



**REGULAR MEETING**  
**PUBLIC EMPLOYEES' RETIREMENT BOARD**

**June 10, 2010**

President John Nielsen called the regular meeting to order at 8:30 am Thursday, June 10, 2010. Roll call was taken with all members of the Board present. Board members and staff present were:

John Nielsen, President  
Terry Smith, Vice President  
Darcy Halpin, Member  
Patrick McKittrick, Member  
Scott Moore, Member  
Dianna Porter, Member  
Timm Twardoski, Member  
Roxanne Minnehan, Executive Director  
Melanie Symons, Chief Legal Counsel  
Ursula Hatfield, Executive Assistant

**OPEN MEETING**

Nancy Quirino and Linda Ulrich, Great-West Retirement Services; Jason Baker, Kevin Bentz, Ed Cleary, Dax Fraser, Doug Neil, and Rick Ryan members of the Montana State Firefighter's Association; Jill Hindoien, and Linda Zander, AFSCME; Don Kinman, AFSCME Member; Jon Moe, Legislative Fiscal Services Division; Tom Schneider, MPEA; Tom Bilodeau, MEA-MFT; Rachel Weiss, Legislative Services; and Patricia Davis, Member Services Bureau Chief; Renae Justice, Internal Auditor; Barb Quinn, Fiscal Services Bureau Chief; and Mary Ann Sutton, Legal Counsel; joined the meeting.

**Public Comment on any subject of interest not on the Board agenda.** No comments were given.

**Employee Introductions**

At the May PERB meeting, the Board asked to meet the new employees. Ms. Minnehan asked all members of staff to attend the meeting for introductions. She introduced staff by bureau and work unit.

**MINUTES OF OPEN MEETING**

The minutes of the open meetings of May 13, 2010 were presented. A correction was noted on page 4.

Motion: Mr. Terry Smith moved to approve the minutes of the May 13, 2010 PERB Regular Open Meeting with corrections.

Second: Mr. Timm Twardoski

No public comment.

Vote: 6/0, Ms. Porter abstained.

### **EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director**

#### **FY 2011 Proposed Budget – Barbara Quinn**

The Board creates, approves and monitors its budget on an annual basis. Each year the first step is to review the allocation process to ensure staff is equitably charging expenses across all programs. No retirement plan can subsidize another. This year's budget includes items to assist staff with improving efficiencies, education and other services. Staff plans to implement an imaging system, expand education/communication services and explore system replacement products. The total budget is \$4,883,306 – 76% DB plans, 9% DC, 7% 457, 7% DB Education and 1% DC Education. In the DB plans, the anticipated expenses are projected to be \$709,164 under the 1.5% of the cap of projected benefits.

Motion: Ms. Darcy Halpin moved to approve the Fiscal Year 2011 Budget as presented.

Second: Vice President Terry Smith

No public comment.

Vote: 7/0

#### **Board Committee Assignment – President John Nielsen**

President John Nielsen reviewed the Board Committees and appointed/reappointed members. President Nielsen asked the members to inform him of the committee they would like to serve prior to the June PERB meeting. President Nielsen noted these committees will include all necessary staff. He also authorized the Legislative Committee to attend all SAVA meetings.

The Actuary RFP Committee is not needed at this time; therefore, it was not appointed.

#### Audit Committee

Terry Smith, chair

Pat McKittrick

Timm Twardoski

Legislative Committee

Dianna Porter, chair  
John Nielsen  
Terry Smith

Personnel Committee

Darcy Halpin, chair  
Scott Moore  
Timm Twardoski

Policy Committee

Scott Moore, chair  
Darcy Halpin  
Dianna Porter

Joint Issues Committee

John Nielsen  
Pat McKittrick

**Out of State Travel Authorization – NAGDCA – Roxanne Minnehan**

The Board authorizes all out of state travel. The National Association of Government Defined Contribution Administrators, INC (NAGDCA) Annual Conference is scheduled for September 11-15, in Philadelphia. NAGDCA is a professional organization made up of the deferred compensation/defined contribution plan administrators from state and local governments as well as private industry. This conference offers sharing information on investments, marketing, administration and laws relating to public sector deferred compensation/defined contribution plans. The conference is included in the FY 2011 proposed budget approved earlier in the meeting. Staff has budgeted for three staff and two Board members. President Nielsen asked the new members of the Board if they are interested in attending this conference. Mr. McKittrick has a scheduling conflict and Mr. Moore will look at his calendar. Ms. Halpin stated she is interested if the other members are unable to attend.

Motion: Vice President Terry Smith moved to approve travel authorization for Ms. Roxanne Minnehan, Ms. Patricia Davis, Ms. Melanie Symons and two Board members to be decided at a later date to attend the NAGDCA annual conference September 11-15, 2010 in Philadelphia, PA.

Second: Ms. Dianna Porter

No public comment.

Vote: 7/0

## **FY 2011 Contracts**

### Agency Legal Services

The Board has an interagency agreement with the Department of Justice's Legal Services Bureau for legal advice and representation when we need to augment legal services. This contract is effective for fiscal year 2011.

Motion: President John Nielsen moved the Board approve the Interagency Agreement between the Board and the Agency Legal Services Bureau, Legal Services Division of the Montana Department of Justice, for the period from July 1, 2010 through June 30, 2011.

Second: Mr. Pat McKittrick

No public comment.

Vote: 7/0

### ICE Miller Contract Renewal

ICE Miller provides valuable assistance with our plan qualification statues as well as provides tax expertise on plan distributions. The contract is effective for fiscal year 2011. Staff voiced possibly having a Request for Proposal (RFP) in the future.

Motion: Vice President Terry Smith moved to approve the proposed addendum to the ICE Miller contract extending the termination date until June 30, 2011.

Second: Ms. Darcy Halpin

No public comment.

Vote: 7/0

### Actuarial Services Cheiron Contract – Addendum #2

MPERA, on behalf of the Public Employees' Retirement Board (PERB), recently entered into a Memorandum of Understanding (MOU) with the State Administration and Veterans' Affairs' (SAVA) legislative committee addressing actuarial services required to implement House Bill 659 and to review legislative proposals pursuant to § 5-5-228, MCA. Under the MOU, MPERA agreed to take the steps necessary to facilitate the availability of the Board's actuary, Cheiron, to provide actuarial services to SAVA.

MPERA initially understood the MOU to address services required to implement HB 659 only. Addendum #1, approved at the May PERB meeting, addressed those services. Staff was not aware of the services to be provided pursuant to § 5-5-228, MCA. Our actuary has agreed to perform

those services as well, with the understanding that the valuations of the systems administered by the Board will take precedence.

Therefore, staff is proposing a second addendum to the contract between PERB and Cheiron to expand the scope of services to provide actuarial services to SAVA pursuant to § 5-5-228, MCA. Cheiron will bill PERB for the services. PERB will in turn bill SAVA. SAVA will then submit payment for the actuarial services. The actuary's work for the Board will have priority over these services.

Ms. Weiss address the Board's question of turn around on the payment once submitted to SAVA. She stated the payment will take a matter of a couple weeks once SAVA has received the bill from PERB.

Motion: Ms. Darcy Halpin moved to approve the Cheiron Addendum #2 expanding the scope of services to include actuarial services related to the review of legislative proposals by SAVA legislative committee.

Second: Ms. Dianna Porter

No public comment.

Vote: 7/0

### **Actuarial Assumed Interest Rate on Member Contributions**

As staff was preparing the policy and accompanying rule notice, they realized that Cheiron did not make a recommendation to the Board to change the actuary assumed interest rate on member contributions. Staff contacted Cheiron and the recommendation was to decrease the rate from 5% to 3.5%. This does not match, nor needs to, the rate at which the member contributions are earning interest because it in an assumption for the long term.

Motion: Vice President Terry Smith moved to set the member credited rate assumption at 3.5%.

Second: Mr. Timm Twardoski

No public comment.

Vote: 7/0

### **Rule Notice/Policy – Updated Adoption of Actuarial Assumptions**

The Board adopted changes to the actuarial assumptions based on the 2009 Experience Study and Cheiron's recommendations. The actuarial assumptions and option factors need to be adopted by rule to ensure public notice and compliance with IRS requirements. Because this information consists of numerous tables, staff has elected to draft policies and then adopt the policies by reference in rule. The assumptions, methods and options in these policies have been updated.

Motion: Vice President Terry Smith moved to approve the Actuarial Equivalence Option Factor Determination policy.

Second: Ms. Darcy Halpin

No public comment.

Vote: 7/0

Motion: Vice President Terry Smith moved to approve the Actuarial Valuation Assumptions and Methods policy.

Second: President John Nielsen

No public comment.

Vote: 7/0

### **PERB Conceptual Legislation**

The Board legislative concepts are to be presented to SAVA at the June 24-25 meeting. The following concepts were submitted to the Budget Office on April 15, 2010 and to SAVA on May 28, 2010.

#### PERS Funding

- 1) Increase the highest average compensation (HAC) from three years to five years
- 2) Increase normal retirement age from 60 with 5 years of service to 65 with 5 years of service
- 3) Phase in the multiplier: 1.5% per year if service is less than 10 years, 1.785% per year if service is greater than or equal to 10 years but less than 30 years, 2% per year if service is greater than or equal to 30 years
- 4) Increase employer contribution 1% per year for the next 6 years, if necessary
- 5) Increase employee contributions 1% per year for the next 6 years, if necessary.

Tom Bilodeau, MEA-MFT, stated his organization does not support the Board. Annual, cumulative 1% increases in employee contributions is excessive. That, along with the proposed rollback in benefits is not good for recruitment. Tom Schneider, MPEA, also stated we are going back 40 or 50 years, but he will not oppose the bill. Mr. Schneider also doesn't like the 1.5% multiplier for years 5-10. This will push new hires into the DC plan – DB is the plan people need to retire. Mr. Schneider urged the Board to tread slowly and intelligently. He suggested 0.5% annual employer increases and a one-time 1% employee increase.

The Board thanked Mr. Biledeau and Mr. Schneider for their input. No action was taken to change the concepts at this time.

#### SRS Funding

- 1) Increase the HAC from three to five years
- 2) Request additional funding from the tax insurance premium funds via the General Fund as necessary based on the 2010 Actuarial Valuation

Mr. Neil spoke about using monies from the Fire Insurance Premium Tax. The Montana State Fire Association is opposed to other systems using this money.

Staff will inform Ms. Weiss that this should be corrected to only be funded out of the General Fund.

#### GWPORS Funding

- 1) Increase the HAC from three to five years
- 2) Request additional employer contributions as necessary based on the 2010 Actuarial Valuation

#### Require Employer Contributions for Working Retirees

Working retirees put a strain on the retirement system. The actuary assumes a stable work force. Working retirees take the place of new hires. The retirement system is losing the employer contributions. The Board proposed this legislation last session. PERS, SRS and FURS are the only systems that allow working retirees.

Mr. Neil pointed out the proposal states FURS is underfunded. This is incorrect; PERS, SRS and GWPORS are underfunded. Ms. Minnehan made a note to contact Ms. Weiss to make the correction.

#### Generally Revise the VFCA Statutes

The Volunteer Firefighters' Compensation Act (VFCA), Title 19, Chapter 17 requires revision to keep up to date with current processes and terminology.

#### General Revisions Bill

Each legislative session the Board proposes a general revisions bill or housekeeping bill to reflect changes in tax code, Board and court decisions and to clarify the statute for the user. The General Revisions Bill cannot have a fiscal impact.

#### VFCA Funding

This proposal seeks additional funding from the insurance premium tax fund.

Mr. Neil spoke about using monies from the Fire Insurance Premium Tax. The Montana State Fire Association is opposed to other systems using this money.

The Board further discussed this proposal. Additional funding would be nice but is not necessary at this time. This proposal will be pulled.

**Board Education – Plan Enhancement Program – Linda Ulrich, GWRS**

Staff has been working with Ms. Ulrich, Great-West Retirement Services (GWRS), regarding the education/communication program for both defined contribution plans. Ms. Ulrich presented the goals and objectives to the Board. Currently GWRS is providing the “Financial Fitness” presentation to our members. There is a great need for more, targeted education. GWRS offers additional presentations on their website. Ms. Ulrich is seeking Board approval to expand the types of education presentations. This will be placed as an action item on the July agenda.

**Verbal Update – SAVA – Melanie Symons/Terry Smith**

Vice President Smith and Ms. Symons attended the SAVA meeting held Wednesday, May 19, 2010. SAVA’s actuary, Buck Consultants, started the process of investigating the changes needed to TRS and PERS. Buck Consultants took a survey of the SAVA members prior to the meeting. SAVA advised Buck Consultants to come back with information on a money purchase plan. SAVA did not take any action on the stakeholders’ legislation.

**Verbal Update – Litigation – Melanie Symons/Mary Ann Sutton**

Ms. Symons updated the Board on the Crossman and Butori et al vs. PERB case. The Board denied the claimants’ settlement at the May meeting on the statute of limitation issue. John Melcher, ALSB, has been appointed as hearing officer. A scheduling conference was held Tuesday, June 1; the claimants’ attorney did not attend. Staff is awaiting a new scheduling conference.

**Verbal Update – Board Committees**

Vice President Smith announced the Audit Committee will be scheduling a meeting in July.

**Verbal Update – Executive Director – Roxanne Minnehan**

Ms. Minnehan updated the Board on the legislative audit of retirement calculations. One of the SAVA committee members requested the top 100 dollar amounts calculated in 2009. Staff asked the information be provided to them before forwarding it to SAVA.

**Next Board Meetings**

July 8, 2010  
August 12, 2010  
September 9, 2010

**EIAC Meeting**

June 17, 2010

**SAVA Committee Meetings**

June 24-25, 2010

**MT State Firemen's Assn Annual Convention**

July 12-14, Billings

**The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceed the merits of public disclosure. As such, this portion of the meeting will be closed.**

**CLOSED MEETING**

**Reconvene of open meeting**

Motion: Mr. Pat McKittrick moved to approve the minutes of the May 13, 2010 PERB Regular Closed Meeting.

Second: Mr. Scott Moore

No public comment.

Vote: 6/0, Ms. Porter abstained.

**Finalized Service Retirements Disability Benefit Payments – Patricia Davis**

Motion: Vice President Terry Smith moved to approve the Finalized Service Retirement/Disability Benefit Payments with addendum.

Second: Ms. Darcy Halpin

No public comment.

Vote: 7/0

## **ADJOURNMENT**

There being no further business before the Board, President Nielsen adjourned the meeting, at approximately 2:10 pm. Next regular meeting will be Thursday, July 8, 2010 at 8:30 am.

## **Executive Session**