

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park, Rm 201 ~ Helena MT 59620

Legislative Committee
Tuesday, February 19, 2013, 1:00 pm

MINUTES

Chairman Terrence Smith called the Public Employees' Retirement Legislative Committee meeting to order at 1:00 p.m. on Tuesday, February 19, 2013.

Committee Members:

Terrence Smith, Chairperson
Scott Moore
Darcy Halpin
Dianna Porter

Staff:

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

Public:

Mike O'Connor, MPERA
Tom Schneider, MPEA, AFSCME
Doug Neil, MSFA
Kurt Bushnell, MSFA
Diane Fladmo, MEA-MFT

I. Roll Call

Roll call was taken. Chairperson Terrence Smith and Members Dianna Porter, Darcy Halpin and Scott Moore participated via telephone. Board members not present were Bob Bugni, Timm Twardoski and Melissa Strecker.

II. Public / Member Comment

There was no public comment.

III. Approve Minutes – February 12, 2013

The minutes from the February 12, 2013 were presented and approved.

Motion: *Member Dianna Porter made a motion to approve the February 12, 2013 Legislative Committee minutes as presented.*

Second: *Member Darcy Halpin*

No public comment.

Vote: 4/0

IV. Executive Director Report

a. Review Introduced Legislation

1. HB 454 – Public funding for the PERS-DBRP

HB 454, sponsored by Bill McChesney, is to provide additional funding to amortize the unfunded liabilities of the Public Employee Retirement System (PERS) through increased contributions and revenue and interest earnings derived from natural resource development. This bill includes appropriations for the additional 1% employer and employee contribution for state agencies and the Montana University System. The Unfunded Actuarial Accrued Liability (UAAL) of PERS is reduced from “Does Not Amortize” to 36.7 years in the first year.

At the time the agenda was posted, the Fiscal Note was not ready. It is due to be out of the budget office February 19, 2013.

The changes include amortization period that goes from infinity to 36.7 years by 2014. By 2019 the amortization period will decrease to 28.1 and this will make the plan actuarially sound. There is a trigger in place that will decrease the employer and employee 1% increase once the plan can be amortized under 23.6 years. The 1% additional contributions made by employees and employers is projected to be eliminated in the year 2033.

This bill will be heard on Thursday, February 21, 2013 by the Joint Select Committee on Pensions.

Motion: *Scott Moore made a motion that the Board support HB 454.*

Second: *Dianna Porter*

No public comment.

Vote: *3/1, Terry Smith opposed.*

Tom Schneider made an inquiry if the bill had a severability clause. Roxanne Minnehan confirmed that there is severability clause in HB 454. If the bill passes as it stands and the court removes the 1% increase, the rest of the bill will still be in effect.

2. HB 461– Increase pension for certain volunteer firefighters – Relief Assns – Be available for explanation.

This bill is introduced by Leiser, Ankeny, Bennet, Coffin, Curtis, Gursky, Pomnichowski, Steenbert, Whitford to increase the pension benefit amount that the board of trustees of fire department relief associations set for the volunteer members of the associations. The Board does not need to take a position on this bill as we do not administer the relief associations. Staff will be present at the hearing today to answer questions due to confusion between Chapters 17 and 18, MCA.

3. HB 476 – Add cost of living adjustment for volunteer firefighters

This bill, introduced by Amanda Curtis provides a 2% cost of living adjustment in the volunteer firefighters’ compensation act. We had the actuary review the bill to determine the impact. Prior to calculating the effects of HB 476, the 2012 actuarial valuation was adjusted for the changes in data related to the Crossman lawsuit. The lawsuit increased our liability by \$500,000 which in turn increased the amortization from 9.3 years to 10 years. This bill increases the amortization period to 26.2 years by

\$6M.

Motion: *Scott Moore made a motion to oppose HB 476*
Second: *Dianna Porter*
No public comment.
Vote: 4/0

4. HB 482 – Generally revise laws related to the BOI to create a state bank

HB 482 presented by Kelly McCarthy, establishes a Montana partnership bank. This bill was heard this morning. There wasn't any staff in attendance at the hearing. The Department of Commerce and the Board of Investments are unable to determine the potential fiscal impacts of creating a new state owned commercial bank in the time allowed to prepare a fiscal note, but they are thought to be significant.

The bill allocates \$10 million in 'retirement' funds to the bank for 'bank capitalization'. The board may be unable to reconcile its fiduciary duties to manage pension monies for appropriate risk/return and offer competitive loan monies through such capitalization. The board's current mortgage rate offered in pension fund investment is currently uncompetitive.

With this information the committee is in opposition to HB 482; but let BOI take the lead.

Motion: *Darcy Halpin made a motion to oppose HB 482.*
Second: *Scott Moore*
No public comment.
Vote: 4/0

5. SB 353 – Establish qualifications for Public Employees' and Teachers' Retirement Boards

SB 353 has just been introduced. It is sponsored by Edward Walker and establishes certain qualifications for members of the Public Employees' Retirement Board and the Teachers' Retirement Board. It will reduce the size of the Teachers' Retirement Board. It has been referred to the Joint Select Committee on Pensions.

The bill sponsor does not want any members to be active or inactive members or retirees of any of the retirement systems or plans under the Board's purview. Three of the seven board members shall have investment experience. This bill also has a retroactive applicability for those Board members not yet confirmed by the Senate – Bob Bugni and Melissa Strecker. Therefore, after March we will have a total of four Board positions turn-over.

Motion: *Scott Moore made a motion that the Board opposes SB353.*
Second: *Dianna Porter*
No public comment.
Vote: 4/0

6. HB 532 – Revise income tax using a flat tax rate and a tie to federal taxable income

HB 532, sponsored by Roy Hollandsworth, is proposing revision of income tax using a flat tax rate and a tie to federal taxable income. It includes our sections of statute. It will eliminate state taxes in the exemption listed in 19-2-1004. This bill came to our attention due to the request for a fiscal note.

Motion: *Darcy Halpin made a motion to have staff research the affect it will have on the plan and if a qualification issue is found testify against it or and if not, remain neutral.*

Second: *Dianna Porter*

No public comment.

Vote: 4/0

b. Review Unintroduced Legislation

1. LC 0540 – Establish cash balance benefit tier in TRS/PERS for new hires

This is now SB 333. It has been referred to Joint Select Committee on Pensions. There has been an extension requested for the Fiscal Note. This bill will be heard after the transmittal date. The actuary is currently working on the Fiscal Note. Not enough information to take a Board position at this time.

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

This bill draft has been cancelled.

c. Other?

d. Bill Status Reports

1. House Bills

HB 95, which requires contributions on working retiree compensation, passed 3rd reading on February 18, 2013. The vote was 75 to 24.

HB 97, caps the highest/final average compensation in MPERA retirement systems, has been re-referred to the Joint Select Committee on Pensions on February 18, 2013.

HB 105, which generally revises MPERA retirement system law concerning plan administration, was transmitted to the Senate on February 13, 2013.

HB 377, which provides funding for TRS, was heard this morning. The testimony was positive.

e. Board Position on Reviewed Bills

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

HB 53 has been signed by the Governor on February 18, 2013.

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

3. HB 175 – Include dispatchers in the SRS – *Support*

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

5. HB 282 – Constitutional amendment regarding public employee retirement systems -
Neutral

HB 282 was tabled on February 19, 2013 in the Joint Select Committee on Pensions.

6. HB 311 – Revise what educational and retirement savings is exempt from civil judgment – *Support*
7. HB 336 – Generally revise HPORS laws – *Neutral*

There has not been any action on the bill.

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

HB 338 will be heard in Joint Select Committee on Pensions on February 21, 2013. Terry Smith addressed Diane Fladmo asking if she has found a DC member from PERS to speak about bill. To date, Ms. Fladmo has not success in locating a DC member. Terry Smith offered to continue looking for a DC member to speak on the bill.

9. HB 382 – Provide coal tax funding for actuarially unsound retirement systems – *Support*
10. SB 82 – Require PERS new hires to be in DC plan – *Oppose*
11. SB 193 – Increase game warden pay with increased nonresident wildlife conservation fee – *Neutral*
12. SB 227 – Eliminate pension eligibility for legislators – *Oppose*
13. SB 261 – Require legislator election each term concerning participation on PERS – *Oppose*

This bill was tabled in committee on February 15, 2013 at the request of the sponsor, Sue Malek.

ADOURNEMENT:

There being no further business before the Legislative Committee, Chairman Terrence Smith adjourned the meeting at approximately 2:00 p.m.