

PUBLIC EMPLOYEES' RETIREMENT BOARD

100 N Park, Room 201
Helena MT 59620

**Board Legislative Committee Minutes
Tuesday, February 5, 2013**

Chairman Terrence Smith called the PERB Legislative Committee meeting to order at 1:05 p.m. on Tuesday, February 5, 2013. Board Members that participated in the meeting:

Committee Members:

Terrence Smith, Chair
Scott Moore
Darcy Halpin
Dianna Porter
Melissa Strecker

Staff:

Roxanne Minnehan, Executive Director
Melanie Symons, Chief Legal Counsel
Barbara Quinn, Fiscal Services Bureau Chief
Patty Davis, Member Services Bureau Chief
Jenny Weigand, Education Supervisor
Joshua Crone, Executive Assistant

Public:

Mike O'Connor, MPERA
Tom Schneider, MPEA
Doug Neil, MSFA
Kurt Bushnell, MSFA

OPEN MEETING

I. Roll Call

Roll call was taken. Chairman Terrence Smith and Members Dianna Porter, Darcy Halpin, Scott Moore, and Melissa Strecker participated via telephone. Board members absent: Bob Bugni and Timm Twardoski.

II. Public / Member Comment

There was no public comment.

III. Approve Minutes – January 29, 2013

The minutes from the January 29, 2013 Legislative Committee meeting were presented. Member Dianna Porter referenced Section 5, Page 4. She asked that in the fourth paragraph “Senator Brown” be changed to “Senator Lewis.” Chairman Terrence Smith requested clarifying language in the same paragraph, adding “in speaking on that matter at that time from Senator Brown” to the second sentence of the fourth paragraph.

Motion: *Member Dianna Porter made a motion to approve the January 29, 2013 minutes as revised.*

Second: *Member Scott Moore*
No public comment.
Vote: 5/0

IV. Executive Director Report

a. Review Introduced Legislation

1. HB 336 – Generally revise HPORS laws

Introduced by Representative Steve Gibson (R), HB 336 is an attempt to aggressively address the unfunded actuarial liabilities in HPORS. This bill proposes increasing employee contributions by 2% for every increased employer contribution of 1%, increasing the factor from 2.5 to 2.6 for every year of service, reducing the GABA by 1.5%, and requiring a ten year vesting period. HB 336 is supported by the Association of Montana Troopers. The association wishes to fix the problem of unfunded actuarial liabilities now and not have to revisit the issue in the future.

Barbara Quinn, Fiscal Services Bureau Chief made a presentation on the fiscal aspects of HB 336. The Legislative Services Division asked the actuary to do a 30 year projection. The funded ratio in 30 years becomes over 100%. The normal cost will not have a significant change. Additional contributions will come in, since the employer rate increases by 2% with the ultimate employee increase at 4%. The Fiscal Note has not yet been submitted to the Budget Office; it is still in progress.

Chairman Smith inquired about the amortization period going from 49.7 to 47.3 years. The actuary shows there would be a surplus in this retirement plan if HB 336 were passed. It was explained that the decreased amortization period from 49.7 years to 47.3 years reflects bill changes to the 2012 valuation. Projecting out five years the amortization period is 24.9 years and after 30 years there is a surplus.

Ms. Minnehan stated that HB 336 has been assigned to the Appropriations Committee.

Melanie Symons, Chief Legal Counsel noted that the Legislative Services Division has a legal review on HB 336 regarding contract impairment.

Chairman Smith stated because HB 336 appeared to violate the contract right he preferred to remain neutral on the bill. Member Scott Moore concurred and added that the Board provide information on the retirement system. Member Dianna Porter concurred.

Motion: *Member Dianna Porter made a motion to remain neutral on HB 336 and to provide information regarding the retirement system at the bill hearing.*

Second: *Member Darcy Halpin*

No Public Comment.

Vote: 5/0

2. HB 338 – Provide funding for pension debts, all new hires to DC plan

Sponsored by Representative Keith Regier (R), HB 338 would change the Board from 7 to 11 members and would define the composition of the board itself. Further, all new hires would become

a part of the defined contribution plan with increased employee contribution rates. MPERA is in the process of having the actuary determine the fiscal impact.

Mike O'Connor presented the Board with a detailed analysis of HB 338. HB 338 would place all public retirement systems into a new defined contribution plan that the Board would administer. Takes the current DCRP out of PERS and places it in its own chapter, and increases member contributions by 1% in each system. The bill provides coal tax money for the systems that are not actuarially funded, suspends or eliminates the GABA for all systems, provides no disability provision in the new defined contribution plan, and requires the Board contract with an insurance company for disability coverage. HB 338 increases the percentage of both employer and employee contributions that go to reduce the unfunded liability of the system and decreases the percentage of contributions that go to the member. Mr. O'Connor is concerned with the GABA provision and is interested to see the valuation by the actuary of the plans that are actuarially sound.

Chairman Smith stated that he opposes this bill. Member Halpin and Member Melissa Strecker concurred.

Motion: *Member Scott Moore made a motion to oppose HB 338.*

Second: *Member Darcy Halpin*

Tom Schneider, MPEA stated his opposition HB 338. Kurt Bushnell, MSFA stated that he is in agreement with Mr. Schneider.

Vote: 5/0

3. SB 193 – Increase game warden pay with increased nonresident wildlife conservation fee

Sponsored by Larry Jent (D), SB 193 has been referred to the Fish & Game Committee. This is a pay bill for the game wardens and addresses the funding for the Game Wardens' and Peace Officers' Retirement System.

Barbara Quinn made a presentation on the fiscal note information. When the increased license fees are implemented, there will be a separate account set up for the funding of the salary increases, as well as any additional normal costs. Some of the information on the fiscal note came from the department of Fish, Wildlife, and Parks. The plan cost would decrease by .12%, the plan does not amortize and the unfunded liability goes up by approximately \$3.4 million. Ms. Quinn calculated what the contributions would be based on the salary information provided by FWP. Ms. Quinn also noted that there is a provision if there isn't enough money to cover salaries; but the proposal is silent if there isn't enough money to cover the normal cost.

Ms. Minnehan reported that SB 193 has been forwarded to the Fish and Game Committee.

Chairman Smith commented that he felt neutral on this bill and inquired whether a full actuarial review had been done. Ms. Quinn affirmed that the review had been completed with the numbers supplied by FWP. Member Porter added a preference to remain neutral. Members Halpin and Moore concurred.

Motion: *Member Darcy Halpin made a motion that the Board remains neutral on HB 193 and to provide information regarding the retirement system at the bill hearing.*

Second: *Member Dianna Porter*

No Public Comment.

Vote: 5/0

4. SB 227 – Eliminate pension eligibility for legislators

Introduced by Senator Edward Walker (R), SB 227 was introduced in the Senate and was referred to the State Administration Committee. This bill would prohibit new legislators from receiving membership service or service credit in any public employee retirement system for the legislative term beginning on after January 5, 2015.

Member Porter asked whether SB 227 would preclude a legislator who works for a local government from having public pension eligibility while working for the Legislature. Ms. Minnehan answered in the affirmative and also pointed out that a fiscal note had been requested on this bill.

Member Moore added that Member Porter's question needed to be clarified, since he would oppose the bill if only because it serves to discourage public service in the legislative process. Member Porter agreed.

Doug Neil, MSFA stated that many employees who are newly hired into local government do not immediately attempt to join the legislature. What about an employee who takes a leave of absence and has a break of service in the final highest average compensation of 36 months? Will that have an effect on the member's benefit upon retirement?

Ms. Minnehan reported that the HAC period must be consecutive time.

Mr. Neil then said that under SB 227, a member would have a diminished benefit because it would be necessary to return to a 36 month period where wages were less. This bill would serve to discourage a citizen from serving in the legislature who happened to be employed by the public while not in legislative session. Mr. Neil was strongly against SB 227.

Chairman Smith noted that unIntroduced LC0732 appeared to do the opposite of SB 227.

Motion: Member Moore made a motion to oppose SB 227.

Second: Member Dianna Porter

No Public Comment.

Vote: 5/0

b. Review Unintroduced Legislation

1. LC 1083 has become HB 382 – Provide coal tax funding for actuarially unsound retirement systems

Sponsored by Liz Bangerter (R), this bill requires that a portion of the expendable portion of coal severance tax collections be statutorily appropriated to the trust funds for the Teachers' Retirement System, the Public Employees' Retirement System Defined Benefit Plan, the Sheriffs' Retirement System, and the Game Wardens' and Peace Officers' Retirement System until the funds are actuarially sound.

Mike O' Connor added that TRS would receive 45% of the coal tax, PERS would receive 45%, and the remaining systems would get 5% of the funds. HPORS did not want to be included in this proposal. The Association of Montana Retired Public Employees requested HB 382.

A fiscal note has been requested. Estimates of revenue provided by Shawn Graham, Operations Manager of Governor Bullock's Budget Office, have been sent on to the actuary.

Motion: *Member Dianna Porter made a motion to support HB 382.*

Second: *Member Darcy Halpin*

No Public Comment.

Vote: *5/0*

2. LC 0732 – Revise legislator membership in the PERS

Requested by Senator Sue Malek (D), LC 0732 requires a legislator to make an election each term concerning legislative participation in a public employee retirement system. It specifies that a legislator who elects not to participate in a public employee retirement system as a legislator may not be considered as employed in a position covered by the retirement system based on the legislator's employment as a legislator.

Melanie Symons states this bill draft creates a qualification issue with the IRS. Ms. Symons has been in written contact with Senator Malek many times over the past two years and states the Senator is very aware of MPERA's concerns and issues.

Chairman Smith inquired whether the Board should oppose a bill draft. Ms. Symons referred to the speed with which this bill draft is moving forward and answered in the affirmative; IRS is becoming stricter on these elections given the qualification issue.

Motion: *Member Scott Moore made a motion to oppose LC 0732.*

Second: *Member Melissa Strecker*

No Public Comment.

Vote: *5/0*

3. LC 1124 – Assess a fee for PowerPoint presentation to fund retirement system

Requested by Senator Jim Keane (D), this bill draft requires that any PowerPoint presentation made to the legislature be accompanied by a fee of \$250 for a presentation of up to 5 minutes in length and \$500 for a presentation more than 5 minutes in length. The fee must be deposited in the state special revenue fund and must be appropriated to the pension trust funds.

The Board declined to take a position on LC 1124.

4. LC 1784 – Add cost of living adjustment for volunteer firefighters at 2% every year

Requested by Representative Amanda Curtis (D), this bill draft will be reviewed by the actuary to see the financial impact it will have on the system prior to being introduced.

Chairman Smith reported there is not enough information on the bill draft for the Board to take a position. Member Halpin concurred.

5. LC 2019 – Increase pension for certain volunteer firefighters

Requested by Representative Ed Lieser (D), this bill draft allows the board of trustees of a fire department relief association to increase the pension benefit amount for members of the association who are volunteers.

Mike O'Connor states Chapter 17, the volunteer firefighters' compensation act and Chapter 18 which concerns relief associations. Some firefighters are covered under one Chapter and others are covered under the other. Senator Lieser has inserted a benefit for Chapter 18 and is trying to get a benefit increase for volunteer firemen. He stated there will be a redo of the bill.

Chairman Smith reported there is not enough information on the bill draft for the Board to take a position.

d. Bill Status Reports

1. HB 91 has been transmitted to the Senate.
2. HB 95 was scheduled for second reading today on the floor, passing 79-21.
3. HB 96 was heard on January 29, 2013 by the Joint Select Committee on Pensions.
4. HB 97 was heard in the House State Administration Committee on February 4, 2013.
5. HB 105 was heard February 4, 2013 by the House State Administration Committee.
6. HB 175 has had no action taken yet.
8. HB 282 was referred to the Joint Select Committee on Pensions.
9. HB 311 was attended by Ms. Symons. She was the only proponent.

Ms. Minnehan reported hearing that the Governor's bill should be introduced soon.

ADJOURNMENT:

There being no further business before the Legislative Committee, Chairman Terrence Smith adjourned the meeting at approximately 2:28 p.m.