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**LEGISLATIVE FINANCE COMMITTEE / STATE ADMINISTRATION &
VETERANS' AFFAIRS**
67th Montana Legislature

SENATE MEMBERS

Janet Ellis
Tom Jacobson
Douglas (Doug) Kary
Bob Keenan
Edith (Edie) McClafferty
Ryan Osmundson
Daniel Salomon
Jon Sesso

HOUSE MEMBERS

Jacob Bachmeier
Nancy Ballance
David Bedey
Mary Caferro
Kimberly Dudik
Jim Hamilton
Kenneth Holmlund
Mike Hopkins
Llew Jones
Jessica Karjala
Ryan Lynch
Forrest Mandeville
Wendy McKamey
Bill Mercer
Rae Peppers
Marilyn Ryan
Ray Shaw
Marvin Weatherwax

COMMITTEE STAFF

Amy Carlson - Legislative
Fiscal Analyst
Karen Gilbert - Secretary
Julie Johnson - Attorney
Sheri Scurr - Research
Analyst

MINUTES LOG

January 15, 2020

1:18 PM

State Capitol Room 152

Please note: This document is a Minutes Log and provides annotation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video recording of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of the meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. From the home page, select the "Committees" drop down menu at the top, then select Administrative or Interim, and the appropriate committee. The written minutes log can be located by expanding the accordion menu for the date of the meeting. Links to the audio/video files can be located by selecting the Video/Audio button on the same page, then the "past/current recordings" button. From there, use the calendar to select the date of the meeting you wish to view/listen to. The written Minutes Log, along with links to the audio and video recordings, is listed by meeting date on the interim

committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed. Please contact the Legislative Services Division at 406-444-3064 for more information.

ROLL CALL

Members Present:

Rep. Kimberly Dudik, Chair (D)
Sen. Ryan Osmundson, Vice Chair (R)
Rep. Nancy Ballance (R)
Rep. David Bedey (R)
Rep. Mary Caferro (D)
Sen. Janet Ellis (D)
Rep. Jim Hamilton (D)
Rep. Mike Hopkins (R)
Sen. Tom Jacobson (D)
Rep. Llew Jones (R)
Sen. Douglas (Doug) Kary (R)
Sen. Bob Keenan (R)
Rep. Ryan Lynch (D)
Rep. Forrest Mandeville (R)
Sen. Edith (Edie) McClafferty (D)
Rep. Wendy McKamey (R)
Rep. Bill Mercer (R)
Rep. Marilyn Ryan (D)
Sen. Jon Sesso (D)
Rep. Ray Shaw (R)
Rep. Marvin Weatherwax (D)
Sen. Dee Brown (R)

Members Excused:

Rep. Jacob Bachmeier (D)
Rep. Kenneth Holmlund (R)
Rep. Jessica Karjala (D)
Rep. Rae Peppers (D)
Sen. Daniel Salomon (R)

Staff Present:

Amy Carlson, Legislative Fiscal Analyst
Karen Gilbert, Secretary
Julie Johnson, Attorney
Sheri Scurr, Research Analyst

Federal financial risk

- 13:20:22 Trinity Tomsic, Federal Funds Information for States, gave her presentation. ([Exhibit 1](#))
- 13:52:34 Joshua Poulette, Legislative Fiscal Division, presented his report. ([Exhibit 2](#))
- 14:01:03 Rep. Mandeville said the information was scary. He said he didn't like the reflection that Montana was doing well by taking more and more federal dollars. He said the Federal Government continues to spend like drunk trust fund babies on spring break.
- 14:01:59 Rep. Caferro objected to Rep. Mandeville's comments.
- 14:02:00 Rep. Dudik asked to keep things in order.
- 14:02:05 Rep. Mandeville said it was a metaphor and asked when the state would stop taking federal money?
- 14:02:33 Mr. Poulette said he couldn't speak to that specifically, but could provide information.
- 14:02:55 Sen. Brown said she was happy to hear that congress was working and asked about the chart on page 3.
- 14:03:38 Rep. Mercer asked Ms. Tomsic to go over information on slide 11.
- 14:04:24 Ms. Tomsic responded.
- 14:04:41 Rep. Mercer asked about formula money.
- 14:04:50 Ms. Tomsic responded.
- 14:05:55 Rep. Mercer asked if it captured money that goes directly to tribal governments in Montana.
- 14:06:00 Ms. Tomsic responded.
- 14:06:06 Rep. Ballance asked for clarification about awards.
- 14:06:17 Ms. Tomsic responded.
- 14:06:21 Sen. Brown asked about a federal balanced budget amendment and would the charts change?
- 14:06:40 Ms. Tomsic responded.
- 14:07:13 Rep. Dudik asked about the deficit and who benefits from 2017 tax law.

14:07:58 Ms. Tomsic responded.

14:08:18 Rep. Caferro asked about the farm bill and subsidies to offset lost revenue for tariffs. She asked if there is an analysis regarding how it effects SNAP?

14:09:19 Ms. Tomsic responded.

14:09:31 Rep. Caferro asked if farm subsidies are not considered grants.

14:09:46 Ms. Tomsic responded.

14:10:16 Rep. Caferro asked for information on a chart in the report.

14:10:36 Ms. Tomsic responded.

Pension investments at the Board of Investments

14:10:54 Dan Villa, Board of Investments, gave his presentation. ([Exhibit 3](#))

14:35:48 Rep. Hamilton gave kudos to the Board of Investments. He asked about risks to the state budget in terms of the pensions and asked for an estimate on rate of return over the next 20 years.

14:36:44 Mr. Villa responded.

14:36:51 Rep. Hamilton asked about investment returns.

14:37:09 Mr. Villa responded.

14:39:54 Rep. Hamilton asked about capital market expectations rate.

14:40:26 Mr. Villa responded.

14:40:49 Rep. Hamilton asked about risk calculated 25 years ago.

14:41:01 Mr. Villa responded.

14:41:19 Rep. Hamilton asked for clarification on beating the expectations over the last years.

14:41:43 Mr. Villa responded.

14:43:11 Rep. Hamilton asked what is significantly different from 25 years ago.

14:43:30 Mr. Villa responded.

14:44:27 Rep. Ballance commented on gains and managing risk.

14:45:23 Mr. Villa responded.

14:48:01 Sen. Brown asked about the midpoint of asset allocation.

14:48:33 Mr. Villa responded.

14:51:28 Sen. Brown asked about returns.

14:51:41 Mr. Villa responded.

14:51:51 Sen. Brown asked why we are not at zero amortization.
14:52:11 Mr. Villa responded.
14:53:08 Rep. Jones asked about amortization.
14:54:20 Mr. Villa responded.
14:56:08 Rep. Jones asked for clarification on amortization.
14:56:33 Mr. Villa responded.
14:57:32 Rep. Dudik asked if the pension system is in trouble.
14:57:45 Mr. Villa responded.

Brief recess

14:57:37 The committee recessed.
15:17:37 The committee reconvened.

Evaluating pension system financial risk

15:17:52 Elizabeth Wiley, Cheiron consultant, gave her presentation.
15:51:24 Rep. Hamilton asked a question about the presentation.
15:51:36 Ms. Wiley responded.
15:57:27 Rep. Dudik introduced the next presenters.
15:58:02 Todd Green, Cavanaugh McDonald Consulting, gave his presentation. ([Exhibit 4](#))
16:14:27 Greg Mennis, Pew Charitable Trusts, gave his presentation. ([Exhibit 5](#))
16:22:28 Rep. Hamilton asked Mr. Green about if his report was the same as was prepared for Iowa.
16:22:59 Mr. Green responded.
16:23:50 Rep. Hamilton asked about interpretation guidelines.
16:24:22 Mr. Green responded.
16:24:39 Rep. Hamilton asked if he could discuss more after the meeting.
16:24:56 Rep. Hamilton asked Mr. Mennis to discuss his model on page 9 of his presentation.
16:25:58 Mr. Mennis responded.
16:27:41 Rep. Hamilton asked about a scenario.
16:28:06 Mr. Mennis responded.
16:29:02 Sen. Jacobson asked if Mr. Schwinden wanted to comment.

16:29:15 Rep. Dudik said he could during public comment.
16:29:27 Rep. Mercer asked Mr. Mennis about a document prepared by Ms. Scurr. ([Exhibit 6](#))
16:30:53 Mr. Mennis responded.
16:33:01 Rep. Mercer directed the same question to Ms. Wiley.
16:33:56 Ms. Wiley responded.
16:36:29 Rep. Ballance commented that a stress test is not a one-time event.
16:37:32 Rep. Dudik asked if Ms. Wiley agreed.
16:37:40 Ms. Wiley responded.
16:38:18 Rep. Ballance said the severity of events is what drives the legislature.

Public comment

16:39:34 Dore Schwinden, Montana Public Employee Retirement Association
16:40:21 Shawn Graham, Teacher's Retirement System
16:41:43 Rep. McKamey thanked Rep. Dudik for inviting SAVA to join LFC in this meeting.

LFC committee business

16:42:17 Amy Carlson, Legislative Fiscal Division, discussed the upcoming LFC meeting dates.
16:43:13 Rep. Bedey discussed the education subcommittee meeting dates.
16:43:31 Ms. Carlson resumed the discussion.
16:43:46 Rep. Hamilton said the subcommittee on local government interactions might meet with SAVA.
16:44:34 Rep. Dudik requested dates.
16:44:44 Ms. Carlson said March 23 & 24

ADJOURNMENT

16:45:32 With no further business before the committee, Chair Dudik adjourned the meeting.