

## **MINUTES**

### **MONTANA SENATE 59th LEGISLATURE - REGULAR SESSION COMMITTEE ON STATE ADMINISTRATION**

**Call to Order:** By **CHAIRMAN CAROLYN SQUIRES**, on April 18, 2005 at 3:30 P.M., in Room 335 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Carolyn Squires, Chairman (D)  
Sen. Joe Balyeat (R)  
Sen. Jeff Essmann (R)  
Sen. Rick Laible (R)  
Sen. Dave Lewis (R)  
Sen. Jim Shockley (R)  
Sen. Joseph (Joe) Tropila (D)

**Members Excused:** Sen. Mike Cooney (D)  
Sen. Vicki Cocchiarella (D)  
Sen. Steven Gallus (D)  
Sen. Jon Ellingson (D)

**Members Absent:** None.

**Staff Present:** Dave Bohyer, Legislative Branch  
Claudia Johnson, Committee Secretary

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: HJ 42, 4/18/2005; HJ 39, 4/18/2005  
HJ 41, 4/18/2005;  
Executive Action: HJ 42; HJ 39; HJ 41

HEARING ON HJ 42

*{Tape: 1; Side: A}*

Opening Statement by Sponsor:

**REP. LARRY JENT (D), HD 64**, opened the hearing on **HJ 42**, Study investment of pension funds.

Proponents' Testimony:

**Tom Schneider**, representing **Montana Public Employees Association, Inc. (PERS)**, started by saying that two years is not a problem for PERS, but said he is concerned about leaving the sheriffs and the teachers system out for two years without passing **HB 148**, and **HB 181**. He said it can be talked about in a study. He said that **HB 148** was to shore up funding for PERS Sheriffs Retirement, and the Fish and Game Retirement. **HB 181** is the teachers retirement.

Opponents' Testimony: None.

Informational Testimony: None.

Questions from Committee Members and Responses:

**SEN. LAIBLE** asked **Tom Schneider** about whether employers not paying enough into the system, or if the return of the investment has not been large enough to maintain actuarial soundness. He said **Dave Ewer** addressed the Senate Finance Committee, and he informed them there are other things that have contributing factors. One of them was legislative action, which doesn't increase the funding, but increases the cost. He said there isn't any contribution from the employee side of the formula, and he asked if that always stays in there at the 7.15 percent. He asked **Mr. Schneider** to address this. **Mr. Schneider** said except for the year 2001, there was never a benefit increase granted for both the employer and employee contribution. The employees have always contributed to any type of increase. In 2001, PERS had a surplus of funds for the first time in the history of the system. He said there were two bills that passed that didn't have additional contributions from either side. He said at that time, the state was in a market situation where the retirement funds lost a substantial amount of money. He said, because of the way the actuaries did their calculations, using a four-year smoothing factor, and in 2001, the actuary was still using 1998, 1999, 2000, and 2001, was the reason for showing a surplus. He said at that time the market had taken a dramatic drop. The actuary was still showing an equity investment, which showed a fully funded system, except for the teachers' retirement. But in actuality,

the state had lost more than \$500 million in the market. He said the budget director informed them that this is attributable to more than just the market decline, because benefits had been added that were not funded. He felt this would come out in the study, because it is good for the legislature to take a look at how the systems are funded, and how actuaries do their calculations. He added that personally, he felt the actuary has a little bit of the blame in this issue. He said the market had dropped before the 2001 session, and the actuary didn't alert them as they should have. He said this is part of the reason why the Board of Investments is in one area, and the retirement system in another area, so there is no coordination. He has one recommendation for the study, and that is, the retirement boards need to be more involved in the investment policy. He stated these are two separate issues that will need to be addressed.

**SEN. TROPILA** asked **Mr. Schneider** if he recommends a new actuary. **Mr. Schneider** replied, no. But, it is one area how the actuaries take the investment portion of the retirement funding into account when an analysis is done.

**REP. LARRY JENT, HD 64, BOZEMAN**, came into the Committee at this time and re-opened on HJ 42. He informed the Committee that this is a committee bill that came out of discussion, and described as a "bail-out" bill. He said this study is to keep an open mind toward everything. There are two actuary reports on his desk, one from Mellon, and one from Milliman Consultant. He talked about actuaries, the Board of Investments, and the Retirement Boards not communicating, and they need to get together. He said that as legislators, they should also be involved when budgeting for retirement plans, whether from employees, employers, and the remainder 58 to 75 percent that come from investment earnings. He said the study will allow them to make comparison with other states, to see what other options are out there. He asked, "are our statutes adequate, or if other statutes are needed, as the function of the legislative oversight, over the administrative bodies, and their functions as fiduciary or as quad fiduciaries". He isn't taking a strong position or any position on these issues, because he would like to make his decision from the study. He said "we need to start from an open book".

**SEN. ESSMANN** asked **REP. JENT** about the actuaries taking the four years into account. **REP. JENT** responded. He said they should actually be looking at a 30-year period. He said actuaries are not government accounting people. He doesn't know if there is a conflict between the actuary and the Board of Investments.

**SEN. LAIBLE** asked if the legislature and the interim study will be looking at all of the retirements across the board. **REP. JENT**

responded, yes. He said they need to look at the statutes in Title 19, and see if the retirements are adequate across the board.

**SEN. LEWIS** commented about other states doing non-conventional ways to fully fund their pension plans, such as: Alabama built a large golf course network, and Wisconsin was heavily involved in leverage buyouts; they didn't use common stocks. He said that maybe the study needs to look at all 50 states universally to see how they are successful with their pension funding.

**Closing by Sponsor:** **REP. JENT** closed.

### **HEARING ON HJ 39**

***{Tape: 1; Side: A; Approx. Time Counter: 13 - 17}***

**Opening Statement by Sponsor:**

**REP. DAVE GALLIK (D)**, **HD 79**, opened the hearing on **HJ 39**, Study alternatives to existing campaign financing system. **REP. GALLIK** informed the Committee this is a constituent resolution. He had a young 15-year-old girl, named Ellie, who asked him to draft this bill to study campaign finances.

**Proponents' Testimony:** None.

**Opponents' Testimony:** None.

**Informational Testimony:** None.

**Questions from Committee Members and Responses:** None.

**Closing by Sponsor:** **REP. GALLIK** closed.

### **HEARING ON HJ 41**

***{Tape: 1; Side: A; Approx. Time Counter: 18 - 26}***

**Opening Statement by Sponsor:**

**REP. MARGARETT CAMPBELL (D)**, **HD 31**, opened the hearing on **HJ 41**, Study economic development in Indian country.

She added this study will gather data that will quantify and qualify the development of information on resources for tribes, which currently isn't readily available.

Proponents' Testimony: None.

Opponents' Testimony: None.

Informational Testimony: None.

Questions from Committee Members and Responses:

SEN. LEWIS asked if they are looking at gambling casinos on the reservations. REP. CAMPBELL responded, no. She isn't interested in this kind of money, and feels it is morally wrong.

*{Tape: 1; Side: B}*

Closing by Sponsor: SEN. CAMPBELL closed.

EXECUTIVE ACTION ON HJ 42

*{Tape: 1; Side: B; Approx. Time Counter: 2 - 2.2}*

Motion/Vote: SEN. LEWIS moved that HJ 42 BE CONCURRED IN. Motion carried unanimously 8-0 by voice vote. SEN. COCCHIARELLA voted aye by proxy.

EXECUTIVE ACTION ON HJ 39

*{Tape: 1; Side: B; Approx. Time Counter: 2.2 - 6.9}*

Motion/Vote: SEN. TROPILA moved that HJ 39 BE CONCURRED IN. Motion failed 4-4 by roll call vote with SEN. COCCHIARELLA, SEN. SHOCKLEY, SEN. SQUIRES, and SEN. TROPILA voting aye.

Substitute Motion/Vote: SEN. LAIBLE made a substitute motion that HJ 39 BE TABLED AND THE VOTE REVERSED. Substitute motion carried by roll call vote 5-3, with SEN. BALYEAT, SEN. ESSMANN, and SEN. LAIBLE voting no. SEN. COCCHIARELLA voted aye by proxy.

EXECUTIVE ACTION ON HJ 41

*{Tape: 1; Side: B; Approx. Time Counter: 6.9 - 10}*

Motion: SEN. ESSMANN moved that HJ 41 BE CONCURRED IN.

**Discussion:** CHAIRWOMAN SQUIRES asked REP. CAMPBELL what type of data the study would look for. REP. CAMPBELL replied that there isn't any solid data out that show how many kids are not in school, and how many have dropped out of school. She said that Indians are not reported under the state Unemployment Insurance benefits program, so it isn't known how many of them across the state are not employed.

**Vote:** Motion carried unanimously by voice vote. SEN. COCCHIARELLA voted aye by proxy.

**ADJOURNMENT**

Adjournment: 4:30 P.M.

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SEN. CAROLYN SQUIRES, Chairman

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CLAUDIA JOHNSON, Secretary

CS/cj

Additional Exhibits:

**EXHIBIT ([sts83aad0.PDF](#))**