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**State Administration and Veterans' Affairs Interim Committee**

**61st Montana Legislature**



# MINUTES

May 19, 2010

Room 172, Capitol Building
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

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## COMMITTEE MEMBERS PRESENT

SEN. JOE TROPILA, Chair
REP. GORDON HENDRICK, Vice Chair

SEN. JOE BALYEAT
SEN. LARRY JENT
SEN. DAVE LEWIS

REP. TIMOTHY FUREY
REP. PAT INGRAHAM
REP. ROBERT MEHLHOFF

## STAFF PRESENT

RACHEL WEISS, Research Analyst
DAVID NISS, Staff Attorney
FONG HOM, Secretary

## Visitors List and Agenda

Visitors' list, Attachment 1
Agenda, Attachment 2

## COMMITTEE ACTION

- The committee asked that the consultants look at the Money Purchase Plan, the Professional Retirement Option plan, and the Revised Defined Benefit Plan and come up with a design for the Teachers' Retirement System to be costed out by the actuaries.

## CALL TO ORDER AND ROLL CALL

00:00:01 Sen. Tropila called the meeting to order at 8:30 a.m. The secretary called roll. Everyone was present. The committee approved the minutes of March 19, 2010, as written.

## AGENDA

**HB 659 STUDY/REDESIGN - David Slishinsky and Doug Fiddler, Buck Consultants**

00:03:00 Mr. Slishinsky reviewed the nine different plan alternatives and their comparison to the current plan design **(Exhibit 1)**.

### RETIREMENT PROGRAM ALTERNATIVES

00:10:00 • **Traditional Defined Benefit Plan**

The traditional defined benefit plan works with a formula that is based on service and salary and that determines an amount of a monthly pension that is paid to a retiree for life.

00:11:00 • **Revised Defined Benefit Plan**

The revised defined benefit plan is a plan that operates similar to the traditional plan only with reduced benefits.

00:11:20 • **Money Purchase Defined Benefit Plan**

Mr. Slishinsky explained that this plan is also called a cash balance plan. Member and employer contributions are fixed and credited to a theoretical account. An interest credit is applied to that account balance.

**Questions**

00:12:00 REP. INGRAHAM asked, if you do something like that, how do you judge the contributions to allow for the bigger premium up front versus a long-term COLA? **Mr. Slishinsky** said that you decide what the contribution levels are and then you tie the contribution credit into the accounts equal to those contributions.

00:14:04 SEN. LEWIS asked how you could limit the liability? **Mr. Slishinsky** said that you can limit the liability with regards to defining the interest credit and guaranteeing a level of interest credit that is less than the long-term expected return on the assets, then manage the plan by managing the surplus and the assets. You can have elements built into the design to limit the downside risks to the employer of having to contribute additional contributions to meet the actuarial soundness of the plan.

00:17:43 REP. MEHLHOFF asked if there are any of those plans being used in other states for retirement funds and what percentage are those set up at? **Mr. Slishinsky** said that Nebraska uses a cash balance plan for state employees and for county employees. The state plan has an employee contribution rate and a crediting rate of 4.8% of salary that goes into their account. The state matches that at 156%. The interest credit is defined as the federal mid-term rate plus 1.5%. They add 1.5% for an equity portion of return with a minimum of 5%.

00:19:30 SEN. LEWIS asked if you are shifting the risks on investment return back to the members and the retirees? **Mr. Slishinsky** said that the investment risk is still held by the plan but you can use plan design to help limit the risks by making adjustments in the interest crediting rate. You could also do it with regards to the contribution crediting rate.

00:22:40
- **Combination Reduced Defined Benefit and Money Purchase Plan**

You have a lower amount of guaranteed benefit through the Defined Benefit Plan, therefore, it is reduced. You have a multiplier in the range of 1% to 1.25% in a reduced DB plan with an individual account plan, like a Money Purchase Plan (MPP), in making up some of the difference. This way, additional pension amounts can be provided by the account balances and the MPP with an actuarial equivalent conversion of the balance to an additional monthly pension at retirement.

00:24:59
- **Defined Contribution Plan**

This is an individual account plan. Actual contributions that are made by the members and the employers go into an account set up for the member. The members make investment decisions. The money that accumulates over time is then paid in the form of a lump sum, or in an installment arrangement over a period of years, or can be converted to an annuity for a lifetime payment.

00:26:36
- **Pension Equity Plan**

This benefit is defined as a lump sum value that is tied to final average salary: i.e., over years of credited service the plan provides 10 credits into an account over a member's years of service. The member works 40 years and gets 400 credits (10 credits x 40 years = 400 credits). The 400 credits converts to percentage of final pay or final average pay at retirement and the value of pension that is provided is based upon that percentage of their final pay or final average pay. In this case it would be 400% (4 x final pay or final average pay at retirement) and converted on an actuarial equivalent basis to a monthly annuity payment for that member's lifetime.

**Questions**

00:28:02 REP. MEHLHOFF asked if the annuity conversion on this type of a plan would be dependent on interest rates at the time. **Mr. Slishinsky** said not necessarily. The conversion rate can be defined by the plan. It would be self-annuitized by the plan and the plan would define not only the interest rate for the conversion but also the mortality table used for that conversion to an annuity. It would not have to be a fluctuating rate based upon current interest rates. It can be set as a long-term rate under the plan.

00:29:56 • **Floor Plan**

This plan is a combination Defined Benefit and Defined Contribution Plan. A Defined Contribution plan is used to support the benefit setup by the Defined Benefit plan. The accumulation in the Defined Contribution plan is then converted to an annuity and the member gets the greater of the Defined Benefit formula benefit or the Defined Contribution benefit. This can be set up whereby it is an actual Defined Contribution account that is converted or a hypothetical account, assuming a particular investment return. What you are doing is you are guaranteeing a Defined Benefit level and the Defined Contribution benefit is providing most of that benefit and the extent to which they fall short, then the Defined Benefit makes up that difference.

00:32:20 • **Inverse Floor Plan**

This is a Defined Contribution plan with a reduced Defined Benefit safety net. For example, it is anticipated that money accumulated in the Defined Contribution plan can reasonably be expected to accumulate to an amount at retirement that would provide a pension based on a 2% formula. Let's say that you want to have a minimum benefit provided that is at 1.5%. For some people that want to take their Defined Contribution balance and annuitize it at retirement, you guarantee the 1.5% level. Hopefully, you will never have to pay any additional Defined Benefits and it would operate as a Defined Contribution plan. But for those people that did not do well in their investments, the plan can guarantee a lower level of 1.5% such that if the balance at conversion can provide a benefit of 1.25% then the plan itself would provide an additional .25%. Here again, that Defined Benefit portion is funded separately and is only available to members that elect a lifetime annuity. Members that elect either a lump sum option or an installment option of the Defined Contribution account would not be eligible for a Defined Benefit portion.

00:36:31 • **Defined Benefit Defined Contribution Choice**
This is currently available to new hires in the state plan, a choice between Defined Benefit and Defined Contribution.

• **Defined Benefit Money Purchase Plan Choice**
This plan is a choice between Defined Benefit and the Money Purchase or cash balance plan.

**Questions or Comments from the public**

00:37:16 **David Senn, Executive Director, Teachers' Retirement System**, said that the plan that the TRS modeled their recommendation after is the plan that you will find in Texas, called the Texas Municipal and County Plan. That plan is not a teachers plan per se but is a public employees retirement plan and is referred to as a DB plan with cash balance features.

00:39:49 SEN. BALYEAT asked Mr. Senn about his reference to doubling the account balance after retirement and how that might affect contribution rates. **Mr. Senn** explained the rates at the time the TRS looked at a money purchase plan and noted the employer rate had gone up since then due to the market loss in investment earning.

00:42:31 SEN. BALYEAT said that the TRB proposal is to just double it, but that doesn't necessarily mean that the employer contribution rate would match the employee rate. Your proposal sounds like you would still continue at the higher employer contribution rate but the difference would go towards overhead or previous unfunded liability and you would still propose to double it when they retire. **Mr. Senn** said not exactly. Existing contribution rates for the current system wouldn't change. He explained how contribution rates could be set to create a less expensive plan or a plan that provided an equivalent benefit to the current plan

00:45:00 Mr. Slishinsky continued his presentation using software to demonstrate the top ten "Retirement Program Goals" based on the committee's response to the questionnaire.

00:54:57 • **Retirement Program Goals (Employee Based) Pie Chart**
This pie chart shows the goals arranging in importance from employee retention at roughly 16% of the total score down to reward career employees slightly less than 2%.

00:56:56 • **Chart on value scores for plan alternatives**

They took the plan designs and rated them against each of these goals as to how well these plan designs meet the goals. Ranging from a 1 which means a poor match to the goal, to a 10 which means an excellent match to the goal.

**Questions**

01:01:15 SEN. JENT said that in looking at the chart that we just discussed, you first said that it is employee based. Was this chart based on an employee survey? **Mr. Slishinsky** said that it was based on the survey of this committee but they are benefit goals that were defined in the survey.

01:01:51 SEN. JENT asked if Mr. Slishinsky has any data available from other jurisdictions that shows what employees value about a retirement system? **Mr. Slishinsky** said that the data depends on the age of the employee and the education of the employee. Typically younger aged employees don't really think about retirement. What's more important to them is health benefits, particularly those that may be starting a family. Now for employees in mid-career and later career, that's when they really start focusing on retirement.

**Public Comment**

01:05:02 **Tom Bilodeau, MEA/MFT**, said that he would like to draw the committee's attention to the work done by the CPERS committee in the late 90s. The group meetings involved specific groups of employers, employees, and policymakers. He commented that what he finds striking in this quick summary before us is the similarity of results.

01:07:47 • **Value Scores for Plan Alternatives (Spider Web Graph)**

Mr. Slishinsky said that by taking those 10 goals and showing that chart of numbers, you can track the different colors for the different plan designs and how well they matched up against those values. The higher the rating, the better match to the goal, therefore, the lines that are further out from the center are the plan designs that do the best in meeting those goals.

01:09:33 • **Value Scores - Weighted for Importance (Bar Graph)**

Mr. Slishinsky said that in this graph, they weighted those values based upon the survey and applied those to the scoring of each plan so that there is a combination between the importance that the committee expressed in the survey versus the ability of those particular plans to provide that value. When the scores are added up, the highest score provides a plan that better matches your values.

**Public Comment**

01:11:48 **Kurt Ritter, TIIA-CREF**, said that they had provided testimony last month about a Risk Managed DC Plan or a Risk Managed DC Plan in conjunction with a possible revised DB Plan. Some plans are designed as a 401(k), which they do not feel is the appropriate model as opposed to a Risk Managed DC plan. They also provided some additional information in a memorandum to staff that was distributed that made some comparisons with those two types of options that they had talked about last time.

01:13:28 • **Retirement Program Risks (Financial Based)**
The consultants identified six risks from the survey and added two.

01:23:00 • **Importance of rating the retirement program risks (financial based)**
Mr. Slishinsky said, looking at the scoring, they had the costs tax revenue mismatch as the most important risk to avoid. Next came low bang for the buck and increase to other costs, then contribution rate volatility. Also important but not as important, avoiding high administrative costs, avoiding hit the bond ratings, avoiding high contributions versus competing employers, and high contributions versus other similar public retirement systems. These are the financial risks to avoid.

01:25:38 • **Pie Chart of looking at the risks**
Mr. Slishinsky said that the 24% is in the cost tax revenue mismatch, followed by low bang for the buck and increase to other costs, contribution rate volatility. Those were four of the eight. The other four have smaller importance.

01:26:00 • **Risk Scores for Plan Alternatives**
Mr. Slishinsky said that they took those risks to avoid and scored them against each of the plan designs. It is better to have a low rating.

**Questions**

01:32:35 REP. MEHLHOFF asked if Mr. Slishinsky would expand on "what goes into increase other costs". **Mr. Slishinsky** said payroll, healthcare costs, life insurance costs, training new employees, creation of a workforce base that is mobile and with high termination rates.

01:33:35 REP. MEHLHOFF said that the costs to attract an employee would be higher, especially as that employee gets to be 30 years old and is thinking about retirement and will want more money for the same job. **Mr. Slishinsky** said someone with experience is going to be looking for a job with higher pay commensurate with their experience.

01:36:14 • **Risk Scores for Plan Alternatives (Spider Web Chart)**
Regarding this chart, it is better to have low risk. Those plans that are nearer to the center do a better job at avoiding the risks that have been identified.

01:39:16 • **Bar Chart Showing Risk Scores - Weighted for Importance**
Mr. Slishinsky said that plans that have the highest ratings have the highest risks and plans with the lower ratings have the lower risks. When you put it all together, the MPP option or DB with MPP combination scored lowest. The DB scored the highest. He said the key is to use design to come up with some value and also to adjust for risks, to find a combination that would provide a better solution.

01:41:19 • **Value/Risk Quadrant Chart**
Mr. Slishinsky said that the Value/Risk Quadrant Chart graphs each of the plan designs based on the value level, the Y axis from low to high. The higher the score, the better that it meets the committee's goals for providing benefits to public employees. The X axis from low to high is the risk. The plans with the lower risk are better at avoiding the risks that you have identified. When you combine those two, the plans that are in that upper left hand quadrant are the plans best meet both your value goals and your risk avoidance goals.

**Questions**

01:44:08 REP. MEHLHOFF asked, in the annuity feature on these plans, is there any costs-of-living factor involved or is it going to be a set amount for the rest of the life of the person? **Mr. Slishinsky** said that if you self-annuitize and use an individual account plan and that accumulation in the account is converted to an annuity when the member retires, that conversion could, depending on the member's choice, include to annuitize that with a COLA. It all depends on the design.

**BREAK**

**LEVEL OF BENEFITS GUARANTEED BY EMPLOYERS IN INDIVIDUAL ACCOUNT PLANS (Exhibit 2) - David Slishinsky**

**DEFINING EMPLOYER GUARANTEE**

02:11:42 • **Account balances accumulated under a MPP or Cash Balance Plan**
The consultants focused on the MPP concept and the kinds of things that can be

done with that type of plan, providing some guarantees and benefits and some flexibility in design that limits the risks to increases in contributions due to unfunded liabilities.

- **Plan value can be provided by benefits that are guaranteed by vested accumulated account balance**

The plan value can be provided by benefits that are guaranteed by the vested accumulated account balance and also additional benefits above the guarantee that Mr. Slishinsky refers to as non-guaranteed benefits even though it is not guaranteed in the plan. In a DB plan, if people leave service before becoming fully vested, then they don't get either their employer account balance or a portion of their employer account balance based upon vesting.

- **The level of employer guarantee is dependent on the contribution crediting rate, the interest crediting rate, and the vesting schedule**

The level of the employer guarantee is dependent on that contribution crediting rate and how it is defined, the interest credit rate, and the vesting schedule. The three elements of design on an individual account plan determines the level of the value of the guaranteed benefits. The higher the contribution crediting rate in relation to the actual contribution increases the guarantee. The higher the interest crediting rate, the closer it is to the expected long-term rate of return on assets, the greater the guarantee, and the earlier the vesting of the employer account balance, the greater the guarantee.

- **A defined contribution plan with member directed accounts**

A traditional defined benefit plan can be seen as providing benefits that are fully guaranteed by the employer. Defined contribution plan with member directed accounts can be seen as providing benefits without the employer guarantee.

- **Benefits in excess of the guaranteed benefits can be provided**

Benefits in excess of the guaranteed benefits can be provided but depend on meeting that investment return that is in excess of the interest credit rate or the utilization in some way of nonvested account balances that aren't paid out to terminating employees. If you have some kind of element within the plan that provides for the flexibility of converting those nonguaranteed benefits to guaranteed benefits, you can take that level of nonguaranteed benefits and convert those to benefits but do it in a way that manages the long-term risks.

## MEASURING LEVEL OF EMPLOYER GUARANTEE

02:17:18 Mr. Slishinsky said that the exhibits are put together to give a sense of the percentage of guarantee available with various interest crediting rates and vesting schedules. All the scenarios are based on member and employer contribution crediting rates and actual contribution rates of 7% that are credited to the individual accounts. They have a chart that assumes 100% vesting and a chart that shows the impact that various vesting schedules have on the guaranteed benefits.

**Questions**

02:22:56 SEN. JENT asked if that is a fixed number? **Mr. Slishinsky** said that in this case, they are looking at a fixed number.

02:23:54 SEN. JENT asked who pays or guarantees that fixed number? **Mr. Slishinsky** said that it is guaranteed by the plan.

02:24:00 SEN. JENT said that he wanted to explore the key term of interest crediting rate. If the investments do not make the interest crediting rate, that is if the investments that are feeding into this employee's "cup", the filling up the rest of this cup comes from the taxpayer's "coffee pot"? **Mr. Slishinsky** said assuming that half of the contributions come from the members and the other half comes from employers funded by taxpayers.

02:24:45 SEN. JENT said that in the other alternative, if the investments in this type of plan exceed the 7.75% and if the employee's "cup" runneth over, what happens then? **Mr. Slishinsky** said let's look at the situation if whether it be in the long-term or even in the short-term. If the funds' assets don't earn 7.75% over a five-year period, the annualized return of the assets is 5%. Unfunded liabilities would be created requiring additional contributions to support the deficit between the 7% and the 5%. Even in the short-term, if 5% were experienced, 7.75% long-term may still be appropriate because of the volatility in the economy, the volatility inherent in the assets that are invested.

02:28:59 SEN. BALYEAT asked Mr. Senn about TRB's proposal for a fixed interest credit rate. **Mr. Senn** said that they have encouraged the plan design to have some kind of a variable fixed rate or a variable interest rate that the minimum guarantee to maximum may be 3% to 7.75%, some range like that and conditions under which that could be adjusted. And then let the Board set them through administrative rule, establish how that will be done and when those adjustments will be made.

02:29:59 SEN. BALYEAT asked if Mr. Senn considered having a minimum rate and granting a retiree higher benefits if during his/her period of employment investment returns were higher than the minimum fixed credit rate? **Mr. Senn** said that they discussed two different methodologies for providing some kind of post retirement adjustment. One is using investment earnings, setting the initial crediting rate low anticipating of making 7.5% long term and having actuarial gains which will be used to provide for some kind of post retirement adjustment. An alternative to that is to set the interest crediting rate on the higher end and then providing an annuity at the time of retirement that would be based on a lower interest factor to provide for cost of living in the future at a guaranteed fixed rate.

02:31:23 SEN. LEWIS asked if it would be technically feasible to set the interest rate at zero and use any interest that may be earned by the investment manager for ad hoc adjustments? **Mr. Slishinsky** said that it would be feasible and you would have a wider range and more control over the downside risk being able to go down to zero.

02:31:58 Mr. Slishinsky continued with his explanation of the MPP.

02:44:12 SEN. JENT said the Employer's Retirement Income Security Act (ERISA) has certain requirement about vesting. Would a plan that had a 10-year or 15-year vesting requirement be in an ERISA-approved plan? **Mr. Slishinsky** said that ERISA rules don't apply to governmental plans. The only vesting requirement in the governmental plan is that you define a normal retirement age and even if that normal retirement age does not require any service, you have to vest members 100% once they reached that normal retirement age.

02:45:10 SEN. JENT said that the Governmental Accounting Standards Board (GASB) has a lot of standards. Are there any GASB standards just for public retirement plans? **Mr. Slishinsky** said that the Pension Standards are written under GASB Statements 25 and 27. Statement 25 refers to the requirements of disclosure of retirement plans and Statement 27 related to the disclosure of expense by employers.

02:46:35 Mr. Slishinsky said that they want to revisit the Quadrant Chart and would like the committee to discuss and select alternative designs that they would like Buck Consultants to analyze and come back in June with more detail on those plans, including how those plans are designed to accumulate benefits for any number of employees. They can look at different variations of age and service combinations of employees in different salary levels and also look in terms of how those plan accumulation in those benefits compare to the current plan as well as how they compare among each other. They need some confirmation of those designs that the committee feels strongly about including as potential designs.

**Discussion**

02:49:07 SEN. JENT said that he would like to talk about what the process of selecting a design might look like. When we select the design, the preface to this was a submission to the consultants of numerous alternatives. He takes it that our variables would be the vesting period, the contribution rates, if on the MPP it might be that what our investment credit number would be. What variables in the equation do we need to propose? **Mr. Slishinsky** said that they are only looking at a choice between a MPP versus a revised DB plan versus a DC combination, those kinds of plans. Then their analysis would look more deeply at alternatives within those designs.

02:50:14 Mr. Slishinsky talked about the chart showing current provisions for the Teachers' Retirement System. He said that this will be part of Task 3 when looking at the detail and seeing how these different choices affect the accumulated value of benefits.

02:56:02 REP. INGRAHAM asked Mr. Slishinsky, if the committee came up with several plans that they liked, how will the plans look like when the consultants come in June to present the plans. Will there be dollar figures that she can see? **Mr. Slishinsky** said that you will see the accumulation of benefit values for the different plans you choose including the current plans for comparison purposes for sample employees. You will see how well those plan designs meet benefit values and how well they can avoid the risks that you have defined.

02:57:38 REP. INGRAHAM asked if they would be seeing how the plans would affect the employers? **Mr. Slishinsky** said the specific design that the committee selects will go to the respective MPERA and TRS actuaries to cost out those systems as far as the contributions. What they will do is show how those plans would work and quantify the benefit levels that would be delivered based upon specific designs of each of those plans.

**Public Comment**

03:01:53 **Kurt Ritter, TIAA-CREF**, said that they had provided a follow up on the Risk Managed Approach **(Exhibit 3)**. The optional retirement plan that has been used in this state for the University System is a Risk Managed Approach DC Plan. The bottom line is that they work in 45 other states and have since 1918 and in the memorandum to Ms. Weiss, there is information that doesn't appear on the chart. There might be some good information there in addition to what Buck Consultants have been providing.

03:03:02 SEN. LEWIS asked Mr. Ritter is he didn't have for some comparative returns from TIAA-CREF? **Mr. Ritter** said that they responded that there is more information coming but they don't have that yet.

**LUNCH**

**COMMITTEE DISCUSSION ON HB 659**

04:28:11 Ms. Weiss distributed a copy of HB 659 **(Exhibit 4)** to the committee.

04:29:04 SEN. JENT said that he wanted to point that out the in HB 659, the committee was told to come up with a new system or systems for Teachers' and to look at potential systems. He said that the committee should start with Teachers' Retirement first as their priority and anything else that the committee decides to do with the other retirement system should be a second priority.

04:31:40 SEN. LEWIS said that HB 659 doesn't preclude the committee from looking at the changes that they have been talking about to PERS. His question to Sen. Jent is, would it be appropriate to look at both systems. SEN. JENT said that he thinks it is okay to look at both systems but the Teachers' should be a priority.

04:33:23 Mr. Slishinsky said they have gone through all the material and now he would like to get some decisions made with regards to the plan design alternatives that the committee would like them to consider, analyze, and come back at the June meeting and provide detailed information on those specific designs.

- **Motion by Sen. Lewis**

04:33:57 SEN. LEWIS **moved** that the committee ask Buck Consultants to continue to provide us the research information for the Money Purchase Plan for Teachers' for the June meeting.

**Discussion**

04:34:40 SEN. BALYEAT said that Sen. Lewis suggested specifically for Teachers' Retirement System, was that in response to Sen. Jent's comments and do we, at this stage, really need to restrict it to TRS or aren't we still at the stages of the game where we can get information that would be useful for both major systems? SEN. LEWIS said that if they give us the basic information on how this would work and how it would affect benefits for teachers, at the next meeting if we are satisfied that we want to cost it out at that point, then couldn't we just say we want to cost it out for both PERS and Teachers'? **Ms. Weiss** said that she doesn't see why they couldn't do that. You have to assume that the provisions that you wanted to see in a plan for the Teachers' Retirement System would also be the provisions you would want to see in the PERS system. What Buck Consultants will do is provide more information about what a Money Purchase Plan might look using Teachers' Retirement System data. You won't have comparable information for PERS so you might have a hard time coming up with a design that you would like costed out.

04:36:45 SEN. LEWIS said that his vision of what they are getting in June is some specifics on it. If we adopted this plan, what would it mean for various types of employees; i.e., how much time did they have in the system and when they retired. If we decide that we liked the looks of that design and wanted to proceed with costing it out, could we ask that same question of PERS or do we need to do something different? **Mr. Slishinsky** said that the same process would apply to anything that you would be considering for PERS, as well as TRS.

04:37:54 SEN. LEWIS said that he is satisfied with the original motion. We would get the initial information on Teachers', we would look at it, if we like it, we would pursue it for both systems if the committee so decided.

04:38:03 REP. INGRAHAM said that the differences she sees in doing one without addressing the other is that the retirement years are different and the formulas are different. She thinks that they wouldn't get an accurate picture without getting some synopsis of the two different systems with different formulas and different years.

04:39:48 SEN. BALYEAT said that there are two reasons why we shouldn't just restrict to TRS at this point. First, as pointed out by Ms. Weiss, our consultants are working on a flat rate and we can get additional information at this time. Secondly, we shouldn't limit it to TRS because we are already behind schedule and if we don't ask for this information now and instead waiting until our next meeting, we are going to have another time lag.

04:41:22 Mr. Slishinsky said that their understanding of what they are going to do is to look at both TRS and PERS. Our plan is to come back with an analysis of the alternatives as compared to both TRS and PERS.

- **Amended Motion**

04:41:54 SEN. LEWIS **amended** his motion to ask Buck Consultants to provide the discussed information on both plans for the June meeting and make the decision then as to what we submit to actuaries. **The motion passed.**

**BUCK CONSULTANTS' REQUEST FOR DIRECTION**

04:42:32 Mr. Slishinsky requested some direction regarding which alternative plan design the committee would like Buck Consultants to consider and analyze and come back in June with specific information on those designs and analysis that shows how they compare with the current designs regarding the delivery of benefits to members.

**Discussion**

04:44:16 SEN. BALYEAT said that the committee already addressed that with Sen. Lewis' motion. The two options are the Money Purchase Plan as proposed by the Teachers' Retirement Board and the combination of the Money Purchase Plan with the existing Defined Benefit Plan. SEN. LEWIS said it is good to get focused. We are short of time and his intention in his motion was to just look at the MPP. SEN. JENT said that he would like to look at the MPP and also the Revised DB Plan, or the Professional Retirement Option (PRO) the committee discussed earlier.

- **Motion by Sen. Jent**

04:45:03 SEN. JENT **moved** that Buck Consultants look at the Money Purchase Plan and the Professional Retirement Option.

04:47:47 SEN. BALYEAT said that he would support Sen. Jent's motion but would like an amended motion to also have the consultants look at the Revised Defined Benefit Plan, not necessarily just the PRO.

- **Amended Motion**

04:49:14 SEN. JENT **amended** his motion to have Buck Consultants also look at the Revised Defined Benefit Plan. **The motion passed**.

- **Motion by Rep. Mehlhoff to look at a DB and MPP combination plan**

04:50:28 REP. MEHLHOFF **moved** to have Buck Consultants look at a Defined Benefit Plan and a Money Purchase Plan combination. After some discussion, it was decided that looking at the DB/MPP combination would make things too complicated. REP. MEHLHOFF **withdrew** his motion.

**COMMITTEE WORK SESSION ON STAKEHOLDER LEGISLATIVE CONCEPT REVIEW**

04:54:03 Ms. Weiss referred to the stakeholder proposals **(Exhibit 5)** and asked the committee if it was an appropriate time to review them.

- **Motion by Rep. Ingraham**

04:58:09 REP. INGRAHAM **moved** that the committee not support proposed legislation from the Association of Public Safety Communication Officials to include public safety dispatchers in the Sheriffs' Retirement System.

04:59:50 Ms. Weiss clarified that the committee has the option to sponsor legislation but doesn't have to. SAVA can say that they support the concept and not request any legislation and leave it up to the stakeholders to find a sponsor for the legislation. There are two different levels that the committee can work at. You can make your recommendation with no accompanying legislation and you can also as a committee request legislation.

05:01:19 REP. INGRAHAM moved that the committee does not submit any legislation. Ms. Weiss asked if that would then be a recommendation that the Legislature should not enact any such legislation? REP. INGRAHAM said yes.

- **Restated Motion by Rep. Ingraham**

REP. INGRAHAM **moved** that the SAVA itself does not submit any legislation to include the Public Safety Dispatchers in the Sheriffs' Retirement System.

**Discussion**

05:01:42 SEN. BALYEAT asked Rep. Ingraham to amend her motion to include "and does not recommend its passage." Ms. Weiss said that the committee might consider making a recommendation one way or the other about what the Legislature itself should do because even though the committee is not going to sponsor this legislation, someone else might do it, and at least SAVA has provided its guidance to the Legislature, which is what 5-5-128, MCA, instructs the committee to do.

- **Amended Motion**

05:02:26 REP. INGRAHAM **amended** the motion to include that SAVA does not support the passage of the Association of Public-Safety Communication Officials, Intl.'s proposed legislation to include public safety dispatchers in the Sheriffs' Retirement System. After a discussion between the committee and Mr. Niss on whether the committee can stay neutral on the stakeholders' proposals or does the committee have to make recommendations on passing or not passing the proposals, it was suggested that it be further discussed at the June meeting. REP. INGRAHAM **withdrew** her motion.

**No Public Comment**

**OTHER COMMITTEE BUSINESS**

05:15:22 REP. MEHLHOFF said that he had an opportunity to talk with Lt. Col. Don Loveless, from the Florida Army Guard, who is in Helena on a training mission. Rep. Mehlhoff wanted to thank him, even though he isn't present, and also to thank the Florida Army Guard for their services.

05:18:47 Ms. Weiss said that at the bottom of the committee's sheet of List of Retirement Plan Legislative Concepts from Stakeholders are possible recommendations that the committee should consider: the 2011 Legislature should enact, the 2011 Legislature should not enact, or the 2011 Legislature should enact if the following changes are included. Those are the only options available to the committee in terms of recommendations.

05:19:34 Mr. Niss said that the rules concern only bills on which the committee's name will appear. If the committee understand that and will start to deal with its recommendation to the Legislature, then the recommendations are: approve, approve with amendments, or disapprove.

**ADJOURNMENT**

05:20:52 With no further business before the committee, Sen. Tropila adjourned the meeting at 1:51 p.m.

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