



Montana Legislative Services Division
Legal Services Office

TO: State Administration and Veterans' Affairs Interim Committee
FROM: K. Virginia Aldrich
DATE: May 28, 2013
RE: Legislative Administrative Rule Review Report

Pursuant to 5-5-228, MCA, the State Administration and Veterans Affairs Committee is responsible for reviewing administrative rules within its jurisdiction. Staff for the State Administration and Veterans Affairs Committee has prepared this report for informational purposes only. This report does not represent any action or opinion of the State Administration and Veterans Affairs Committee and does not preclude additional action that may be taken by the State Administration and Veterans Affairs Committee pursuant to its authority under the Montana Administrative Procedure Act (Title 2, chapter 4, MCA).

MAR NOTICE NUMBER:

TBD

AGENCY/BOARD:

Montana Public Employees' Retirement Board

RULE CLASSIFICATION: (e.g. substantive/interpretative/emergency/temporary)

Temporary Emergency

SUBJECT:

Temporary Emergency Rules Implementing HB 454

NOTICE DESCRIPTION: (e.g. proposal notice/adoption notice)

Notice of action on proposed temporary emergency rules

SUMMARY OF RULE(S):

The Montana Public Employees' Retirement Board is proposing to adopt temporary emergency rules implementing certain provisions of HB 454, which provides funding for the Public Employees' Retirement System.

MPERA is proposing to adopt temporary emergency rules to implement certain provisions of HB 454. HB 454 requires the Board's actuary to provide a yearly actuarial valuation of the system. In addition, the actuary must provide amortization periods, funding level percentages, and contribution increases tied to a guaranteed annual benefit adjustment (GABA) adjusted by HB 454 under certain triggers. MPERA proposes to adopt certain rules to provide direction to the actuary concerning assumptions for valuations, assist the actuary in establishing annual GABA rates, and help the actuary provide actuarial equivalent factors.

Specifically, to determine the PERS funding level percentage in 19-3-1605(5), MPERA proposes instructing the actuary to assume a GABA rate of 1.5% for future years, assume the actuarial value (rather than market value) of assets, and set the funding percentage rounded to the nearest whole number.

MPERA also proposes to adopt a rule applicable when the PERS amortization period is under 40 years reducing the 1.5% GABA in 19-3-1605(5) by .1% for each full 2 percentage points the funded percentage is below 90%, establishing a GABA expressed in tenths of a percent, and adjusting the GABA each year based on that year's PERS funding percentage.

MPERA proposes to adopt a rule to provide direction to the actuary regarding factors for calculating actuarially-equivalent benefits and the costs of various service purchases that assumes a 1.5% GABA rate for future years and establishes new actuarial equivalent factors effective January 1.

MPERA proposes to adopt a rule relying on Office of Budget and Program Planning reports to determine the annual amount of coal severance tax and interest income that will be statutorily appropriated.

Of the 1.27% additional employer contributions provided for in 19-3-316(3), MPERA proposes to adopt a rule to allocate 1.00 % of the additional PERS employer contributions to the PERS defined benefit plan trust fund and allocating the remaining .27% to the PERS defined benefit retirement plan's plan choice rate.

There are additional changes not discussed in this summary that may be of interest to legislators and the public. If you are interested in the full text of the proposed temporary emergency rules, please contact me for a copy of the full temporary emergency rules notice.

NOTES: (e.g. hearing dates)

A hearing is scheduled on the above referenced rules on May 28, 2013, at 1:00 p.m., in the MPERA conference room located at 100 N. Park Avenue, Helena, Montana.