



State Administration and Veterans' Affairs Interim Committee

62nd Montana Legislature

SENATE MEMBERS

KENDALL VAN DYK--Vice Chair
RON ARTHUN
LARRY JENT
DAVE LEWIS

HOUSE MEMBERS

PAT INGRAHAM--Chair
BRYCE BENNETT
JOANNE BLYTON
KATHY SWANSON

COMMITTEE STAFF

SHERI SCURR, Lead Staff
DAVID NISS, Staff Attorney
FONG HOM, Secretary

MINUTES

November 16, 2012

Room 102, Capitol Building
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select *Committees*, then *Interim*. Once on the page for *Interim Committees*, scroll down to the appropriate committee. The written minutes summary, along with the audio and video recordings, are listed by meeting date on the interim committee's web page. You must have Real Player to listen to the audio recording or to view the video.

Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

COMMITTEE MEMBERS PRESENT

REP. PAT INGRAHAM, Chair
SEN. KENDALL VAN DYK, Vice Chair
SEN. RON ARTHUN
SEN. LARRY JENT

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

COMMITTEE MEMBERS EXCUSED

SEN. DAVE LEWIS

STAFF PRESENT

SHERI SCURR, Lead Staff
TODD EVERTS, Staff Attorney
FONG HOM, Secretary

Agenda and Visitors' List

Agenda ([Attachment 1](#))

Visitors' list ([Attachment 2](#))

COMMITTEE ACTION

- The committee approved the minutes from the August 8, August 9, and September 11, 2012, meetings.
- The committee decided to take a neutral position on all stakeholder bill proposals 1 through 9.
- The proposed pension bills for PERS and TRS received a "do not recommend" vote.
- The committee approved LCsava be drafted as a committee bill.

CALL TO ORDER AND ROLL CALL

00:00:01 REP. INGRAHAM called the meeting to order at 1:03 p.m. The committee secretary called roll. Sen. Lewis was excused. ([Attachment 3](#))

Approval of minutes from the August 8, August 9, September 11, 2012, meeting

00:01:46 SEN. VAN DYK moved for approval of minutes from the August 8, August 9, and September 11, 2012, meetings.

00:02:10 REP. INGRAHAM requested that the sentence, "the age of 60 was considered rather than 65", be corrected to say "65 rather than age 60 was considered" as reflected in the August 8, 2012, minutes.

00:03:02 SEN. VAN DYK moved for approval of the three sets of minutes as amended. The motion passed unanimously by voice vote.

AGENDA

OVERVIEW OF FY 2012 ACTUARIAL VALUATION DATA

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

00:05:32 Mr. Senn gave a presentation on the TRS' Defined Benefit Plan ([Exhibit 1](#)).

00:15:04 Mr. Senn reviewed the Montana University System retirement program ([Exhibit 2](#)).

Committee questions

00:17:14 SEN. ARTHUN

00:17:49 Mr. Senn

00:18:28 SEN. ARTHUN

00:18:41 Mr. Senn
- **Montana Public Employees Retirement Administration - Roxanne Minnehan, Executive Director**

00:23:50 Ms. Minnehan gave a presentation on the FY 2012 valuation results ([Exhibit 3](#)).

00:36:36 Committee questions
REP. INGRAHAM
00:37:03 Ms. Minnehan

REVIEW OF REPORTS - Sheri Scurr, Research Analyst

- **"Where We've Been" Report**
00:38:26 Ms. Scurr gave a presentation on the report "Where We've Been: Public Employee Retirement Plan Legislative Studies & Legislation Concerning Actuarial Funding & Plan Design 2005-2012 ([Exhibit 4](#)).
- **Summary of FY 2012 Actuarial Valuations**
00:47:55 Ms. Scurr referred the committee to the document Summary of FY 2012 Actuarial Valuations ([Exhibit 5](#)).
- **Inventory of Public Employee Retirement Bills**
00:48:47 Ms. Scurr provided an Inventory of Public Employee Retirement Bills ([Exhibit 6](#)).
- **Retirement Plan**
00:50:29 Ms. Scurr discussed the retirement plan: employee compensation, cheaper for employer, long-term planning.
- **Plan Design**
00:54:12 Ms. Scurr discussed the plan design.
- **Normal Cost**
00:56:40 Ms. Scurr discussed costs to reach goal.
- **Unfunded Liability**
00:59:44 Ms. Scurr discussed the unfunded liability in each plan.
- **Plan Design Conclusion**
01:01:35 Ms. Scurr discussed the plan design.

REPORT ON LEGISLATIVE FISCAL COMMITTEE'S CONSIDERATION OF GOVERNOR'S PENSION PROPOSALS

- **Report on LCsa06 (TRS)**
01:06:50 Ms. Scurr discussed SAVA's report and recommendation of LCsa06 -- Proposal No. 10 ([Exhibit 7](#)). Ms. Scurr referred the committee to LFD's report ([Exhibit 8](#)).

Committee discussion
01:09:49 SEN. JENT
01:11:48 Joe Triem
01:13:00 SEN. ARTHUN
01:14:05 REP. INGRAHAM

01:14:13 Mr. Triem
01:17:17 REP. BENNETT
01:17:51 Mr. Triem
01:19:22 REP. BENNETT
01:19:35 Mr. Triem
01:20:18 SEN. ARTHUN
01:20:54 Mr. Triem

- **Report on LCsa07 (PERS)**

01:21:40 Mr. Triem discussed LCsa07, the governor's proposal on PERS ([Exhibit 9](#)).

Committee questions

01:30:57 SEN. ARTHUN
01:33:29 REP. INGRAHAM
01:33:44 **Alec Hansen, League of Cities and Towns**
01:36:11 **Harold Blattie, Montana Association of Counties**

UPDATE ON WORK WITH PEW CENTER STAFF

01:38:26 Ms. Scurr said that the update from the Legislative Finance Committee is that the Committee did not endorse the legislative proposals. The decision point for the SAVA committee is whether or not it wants to have Proposal No. 10 ([Exhibit 7](#)) and Proposal No. 11 ([Exhibit 10](#)) requested by the committee or not. The PEW Center staff has been providing some information to legislators.

01:41:26 SEN. ARTHUN said that he hopes that leadership will employ PEW because they have a degree of impartiality and a good knowledge base that we can access quicker.

01:42:30 Ms. Scurr gave three things that was outlined by PEW for policy makers: get from a do not amortize to an amortization schedule on the liabilities; have a sustainable, workable plan for going forward; keep in mind the purpose of the retirement plan as a recruit and retain tool to make it sufficient for a secure retirement benefit.

REVIEW OF 30 YEAR AND 40 YEAR AMORTIZATION SCHEDULES

01:44:21 Ms. Scurr gave a presentation on the Comparison of ARC Shortfalls ([Exhibit 11](#)).

Committee discussion

01:47:23 SEN. JENT
01:48:41 Ms. Scurr
01:48:45 SEN. JENT
01:49:27 Ms. Scurr
01:50:29 REP. INGRAHAM

- **Alternatives for Actuarially Funding**

01:50:34 Ms. Scurr discussed alternatives to funding the PER systems ([Exhibit 12](#)).

- **LCsava: Review of SAVA duties and possible statutory changes**
01:54:59 Ms. Scurr reviewed the proposals in LCsava ([Exhibit 13](#)).

Committee discussion

- 01:57:20 SEN. ARTHUN
01:57:43 Ms. Scurr
01:59:12 REP. INGRAHAM

PUBLIC COMMENT

- 01:59:43 **David Senn, Executive Director, Teachers' Retirement System**, commented on the document "Comparison of ARC".
- 02:03:42 **Leo Berry, Attorney, Association of Montana Retired Public Employees**, encouraged the committee to move forward with the governor's pension bill.
- 02:06:24 **Tom Schneider, Montana Public Employees Association**, urged the committee to support those plans going forward into the next session so that we have a chance to come out of session with a solution.
- 02:09:08 **Diane Fladmo, MEA-MFT**, supports the current draft of LCsa06 and LCsa07.
- 02:15:06 **Cheryl Wood, Associate Director, Montana Association of Counties**, said that the committee has their proposal that they may be considering introducing legislation regarding restructuring of the pension board for equity and representation for local governments. Ms. Wood distributed a copy of the corrected Pension System Stakeholder Meeting Report ([Exhibit 14](#)). Ms. Wood provided a copy of her written comments ([Exhibit 15](#)).
- 02:22:28 **Mark Murphy, Montana County Attorneys Association**, thanked the PERS Board for providing SAVA with an evaluation and an actuarial evaluation of the two plans that are coming forward.
- 02:25:29 **Alec Hansen, Montana League of Cities and Towns**, commented on the pension plans.
- 02:29:25 **Kirk Miller, School Administrators of Montana**, urged the committee to take action and that LCsa06 and LCsa07 are supportable to move forward and commit the resources that we have.

Break - reconvene at 3:57 p.m.

COMMITTEE WORK SESSION

- **Recommendations on each pension proposal**
02:54:22 Ms. Scurr said that the committee needs to make its final recommendations on each of the pension proposals that have been submitted for review. She

discussed the list of bills contained in Exhibit 6, Inventory of Public Employee Retirement Bills.

Proposal No. 1

02:55:25 Proposal No. 1 by MEA-MFT to revise normal and early retirement benefits in TRS. ([Exhibit 16](#))

Motion

02:57:50 SEN. JENT moved Proposal No. 1 as a do recommend.

Committee discussion

02:59:06 SEN. ARTHUN
02:59:45 REP. INGRAHAM
03:00:35 REP. BENNETT
03:01:33 SEN. VAN DYK
03:02:12 REP. INGRAHAM

03:03:15 The motion failed on a roll call vote 4-4, with Senators Arthun, Lewis (proxy), and Representatives Blyton and Ingraham voting no; Senators Jent and Van Dyk, and Representatives Bennett and Swanson voting yes. ([Attachment 4](#))

Proposal No. 2

03:05:14 Proposal No. 2 by the Association of Montana Retired Public Employees to fund the Actuarially Unsound Retirement Systems with funds from the Coal Severance Taxes. ([Exhibit 17](#))

Committee discussion Proposal No. 2 and on LCsava, revising the duties of the interim committee

03:06:51 REP. BENNETT
03:07:55 REP. INGRAHAM
03:08:34 SEN. VAN DYK
03:08:49 Ms. Scurr
03:12:27 REP. INGRAHAM
03:12:33 Ms. Scurr
03:13:13 REP. INGRAHAM

Motion

03:13:39 REP. BLYTON moved for Proposal No. 2 as a do not recommend.

Committee discussion on Proposal No. 2 and voting to be neutral on the proposals

03:14:17 SEN. VAN DYK
03:14:49 REP. BLYTON
03:15:56 REP. INGRAHAM
03:17:05 SEN. ARTHUN
03:17:21 SEN. JENT
03:18:14 REP. INGRAHAM
03:18:27 REP. BLYTON withdrew her motion.

Motion
03:18:40 SEN. JENT moved that the committee take a neutral position on all stakeholder bill proposals 1 through 9. (**Exhibit 18 -- Proposals 3 through 9**)

03:19:41 SEN. ARTHUN asked about Proposal No. 1 that was voted on earlier.
03:19:54 Mr. Everts said that since Proposal No. 1 failed, this motion will not affect it.

03:20:13 **The motion passed unanimously by voice vote with Sen. Lewis voting aye by proxy.**

- **Final action PERS' and TRS' proposed legislation**

Committee discussion
03:21:49 Ms. Scurr
03:22:17 SEN. JENT
03:22:52 Ms. Scurr

Motion
03:23:24 SEN. JENT moved that the proposed pension bills for PERS and TRS receive a do not recommend because of the time available for committee review.

03:24:48 **The motion passed unanimously by voice vote with Sen. Lewis voting aye by proxy.**

- **LCsa06, LCsa07, and LCsa08**
03:25:14 Ms. Scurr discussed LCsa06, LCsa07, and LCsa08.

Committee discussion
03:26:05 Mr. Everts
03:26:28 Ms. Scurr.
03:27:50 REP. INGRAHAM
03:28:07 SEN. JENT

- **LCsa06**

Motion
03:29:38 SEN. JENT moved that the committee draft LCsa06 as a committee bill by the request of the State Administration and Veterans' Affairs Interim Committee.

Committee discussion
03:32:06 REP. INGRAHAM
03:33:42 REP. BENNETT

03:35:42 The motion failed on a tie vote 4-4, with Senators Arthun and Lewis (proxy); Representatives Blyton and Ingraham voting no; Senators Jent and Van Dyk; Representatives Bennett and Swanson voting yes. (**Attachment 5**)

- **LCsa07**

Motion

03:36:39 SEN. VAN DYK moved that LCsa07 be drafted as a committee bill.

Committee discussion

03:37:04 SEN. VAN DYK

03:38:27 SEN. JENT

03:38:54 SEN. ARTHUN

03:39:06 SEN. JENT

03:40:45 REP. BENNETT

03:42:26 REP. BLYTON

03:45:08 The motion failed on a tie vote 4-4, Senators Arthun and Lewis (proxy); Representatives Blyton and Ingraham voting no; Senators Jent and Van Dyk and Representatives Bennett and Swanson voting yes. ([Attachment 6](#))

- **LCsa08**

03:45:40 No action needed on LCsa08.

- **LCsava**

Motion

03:45:57 SEN. VAN DYK moved that LCsava be drafted as a committee bill.

03:46:39 **The motion passed unanimously by voice vote with Sen. Lewis voting aye by proxy.**

ADJOURNMENT

03:48:09 With no further business before the committee, REP. INGRAHAM adjourned the meeting at 4:51 p.m.

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