



State Administration and Veterans' Affairs Interim Committee

62nd Montana Legislature

SENATE MEMBERS
RON ARTHUN
LARRY JENT
DAVE LEWIS
KENDALL VAN DYK

HOUSE MEMBERS
BRYCE BENNETT
JOANNE BLYTON
PAT INGRAHAM
KATHY SWANSON

COMMITTEE STAFF
MEGAN MOORE, Lead Staff
DAVID NISS, Staff Attorney
FONG HOM, Secretary

MINUTES

June 24, 2011

Room 137, Capitol Building
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

COMMITTEE MEMBERS PRESENT

SEN. RON ARTHUN
SEN. LARRY JENT
SEN. DAVE LEWIS

REP. BRYCE BENNETT
REP. JOANNE BLYTON
REP. PAT INGRAHAM
REP. KATHY SWANSON

COMMITTEE MEMBERS EXCUSED

SEN. KENDALL VAN DYK

STAFF PRESENT

MEGAN MOORE, Lead Staff
FONG HOM, Secretary

Visitors and Agenda

Agenda, [Attachment 1](#)
Visitors' list, [Attachment 2](#)

COMMITTEE ACTION

- The committee elected Rep. Pat Ingraham as chair and Sen. Kendall Van Dyk as vice chair.
- The committee adopted the following degree of involvement in the Work Plan:
 - ▶ minimal involvement for agency monitoring
 - ▶ minimal involvement for rule review
 - ▶ moderate involvement in reviewing retirement plan legislation
 - ▶ minimal involvement for legislation review
 - ▶ significant involvement for HB 142 review of advisory councils
- The committee also decided to:
 - ▶ look at what other states are doing with retirement and consider sources of funding other than increased employee/employer contributions
 - ▶ study whether to make the actuarially required contribution (ARC) part of the budget proposal
 - ▶ study whether to give the Commissioner of Political Practice more authority to respond to noncompliance (Sen. Kaufmann's SB 397)
 - ▶ study the combination of elections within the state and review what other states are doing

CALL TO ORDER AND ROLL CALL

00:00:01 Sen. Lewis called the meeting to order at 8:31 a.m. The committee secretary called roll. Sen. Van Dyk was excused.

00:01:10 Rep. Ingraham moved to adopt the September 15, 2010, minutes from the 2009-2010 Interim. The motion passed unanimously by voice vote.

AGENDA

• **ELECTION OF OFFICERS**

00:05:59 Sen. Arthun **nominated** Rep. Ingraham as chair of the committee. With no other nominations, Rep. Pat Ingraham was elected chair unanimously by voice vote.

00:06:39 Rep. Bennett **nominated** Sen. Van Dyk as vice chair. Sen. Van Dyk was not present and he was elected vice chair unanimously by voice vote.

• **OVERVIEW AND ADMINISTRATIVE MATTERS - Megan Moore, Research Analyst**

00:08:36 Ms. Moore gave an overview of the statutory duties of interim committees found in section 5-5-215, MCA, and section 5-5-228, MCA, which outlines the specific duties of the State Administration and Veterans' Affairs Committee.

• **PROXY VOTES**

00:10:29 Sen. Lewis said that we have always allowed proxy votes as long as it is in written form. Rep. Ingraham asked if anyone had objections to that.

Motion by Sen. Arthun

00:10:42 Sen. Arthun **moved** to allow proxy voting by committee members. The motion **passed** unanimously by voice vote.

Rep. Ingraham requested that a form for proxy votes be given to the committee.

- **AGENCY INTRODUCTION AND OVERVIEW**

- ▶ **Teachers' Retirement System - David Senn, Executive Director**

00:12:33 Mr. Senn gave an overview of the Teachers' Retirement System ([Exhibit 1](#)).

- Questions**

00:23:44 Sen. Arthun asked when was the last time an infusion of funds was put into the TRS. Mr. Senn said that an infusion of funds was made during the 2005 Special Session and again in 2007.

00:25:32 Sen. Jent asked how much contributions would increase with a 2% increase (to a total contribution of 19.11%). Mr. Senn said that each percentage point of salary is worth about \$8 million, so it is roughly \$16 million the first year.

00:26:55 Sen. Jent asked if it would be possible to have a bill making the actuarially required contribution part of the budget. Mr. Senn said that if the Teachers' Retirement Board had the authority to move the contribution rate down as the system becomes actuarially sound, legislative action would not be required.

00:27:46 Sen. Lewis asked about the Governmental Accounting Standard Board (GASB) changes that are being considered, one of them changing the period to amortize the unfunded liability to the average years remaining of work life rather than just using 30 years. Mr. Senn said that the changes would require putting the unfunded liabilities in the financial statements. The changes would also require amortizing unfunded liabilities over the remaining working years of working members. If increasing benefits for retirees, there would be a shorter amortization period.

00:35:24 Rep. Bennett said that it seems that the vast majority of the bills that dealt with pensions in the last session followed the "pay more, work longer, get less" strategy. He asked if there are programs or ways to deal with the pension problem that don't put the burden on new hires. Mr. Senn said that is a concern of the Teachers' Retirement Board and that is why they are looking at what is happening in other states.

- ▶ **Department of Administration - Sheryl Olson, Deputy Director**

00:37:17 Ms. Olson gave an overview of the activities of the Department of Administration. She distributed a handout on the Department's major accomplishments for 2009-2011, but did not discuss it.

- ▶ **Public Employees' Retirement System - Patricia Davis, Member Services Bureau Chief**

00:44:32 Ms. Davis gave an overview of the Montana Public Employees' Retirement Board ([Exhibit 2](#)).

Questions

00:57:22 Rep. Ingraham asked if there have been any changes as to how they are investing the state's money. Ms. Davis said that the Board of Investments invests those funds on the state's behalf and she believes that there have not been any changes in the allocation of the funds.

▶ **Board of Veterans' Affairs - Joe Foster, Administrator**

00:59:30 Mr. Foster discussed the Board of Veterans' Affairs, the Veterans' Cemetery Program, and the economic impact of agency work effort (**Exhibit 3**).

▶ **Department of Military Affairs - Brigadier General John Walsh, Director**

01:05:52 Brigadier General Walsh gave an update on the activities of the Department of Military Affairs and what they want to accomplish in the next biennium.

Questions

01:15:07 Rep. Ingraham asked about the numbers in the National Guard reserves and the numbers deployed. Brigadier General Walsh answered the question and discussed retention rates.

01:16:25 Rep. Ingraham asked for an update on the plan to move fighter jets to California. Brigadier General Walsh said that the plan is still in place and discussed a potential replacement mission.

▶ **Office of the Commissioner of Political Practices - Dave Gallick, Commissioner**

01:27:24 Commissioner Gallick gave an update on the activities of the Office of the Commissioner of Political Practices.

Questions

01:34:20 Sen. Arthun asked about the order in which the Commissioner reviews cases. Commissioner Gallick commented on his process for reviewing cases.

01:37:12 Sen. Arthun asked about the backlog of cases. Commissioner Gallick said it was 56 cases when he took office and it is now 42 cases.

▶ **Secretary of State's Office - Galen Hollenbaugh, Deputy Chief of Staff**

01:38:32 Mr. Hollenbaugh distributed and discussed the organizational chart of the Secretary of State's Office (**Exhibit 4**) and the mission statement of the Secretary of State's Office (**Exhibit 4a**).

Public Comment

01:41:27 **Tom Schneider, Montana Public Employees' Association**, suggested that the Chief Investment Officer of the Board of Investments come before the committee and provide updates.

01:43:49 **Sen. Lewis** said that Gary Buchanan was just elected chairman of the Board of Investments and would make himself available to the committee.

01:44:28 **Sheryl Wood, Associate Director, Montana Association of Counties**, commented on the Department of Military Affairs' role in flood response and recommended not raising employer contributions for local governments.

Break -- meeting reconvened at 10:38 a.m.

- **OVERVIEW OF SAVA WORK PLAN - Megan Moore, Research Analyst**

02:07:39 Ms. Moore discussed the proposed SAVA work plan ([Exhibit 5](#)).

Questions

02:10:18 Rep. Ingraham said that on page 5 of the Work Plan, Ms. Moore listed the various councils. She asked if there will be scheduled meeting dates to visit with the various councils and look at their reports. Ms. Moore said that the required reports are not due until the last scheduled meeting before the session begins.

02:12:28 Rep. Ingraham requested that the committee receive current copies of the reports to review at the October meeting. She also requested that the Department of Administration report on the policies of incentives and bonuses within each agency at that meeting.

02:17:12 Sen. Jent requested that the chief investment officer of the Board of Investments be invited to speak to the committee regarding his role in investing money on behalf of the state.

02:19:19 Sen. Arthun said that on the issue of exploration of funding ideas for retirement systems, he would like to see what other states are doing to make these plans sustainable.

- **ADDENDUM TO SAVA DRAFT WORK PLAN - PROPOSED TOPICS OF INTEREST**

02:22:15 Ms. Moore gave a brief summary of topics of interest for discussion that was proposed by members of the committee ([Exhibit 6](#)).

- 02:23:37 • Examination of agency use of policy versus rule for internal management
- 02:26:27 • Exploration of funding ideas for the retirement systems other than increased employee/employer contributions
- 02:29:54 • Study of issues surrounding the state broadband pay plan
- 02:32:57 • Review of how other states are addressing pension problems
- 02:36:10 • Study of combining school board, municipal, and primary elections
- 02:41:32 • Study of state agency advertising and public service announcements

Public Comment

02:47:02 **Sheryl Wood, Montana Association of Counties**, distributed and discussed a proposed bill clarifying what to do if a state holiday falls on a Saturday ([Exhibit 7](#)).

02:51:54 **Patricia Davis** apologized for the Public Employees Retirement System newsletter. It was not the intention of the PERB to slight any political party.

- **COMMITTEE WORK SESSION**

- 02:52:58 The committee members discussed the SAVA Work Plan Decision Matrix, beginning on page 7 of the work plan (**Exhibit 5**) and decided the degree of involvement for the following:
- 02:54:07 • **Agency monitoring**
 - 02:55:26 Sen. Lewis **moved** to have minimal involvement for agency monitoring. The motion **passed** unanimously by voice vote.
 - 02:56:58 • **Rule review**
 - 02:58:28 Sen. Lewis **moved** to have minimal involvement for rule review. The motion **passed** unanimously by voice vote.
 - 02:59:11 • **Review and recommendation of retirement plan legislation**
 - 03:00:02 Sen. Arthun **moved** for moderate involvement in review and recommendation of retirement plan legislation. The motion **passed** unanimously by voice vote.
 - 03:00:39 • **Legislation review**
 - 03:01:26 Sen. Lewis **moved** for minimal involvement for legislation review. The motion **passed** unanimously by voice vote.
 - 03:02:53 • **HB 142: review of advisory councils**
 - 03:03:59 Sen. Lewis **moved** for significant involvement in the HB 142 review of advisory councils. The motion **passed** unanimously by voice vote.
 - 03:04:43 • **Member issues**
 - Ms. Moore said this would be best used as a conceptual tool and no motion is needed.
- ▶ **Discussion on topics of interest to committee**
- 03:07:57 Sen. Jent proposed studying options for dealing with the unfunded liability of the retirement systems for the 2013 Session.
- 03:10:18 Rep. Bennett discussed giving the Commissioner of Political Practice the ability to respond more quickly to political inquiries of his office in order to accomplish things in a timely manner.
- 03:16:19 Sen. Jent discussed the use of the actuarially required contribution in the budgeting process and studying whether recognition of the ARC should be included in the budget.
- 03:20:51 Sen. Lewis discussed the letter requesting an audit of the Veterans' Homes. Ms. Moore said that the letter is just for the committee's information and that the Children and Families Committee has oversight of the Veterans' Homes.
- 03:22:56 Ms. Moore said that David Niss, Staff Attorney, will give an overview of the issue of statutes versus policies within the Department of Administration at the next meeting.

03:24:17 Sen. Lewis discussed the graph from the Dow Jones Industrial (**Exhibit 8**) that he requested be a part of the committee's meeting packet.

03:25:58 Rep. Blyton suggested studying the combination of elections.

Motions

03:27:54 Sen. Arthun **moved** to look at what other states are doing with retirement so that the state of Montana can look at other options and to include other sources outside of employer/employee contributions. The motion **passed** unanimously by voice vote.

03:28:54 Sen. Jent **moved** to study making normal costs part of the budget proposal. The motion **passed** unanimously by voice vote.

03:29:56 Rep. Bennett **moved** to give the Commissioner of Political Practice more authority to respond more quickly to noncompliance. The motion **passed** unanimously by voice vote.

03:30:23 Rep. Blyton **moved** to study the combination of elections within the state and to also look at what other state are doing, and to include HB 242 as part of the study. The motion **passed** unanimously by voice vote.

- **DISCUSSION ON THE PROPOSED MEETING SCHEDULE**

03:31:35 Ms. Moore discussed the proposed meeting schedule, beginning on page 7 of the Work Plan (**Exhibit 5**). She also discussed the proposed SAVA calendar (**Exhibit 9**) that showed meeting times and possible meeting date conflicts.

03:32:39 There was a discussion concerning a conflict between the Finance Committee and SAVA meeting dates in June 2012 because Sen. Lewis is also on the Finance Committee. It was suggested that the SAVA committee change its June 2012 meeting dates to June 12 and 13.

Motion

03:36:51 Rep. Swanson **moved** to adopt the meeting schedule with the June 2012 meeting change. The motion **passed** unanimously by voice vote.

Public comment

03:37:31 **David Senn, Executive Director, Teachers' Retirement System**, commented that when Sen. Jent talked about normal cost, he probably meant actuarially required contribution.

- **OTHER BUSINESS**

- ▶ **Option to recommend SAVA member for Board of Veterans' Affairs**

03:38:54 Ms. Moore said that a member of the SAVA Committee serves on the Board of Veterans' Affairs and that member is a nonvoting member who is appointed by the Governor. Sen. Joe Tropila served on the Board last interim. The committee has the option to recommend a person to serve in that capacity.

Motion

03:39:45 Sen. Lewis **moved** that the committee send a letter to the Governor recommending that Sen. Jent serve as SAVA's representative to the Board of Veterans' Affairs. The motion **passed** unanimously by voice vote.

▶ **Confirm next meeting date**

03:42:45 Rep. Ingraham said the next meeting date will be October 20, 2011.

• **ADJOURNMENT**

03:43:45 With no further business before the committee, Rep. Ingraham adjourned the meeting at 12:15 p.m.

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