statutorily for the PERS DB plan.

6. Has similar legislation been requested in the past, been introduced in another state, or provided as a model act? If so, please provide a citation, reference, or point of contact.

- Yes; HB 827 (2007); see also Optional Retirement Program of the Montana University System (en. 1987; rev. 1993)
- Yes; Alaska (2005?); Oregon (various); Colorado (various)

7. If you are a holdover senator or a legislative candidate running unopposed, do you want the Legislative Services Division staff to consider this a bill draft request?

NA. The proposal, if authorized, will be "By Request of the State Administration and Veterans' Affairs Interim Committee". The Committee may wish to designate a member of the Committee as the primary sponsor.