

**PUBLIC EMPLOYEES' RETIREMENT BOARD**  
**100 North Park Avenue, Room 201**  
**Helena MT 59620**

**LEGISLATIVE COMMITTEE MEETING**  
**Thursday, November 14, 2013**

**MINUTES**

Terrence Smith, Committee Chairman  
Bob Bugni, Committee Member  
Timm Twardoski, Committee Member

*Staff*

Roxanne Minnehan, Executive Director  
Melanie Symons, Chief Legal Counsel  
Cynthia Pearson, Executive Assistant

*Public*

Ed Cleary, Rick Ryan, Rick Hansen, MSFA  
Tom Schneider, MPEA  
Sheryl Wood, MACo  
Jim Smith, Tony Harbaugh, Brian Gootkin, MSPOA  
George Golie, MGWA  
Mike O'Connor, AMRPE  
Jerry Williams, MPPA  
Diane Fladmo, MEA-MFT  
Mark Murphy, MCAA  
Dan Villa, Governor's Budget Office  
Sheri Scurr, Legislative Services Division  
Linda Ulrich, Beth Long, GWRS  
Leo Berry, Attorney

**Call to Order**

Chairman Terrence Smith called the meeting to order at 7:30 a.m.

**Roll Call**

Committee members Terrence Smith and Bob Bugni were present. Committee member Timm Twardowski was excused.

President Scott Moore, Member Mike McGinley and Member Sheena Wilson also attended.

**Public Comment**

There was no public comment.

**Planning Session Overview**

Chairman Terrence Smith stated this is a planning meeting for the 2015 Legislative Session. The Board expressed at its recent Board Retreat a desire to improve effectiveness in the next legislative session. It is anticipated that the 2015 Legislative Session will be challenging in regard to pension issues. A positive outcome is in the best interest of retirement system members, and early planning is critical.

### **Funding GWPORS**

The Game Wardens' and Peace Officers' Retirement System (GWPORS) has a shortfall of about 3% based on the last actuarial valuation.

George Golie, representing the Montana Game Warden's Association, said the association has no position at this time. He is interested to know what the Administration's solution would be. Although there are no discussions going on at this time, the association looks forward to working together and coming forward with a workable funding solution for GWPORS.

Diane Fladmo, representing MEA-MFT, said the Union is open to considering both employer and employee contributions, but not simply one side. She said the organization is willing to work on a compromise that will make GWPORS actuarially sound.

The Board discussed whether increasing employee contributions would be a contract right violation if there were no increase in benefits. While both the Union and a majority of employees have been supportive of increasing employee contributions, it would only take one employee to oppose it and bring forth a lawsuit. Ms. Fladmo said she was not aware of any litigation in PERS on this issue and, for the most part, employees understand the need to help bolster the underfunded retirement system.

Tom Schneider, MPEA, noted that GWPORS represents all game wardens but only a segment of peace officers. Because of this, it is important that the Montana Game Warden's Association work with all involved parties.

The Board asked how game wardens fund their portion of GWPORS. Mr. Golie said it is licensing fees, which he noted were not in the best financial shape. He wondered if there could be a General Fund contribution, like was done for PERS and TRS.

Mr. Schneider said he thought legislative action to secure a third funding source might be an option. Mr. Golie agreed a general fund source is needed.

### **Funding SRS**

The Sheriffs' Retirement System (SRS) has a shortfall of about 5% based on the last actuarial valuation.

Jim Smith, representing the Montana Sheriff's and Peace Officers Association (MSPOA), said the association is interested in working on a solution to the underfunded retirement system. He shared with the Board a letter written by Brian Gootkin, Gallatin County Sheriff, to Governor Steve Bullock. Mr. Smith said the letter, dated October 7, 2013, expressed a willingness to increase employee contributions to a certain point as well as a willingness to approach MACo about increasing employer contributions. He said the MSPOA Board is a strong leader with good followers, and they will be open to a reasonable, balanced plan to fix the retirement system. One option might be to open the system to dispatch officers (detention officers were given the option to join the system in 2007, which strengthened the system). Another option would be to secure a third funding source.

Dan Villa, the Governor's Budget Director, relayed the Administration is committed to some form of legislation in 2015 to help these retirement systems. He said it is still early in the budget process and more will be known in the next few months as revenue numbers come in and the budget process moves forward.

Tom Schneider, MPEA, said PERS and TRS now have a declining cost due to changed benefits for new employees. As time goes on, this will make a positive impact on the valuations for these systems. He noted that the Judges' Retirement System, which added a third funding source, is now overfunded.

#### **HB 454 Issues**

Chairman Terrence Smith said HB 454 has both issues and lawsuits. Melanie Symons, MPERA Chief Legal Counsel, noted there are some issues with triggers. She thought it would be reasonable to ask in the next legislative for triggers that put employer and employee contributions back into play if funding for PERS dropped. Mr. Smith agreed this would be a reasonable approach.

Dan Villa, the Governor's Budget Director, offered that there may be wisdom in keeping PERS out of the Legislature for a biennium. In particular, he advised against any placeholder bills regarding PERS as he felt they might set off an unfavorable response by the Legislature.

There was discussion on the AMRPE lawsuit timeline. The AMRPE lawsuit addresses the guaranteed annual benefit adjustment (GABA) for PERS retirees. Leo Berry, attorney representing AMRPE, said much will depend on the District Court's schedule. It was agreed the lawsuit will likely be expedited as it impacts thousands of PERS members and retirees.

There also was discussion on how MPERA plans to handle the issue of programming its computer system based on potential outcomes of the lawsuit. Roxanne Minnehan, MPERA Executive Director, said the agency has been discussing programming options—namely whether to re-program the GABA rate or not—and will continue to actively discuss the topic.

Chairman Terrence Smith noted there is another lawsuit (an amendment to the original plan choice rate lawsuit) regarding employer contributions from the PERS-Defined Contribution Plan.

Member Bob Bugni asked MPERA staff to revisit their notes from the 2013 Legislative Session in order to capture any ideas and suggestions for the next legislative session.

#### **Next Meeting**

The Legislative Committee will meet again on January 9, 2014, immediately following the Board's regular meeting.

#### **Adjourn**

Chairman Terrence Smith adjourned the meeting at 8:17 a.m.