

## **PUBLIC EMPLOYEES' RETIREMENT BOARD**

100 North Park Avenue, Room 201

Helena MT 59601

AGENDA

Thursday, April 12, 2012

### **REGULAR MEETING**

Vice President Terrence Smith called the regular PERB Meeting to order at 8:35 a.m. on Thursday, April 12, 2012. Roll call was taken. Seven Board members present. Board members and staff present were:

Terry Smith, Vice President  
Bob Bugni, Member  
Darcy Halpin, Member  
Scott Moore, Member  
Dianna Porter, Member  
Lee Smith, Member  
Timm Twardoski, Member  
Roxanne Minnehan, Executive Director  
Melanie Symons, Chief Legal Counsel  
Flora Sebens, Executive Assistant

Others present: Paula Stoll, DOA; Paul Spengler, Lewis & Clark County; Jerry Williams, MPPA; Mike O'Connor, AMPRE; Mark Murphy, MCCA, MPPA, MACOP; Linda Ulrich, Beth Long and Kent Morris, GWRS; Tom Schneider, MPEA; Don Kinman, AFSCME; Jill Hindoien, MRPEC; RaeLynn Nielsen, City of Helena; Denise Pizzini, TRS; Jan Hartford, CEM; Diane Fladmo, MEA-MIT; Matt Murphy, Rick Ryan, Doug Neil, Jason Baker, George Richards, Ed Cleary, Kevin Benz, Dax Fraser, Rick Hansen, MSFA; Mark Muir, MACOP; Randy Robinson, MLEA; *MPERA staff*: Barbara Quinn, Fiscal Services Bureau Chief; Patricia Davis, Member Services Bureau Chief; June Dosier, Information Systems Manager; Kate Talley, Legal Counsel; Jenny Weigand, Education Supervisor; Renae Justice, Internal Auditor, and Diann Levandowski, Assistant Fiscal Services Bureau Chief joined the meeting.

### **OPEN MEETING**

#### **I. Roll Call**

New member, Mr. Lee Smith, was introduced and welcomed to the Board. Mr. Smith replaces Mr. John Nielsen, whose term expired April 1, 2012.

#### **II. Public/Member Comment**

Ms. Diane Fladmo from MEA-MFT, welcomed Mr. Lee Smith to the Board and stated they are looking forward to working with him.

#### *Action items*

#### **III. Approval of Meeting Minutes**

##### **A. March 8, 2012, PERB Regular Meeting**

The minutes of the March 8, 2012, PERB Regular Meeting were presented.

***Motion: Member Dianna Porter moved to approve the minutes of the March 8, 2012, PERB Regular Meeting.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 6/0 Member Lee Smith abstained due to his absence at this meeting.***

***B. March 21, 2012, PERB Legislative Committee Meeting***

The minutes of the March 21, 2012, PERB Legislative Committee Meeting were presented.

***Motion: Member Dianna Porter moved to approve the minutes of the March 21, 2012, PERB Legislative Committee Meeting with corrections.***

***Second: Vice President Terrence Smith***

***No public comment.***

***Vote: 2/0 President John Nielsen was not present to vote due to his term having expired April 1, 2012.***

*Action Items*

**IV. Executive Director's Report – Roxanne Minnehan, Executive Director**

***A. Board Elections (Terry Smith, Vice President)***

Board policy states that the Board shall elect a President and a Vice President in April of each year. The Board opted to not use the ballot sheets and instead verbally elected a new PERB President.

***Motion: Vice President Terrence Smith moved to elect Scott Moore as the PERB President.***

***Second: Member Darcy Halpin***

***No public comment.***

***Vote: 7/0***

***Motion: Member Darcy Halpin moved to elect Terrence Smith as the PERB Vice President.***

***Second: Member Timm Twardoski***

***No public comment.***

***Vote: 7/0***

**B. Board Conceptual Legislation (Board Legislative Committee)**

The Board's conceptual legislation is due to the Budget Office in April. Chairwoman of the Legislative Committee, Dianna Porter, stated there are three items that the Board referred to the Legislative Committee to discuss and bring back their recommendations to the Board.

*Item 1:* The Committee recommends the staff move forward with the development of a disability revisions bill.

*Item 2:* The Committee recommends staff move forward with the development of a bill to increase the highest average compensation (HAC) period from 36 months to 60 months for new hires in the remaining systems.

*Item 3:* The Committee recommends staff move forward with the development of a bill to address impacts of 125 Plan premiums on HAC.

1. Disability Revisions

***Motion: Member Darcy Halpin moved to approve the following conceptual legislation for submission to the Office of Budget Programming and Planning:***

***Second: Member Dianna Porter***

***Public comment:***

Jerry Williams, MPPA, questioned what staff meant by the "due date was April 17<sup>th</sup>". Ms. Minnehan responded that Budget Office requires all agencies to submit legislative concepts to the Budget Office by April 17, 2012, for the Executive Branch to review. The bills will be revised several times and all revisions will be reviewed by both the Board and the public. They will also be approved by the Board before they are finalized and submitted to the 2013 Legislature. The initial drafts of the legislative concepts are included in the open meeting Board packet.

President Scott Moore reiterated that in order to have a place reserved for bills that MPERA wanted to present at the 2013 Legislative Session we have to submit a placeholder by April 17<sup>th</sup>. These placeholders may not necessarily have the exact language that will ultimately be used in the bills we submit, but they will reserve a spot for any bills we wish to present.

Tom Schneider, MPEA, stated that he is opposed to the Disability Revisions and the proposal to increase HAC from 36 months to 60 months. He pointed out that he attended full-day meetings with MPERA in January and February where the only concepts discussed were for those systems with a current unfunded liability. He feels that MPERA has 'back-doored' people with these concepts. He added that everything we do is public and everybody is watching what we do. There are a lot of people who are already trying to run the retirement systems into the dirt. Anything that we talk about can be misinterpreted. He is nervous that putting temporary language into these conceptual bills open the door for people to start other legislation against us, causing more work and negative press coverage.

Rick Ryan, MSFA, stated that they, too, are opposed to the Disability Revisions legislative concept that has been presented. At the last Board meeting he had requested staff refer to the actuary's report for FURS. He stated very few firefighters have received off-duty disability within the past five years. Mr. Ryan feels the systems without funding issues should not be messed with.

Ed Cleary, MSFA, agreed with Mr. Ryan's comments.

Ms. Minnehan stated the staff took the comments from the last Board meeting into consideration and are reviewing the historical actuary reports. The concepts that have been presented are primarily focused on making the administrative process easier. She mentioned that the Board and the public will have an opportunity to review all of the proposed amendments before they are presented to the 2013 Legislature.

There were no further comments from the public. President Moore restated the following motion:

***Motion: Member Darcy Halpin moved to approve the Disability Revision conceptual legislation for submission to the Office of Budget Programming and Planning.***

***Second: Member Dianna Porter***

***Vote: 6/1***

2. Increase HAC from 36 months to 60 months

***Motion: Member Dianna Porter moved to approve the conceptual legislation to increase HAC from 36 months to 60 months for the 125 Plans for submission to the Office of Budget Programming and Planning.***

***Second: Vice President Terrence Smith***

***Public comment:***

Rick Ryan stated MPERA is creating a two-tiered retirement. A new hire's benefit calculation is going to be different than that of someone who has been hired for a longer length of time and he does not feel that it is fair. He pointed out that in the Legislative Committee meeting minutes it was stated that the legislation presented to the 2011 legislature was going to be presented again to the 2013 legislature. He stated new concepts are going to be presented to the 2013 legislature that have not been previously discussed by MSFA. He stated that MSFA is adamantly opposed to increasing HAC from 36 months to 60 months and reiterated that he does not feel that the FURS system should be changed in anyway because it is perfectly fine the way it is now.

Jerry Williams asked if the Board had any idea what a negative impact this would have on retirees and how it would affect their income. The benefit is obviously going to go down. Roxanne stated it would be about a 3% decrease. He asked the Board why they would consider a piece of legislation that would decrease a retiree's benefit. Vice President Smith responded that this is a legislation that would address the spiking issue in the other plans. This has been addressed by other systems around the country as a way to stop spiking. He knows spiking may not be a perceived issue in other plans, but if we don't stop spiking in all of our plans the Board would be held accountable for not addressing this issue. This is one of the ways the Board can address this issue and let the Legislature know that we have.

Mr. Williams asked if there was historical data that showed that spiking was a big enough issue to create legislation over. Vice President Smith responded that although it is not a wide spread issue, when it does occur it greatly impacts the individual and receives a lot of public attention and it is a subject that the public and the Legislature wants the Board to address. Mr. Williams felt it was frustrating and very disappointing that it was told in previous meetings that the only systems that would be addressed in the 2013 Legislature were those that had unfunded liabilities and now it is being revealed that all of the systems are going to have changes made to them. He stated that he feels the Board is violating their own mission statements by making these proposed changes when there is absolutely no reason to do so.

Tom Schneider stated that the actuary did not say it was going to be a 3% change, Instead it was reported that it was going to be between 4-5%. He felt that there are better ways to address the spiking problem other than through this legislation.

Diann Fladmo encouraged the Board to bring the stakeholders together as we move through this process because each system has important differences that need to be addressed. As we look through the systems give the stakeholders a chance to ask questions and have the information that is made available to them be very transparent and very easy to understand. We face real challenges in our Legislature in regards to our retirement plans and making sure that they are actuarially sound. Let's all work together in a transparent way to move ahead in a way that preserves the actuarial soundness of our systems, preserves the benefits that we all know we need, and let the stakeholders work with you to make the next Legislative Session a success.

Member Timm Twardoski wanted it noted for the record that at this point in time he is voting to approve the conceptual legislation that the staff is presenting today mostly so that the process can continue moving forward.

Member Bob Bugni agree with Member Twardoski and stated that it is not necessarily that he agrees with the concepts as they are now, but he wants the process to continue to move forward.

There were no further comments from the public. President Moore restated the following motion:

***Motion: Member Dianna Porter moved to approve the conceptual legislation to increase HAC from 36 months to 60 months for the 125 Plans for submission to the Office of Budget Programming and Planning.***

***Second: Vice President Terrence Smith***

***Vote: 6/1***

3. Revise Compensation Definition –

***Motion: Member Dianna Porter moved to approve the conceptual legislation to address the impact of 125 Plan premiums on HAC for submission to the Office of Budget Programming and Planning.***

***Second: Member Bob Bugni***

***Public comment:***

Mark Muir, representing MACOP, stated he wanted to remind the Board to be cognizant of the fact that not all of the systems are the same – and for good reason. Members of MPORS cannot participate in Social Security. As a result, there is a difference in how individuals are recruited into law enforcement. There is a provision called the Windfall Elimination, which affects how the amount of one's retirement or disability benefit is calculated if they receive a pension from work where Social Security taxes were not taken out of their pay. A modified formula is used to calculate their benefit amount, resulting in a lower Social Security benefit than they would otherwise receive. He mentioned that MPORS is stable and asked that the Board not try to make all of the systems replicate one another. He acknowledged that the Board has been making an effort to receive education on all of the various legislative conceptual issues and he provided a handout that covered the Windfall Elimination provision for their review so that they can further educate themselves on how this impacts law enforcement and the MPORS retirement system.

Jerry Williams asked if the Board or staff had any idea as to what direction they were leaning towards in regards to the conceptual legislation that was presented today. Roxanne – not at this time – we have to explore it more and determine what we can and cannot do.

There were no further comments from the public. President Moore restated the following motion:

***Motion: Member Dianna Porter moved to approve the conceptual legislation to address the impact the 125 Plan premiums on HAC for submission to the Office of Budget Programming and Planning.***

***Second: Member Bob Bugni***

**Vote: 6/1**

**C. Requests for Actuarial Studies**

1. DCRP for all new hires – The Board has requested Cheiron determine the impact of placing all new hires into the DCRP. The estimate to perform the study ranges from \$1,500 to \$2,000. He would perform the following projections:
  - a. Continuation of current statutory contribution rates.
  - b. Effect of increasing contributions such that there would be a fixed amortization period of 30 years.
  - c. Effect of increasing contributions such that there would be a fixed amortization period approximately equal to the expected working lifetime of active members (similar to the study for TRS).

If the Board would like Cheiron to provide commentary regarding the general disadvantages of DC plans as was in the report for TRS, the fee increases to the range of \$2,500 to \$3,500.

***Motion: Motion: Vice President Terrence Smith moved to accept the actuarial study estimate for freezing the DBRP and requiring all new hires to be members of the DCRP. This study will include commentary regarding the general disadvantages of DC plans. The cost estimate is \$2,500 – \$3,500.***

***Second: Member Darcy Halpin***

***No public Comment.***

**Vote: 7/0**

2. LFC request – The Legislative Finance Committee (LFC) has requested information on PERS similar to what TRS provided at the March meeting (included in this packet). The Board’s policy requires a bill draft before costing out scenarios due to the cost of these studies. We have recently allowed stakeholders to request studies for which they have committed to pay. Amy Carlson was contacted; her agency cannot assist us with the cost to provide this information. She was also asked which items LFC was most interested in pursuing; instead of having all scenarios studied (to keep costs down). She was unable to provide information above the formal request. Roxanne has discussed this request with the actuary. His proposal and cost estimate is included in your packet.

Please note: Included in the informational section of your packet is the result of the special studies requested by the Board after the Legislative Work Session.

- Increasing employer contributions by 0.25% per year until a total increase of 1.00% is reached. This applied to PRS, SRS, GWPORS, HPORS, and MPORS.
- Allocating a portion of the coal tax fund to pay down the UAL in the unsound systems.
- Increasing the HAC from thirty-six months to 60 months for HPORS new hires.

***Motion: Vice President Terrence Smith moved to accept the actuary's proposal and estimate and to fulfill LFC's request. The study would be in addition to the DC study and include the impact of: House Bill 122 to Normal Cost, doing nothing and the effect on the funding and liabilities. The estimated cost is \$1,500.***

***Second: Member Dianna Porter***

***No public Comment.***

***Vote: 7/0***

***D. Out of State Authorization – NAPPA Conference, June 26-29, 2012 (Roxanne Minnehan)***

The National Association of Public Pension Attorneys (NAPPA) is a legal professional organization of attorneys representing public pension funds. It provides educational opportunities and informational resources for its member attorneys. Every June we send both of our attorneys to the annual educational conference. This allows them to network with others in the public pension field facing the similar legal challenges. This year the conference is in Philadelphia, PA, June 26-29. This conference is included in the FY 2012 approved Board budget.

***Motion: Member Bob Bugni moved to approve the travel authorization for Melanie Symons and Kate Talley to attend the National Association of Public Pension Attorneys (NAPPA) conference in Philadelphia, PA from June 26-29, 2012.***

***Second: Member Darcy Halpin***

***Vote: 7/0***

*Education Item*

***E. Board Education – CEM – Jan Hartford, CEM***

Jan Hartford, CEM, gave a presentation on the “Defined Benefit Administration Benchmarking Analysis – FY 2011” for MPERA; a copy of the presentation was included in the Board packet. CEM benchmarks our administration costs and services focusing on measuring and managing performance, stakeholder communication, and customer service.

*Discussion Item*

***F. MPERAtiv Program Update (June Dossier)***

***Current Status***

- The MPERAtiv Project is moving ahead as scheduled. The Imaging project status remains in yellow while MPERA and Informatix work to finalize the project schedule and define software requirements. The imaging status does not impact the overall MPERAtiv schedule, cost or scope and, thus, the MPERAtiv status remains green.

***Activities completed since last status report***

- Line of Business – The finalist made their oral presentation to MPERA on March 27. The evaluation committee completed their evaluation of the proposals and the project was awarded to Sagitec Solutions, LLC.
- Data Cleansing – Data Analysis Results Report (DARR) review sessions continue. Dan Fite from Ventera was on site the last week of March.
- Imaging – The scope issue was resolved and the Project Charter was accepted. The Project Plan was not accepted and was returned to Informatix for changes.

#### **Activities to be completed in next month**

- Line of Business – Complete contract with Sagitec. The project will be started as soon as possible after the contract is signed.
- Data Cleansing – The Initial Data Candidate List (IDCL) and the Data Analysis Results Report (DARR) will be completed and delivered to MPERA for review.
- Imaging – MPERA will plan its response to the software requirement risk. Informatix will complete and submit project documents and MPERA will review and either accept or reject them. Testing and training will be completed.

#### **Awareness Items**

Imaging – At this time the status of this project remains yellow but may move to red depending on the response received from Informatix. The scope issue from last month was resolved. However, the software requirements identified by Informatix in the software requirements document do not match the RFP requirements or Informatix's response. The critical area in question concerns licensing required to provide our members with read only access to their individual images. MPERA has rejected the software requirements document and Informatix is considering its response. There is a risk that Informatix will not be able to meet this requirement. This risk has the potential to significantly impact the imaging project in cost.

#### **Scope/Schedule/Cost Updates**

- Cost: Potential cost impact to Imaging Project
- Scope: All requirements within scope
- Schedule: Imaging schedule impact is estimated to be 2 – 6 weeks. The MPERAtiv schedule is not impacted.

#### **Issues/Risks**

(36) Imaging: Per Addendum 1 of RFP

3.4.3.21 Offeror must explain in detail how their system can support MPERA's potential need of providing members read only access to their individual images via the web.

3.4.3.22 Offeror must explain in detail the additional licensing requirements, if any, necessary to support section 3.4.3.21

Informatix response to RFP3.4.22

The only additional licensing is the Weblink portal software. This is intended for public access and has unlimited read only access.

In its Software Requirements document, Informatix is stating the unlimited access is with 10 concurrent users.

Status: Open, requires risk response.

**G. BOI Report (Bob Bugni)**

**H. Conference Report – NASRA/NIRS (Roxanne Minnehan)**

**I. Committee Reports (Committee Chairs)**

Policy Committee (Scott Moore) – The Policy Committee met on March 29, 2012. It was agreed at this meeting that any decisions would be postponed because the Board would be electing a new president and the following month the committee members may be reassigned to another committee.

Personnel Committee (Darcy Halpin) – Chairwoman Darcy Halpin stated that the Committee is moving forward on non-union pay. Member Timm Twardoski reported that he has been attending the Labor Management Committee (LMC) meetings and that the members are working hard and everything is moving forward. He plans on continuing to attend these meetings because he feels it has been extremely helpful in breaking down barriers and opening up communication.

Legislative Committee (Dianna Porter) – Nothing new to report.

Audit Committee (Chairman Terrence Smith) – The next Audit Committee meeting is tentatively scheduled after the Board meeting in May.

**J. Executive Director Update (Roxanne Minnehan)**

**Staffing Update**

- The Paralegal position was posted externally and closed April 11, 2012. Interviews are scheduled for the week of April 30, 2012.
- The Retiree Audit Position has been filled by Barb Anderle. She will start April 18, 2012.
- The Pay Benefit Technician (Education Unit) was filled in-house by Terry Dalton, which left her position of Retiree Database Assistant vacant.
- The Retiree Database Assistant position received three internal applicants which are currently being interviewed.
- The LAN Administrator was posted externally and closes March 19, 2012.
- The Internal Auditor position was posted externally and closed April 11, 2012. Interviews are scheduled for the week of April 16, 2012.

**Governor News Conference, Tuesday, April 10, 2012**

- Uphold Constitutional Requirement to fund public retirement systems on an actuarially sound basis
- Announced a proposal to fix MT's UAL without raising taxes
- Tree-legged approach – share the burden
- PERS – requires \$68.7M/year
  - Increase ER contributions by 1% = \$13.7M/year
  - Increase EE contributions by 1% = \$13.7M/year
  - Additional State Contribution from Coal Tax Interest (HB 632, 2011) = \$18.1M
  - Additional Local Government Contribution (?) = \$25M

- TRS – requires \$30M/year
  - Increase ER contributions by reducing cap in school retirement reserves from 35% to 20% = \$14.7M1% = \$13.7M/year
  - Increase EE contributions by 1% = \$8.5M/year
  - Additional State Contribution from Land Revenue = \$25M

**SAVA Meeting – Thursday, April 19, 2012**

- Megan Moore, lead staff’s last meeting. Replaced with Sheri Scurr.
- Public Retirement Systems
  - Overview of GASB Changes – Cindy Jorgenson, Legislative Audit Division
  - Addressing the UAL
  - Dan Villa, Budget Director
  - Megan Moore, SAVA Committee Staff – discusses other funding sources:
- Coal Severance Tax – GF balance FY10 = \$10.3M, FY10, HB632, 2011 Session
- Lottery – GF balance FY10 = \$10.6M
- Oil & Natural Gas – GF balance FY10 = \$95.5M
  - PERB CAFR – Roxanne Minnehan, MPERA
  - TRS Update – Dave Senn, TRS

**K. *Litigation Update (Melanie Symons)***

Kate Talley, Counsel, reported that all briefs have been submitted to the Supreme Court following Erene Briese’s appeal of the District Court’s determination. Copies were included in the Board packet. The Supreme Court’s order is pending. The Board commended Ms. Talley on doing an excellent job presenting this case.

*Informational Items*

**L. SAVA Meeting – April 19, June 12-13, August 8-9 and September 6**

**M. LFC – June 11-12, Mid-September**

**N. Next Board Meeting – May 10 and June 14**

**O. Board Retreat – FWP Communication/Education Center – September 12**

**CLOSED MEETING SUMMARY**

The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceeded the merits of public disclosure. As such, this portion of the meeting was closed as of 12:45 p.m.

Meeting Minutes

***Motion: Member Dianna Porter moved to approve the minutes of the March 8, 2012, PERB Closed Meeting.***

***Second: Member Darcy Halpin***

***Vote: 6/1 Member Lee Smith abstained due to his absence at this meeting.***

Disability Report (*Julie Reardon*)

- *Initial Claims* – The Board denied one disability claim, approved one disability claims with annual review, approved one disability claim without annual reviews, and postponed a decision for one disability claim.
- *Disability Reviews* – There were no annual reviews.

Contested Cases (*Kate Talley/Patricia Davis*)

- *Informal Consideration – Benefit Calculation Appeal, PERS* – The Board moved to uphold staff recommendation to allow the member to make a one-time lump-sum purchase of six-months of military time at a cost of \$4,661.75 within 30 days of the Board’s approval.
- *Informal Consideration – Benefit Calculation Appeal, MPORS* – The Board moved to deny the appeal request of a staff decision made February 16, 2011, to correct the calculation of a member’s benefit based on an error in compensation used in the initial estimate calculation.
- *Informal Consideration – Disability Appeal, PERS* – The Board moved to postpone reconsideration of their January 12, 2012, decision denying the member’s application for disability benefits until no later than the July 12, 2012, Board meeting in order to allow more time to submit medical records.

Finalized Service Retirements/Death Benefits (*Patricia Davis*)

***Motion: Vice President Terrence Smith moved to approve the finalized service retirements/death benefits.***

***Second: Member Timm Twardoski***

***Vote: 7/0***

**ADJOURNMENT**

There being no further business before the Board, President Scott Moore adjourned the regular meeting at approximately 10:30 a.m. The next regular meeting will be Thursday, May 10, 2012, at 8:30 am.

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Scott Moore, President

ATTEST:

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Roxanne M. Minnehan, Executive Director