

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 N Park, Rm 201 ~ Helena MT 59601

Board Legislative Committee

Tuesday, April 2, 2013

MINUTES

Chairman Terrence Smith called the PERB Legislative Committee meeting to order at 1:05 p.m. on Tuesday, April 2, 2013. Board members that participated in the meeting:

Terrence Smith, Chair
Melissa Strecker
Bob Bugni
Mike McGinley

Staff:

Roxanne Minnehan, Executive Director
Melanie Symons, Chief Legal Counsel
Patricia Davis, Member Services Bureau Chief
Kate Talley, Legal Counsel
Jenny Weigand, Education Supervisor
Hollie Koehler, Internal Auditor
Kris Vlastic, Program Specialist

Public:

Mike O'Connor, MPERA
Tom Schneider, AFSCME, MPEA
Diane Fladmo, MEA-MFT
Doug Neil, MSFA
Jerry Williams, MPPA
Kurt Bushnell, MSFA
Brian Reed, MSCOPFF
Ed Clearey, MSFA
Jim Christnacht, AMPRE
Sheryl Wood, MACo
Dianna Porter

OPEN MEETING

I. Roll Call

Roll call was taken. Member Bob Bugni was present. Chairman Terrence Smith and Members Melissa Strecker and Mike McGinley were present by telephone. Board Members absent: Scott Moore, Sheena Wilson and Timm Twardoski

II. Public / Member Comment

There was no public comment.

III. Approve Minutes – March 26, 2013

The minutes of the March 26, 2013 Legislative Committee meeting were presented.

***Motion:** Member Melissa Strecker made a motion to approve the March 26, 2013 minutes as presented.*

***Second:** Member Bob Bugni*

No public comment.

***Vote:** 4/0*

IV. Executive Director Report

a. Legislative Action Items

SB 406

This bill proposes a statutory referendum requiring new public employees who would otherwise become members of the Public Employees' Retirement System or the Teachers' Retirement System to instead become members of a defined contribution plan. There is a hearing on April 3, 2013 at 8:00 a.m. in the Senate Judiciary Committee. Transfer deadline for referendum bills is Friday, April 5.

Member Bob Bugni posed the question as to why they couldn't use the current DC plan. Ms. Minnehan replied they could; however, they probably didn't want the same provisions of the current plan.

This bill provides for the contributions to the plan to be distributed as follows: 4.1 % of the contributions to the member's account and the remaining 3.8% to be allocated to the PERS-Defined Benefit Retirement Plan which the member would have been covered under if the member had become a member prior to the effective date of the bill. This 3.8% must be used to pay the unfunded liabilities of the system associated with the closure of the system to new members. Once the liability has been fully paid, the 3.8% must be allocated to the member's retirement account.

This bill does not adequately address the funding issues. The funded ratio deteriorates; similar to the impact of SB82.

This bill, if passed, would go to the public for vote in November 2014.

***Public Comment:** Tom Schneider, MPEA/AFSCME made a comment that the Board would have the authority to design the DC plan.*

***Motion:** Member Melissa Strecker made a motion that the Board oppose SB 406.*

***Second:** Member Bob Bugni*

No public comment.

***Vote:** 4/0*

b. Bill Status Reports

1. House Bills
2. Senate Bills

The House and Senate bill tracking reports were provided to the committee for their review.

c. Board Bills

HB 91 – Modifies and expands public employee 457 deferred compensation program. It is sponsored by Ryan Lynch has been transmitted to the Governor.

HB 95 – Requires contributions on working retiree compensation. Franke Wilmer sponsors the bill. It was concurred in committee on March 28, 2013.

HB 97 – Caps highest/final average compensation in MPERA retirement systems. Franke Wilmer sponsors the bill. A hearing was held on March 25, 2013.

HB 105 – Generally revise MPERA retirement system laws concerning plan administration. Frank Wilmer sponsors the bill. The Speaker of the House signed it on March 27, 2013.

HB 122 – Ensures federal IRS qualification of MPERA retirement systems. Bryce Bennett sponsors the bill. It was concurred in committee on March 28, 2013.

d. Other Legislative Discussion Items?

SR 22 – Confirm Governor's appointees to public employee retirement board. Ron Arthun sponsors the bill and there was a hearing on March 20, 2013.

e. Board Position on Reviewed Bills

HB 53** – Revise SAVA statutory duties – *No Position*

HB 80* – Authorizing peace officer status for corrections criminal investigators – *Neutral*

HB 158* – Require agencies to present proposed rules to interim committees – *Oppose*
Doug Kary sponsors the bill and it was tabled in committee on March 27, 2013.

HB 175* – Include dispatchers in the SRS – *Support*
Franke Wilmer sponsors the bill and it missed the deadline for appropriation bill transmittal.

HB 234* – Revise definition of compensation in MPORS & FURS – *Support with amendment*

HB 282* – Constitutional amendment regarding public employee retirement systems – *Neutral*

HB 311* – Revise what educational and retirement savings is exempt from civil judgment – *Support*

HB 329* – Prohibit state employees from being lobbyists – *Oppose*
Randy Brodehl sponsors the bill and it was tabled in State Administration committee on March 27, 2013

HB 336 – Generally revise HPORS laws – *Neutral*
Steve Gibson sponsors the bill and a hearing was held in Senate Claims and Finance on March 26, 2013.

HB 338* – Provide funding for pension debts, all new hires to DC plan – *Oppose*

HB 382* – Provide coal tax funding for actuarially unsound retirement systems – *Support*

HB 454 – Public funding for the PERS-DBRP – *Support*

Bill McChesney sponsors the bill. It was transmitted to the Senate on March 28, 2013. This is the Governor's bill to provide funding for PERS. At the March 26, 2013 Board meeting, Terry Smith reported that the DC plan had \$14 million in unfunded liability, he reported that it is actually \$11 million.

Terrence Smith expressed concern that HB 454 does not address the unfunded liability of the DC participants. He would like to have the Board recommend an amendment to use the mechanism in place and pay down the current PCR-UAL. Adding an amendment to assist with the loss DC plan members experienced would make things more equitable between DB and DC.

Public Comment: *Sheryl Wood, MACo, stated that if any amendments were made that MACo would not support them. There is also concern that any amendments are proposed at this point in the session, could kill the bill. She feels that the bill should be left alone and then between sessions re-work the language and present it again to the legislature.*

Mike O'Connor stated that there is talk to have that entire amendment removed. Terrence Smith stated that there is still a concern with the 1% from employer contributions that needs to be corrected. The increased employer contributions should go into the member's account. He stated it is a fairness issue. As an employer he doesn't support. Mr. Smith continued to request the staff talk to the Governor's Office.

Public Comment: *Diane Fladmo, MEA-MFT, stated these are delicate times. She suggested the Board explore with the Governor's Office but not pursue. MPERA's lobbyists need latitude at this stage. Some folks will look for any reason to kill the bill.*

Motion: *Member Melissa Strecker made a motion that MPERA lobbyists explore concerns presented by Terrence Smith regarding the allocation of the increased employer contributions with the Governor's Office.*

Second: *Member Bob Bugni*

No public comment.

Vote: 3/1

HB 461 – Increase pension for certain volunteer firefighters – Relief Assns – *Neutral*

HB 476* – Add cost of living adjustment for volunteer firefighters – *Oppose*

HB 482* – Generally revise laws related to the BOI to create a state bank – *Oppose*

HB 532* – Revise income tax using a flat tax rate and a tie to federal taxable income – *Neutral*, unless impacts IRS qualification

SB 82* – Require PERS new hires to be in DC plan – *Oppose*

SB 193* – Increase game warden pay with increased nonresident wildlife conservation fee – *Neutral*

SB 227* – Eliminate pension eligibility for legislators – *Oppose*

SB 261* – Require legislator election each term concerning participation on PERS – *Oppose*

SB 333* – Establish cash balance benefit tier in TRS & PERS for new hires – *Oppose*

Ron Arthun sponsors the bill. It missed the deadline for appropriation bill

transmittal.

SB 353* – Establish qualifications for PERB/TRB – *Oppose*

SB 376* – Executive budget proposal to include actuarial funding for pension systems –
Neutral

Larry Jent sponsors the bill. It was tabled in committee on March 27, 2013.

*Dead – tabled and/or missed deadline for General Bill Transmittal

**Passed

ADJOURNMENT

There being no further business before the Legislative Committee, Chairman Terrence Smith adjourned the meeting at approximately 1:55 p.m.