



State Administration and Veterans' Affairs Interim Committee

61st Montana Legislature

SENATE MEMBERS

JOE TROPILA--Chair
JOE BALYEAT
LARRY JENT
DAVE LEWIS

HOUSE MEMBERS

GORDON HENDRICK--Vice Chair
TIMOTHY FUREY
PAT INGRAHAM
ROBERT MEHLHOFF

COMMITTEE STAFF

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

MINUTES

December 11, 2009

Room 137, 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

Visitors' list, Attachment #1.

COMMITTEE ACTION

- The committee made TWO changes to the Principles and Guidelines for Public Employee Retirement Systems and adopted the Principles and Guidelines, as amended.
- The committee discussed the draft RFP language, made several recommendations and changes, and adopted Sections 3, 4, 5, and 6. The committee appointed Rep. Ingraham and Sen. Jent to be on the Evaluation Committee.
- The committee appointed Rep. Hendrick to represent the SAVA Committee at the Montana Association of School Superintendent Spring Conference.

CALL TO ORDER AND ROLL CALL

00:00:01 Sen. Tropila called the meeting to order at 9:02 a.m. The secretary called roll. All committee members were present.

AGENDA

SUMMARY OF VETERANS' DAY ROUNDTABLES IN GREAT FALLS - Brigadier General Bradley A. Livingston, Montana Air National Guard

00:01:57 Brigadier General Bradley A. Livingston gave a report on the Veterans' Day Panel discussion in Great Falls led by U.S. Sen. Max Baucus.

Questions

00:08:11 REP. MEHLHOFF encouraged the committee members to visit the Air National Guard facility in Great Falls.

00:10:15 SEN. TROPILA asked Brigadier General Livingston to explain what the acronym "ESGR" stands for. **Brigadier General Livingston** said that ESGR stands for Employer Support of the Guard and Reserve. The program is made up of civilians or non-military who are advocates for reservists and guard members in respect to employers, making sure that there is a working relationship between employers and the National Guard and the Reserves.

AGENCY OVERSIGHT: BOARD OF VETERANS' AFFAIRS UPDATES - Lt. Col. Joe Foster, Administrator, Board of Veterans' Affairs

00:12:07 Lt. Col. Foster distributed a brochure on Montana's Veterans and Family Members (**Exhibit 1**) and an information sheet on the healthcare system for veterans. Col. Foster talked about the hiring of veteran service officers, the License Plate Program, the Veterans Court concept, the award for construction of a 24-bed inpatient mental health facility, a handout showing quantity and type of work products accomplished in fiscal year 2009, a handout showing financial impact of their service offices claimed products, and the Vietnam Veterans of America program.

Questions

00:23:53 REP. FUREY asked if there was any opportunity for the state to give an increase of 5% hiring for veteran preference. **Col. Foster** said that is a legislative

prerogative. He said that National Guard members are considered a veteran whether they have a federal definition of veteran status or not.

00:27:28 REP. INGRAHAM asked how the usage of the new mental health facility works and will there be enough beds available. She also asked if the \$125 million coming into the state money that is federal dollars. **Col. Foster** said that the 24-bed facility is adequate for the number of veterans who have issues that require in-patient care. The \$125 million is 100% federal dollars

REP. INGRAHAM asked for clarification of the Vietnam Veterans of America? **Col. Foster** said that the Vietnam Veterans of America is a veteran service organization that, through proper training and recognition by Congress, has the authority to represent veterans in developing claim work and rating a claim.

00:33:41 REP. MEHLHOFF asked if he had a "wish list" of locations for homeless veterans? **Col. Foster** said that he did not because they are not involved in that process.

00:35:38 SEN. TROPILA asked Col. Foster to give a brief description of the Montana Board of Veterans' Affairs. **Col. Foster** said that the Montana Board of Veterans' Affairs is a 20-member board that represents agencies instrumental in veteran issues and services in the state. The agencies are: the State Administration and Veterans' Affairs' represented by Sen. Tropila; the Department of Military Affairs with the National Guard; the three Congressional delegates; the federal VA; and the Department of Labor. There are three meetings per year in three different cities.

00:36:24 Col. Foster said that the Vet2Vet Program is a combination between the federal VA and the veteran service organizations. This group meets on a weekly basis with any veteran who shows up and wants to talk about what is going on, which lends itself to veterans who are having readjustment issues, might have aspects of PTSD or traumatic brain injury, or they are dealing with depression and need to talk to a veteran who can understand what they are going through.

00:39:42 Col. Foster gave an update on the new military museum at Fort Harrison.

UPDATE ON FEDERAL LEGISLATION

Veterans Healthcare Improvement Act of 2009

00:40:38 **Bruce Knutson, State Veterans' Liaison, Office of Senator Jon Tester**, gave an update on the Veteran's Healthcare Improvement Act of 2009.

Questions

00:42:59 REP. INGRAHAM asked about grants for the purchase of vans. **Mr. Knutson** said the grant is money available for DAV to purchase the vans for veterans who can get on and off.

Caregiver and Veterans Omnibus Health Service Act of 2009

00:43:58 **Bruce Knutson** said that the Act helps caregivers of severely injured veterans

returning home from the wars in Iraq and Afghanistan, by removing barriers to emergency care and the care of catastrophically disabled veterans. It also expands health care services for women veterans, provides outreach to veterans in rural areas, deals with issues regarding homeless veterans, and increases focus on research, proposed VA construction projects, and promotes safety on VA grounds.

Questions

00:45:21 REP. HENDRICK asked if those caregivers are licensed or are they family members who become caregivers, and are they paid or are they considered volunteers? **Mr. Knutson** said that the caregivers could be both paid and volunteer caregivers.

00:46:30 REP. INGRAHAM asked about expanded outreach to women veterans. **Mr. Knutson** said that within the VA, health care issues such as pregnancy, care for newborns to women veterans, and mental health opportunities dealing with PTSD issues are being expanded.

The Veterans Administration's 24-bed Mental Health Facility

00:49:17 Mr. Knutson said that currently in Montana, the VA did not have a mental health in-patient treatment facility. The VA is planning to split the 24-bed facility into 12 beds for substance abuse veterans and 12 beds for veterans with PTSD issues.

Visit to the Blackfeet Nation

00:50:21 Mr. Knutson said that he visited the Blackfeet Nation where 199 veterans came to the Veteran Stand Down. A good percentage of those veterans were homeless. The VA and the Blackfeet Nation provided hot meals, warm clothing, and an opportunity for veterans to meet with VA and medical providers.

Report on HR 2058, Post Deployment Health Assessment Act

00:52:33 **Maren Olsen, Field Representative, Office of Denny Rehberg**, talked about the Post Deployment Health Assessment Act and the work that Rep. Rehberg is doing to improve educational benefits for the veterans.

Public Comment

00:57:26 **Larry Longfellow, Adjutant Quartermaster, Department of Montana VFW**, said that he is looking forward to working with the committee on veterans issues.

00:58:18 **Col. Jim Jacobson, Legislative Chairman for the Montana American Legion**, said that the Montana American Legion will be in support of veterans issues during the upcoming session.

01:00:02 REP. MEHLHOFF thanked Sen. Tropila for his work on behalf of the veterans of Montana.

--BREAK--

The GI Bill Program

01:16:00 Bruce Knutson gave a report on the GI Bill program. He said that St. Louis,

Missouri, is the Regional Processing Office for Montana. Currently there is a backlog of 40,000 education claims for veterans. The Office of the Commissioner of Higher Education received notification from the St. Louis office that no veteran student enrolled at any schools in the University System will be penalized for not having their outstanding education balances paid off. Mr. Knutson said that he wanted it on record that those students will be allowed to register for spring semester classes.

AMEND OR ADOPT PUBLIC EMPLOYEES RETIREMENT SYSTEMS PRINCIPLES AND GUIDELINES

01:18:09 Ms. Weiss said that at the October meeting, the committee had discussed the Public Employees Retirement Systems Principles and Guidelines, and at that time decided that a decision on whether to adopt the Principles and Guidelines or not would be postponed until the December meeting (**Exhibit 2**).

Discussion on Principle IV

01:20:12 SEN. LEWIS asked for clarification on Principle IV: pension benefits should be equitably allocated among beneficiaries. **Ms. Weiss** explained that it is a principle that has been established to prevent discrimination in benefits for those who earn less or start late. It is also a principle that is designed to help keep plans IRS-compliant.

01:23:2 SEN. BALYEAT asked if "equitably" means something different than "equally". He said that he doesn't believe that the language in Principle IV necessarily supports the notion that someone who has only worked for 5 years is entitled to the same full retirement as someone who has worked for 35 years.

01:25:51 SEN. JENT said that the word "equitable" doesn't have anything to do with "equally" but has to do with fundamental fairness and how things are allocated. The law behind this is the IRS law which is complex. Pension systems have to be IRS-compliant.

01:27:01 Ms. Weiss said that you have to keep the plans compliant with IRS regulations and that is the goal behind Principle IV, but whether or not you adopt this principle won't affect whether your plans are compliant.

Discussion on Guideline E

01:29:36 SEN. BALYEAT said that when someone retires and somehow has been given a benefit that exceeds what was put into the system, that burden isn't just shifted to the taxpayers, it is also shifted to the other employees. He talked about adding the words "or future employees" after "...taxpayers" in Guideline E.

Motion

01:31:04 Sen. Balyeat **moved** to add the words "or future employees" after "...taxpayers" in Guideline E. The motion passed unanimously.

Discussion on Guideline R

01:31:25 SEN. BALYEAT said that he is nervous of the provision saying that "the

legislature should provide for an annual increase in postretirement benefits". He would like it to say "shall provide for annual increases if funding is there and if inflation warrants it." He also said that he is not sure that we should put in as a matter of principle or guidelines that we basically guarantee annual increases especially in situations where there has been no increase in the consumer price index.

01:33:59 SEN. JENT said that one of the things that caused trouble with the systems was having a GABA that was not funded properly. We should look at (Q), (R) and (S) carefully.

Motion

01:36:36 Sen. Balyeat **moved** that Guideline (R) be stricken from the Guidelines.

Discussion

SEN. BALYEAT said that we should provide for increases when warranted. He doesn't believe that his motion contradicts that and that by striking (R), we are not in any way saying that we are going to have a bill to get rid of GABA which is already in law. The only way we can leave it in there is to add some verbiage to support the statement.

01:42:32 REP. MEHLHOFF opposes taking (R) out because he doesn't know what the ramifications of doing that would be to the discussions. He feels that the committee can always address these issues as it moves forward.

Roll Call Vote on the Motion to strike (R) from the Guidelines

01:44:03 A roll call vote was taken with the following results: voting aye were Sen. Balyeat, Sen. Lewis, Sen. Tropila, Rep. Hendrick, and Rep. Ingraham; voting nay were Sen. Jent, Rep. Furey, and Rep. Mehlhoff. The motion passed 5 to 3.

Discussion on Guideline (M)

01:44:57 REP. HENDRICK asked for an explanation of Guideline (M). **Ms. Weiss** said that many retirement plans that are Defined Benefit plans provide an opportunity for an employee to purchase service that has been earned in other jurisdictions and that the employee would pay into the system so the state can afford to pay those benefits.

Motion to adopt Principles and Guidelines as amended

01:46:34 Rep. Ingraham **moved** to adopt the Principles and Guidelines as amended. Roll call vote was taken with the following results: voting aye were Senators Balyeat, Jent, Lewis and Tropila; Representatives Furey, Hendrick, Ingraham and Mehlhoff. The motion passed unanimously.

PRESENTATION FROM THE OFFICE OF SENATOR MAX BAUCUS - Andrew Person,
Legislative Assistant

01:49:24 Mr. Person talked about S 711, the Post Deployment Health Assessment Act of 2009 that was introduced by Sen. Baucus, and the new tax credit that would be available to employers to encourage them to hire recently discharged veterans.

Questions

01:52:26 REP. FUREY asked what is being done to expedite benefits under the GI bill for veterans who are going to school. **Mr. Person** said that Sen. Baucus and Sen. Tester sent a letter to Secretary Shinseki a couple of months ago regarding that issue. In response, the VA said that Secretary Shinseki has authorized emergency payments of \$3,000 to go out to any veteran who has applied for benefits but hasn't received them.

HB 659: REVIEW OF OTHER RETIREMENT SYSTEMS - Rachel Weiss, Research Analyst

01:56:58 Ms. Weiss said that HB 659 requires SAVA to examine various options for changes to each of the statewide retirement plans administered by the Public Employees Retirement Board. Some of those changes listed in HB 659 are: changes to the benefit formula multiplier, the minimum age at which a member is eligible for full or reduced early retirement benefits, and the minimum years of service to be eligible for full or reduced early retirement benefits. SAVA decided in October that it would limit its work under the RFP just to the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS). There are seven other systems that are administered by the PERB. The worksheet **(Exhibit 3)** lists those seven systems.

01:58:51 **Firefighters' Unified Retirement System (FURS)**
Ms. Weiss gave a presentation on the Firefighters' Unified Retirement System **(Exhibit 3)**.

Questions

02:07:06 REP. FUREY said that the Pension Plan Unfunded Actuarial Liability document **(Exhibit 4)** shows four funds that do not amortize. He asked Ms. Weiss to explain that. **Ms. Weiss** said that the Montana Constitution requires that the state's retirement plans be actuarially funded and should amortize in 30 years or less.

02:11:20 **DOUG NEILL, Montana State Firefighters**, said that when he testified at the October meeting, he left one thing out regarding the funding that they receive from the state. He said that a report was prepared at the request of the SAVA Committee in 2002, "Whose Slice of Which Pie, Understanding the Insurance Premium Tax as a Funding Source for Police and Fire Pension Plans", prepared by Sheri Heffelfinger, SAVA Committee, 2002. This report gives a history of the pension plans and is available online.

Game Wardens and Peace Officers' Retirement System

02:13:38 Ms. Weiss gave a presentation on the Game Wardens and Peace Officers' Retirement System **(Exhibit 3)**.

Questions

- 02:16:01 REP. INGRAHAM asked when the Game Wardens merged with the Peace Officers' Retirement System. **Kim Flatow, Montana Public Employees' Retirement Administration**, said that the Game Wardens' System was initiated in the 1970s and was traditionally the Game Wardens' Retirement System until the early 90s when they expanded the definition of who would belong in the Game Wardens' System.
- 02:19:27 REP. MEHLHOFF asked about the funding ratio of 88.1% when we are looking at 11% unfunded. **Ms. Minnehan** said that the funding ratio indicates how well the system is funded for the current membership and the normal costs it takes to provide for their benefits at the end. The normal costs includes the contributions from the employee and the employer, and how much of the total statutory contributions is required to cover the normal costs of that individual from the date they are hired.
- 02:21:40 SEN. BALYEAT asked Ms. Minnehan to explain the volunteer firefighters compensation where it says only 81% funded and yet amortizing over 6.9 years. **Ms. Minnehan** said that the excess of statutory contributions over the normal costs is what pays off the unfunded liability. In the systems that aren't able to amortize, there aren't enough contributions coming in to pay off the unfunded actuarial liability.
- 02:25:18 SEN. JENT asked if the actuarial value of the Game Wardens continue to go up, are those funds invested in the same pool or are they done separately? **Ms. Minnehan** said they are commingled in a pool and invested in the same manner.
- SEN. JENT asked about the 5-year smoothing period in the Teachers Retirement System and the 4-year smoothing period in PERS. **David Senn, TRS**, said the Teachers' Retirement Board debated on what the right smoothing was. They felt that the 5-year and 4-year created confusion. They thought about making it the same.
- 02:34:42 SEN. BALYEAT talked about the 2009 valuation found in **Exhibit 4**, where there's been a drop in PERS of \$63 million and no significant drop in other plans. Can Mr. Senn explain why TRS shows such a significant drop in valuation between June 30, 2008 and June 30, 2009 even though all the other plans don't show either any loss or a much less significant loss? **Mr. Senn** said that their unfunded liability increased about \$700 million due to investment losses. There was significant decrease in the investment return for the TRS that was smoothed over 4 years. The Teachers Retirement Board also established a corridor where they will not let the actuarial value of assets get smaller than 80% of the market or larger than 120% of the market.
- 02:39:39 **Highway Patrol Officers' Retirement System**
Ms. Weiss discussed the Highway Patrol Officers' Retirement System (**Exhibit 3**).

- 02:40:50 **Municipal Police Officers' Retirement System**
Ms. Weiss discussed the Municipal Police Officers' Retirement System (**Exhibit 3**).
- 02:42:38 **Sheriffs' Retirement System**
Ms. Weiss discussed the Sheriffs' Retirement System (**Exhibit 3**).
- 02:44:57 **Volunteer Firefighters' Compensation Act**
Ms. Weiss discussed the Volunteer Firefighters' Compensation Act (**Exhibit 3**).
- 02:46:26 **Judges' Retirement System**
Ms. Weiss discussed the Judges' Retirement System (**Exhibit 3**).

Public Comment

- 02:48:58 **Truman Tolson, President of the Montana Police Protective Association**, provided written comments to committee (**Exhibit 5**). He said that he is here seeking to change the definition of compensation included into their retirement benefit.

--LUNCH BREAK--

- 03:58:30 **Discussion on Retirement Systems**
SEN. TROPILA asked the committee if there was any further discussion on the retirement systems.
- 03:59:24 SEN. LEWIS said that TRS calculates the "ratio of actuarial value to market value" as found on the evaluation sheet (**Exhibit 4**) more conservatively than PERS. He would like PERS to present their numbers and the systems that they administer in the same way that TRS does. He asked Ms. Weiss if she could make that request of PERS. SEN. LEWIS said that he would think that the ratio of actuarial value to market value will drop for PERS and the others if it is presented in the same way that TRS is.
- Ms. Weiss said that it is a change that the Board would have to make. It sounds like the TRB, as part of their actuarial assumptions and how they handle market losses and market gains, has chosen to institute this corridor. Perhaps the committee would like to send a memo to the Board and request that they consider that type of change.
- Ms. Weiss said that she could work with Ms. Minnehan of PERS to see what kind of numbers they could come up to do that type of comparison.

OPTIONAL RETIREMENT PROGRAM (ORP) OF MONTANA UNIVERSITY SYSTEM - Mick Robinson, Associate Commissioner for Administrative and Fiscal Affairs/Chief of Staff, Office of the Commissioner of Higher Education

04:04:28 Mr. Robinson distributed and discussed the University System Optional Retirement Program (ORP) (**Exhibit 6**).

Public Comment

04:25:41 **David Senn, Executive Director, Teachers' Retirement System**, talked about where they were when ORP was established as to where they are now. He said that they are currently doing a valuation of the University's unfunded liability for that section of employees to see where they are at today and what that rate should increase to.

04:29:01 **Tom Bilodeau, Research Director, MEA/MFT**, said that MEA/MFT opposed the establishment of either a voluntary or mandatory ORP back in the late 80s and early 90s. He said that the original argument for an ORP for the University System was that faculty, by and large nationwide, was covered by TIAA (Teachers Insurance and Annuity Association) and CREF (College Retirement Equities Fund) programs and it was an impediment to career movement for individuals not to be in a TIAA-CREF program. By moving to a TIAA-CREF pension program, the University System could at least offer a portable pension that would allow a transitory faculty a way to move in and out of Montana without suffering a compensation penalty for working in the state and would at least allow portability of pension.

HB659 UPDATE ON RFP PROCESS AND REVIEW OF SUGGESTED RFP LANGUAGE - Rachel Weiss

04:38:17 Ms. Weiss discussed the language contained in the HB 659 Request for Proposals draft language and the four sections of the RFP: Scope of Project, Offeror Qualifications/Informational Requirements, Cost Proposal, and Evaluation Criteria (**Exhibit 7**).

Public Comment

04:55:08 **David Senn** commented on the RFP draft language:

- The committee will need to be clear on when and how the consultants are going to communicate with the actuary.
- The Teachers Retirement Board does not recommend a cash balance plan. In the language the committee needs to call it a money purchase plan.
- Regarding the Scoring Criteria, he would give the least amount of points to the actuarial firm. He would weight qualifications and staff equally.
- He would give points to references but ask them for a client list instead of references.
- He would weigh the project plan the highest and the most important.

Motions

05:00:08 Rep. Ingraham **moved** to weigh qualifications at 15%, references with a client list of 5 years at 5%, and cost proposal at 20%. The motion carried.

05:01:33 Sen. Balyeat **moved** that staff work with David Senn to come up with mutually satisfactory language regarding communications with the actuary. The motion passed.

DECISION LOG SHEET FOR HB 659 RFP (Exhibit 8)

Section 6: Evaluation Criteria

05:04:46 Ms. Weiss said that Section 6 of the Decision Log Sheet had been taken care of with Rep. Ingraham's motion.

Section 3: Language: Scope of Project

05:04:58 Ms. Weiss said that Sen. Balyeat's motion took care of the TRS redesign portion of Section 3. She asked the committee if they would want to tentatively adopt the rest of the language with the idea that staff will work with the chair and vice chair.

Motion

05:05:29 Rep. Mehlhoff **moved** that staff work with the Chair and Vice Chair on the scope of the work that is expected of the contractor and setting out the four tasks as listed in Section 3. The motion passed.

Section 4: Offeror Qualifications

05:06:32 Ms. Weiss talked about the change in Section 4, the section formerly known as "References" would now be called "Client List".

Motion

05:07:44 Sen. Balyeat **moved** to adopt Section 4 with the addendum to substitute "Client List" with "References" or add "5 year client list" to References at the agreed upon wording between the Chair and Vice Chair and Ms. Weiss.

Discussion

Discussion over whether a firm's proposal would be rejected if they did not pass the section on references and what happens if a firm has terrible references but they met other criteria well. Would the committee have the ability to not accept their proposal if they are the lowest bid? Ms. Weiss said that you could draft language that said that a non-acceptable reference would be a reason to decline the proposal.

Amended Motion

05:10:00 Sen. Balyeat **amended** his motion to include language that non-acceptable references would be a reason to reject the proposal. The motion passed.

Section 5: Cost Proposal

05:11:40 Rep. Furey **moved** to accept criteria in Section 5: Cost Proposal. The motion passed.

Evaluation Committee

05:14:36 Rep. Hendrick **moved** to appoint Rep. Ingraham and Sen. Jent to serve on the Evaluation Committee. The motion passed.

REVIEW OF LEGAL ISSUES SURROUNDING A MODIFICATION OF RETIREMENT CONTRACT PROVISION FOR CURRENT RETIREMENT SYSTEM MEMBERS AND RETIREES - David Niss, Legal Staff

05:18:01 Mr. Niss distributed two documents regarding State Retirement Annuity Case Law (**Exhibits 9 and 10**) and made reference to them as visual aids in understanding the context of his two memorandums to Sen. Lewis dated August 14, 2009, and August 28, 2009, respectively. These memorandums dealt with the GABA issue for both the current and the retired Montana state employees.

Discussion

05:55:34 SEN. LEWIS talked about the reason why the memos were written. He said that his thought was, if we were to recommend and approve a modification to GABA that said if you have a fully funded system and if investment earnings are greater than anticipated and triggers came up, you could implement a portion of GABA. There was never any intention that the 3% GABA as an end result contributing to the actuarial unsoundness of the system. He liked the idea of asking the question, have the actuary look at it, and then give some idea of what the impact would be before we entered into a contract with the actuary.

Mr. Niss discussed some ideas to help the committee decide whether or not they want to interfere with current employment contracts:

1. How strongly do you feel that current employees or current retirees have to become part of the solution?
2. What proof is out there that change is necessary.
3. How will you look on litigation over this issue.

05:59:07 SEN. BALYEAT said that he disagrees with the notion that we have to make a decision about whether or not we want to go after the GABA on existing employees and retirees now because this committee doesn't know how much it would save. He said that in looking at the list of SAVA design alternatives in the RFP, the committee might consider altering the GABA to reduce costs by saying A) only for new hires; or B) for new hires and existing employees.

Motion

Sen. Balyeat **moved** to amend the mandatory language to modify RFP language to alter the GABA either for A) new hires only, or B) potentially for new hires and existing employees. The motion passed.

ADMINISTRATIVE RULE REVIEW - David Niss, Legal Staff

06:03:26 Mr. Niss said that the agency that is involved in MAR Notice 44-2-151 has acknowledged the validity of his concerns and agreed to re-notice the rule.

Public Comment

06:03:37 **Leo Berry, attorney for Retired Public Employees**, said that he has some disagreements with some of Mr. Niss's conclusions. He encouraged the committee not to radically change the retirement systems because these issues are long term issues. Mr. Berry talked about an earlier change in the PERS benefit formula, to increase the multiplier to 2% after 25 years.

06:06:57 **Tom Bilodeau, MEA/MFT**, said that they would argue with the statutory authority that there is a contract in place for Defined Benefits within the TRS system. In respect to TRS, he pointed out that their 1.5% TRS GABA was partially funded by employee contributions. They are contributors to the system, they helped pay for this, this is a quid pro quo, this is a vested property interest that they are not interested in abandoning.

Committee Comments

06:08:26 SEN. BALYEAT said that in response to the comment from Mr. Berry, he would consider moving back to the old calculation of 1.78% as opposed to 2% after 25 years. He asked Mr. Senn if that would place too big a burden on our consultants given our cost constraints. **Mr. Senn** said that the bill that they are talking about did not affect the TRS.

06:11:41 REP. INGRAHAM asked Ms. Minnehan if the percentages were already being addressed in PERS' proposals. **Ms. Minnehan** said that they are looking at some changes and the actuary is studying all modifications separately and together to come up with ideas that the Board might consider moving forward.

06:12:50 SEN. BALYEAT asked Ms. Minnehan if she feels there would be any undue burden if we change the current formula in the RFP by moving back to 1.78%. **Ms. Minnehan** said that she doesn't believe so.

SEN. BALYEAT asked Ms. Minnehan that if the committee amended the language in the RFP to change the formula, would that language be okay? **Ms. Minnehan** said that the changes would be in direct conflict and she is not worried about proposing that to the actuary or to the Board for consideration.

Motion

Sen. Balyeat **moved** to add as an additional consideration the potential of changing the formula in PERS. The motion passed.

Member Issues

06:17:17 SEN. TROPILA talked about the invitation to attend the Montana Association of School Superintendent Spring Conference.

06:17:27 REP. HENDRICK asked Ms Weiss if the costs to attend the conference will be paid by SAVA or not. Ms. Weiss said that the invitation from Darryl Rud was for the committee or its representative to consider an invitation to attend or speak. She said that she would contact Mr. Rud for more information.

Motion

06:19:06 Sen. Lewis **moved** that Rep. Hendrick represent the SAVA Committee at the Montana Association of School Superintendent Spring Conference and be reimbursed at the Legislative Committee rates. The motion passed.

NEXT MEETING

06:20:05 Ms. Weiss talked about the next meeting on March 3, 2010, and the conference call in January to award a contract based on the results of the RFP.

ADJOURNMENT

06:21:21 With no further business before the committee, Sen. Tropila adjourned the meeting at 3:24 p.m.

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