

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park, Rm 201
Helena MT 59620

Board Legislative Committee Minutes
Wednesday, March 21, 2012
8:30 am

Committee Members (present via telephone):

Dianna Porter, Chair
John Nielsen
Terrence Smith

Other Board Members (present via telephone):

Darcy Halpin
Scott Moore

Staff:

Roxanne Minnehan
Melanie Symons
Barbara Quinn
Patricia Davis
Renaë Justice
June Dosier
Flora Sebens

Public:

Tom Schneider, MPEA
Ed Cleary, MSFA
Doug Neil, MSFA
Mike O'Connor, AMRPE
Raylynn Nielsen, City of Helena

- I. Roll Call**
- II. Public/Member Comment** on any subject of interest to the Board not on the agenda.
No public comment.
- III. Legislative Finance Committee Update – Roxanne/Dianna**
Amy Carlson gave a presentation on Rates of Return. She commented that interest rates are not realistic. She informed the Committee that setting the assumed state of return was the retirement Board's responsibility. She discussed the upcoming GASB changes, as well as her "4+1" options for addressing the UAL:
 1. Inc. ER contributions
 2. General fund money
 3. Employer/Employee split (increase in employer plus a mixture of employee options (i.e. increasing employee contributions, lower benefits, etc.)
 4. Modifying GABA

David Niss gave his presentation on Contract Rights. Megan Moore presented the "green sheets." Dave Senn gave a presentation on his outreach program. Gary Buchanan, speaking

as an individual and not as the Chairman of the Board of Investments, gave a presentation in which he commented that 7.75% assumption rate forced pension funds into unrealistic risks.

Roxanne Minnehan presented the need for long-term plan sustainability, reporting on the changes proposed by the Board in the 2011 Legislative Session. Dave Lewis wanted MPERA to present information similar to Dave Senn and although we've presented information we feel is important, Ms. Melanie Symons suggested we still formally respond to his request.

Action Items

IV. Conceptual Legislation

Chairwoman Dianna Porter stated that the purpose of the following Conceptual Legislation proposals is mostly for placeholders in the event that we develop legislation. This is not a final version of what will go into the bills.

A. Disability Revisions

Ms. Patricia Davis stated that this bill will not affect all of the systems. Staff has been working on putting together a list of issues that need to be discussed internally with management before they are released to the public. This is a placeholder in the event that there are some legislative changes that we need to make. Everything will be presented to the Board and all interested parties before we moved forward with it.

Board President, John Nielsen, stated that he is still a proponent of this bill, but asked if there were firefighters who had any issues with it. Member Scott Moore (speaking as a firefighter) stated that the firefighters had recently asked for a report on public safety systems and the disability and what the percentage of those people are on disability. He did not feel it was much of an issue. The firefighter's system is second best in regards to the funding bills. Mr. Doug Neil agreed with Member Moore and stated that the numbers of firefighters that are on disability are minimal. This is trying to correct a problem that isn't there. Firefighters police themselves better on the job. If there is an unscrupulous problem, it would be addressed within their department. MSFA does not feel this is a problem right now. Mr. Moore, again speaking as a firefighter and not a Board member, pointed out that Montana state law states that the Montana State Firemen's Association have the ability to review medical reports of disability cases. It is a unique status that the Montana State Firemen's Association was able to get passed in the Legislature, which shows that they are concerned and careful about the way their system is handled and that they do not take this lightly. Board President, John Nielsen, stated this is only for non-duty related injuries. The Board needs to be proactive to protect the system.

Ms. Melanie Symons explained that we are addressing a plan design issue and that it could become a problem when the whole retirement system comes under scrutiny. She went on to state that she does not feel that it is appropriate to give someone a disability retirement when they were not injured on the job. In the best interest of setting up a plan design it is something the Board should consider. Chairwoman Dianna Porter mentioned to keep in mind that we are looking at all systems and not just the firefighter's system and to keep in mind that this is a legislative concept right now.

Motion: Chairwoman Dianna Porter moved that we proceed with the Disability Revisions bill.

Second: Member Terrence Smith

Vote: 3/0

B. Increase HAC period from 36 months to 60 months

At the last legislative session, we increased the HAC time period from 36 months to 60 months in PERS, MPORS, and GWPORS for new hires. Highway Patrol is not actuarially sound, so the Board suggested this also happen for new hires in that system. For long sustainability and being proactive, it was suggested that the Board consider this for all systems in light of the perceived issue of salary spiking. This is to look at it for remaining systems for new hires only. Board President, John Nielsen, suggested we only deal with systems that are unstable. Chairwoman Dianna Porter responded that the staff had indicated they are suggesting this due to their attempt to keep the systems consistent with one another as much as possible. Mr. Nielsen mentioned that at the last Board meeting the staff had indicated that this was going to be for everyone and not just the new hires. Ms. Roxanne Minnehan clarified that they were only looking at new hires because of the contract rights issue. Member Scott Moore indicated he would like to see a placeholder for this issue because he feels it needs to be researched more.

Motion: Member Terrence Smith moved to include conceptual legislation for increasing the highest average compensation for new hires.

Second: Dianna Porter

Vote: 2/1

C. Address 125 Plan Additional Provisions

Ms. Melanie Symons stated staff was looking at whether the health insurance premiums should be excluded from the definition of compensation for retirement purposes. It is a way to control costs so that we do not have premiums that will impact the retirement system. Mr. John Nielsen still believes that the 125 premiums should be allowed to be considered compensation if the employer wants to go that route, but our actuary should be involved with this and the employer should pay associated costs. Our actuary indicated he didn't know how he would account for this.

It was asked if there was any public comment on this issue. There was none.

Motion: Member Terrence Smith moved to include legislative for addressing 125 Plan Additional Provisions.

Second: Member John Nielsen

Vote: 2/1

Motion: Chairwoman Dianna Porter moved to reopen the motion for public comment

on the HAC.

Second: Member Terrence Smith

Vote: 3/0

Public comment: Mr. Mike O'Connor stated that when you're looking at plan design you want consistency amongst all employees. If you are changing the plan for different classes of employees you will eventually have problems. We are going to have a problem in PERS with all the new hires. We have just been through a bad economic crisis. These plans are still actuarially sound and should make it. Mr. O'Connor suggested resisting trying to change plan designs for those systems.

Mr. Tom Schneider commented on the confusion of the people in the audience. He stated that in January the Board had a meeting on this issue and discussed it only applied to new hires. In February there was a paper that said all the requests are for systems that do not amortize. Now in March there seems to be a whole new agenda and it creates frustration and confusion. He questioned why we are proposing new legislation for systems that are not unsound.

Motion: Chairwoman moved to increase the HAC from 36 to 60 months in the remaining systems.

Second: Member Terrence Smith

Vote: 2/1

D. Other?

There was nothing else at this time.

Discussion Items

V. Other Legislation Issues

Board Vice President, Terrence Smith, asked if there was something the Board should know and be prepared for in the event that the legislature decided to go to a DC Plan only. TRS had asked their actuary about all of the considerations should this happen and their actuary sent out a memo outlining all of this. Chairwoman Dianna Porter suggested reviewing TRS actuary's memo and seeing if maybe we could follow it. It was suggested that we should have our own actuary look at the TRS actuary's report. Ms. Minnehan suggested that instead of having our actuary research this we should rely on the results of TRS, as well as other states that have gone to a DC Plan only. She thinks we have enough resistance to the DC Plan to keep it from passing in the next legislative session.

Mr. Mike O'Connor commented that the legislature keeps asking what the big deal about DC Plans is. They don't understand what the issues are. He suggested creating a one-page handout that you can distribute that says these are specific issues with PERS that have to be addressed. He questioned how we are going to pay the unfunded liabilities through a DC Plan? Ms. Roxanne indicated we are working on such a document but that if we wish to speak to the actual cost then we will need our actuary to look at this. Member Terrence

Smith felt it was important to know that number.

Mr. Tom Schneider suggested using Utah as an example of a state going to a DC Plan. The Legislature brought representatives from Utah and some of the information Utah revealed was the amount of money they had to put up to go to a DC Plan.

Chairwoman Dianna Porter requested that Ms. Minnehan seek the cost from the actuary as to how much it would cost to research going to a DC Plan. This information then will be presented at the next Board meeting.

VI. Legislation Strategies

This is something that could be developed more at the next Legislative Committee meeting. Some of last year's Legislation Strategies included hiring Mike O'Connor as a lobbyist, Roxanne writing a weekly blog, boosting our stance by releasing quarterly reports to the public, etc.

Informational Items

VII. Legislation Schedule

Due Date	Task	Assigned To
04/17/12	IT Strategic Plans Due	June
04/17/12	Legislative Concepts due to OBPP	Roxanne
06/12/12	Present Legislative Proposals to SAVA	Roxanne
May-June	Bill Drafting Workshops	Staff
06/30/12	ITSD Approval of Agency IT Plans	June
07/26/12	FYE Closing	Diann
09/15/12	Final Bill Drafts of Appropriations & Significant Legislation Due	Staff
11/15/12	Final Draft Legislation Due	Staff
Early Dec	Fiscal Note Training for Agencies	Staff
Dec	Fiscal Notes Begin	Barb
12/15/12	Deadline for pre-introduced bills	Roxanne/ Melanie
01/07/13	2013 Legislature Convenes	

VIII. Projected Adjournment

The meeting adjourned at 10:00 a.m.