

## **PENSION PLAN SWITCH OPPOSED BY STATE EMPLOYEE RETIREMENT BOARD**

HELENA, March 30 – Conversion to an all Defined Contribution plan for state, county and city workers was opposed Wednesday morning by the Montana Public Employee Retirement Administration (MPERA) and six statewide employee organizations in testimony before the House State Administration Committee.

No one else spoke in support of SB328 after an initial explanation by its sponsor, Sen. Dave Lewis (R-Dist. 42). The House committee will take executive action on the measure at its Friday meeting at 8 a.m.

The proposed legislation for new hires in the Public Employees' Retirement System (PERS) seeks to change most public employee retirements from a defined-benefit method, by which employees are typically guaranteed a certain amount in monthly pension based on career earnings and contributions, in favor of a defined-contribution plan, similar to a 401(k) plan, in which workers are responsible for deciding where and how their contributions are invested, and how much can be drawn out monthly upon retirement.

Roxanne Minnehan, MPERA Executive Director, led the line of opponents to the bill on behalf of her board of directors. She explained that the bill in part violates the Montana Constitution, and a couple of states which already have tried such a switch, Nebraska and West Virginia, have gone back to the defined-benefit method. "No one size fits all when it comes to retirement plans" she stated. "The average age of new hires under the state's largest retirement plan is 40, so they don't have time to accumulate enough in a 401(k)-type defined-contribution fund to earn a decent monthly retirement check."

Further, Minnehan said the success of the defined benefit plan, covering about 29,000 workers, depends on a constant influx of funds from employers on new employee payrolls that pays benefits to retired workers. If the bill passed and the changes were made, she said, money would run out in an estimated 20 years. The Actuarial Accrued Liability for the system increases from \$5.24 billion to \$8.65 billion and the Annual Required Contributions will increase from 22.3% to 223.5% by 2030 if no money is added to the system. This bill puts the burden of adding money on the governor, but the fiscal note shows the money coming from employers. A more specific source and amount is needed.

Tom Schneider of the MPEA Montana Public Employees Association (MPEA) pointed out to legislators that if new contributions are removed from the defined benefit plan, the burden of funding the system falls solely on Montana taxpayers.

“In the past there have been a couple of occasions in which MPERA has approached the legislature to address funding concerns” states Minnehan. “If this bill passes, funding will need to be addressed each legislative session and the amount needed will continue to increase for many years to come.”

Passing the bill would not reduce the current unfunded liability of PERS totaling \$1.3 billion, which she said was caused mostly by the stock market drops of the past decade. The health of the state retirement fund will recover when the national economic picture brightens, she said.

In addition to MPERA, organizations opposed to the change in the PERS retirement system were Montana Public Employees Association, Montana Education Association/Montana Federation of Teachers, Montana Association of Retired Public Employees, Teamsters Union Local 190, American Federation of State, County and Municipal Employees and Montana Nurses Association.

#