



State Administration and Veterans' Affairs Interim Committee

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61st Montana Legislature

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Request for Information: Public Retirement Plan Design/Actuarial Consulting Montana State Administration and Veterans' Affairs Interim Committee

1.0 Background

The eight-member State Administration and Veterans' Affairs Interim Committee (SAVA) is one of several bipartisan, statutory committees of the Montana Legislature that meet between legislative sessions. Because the Legislature only meets biennially in odd-numbered years, these committees provide the Legislative Branch with the opportunity to research emerging issues and oversee the Executive Branch agencies during the long interim. Among other things, SAVA is charged with oversight of the state's public employee retirement systems.

Montana's public retirement systems are governed by Title 19, Montana Code Annotated (MCA), and any changes to the retirement systems must be enacted by legislation.

The Montana Public Employees' Retirement Board (PERB) administers eight retirement systems, including the Public Employees' Retirement System (PERS). The PERS is the state's largest retirement system and consists of two plans: a defined benefit (DB) plan that also includes a money purchase element and a defined contribution (DC) plan. The PERB also administers the state's deferred compensation plan. More information about the PERB and its retirement systems can be found at mpera.mt.gov.

The Teachers' Retirement System Board administers the Teachers' Retirement System (TRS) that provides retirement benefits to the state's K-12 public educators and certain university staff. More information about TRS can be found at www.trs.doa.state.mt.us/.

In 2009, the Montana Legislature passed House Bill No. 659, which requires SAVA to examine options for changes to the retirement systems administered by the Montana Public Employees' Retirement Board. HB No. 659 also requires SAVA to compare and contrast options to redesign the Teachers' Retirement System. As part of their work on this task, SAVA voted in an October 1 meeting to issue an RFI soliciting further information to inform their decision on how to acquire actuarial and perhaps plan design consulting services for the interim.

As required by statute, SAVA's work on HB No. 659 and any proposed plan design changes that result from their work must be completed by September 15, 2010.

2.0 Purpose and Objectives

The purpose of this process is to gather detailed information about the scope and costs of plan design/actuarial consulting services that could be provided to assist SAVA to complete the study of the statewide retirement plans and a redesign of TRS, as mandated by the Legislature through HB No. 659. To this end, SAVA identified several plan design changes (see section 3.0) that will require a plan design/actuarial consultant to assist SAVA in fully understanding the potential effects on the retirement systems.

These plan changes are offered simply to get an idea of the time and money required for any plan design/actuarial consulting services required to fulfill the objectives of HB No. 659. If SAVA decides at a later meeting to hire a consultant to assist it, these changes may or may not be part of the resulting RFP process and/or contract.

SAVA is scheduled to meet in Helena on October 29-30, 2009, and would like to have cost information at that time.

3.0 Potential Design Changes Being Considered by SAVA

At an October 1 meeting, SAVA proposed several potential design changes to the PERS DB plan and TRS:

1. Apply the reduced early retirement benefit for an employee retiring before the age of 60, regardless of years of service.
2. Apply the reduced early retirement benefit for an employee retiring with less than 15 full-time years of service in the system.
3.
 - a. Change the timeframe used in the PERS DB plan to calculate the highest average compensation (HAC) from the three highest consecutive years of service to up to 15 consecutive years of service. [Section 19-3-108(6), MCA]
 - b. Change the timeframe used in TRS to calculate the average final compensation (AFC) from the three highest consecutive years of full-time service to up to 15 consecutive years of service. [Section 19-20-101(3), MCA]
4. Create a mechanism that would automatically adjust the full-benefit retirement age for members based on changes in life expectancy.
5. Alter the Guaranteed Annual Benefit Adjustment (GABA) to reduce costs, including but not limited to creating a GABA that would fluctuate based on investment returns. [Sections 19-3-1605 and 19-20-719, MCA]
6. Increase the state's contribution rate.

7. Create a hybrid DB/DC plan (as suggested by the Teachers' Retirement Board) in which:
 - a. fixed employee and employer contributions rates are set by the Legislature;
 - b. all assets are invested by the Montana Board of Investments;
 - c. employee contributions earn a guaranteed interest rate set by the Legislature;
 - d. at the time of retirement, an annuity is calculated based on the employee's account balance, which is then doubled to determine the benefit payable for the employee's lifetime;
 - e. the minimum age to start drawing the annuity is set by the Legislature;
 - f. a larger annuity is earned by a member who waits longer to apply for benefits;
 - g. if a member leaves covered employment and does not withdraw the account, the member's account earnings would continue to accrue on the account;
 - h. a refund in lieu of an annuity would include only the employee contributions plus earnings; and
 - i. a COLA provision, the design of which could range from a fixed adjustment similar to the current 1.5% to a COLA that fluctuates with investments returns.

8. For TRS only, create a professional retirement option (PRO) that would increase benefits for members who wish to extend their careers to 30 years.

4.0 Requested Information

1. Please identify any additional retirement plan design elements you believe should be considered or included for inquiry by SAVA.
2. With respect to the list of potential changes being considered by SAVA and the additional elements you have identified, please identify for each potential change the type of consulting expertise necessary to evaluate the change, the number of hours expected to be required to provide the necessary consulting services, and the hourly rate for each type of consultant necessary.
3. Please identify any other cost basis upon which you would be willing to provide the plan design/actuarial consulting services you believe would be necessary to assist SAVA in this effort.
4. Do you have all of the necessary plan design and actuarial consulting expertise in-house?

5. Please briefly describe your experience with developing, redesigning, and providing actuarial cost analysis for public employee retirement systems.
6. Please briefly describe any experience you have in working with and presenting to legislative committees, commissions, task forces, etc.
7. Because a contracting firm may be required to review and comment upon any legislation resulting from the HB No. 659 study, briefly describe your experience in reviewing legislation that amends state retirement systems.
8. In your work suggesting redesigns for public retirement systems and providing cost analysis for those redesigns, are you generally paid using an hourly rate, a set amount determined in advance of the work being performed, some combination of the two, or in another manner entirely?
9. Would you be able to attend at least two SAVA meetings to be held at the State Capitol in Helena between January and June 2010?

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