

MINUTES OF MEETING  
STATE ADMINISTRATION COMMITTEE  
MONTANA STATE SENATE

January 12, 1979

The fifth meeting of the Senate State Administration Committee was called to order in the temporary absence of Chairman Story, by Senator George Roskie, Acting Chairman, on the above date, in Room 442 of the State Capitol Building at 10 a.m.

ROLL CALL: All members of the Committee were present.

CONSIDERATION OF SENATE BILL No. 48: Acting Chairman Roskie called on Senator Pat Ryan, Great Falls, District No. 19, sponsor of the bill, to present his testimony on Senate Bill No. 48.

Senator Ryan stated this was a house keeping bill requested by the Department of Institutions. Explaining further, he said there are people in disciplinary status who are transferred between states. For this purpose the Department would have the need for a coordinator to comply with the Interstate Compact Agreement.

Further proponents were called for; none responded. No opponents to the bill were present.

The hearing was opened for questions.

Responding to a question by Senator Jergeson, Nick Rotering of the Department of Institutions, replied that presently the statutes spell out the number of states that are parties to the Compact. Transfer of prisoners were from Montana to other states or vice versa. Montana has been in this Compact for several years, but are the only state that didn't have this part pertaining to the coordinator in our statutes; so, the Governor had to sign a contract each time we wanted to transfer a prisoner, rather than the Department of Institutions handling this procedure. This Bill would allow the Department or its director to sign this contract rather than having to go to the Governor. There are 9 or 10 western states in this Compact, but we don't have contracts with every state, only as the need arises. If there is a trade-off or exchange of prisoners, there are no funds transferred.

There being no further questions, the hearing was closed on Senate Bill No. 48.

CONSIDERATION OF SENATE BILL NO. 74: Acting Chairman Roskie called on the sponsor of Senate Bill No. 74.

Senator Matt Himsl, District 9, from Kalispell, stated this Bill shows that this is at the request of the Department of Administration. He felt it was meritorious and should be considered

in that light. In explaining further, he stated it proposes an amendment to allow the Investment Board, under the Department of Administration to negotiate salaries when hiring the investment officer and his assistant who oversee the personnel for the Investment Board and direct its management; it is not a change from any present law, except that the Board may employ an investment officer and assistant who would serve at the pleasure of the Board. These persons would be hired by the Department, but subject to the approval of the Board of Investments. This would take these officers out of the state pay plan and put them into an executive system. This is the investment bank for the State of Montana in which political subdivisions (cities and towns) of the State may put money for short terms at the highest and safest interest. This pool of money is called short term investment pool (STIP). Interest on these investments runs about 4½% of the general fund. About \$54 million is handled under this program alone, and the Board handles over 32 major funds. The total investment fund which is managed is over \$798 million.

Senator Himsl said he felt the Board should have the opportunity of having some judgement over the investment officer and his assistant and they should be taken off the pay plan system so that they can be compensated in a worthy way. There has been some problem in the past of securing adequate help because of the low state pay scale.

Dave Lewis, Director of the Department of Administration, testified in support of the Bill, saying he believed in equal pay for equal work, but these are 2 unique positions in state government. The responsibility of handling about \$800 million is tremendous. The Board should be allowed to exempt them from the state pay scale and be competitive with other states for persons having the expertise this position requires.

Dean Albert, Chairman of the Board of Investments, also testifying in support, summarized his written testimony which is attached to these original Minutes. His testimony pertained to the amount handled by the Board reaching about \$1 Billion by next year, and the difficulty of hiring competent technical financial advisors within the low state pay scale.

There being no further proponents, opponents were called for; none appeared.

In closing, Senator Himsl mentioned referring to the annual report of the Investment Board and the caliber of people whose names appeared as members on the Board; that these people took the responsibility for managing \$800 million very seriously, and if the committee had this responsibility, they would want a voice in who was managing the program, and requested they think of it in those terms.

Hearing was opened for questions.

Senator Hafferman questioned if this Bill would open the door for more exceptions and if these officers would receive more money than the Governor.

Senator Himsl replied he was not sure of the Governor's salary, but he felt the salary of these officers would be negotiated. Mr. Lewis added that there were 150 state employees who made more than the Governor last year, and probably about 200 now. These are doctors, university presidents, etc., people who are experts in their field. Mr. Albert added that Montana did not have many people who have experience in investments of this magnitude. We are now splitting these duties between 3 staff people, but this is not adequate, and the Board does not have the experts required to handle this.

Senator Himsl read the names of those on the Board to show they were persons involved in financial business and knowledgeable of what reasonable salaries these types of experts would be paid.

Senator Roskie questioned if they would be subject to the salary review commission, to which Mr. Lewis replied negatively, that they would be the obligation of the Board who would negotiate and set the salary.

Senator Ryan asked what state classification this would be. Mr. Lewis replied it would be about a Grade 21 for the officer and about a Grade 17 for the assistant; starting salary for the assistant would then be about \$19,796.00.

Senator Roskie questioned if there would be objection to making this subject to the salary review commission; Mr. Albert felt this could be very complicated.

Senator Hafferman asked if this figure included fringe benefits, to which Mr. Lewis answered it was just the base salary.

Mr. Albert stated that in their attempt to raise the classification, a study was done and the report to them showed Montana was well below the average. The study was done by the State personnel division.

Senator Roskie requested a copy of the report be furnished the Committee; Mr. Lewis advised he would see to it.

Senator Roskie then asked if a comparison of other state's size of fund as compared to their officer's salary was done. Mr. Albert said Montana's fund is actually larger than some of the states paying a much higher salary and supplied a copy of the comparison report which was done last year.

There being no further questions, the hearing on Senate Bill No. 74 was closed.

Discussion was held on deferring action on SB 74 until these additional reports were received.

Senator Ryan moved that Senate Bill No. 48 DO PASS; motion carried by unanimous vote. Senator Ryan then moved that this bill be put on the consent calendar. Discussion was held on this question.

Senator Story arrived and stated he did not consent to the consent calendar and felt each bill should have its day in court and that the others should have an opportunity to hear about a bill without making a special effort. He then inquired about the testimony on Senate Bill 74.

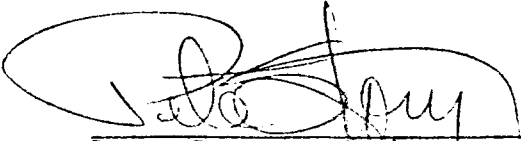
Further discussion of SB 74 was quite extensive, with Senator Ryan mentioning he felt they did not go through the appeal process provided in the state pay plan if the Department was using the legislature as an escape process; he felt the state plan should be corrected if it was not adequate. Senator Roskie commented when he was here in 1975, this fund was only about \$3 or \$4 million; that the Board has been providing more funds in Montana, but they still have a very wide variety of investments and thought some financial advisors might give the Committee a better understanding of the type of expert desired and the salary scale. He also mentioned the Revenue Oversight Committee had discussed the Investment Board and it was their feeling it was being careful to an extreme on some investments so that the rate of return was not adequate. It was felt the problem was the ceiling in the state pay plan, but also that the bill title misstated its' purpose in not stating they were asking for hiring authority and to set salary.

Senator Story felt there might be some areas where experts were necessary, but that the state pay plan shouldn't be bent out of shape too much.

After additional discussion, Senator Greg Jorgeson moved that Senate Bill No. 74 DO PASS; question was called and the motion carried by majority vote, with Senators Ryan and Hafferman voting "no".

ADJOURNMENT:

There being no further business, the meeting was adjourned at 11:00 o'clock A. M.

  
Pete Story, Chairman

Date Jan 12, 1979

ROLL CALL

STATE ADMINISTRATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

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NAME	PRESENT	ABSENT	EXCUSED
Senator Pete Story, Chairman	✓	(into)	
Senator George F. Roskie, V. Chmn.	✓		
Senator Bob Brown	✓		
Senator A. T. (Tom) Rasmussen	✓		
Senator Patrick L. Ryan	✓		
Senator Greg Jergeson	✓		
Senator William F. Hafferman	✓		

Each Day Attach to Minutes.

SENATE STATE ADMINISTRATION COMMITTEE

BILL SB 48 & SB 74

VISITORS' REGISTER

DATE 1-12-79

NAME	REPRESENTING	BILL #	(check one)	
			SUPPORT	OPPOSE
Dave Lewis	Dept of Administration	SB 74	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Nick ROTERING	DEPT. OF INSTITUTIONS	SB 48	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Alan H. Albert	Board of Trustees	SB 74	<input checked="" type="checkbox"/>	<input type="checkbox"/>

ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Date Jan. 12, 1979 SENATE Bill No. 48 Time \_\_\_\_\_

NAME	YES	NO
Senator Pete Story, Chairman	✓	
Senator George F. Roskie, V. Chairman	✓	
Senator Bob Brown	✓	
Senator A. T. (Tom) Rasmussen	✓	
Senator Patrick L. Ryan	✓	
Senator Greg Jergeson	✓	
Senator William F. Hafferman	✓	

Jennie L. Palmer  
Secretary

Pete Story  
Chairman

Motion: Motion was made by Senator Pat Ryan that Senate  
Bill No. 48 DO PASS; motion carried unanimously.  
Motion for this Bill to go directly to the Consent Calendar  
failed.

(include enough information on motion--put with yellow copy of committee report.)

# STANDING COMMITTEE REPORT

.....January 12..... 19 79.....

MR. ....President.....

We, your committee on.....State Administration.....

having had under consideration .....SENATE..... Bill No. 48.....

Respectfully report as follows: That.....SENATE..... Bill No. 48.....

Introduced Bill,

DO PASS

*al.*

*Pete Story*

.....Pete Story, Chairman.....



ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Date Jan. 12, 1979 SENATE Bill No. 74 Time \_\_\_\_\_

NAME	YES	NO
Senator Pete Story, Chairman	✓	
Senator George F. Roskie, V. Chairman	✓	
Senator Bob Brown	✓	
Senator A. T. (Tom) Rasmussen	✓	
Senator Patrick L. Ryan		✓
Senator Greg Jergeson	✓	
Senator William F. Hafferman		✓

Jennie L. Palmer  
Secretary

Pete Story  
Chairman

Motion: Motion was made by Senator Greg Jergeson that Senate  
Bill No. 74 DO PASS; motion carried by majority vote,  
with Senators Ryan and Hafferman voting "no".

(include enough information on motion--put with yellow copy of committee report.)

# STANDING COMMITTEE REPORT

.....January 12, 1979.....

MR. ....President.....

We, your committee on.....State Administration.....

having had under consideration.....SENATE..... Bill No. ....74.....

Respectfully report as follows: That.....SENATE..... Bill No. ....74.....

**Introduced Bill,**

DO PASS



.....  
Rte Story,

Chairman.

January 12, 1979

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BEFORE THE STATE ADMINISTRATION COMMITTEE  
OF THE MONTANA SENATE

\*\*\*\*\*

WRITTEN TESTIMONY OF DEAN H. ALBERT  
ON BEHALF OF THE BOARD OF INVESTMENTS  
IN SUPPORT OF SENATE BILL 74

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Mr. Chairman, Members of the State Administration Committee, my name is Dean H. Albert and I am Chairman of the Montana Board of Investments. The following written testimony is submitted by unanimous approval of the Board of Investments in support of Senate Bill 74.

The Board of Investments is a quasi-judicial board who is charged with the responsibility of prudently investing all of the funds belonging to or under trusteeship to the State of Montana. This is an awesome responsibility not to be taken lightly but with the expertise of a knowledgeable and competent staff together with policy established by informed and responsible Board members. Montana investments have shown considerable improvement since the inception of the Board and demonstrates an extremely favorable comparison to other similar funds, much to the pride of present and past Board members, the investment officers and the support staff.

The Investment Board's ability to attract and maintain competent staffing, particularly at the higher levels, has been severely handicapped in recent years by the inability of the present pay classification system to keep up with competitive salaries in the investment and financial area. Surveys done by the Investment Board and by the Classification and Pay Bureau confirm that the position of Investment Officer and Assistant Investment Officer are substantially below industry comparisons as well as below other states with centralized investment functions. While the Board has definitive responsibility for investment performance, practicality dictates that it must rely heavily upon competent investment specialists to carry out the day to day investment activities and the inability to attract and retain competent investment personnel will ultimately deteriorate performance if not otherwise resolved.

In early 1978 the Investment Board undertook to have the two top investment positions reclassified to bring them more comparative to other states and to industry competition, but following extensive efforts the requested increases were denied. As a result of our failure to obtain higher pay, our Assistant Investment Officer resigned to accept a substantially more favorable position. We have been unable to fill this position with an individual of equal experience because the salary offered is not competitive. In the interim, that position has been divided among three staff members as an interim measure, but cannot persist for long without some deterioration in the handling of the Board's affairs.

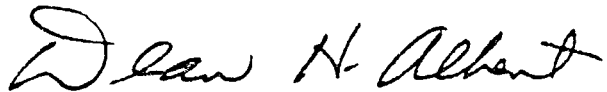
The Board presently administers \$800 million in investments and is likely to exceed the \$1 billion within the next biennium and there is no question that an Assistant Investment Officer will have to be obtained to handle the increasing volume.

It is the Board's opinion that the position of Investment Officer and Assistant Investment Officer are unique and therefore can not be comparatively or properly classified under the present system. Investment expertise in Montana is severely limited and we must compete with a national market.

We appeal to you to recommend this bill for passage to allow the Investment Board the latitude it requires to maintain Montana's enviable performance in the investment of its funds.

I thank you very much for your attention to this presentation and am willing to answer any questions you may have.

Respectfully submitted,

A handwritten signature in cursive script that reads "Dean H. Albert". The signature is written in dark ink and is positioned above a horizontal line.

Dean H. Albert, Chairman  
Board of Investments

BOARD OF INVESTMENTS  
SURVEY OF INVESTMENT OFFICERS  
01-20-1978

STATE/SYSTEM	POSITION	SALARY	TYPE OF INVESTMENT	AMOUNT (\$MILLIONS)	ADMIN. DUTIES	ACCTG. DUTIES
Idaho						
State Treasury	Treasurer	N/A	Short-Term - Govts.	106	Yes	Yes
Endow. Inv. Board (1)	Inv. Officer	\$39,463	Corps., Govts., short-term	140.8	No	No
	Accountant	16,000	Training, short-term		No	No
PERS and Others	Manager	(4 ID Bks)	Long-term & equities	200	No	No
California						
PERS/TRS (2)	Chief I.O.	\$37,872	Bonds & equities	14,000	No	No
	Inv. Direc.	31,296	Bonds, equities, mortgages	Same		
Montana						
All Systems	Inv. Officer	\$29,146	Srt.-term, lg.-term, equities	709	Yes	Yes
	Asst. Inv. Of.	20,463	Mortgages, Governments	Same		
North Dakota						
Bank Portfolio & Retirement Funds	President	\$42,500	Bank Portfolio	240		
	Exec. Dir.	30,000	Retirement Bds. & equities	127	Yes	Yes
	Inv. Officer	22,000	Same	Same		
PERS	Manager	N/A	Short-term	Same	No	No
			Equities & bonds	26		
Oregon						
PERS & TRS	Exec. Dir.	\$39,830	Bonds	1,200	Yes	No
	Inv. Dir.	37,951	Bonds	Same	Yes	No
	Manager	NA	Equities			
South Dakota						
All Funds (3)	Inv. Officer	\$38,000	Long-term - equities	299.3	No	No
	Asst. Inv. O.	22,000	Short-term (trainee)			
	Manager	N/A	Equities	17.6		
Utah						
State Retirement Funds (4)	Exec. Dir.	\$33,500	Corporates - mortgages	350	Yes	Yes
			Equities	150		
	Inv. Directors	31,000	Same			
State Treasurer	Treasurer	N/A	Short-term	N/A	Yes	Yes
	Inv. Officer	32,550	Same			

SURVEY OF INVESTMENT OFFICERS

(continued)  
01-20-1978

STATE/SYSTEM	POSITION	SALARY	TYPE OF INVESTMENT	AMOUNT (\$MILLIONS)	ADMIN. DUTIES	ACCTG. DUTIES
Wisconsin						
All Funds (5)	Exec. Dir.		Bonds, stocks, short-term	2,520	Yes	No
Wyoming						
Treasurer	Treasurer	N/A	Srt.-term(5 yrs), Govts.	571	Yes	No
Treasurer	Inv. Officer	\$26,000		140	No	No
PERS (etc.) (6)	Manager		Long-term			

Footnotes:

- Putnam Advisory Services on a non discretionary basis. Salary + 5% after 7-1-78
- Three investment directors with bonds, equities and mortgage respective responsibilities
- Salary range \$30,000 - \$48,000
- Investment Directors (three) with bond & money market portfolio, equity portfolio, Government and mortgage portfolio.
- Wisconsin - Executive director - \$31,068-\$43,500  
Investment directors - \$28,512-\$39,912  
(1976 figures)
- Wyoming - Alliance Capital managers  
All long-term

COMPARATIVE ADMINISTRATIVE EXPENSES

An important feature of the investment board's operations is its low administrative expense. Table 2 compares the board's assets to expense ratio with those of private insurance companies and nonprofit investment operations. The Wisconsin Investment Board's expenses are proportionately lower, and in all but two cases (College Retirement Equities Fund and the Illinois Investment Board) the board's expense ratio is one-fifth that of other organizations.

Table 2

Ratios of Assets to Expenses, Selected Comparisons, 1973

<u>ORGANIZATION</u>	<u>INVESTMENT ASSETS</u>	<u>INVESTMENT EXPENSES (EXCL. TAXES)</u>	<u>PERCENT</u>
Acacia Mutual Life	\$ 607,881,098	\$ 2,774,004	0.456%
Allstate Life Insurance	357,674,020	415,023	0.116%
Aid Assoc. for Lutherans	1,086,948,891	1,479,078	0.136%
Connecticut Mutual Life	3,116,740,666	57,082,944	1.831%
Continental Assurance	1,818,404,188	4,138,855	0.227%
Equitable Life Ins.	14,971,951,691	57,530,742	0.384%
Franklin Life Ins. Co.	1,433,098,891	2,754,778	0.192%
John Hancock Mutual	10,391,836,359	29,414,166	0.283%
Lincoln Nat'l. Life	2,410,340,286	3,649,828	0.151%
Mass. Mutual Life	4,795,468,874	17,907,492	0.373%
Metropolitan Life Ins.	30,286,075,837	99,071,174	0.327%
Mutual Life of N.Y.	4,044,504,230	16,058,497	0.397%
College Retirement Equities Fund	\$ 2,600,056,231	\$ 1,611,552	0.062%
Teachers Ins. & Annuity Assoc.	3,370,887,045	4,657,944	0.138%
Illinois Investment Board	793,726,994	643,628	0.081%
1974 Investment Board	2,520,303,000	524,468	0.0208%
Source: Wisconsin Investment Board			
1974 Montana	467,446,411	141,276	0.030%
1977 Montana	707,646,288	264,179	0.037%
1977 Idaho End.	140,166,598	171,226	0.122%
1977 South Dakota	317,012,000	213,146	0.067%
Source: State of Montana, Board of Investments			

The average fund has three people working on investment matters and eleven people working on administration of benefits.

The larger funds typically have substantially more people working on both investment and administrative matters than do smaller funds.

**The Average Public Pension Fund Has Three People Working On Investment Matters . . . .**

Number Of People	Total Funds	Employee Benefit Fund Assets			
		Over \$500 Million	\$100.1-500 Million	\$25.1-100 Million	\$25 Million Or Less
None	36%	6%	13%	52%	60%
One	21%	3%	25%	26%	28%
Two	9%	6%	25%	11%	0%
Three	9%	9%	19%	4%	6%
Four	2%	6%	3%	0%	0%
Five	6%	15%	6%	4%	0%
Six to Ten	5%	21%	3%	2%	0%
Over Ten	8%	32%	0%	0%	0%
Mean Number of People	3.1	9.9	2.0	1.0	0.5

**. . . And Eleven People Working On Administrative Matters**

Number Of People	Total Funds	Employee Benefit Fund Assets			
		Over \$500 Million	\$100.1-500 Million	\$25.1-100 Million	\$25 Million Or Less
None	14%	3%	0%	4%	40%
One	14%	0%	0%	15%	32%
Two	13%	3%	9%	26%	11%
Three	8%	3%	6%	15%	4%
Four	6%	9%	6%	11%	0%
Five	6%	3%	13%	9%	2%
Six	3%	3%	6%	2%	2%
Seven	4%	0%	6%	7%	2%
Eight	2%	0%	3%	2%	2%
Nine	1%	0%	0%	2%	0%
Ten	2%	3%	3%	2%	0%
Eleven to Fifteen	6%	6%	16%	4%	0%
Sixteen to Twenty	4%	6%	13%	0%	0%
Over Twenty	14%	47%	19%	0%	0%
Mean Number of People	11.4	34.1	13.5	3.7	1.0

Source:  
Greenwich Research Assoc  
Public Pension Funds



*Memorandum*

TO: Jack C. Crosser, Director  
Department of Administration

FROM: *Mark Cress*  
Mark Cress, Job Analyst  
Classification and Pay Bureau

DATE: July 18, 1978

SUBJECT: Reclassification Requests in Investments Division: Attachment to  
Dave Evenson - Joe Michaud letter of July 14.

The following is a partial list of classes we feel could be immediately impacted if the state allowed grade adjustments based upon comparative salary data. Agencies have indicated dissatisfaction with many of these classifications in the past because of inadequate salary in comparison to other states and the private sector. Again, this is only a partial list and I am sure there are many other classes where a similar argument could be made.

- 1, Administrator, Oil and Gas Division, grade 17
- 2, Executive Director, Public Service Commission, grade 19, 169188
  - 3 Administrator, Transportation Division, grade 17, 169062
  - 4 Administrator, Utility Division, grade 17, 169168
- 5 Montana Historical Society Director, grade 18, 052001
- 6 Executive Director, Montana Arts Council, grade 18, 187027
- 7 Executive Director, Advisory Council for Vocational Education, grade 17, 099004
- 8 Executive Director, Governor's Employment and Training Council, grade 18, 169142
- 9 Administrator, (Mine) Reclamation Division, grade 17, 168038
  - Mine Reclamation Inspector IV, (Mining Engineer), grade 14, 16808
- 10 Chief, Air Quality Bureau, grade 18, 012001
- 11 Chief, Water Quality Bureau, grade 18, 005001
- 12 Sanitary Engineers III and IV, grades 15 and 16, 005013, 005014
- 13 Administrator, Computer Services Division, grade 19
  - 14 Chief, Technical Services Bureau, grade 17, 012011
  - 15 Computer Operators, grades 10, 11 and 13
- 16 Administrator, Architecture and Engineering Division, grade 20, 001001
- 17 Chief, Records Management Bureau, grade 15, 101004

Jack C. Crosser, Director  
July 13, 1978  
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- 18 Manager, Wheat Research and Marketing Unit, grade 18, 040006
- 19 Chief, Criminal Investigation Lab, grade 16, 375018  
Forensic Scientists III, grade 14
- 20 Administrator, Weights and Measures, grade 16, 169028
- 21 Administrator, Milk Control Division, grade 17, 169127
- 22 Assayer, grade 10, 022009
- 23 Chief, Administrative Services Bureau, grade 18, 169129
- 24 Chief, Employment Services Bureau, grade 13, 166036
- 25 Chief, Unemployment Insurance Bureau, grade 13, 169115
- 26 Mail Clerks I, II, grades 4 and 6, (comparison to Postal Service)
- 27 Mail Clerk Supervisors I, II and III, grades 8, 9 and 10
- 28 Offset Duplicating Machine Operators I-IV, grades 4, 6, 8 and 10
- 29 Hospital Facilities Surveyer II, 162031, grade 14
- 30 Police Patrol Officers I and II, 375006, 375015, grades 9 and 10

MC/dh

Jack C. Crosser, Director  
Department of Administration

Dave Evenson, Administrative Officer  
Joe Michaud, Research Specialist

July 14, 1978

Salary Survey Investments Division

We are responding to your request to develop a preliminary report on the competitive position of the State on three positions within the Investments Division. The complete State salary survey will be published at a later date and will include information on all classes surveyed.

The primary purpose of the State salary survey was to examine the labor market competitiveness of executive branch salaries at various grade levels. With this in mind, key classes were selected on the basis of their capability to represent a grade level. A mail survey was developed and sent to fifteen states. These states were selected on the basis of in-migration statistics. The assumption is that these states are the ones with which Montana is in greatest need to be competitive. All states selected responded to the survey.

Two professional classes within the Board of Investments were chosen as key classes for the mail survey. The Investments Division Administrator was selected to represent all grade 21 classes. The Portfolio Manager was added as a survey class because of a request to obtain salary data for professional jobs within the Investments Board.

Salary data for the Investments Division classes were provided in the mail survey by the following states: California, Minnesota, Nebraska, Oregon, Utah, Washington, Wisconsin, and Wyoming. Colorado reported a comparable match for the Investments Division Administrator but not the Portfolio Manager. The states of Idaho, Iowa, Kansas, Nevada, North Dakota and South Dakota stated that they had no jobs comparable to our Investments Division classes.

After the receipt of the mail survey questionnaire we were requested to obtain data on the Investments Officer position. As a follow-up each respondent state which indicated matches in the Investments Division was contacted by phone. They were asked questions to verify our original job matches for Portfolio Manager and Investments Division Administrator as well as to identify an additional job match for Investments Officer. The primary criterion for making the follow-up matches was organization structure rather than the job description

that was used in the mail questionnaire. There was no change in the matches obtained for the Portfolio Manager. However, for the Investments Division Administrator five states (California, Nebraska, Utah, Washington and Wisconsin) indicated they had previously matched positions in the mail questionnaire that were second rather than first in authority. The salary data reported for the Administrator are independently analyzed for both the mail questionnaire and phone survey. Data for the Investments Officer position was obtained from the phone survey and the second level jobs in the reporting states were used as matches for our Investments Officer. The first level jobs in the reporting states were used as matches for the Administrator of the Investments Division.

Summaries of the data reported for the Administrator Investments Division, Investments Officer and Portfolio Manager are attached. In addition, we analyzed data for grades 15 and 17 in the Montana pay plan against the data reported for other classes at these pay levels in the states having matches in our Investments Division. We wanted to see how Montana compared in general at those grade levels against those states.

Because error in estimating mean salaries increases as sample size decreases, the Z score is used as the most reliable statistic when evaluating the relative position of Montana salaries for specific classes as compared to salaries in other states. The Z score indicates the deviation from the calculated mean. Z scores that approach zero indicate little or no deviation. Plus and minus Z scores signify deviations above and below the mean. The formula to derive the Z score is as follows:

$$\text{Montana Z Score} = \frac{\text{Montana Salary} - \text{Mean Salary}}{\text{Standard Deviation of Mean}}$$

#### Investments Division Administrator:

The statistics computed for the Investments Division Administrator from the mail survey shows that Montana appears to be paying a salary in the competitive range although maximum and actual salaries are slightly lower in Montana. The actual salary Z score is -.33. When the data from the follow-up phone survey are substituted for the data received in the mail survey, the Administrator is found to be paid less than his counterparts in other states. The actual Z score is -1.02 indicating a significant amount below the mean for the Montana salary.

#### Portfolio Manager:

On the basis of Z scores, Portfolio Managers are paid less than the other reporting states. The calculated Z score is -1.05 for actual salaries.

#### Investments Officer:

The same phenomenon can be observed for the Investments Officer position as for the other two classes. The calculated Z score of -1.22 indicates that Montana

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pays significantly below the mean for this position.

On the basis of the data collected we believe we can say that the positions surveyed in the Investments Division are paid less than are counterpart positions in other states. However, Montana appears to pay most of the similarly graded positions in the pay matrix at rates lower than other states. This situation is due to the way the pay matrix has been developed by the legislature over the past four years. In this respect it would appear that the positions in the Investments Division are paid consistent to the legislative treatment of other grade 15, 17 and 21 positions in the executive branch in Montana. As an example, when we compare other grade 15 classes against the salary data reported for other comparable classes in the states reporting matches for Investment positions we have a Z score of -1.40. Likewise, grade 17 jobs in Montana show a Z score of -1.47. Since the Administrator of the Investments Division was the only grade 21 job analyzed we cannot state that, on the basis of these statistics, grade 21 jobs in general are paid less than comparable jobs in other states. However, the pattern of development of our pay plan is fairly consistent so we know of no reason why this situation is not equally true for grade 21 as it is for the other grades surveyed.

The issues that this survey presents is that it appears to be true that positions in the Investments Division are paid less than are counterpart positions in other states. However, this situation is equally true for other similarly graded positions in the upper grades of the Montana pay matrix. Considering this situation, we are unable to recommend that the positions in the Investments Division be upgraded as a result of the salary information alone. What we face is a dilemma. We are unable to distinguish the situation in the Investments function from other similarly graded professional jobs elsewhere in the executive branch in Montana. Should the Investments Division be upgraded on the basis of salary data alone other employees would have equally valid claims, based on the same data, to similar treatment. We are not certain that we are able to deal with this extensive problem effectively if it should occur. The apparent legislative policy is to pay upper level executive branch positions in Montana less than is paid to counterpart positions in other states. Assuming we have interpreted the apparent policy of the legislature correctly, then it can be said that the positions in the Investments Division are paid in accordance with that policy. They are also not paid inconsistently lower, when compared to other states, than are other similarly graded executive branch employees.

JE/dh

Attachment

cc: Bill Gosnell

Analysis of State Responses for Phone Survey

Follow-Up:  
Administrator, Investments Division

<u>STATES</u>	<u>ACTUAL</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>MIDPOINT</u>
Wisconsin	\$48000	\$48000	\$48000	\$48000
Minnesota	41000	41000	41000	41000
Utah	Not Reported	30048	43860	36954
California	37872	31296	37872	34582
Oregon	35820	30924	39456	35190
Washington	34476	34476	34476	34476
Colorado	33456	24972	33456	29214
Nebraska	29712	29712	29712	29712
*Montana	29146	27822	31999	29910
Wyoming	27066	23136	30996	27066
Mean	36273	33574	38172	25873
Standard Deviation	6996	7677	6272	6482
Montana Z Score	-1.02	- .75	- .98	- .92

\* Montana salaries are shown to indicate relative rank only and were not used in computing statistics.

Analysis of State Responses for Phone Survey

Follow-Up  
Investment Officer

<u>STATES</u>	<u>ACTUAL</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>MIDPOINT</u>
Wisconsin	Not Reported	\$32039	\$44854	\$38446
Minnesota	Not Reported	28084	35770	32427
Washington	\$32268	25284	32268	28776
California	29892	25920	31296	28508
Utah	Not Reported	21384	31272	26326
Nebraska	21012	16764	23328	20046
*Montana	20463	19338	23315	21326
Mean	27724	24912	33298	29105
Standard Deviation	5933	5307	7130	6139
Montana Z Score	-1.22	-1.05	-1.40	-1.27

\* Montana salaries are shown to indicate relative rank only and were not used in computing statistics.

Analysis of State Responses for Mail Survey

Follow-Up  
Grade 17 Key Classes for States Having  
Investment Officer Job Matches

<u>STATES</u>	<u>AVERAGE ACTUAL</u>	<u>AVERAGE MINIMUM</u>	<u>AVERAGE MAXIMUM</u>	<u>AVERAGE MIDPOINT</u>
Minnesota	\$25820	\$20961	\$28833	\$24897
California	24408	21393	25812	23602
Nebraska	24090	20112	28068	23151
Wisconsin	Not Reported	18693	29291	23992
Utah	23923	19593	27615	23604
Washington	23747	18727	23897	21312
*Montana	20463	19338	23315	21326
Mean	24752	19956	27102	23529
Standard Deviation	.2911	2740	3742	2870
Montana Z Score	-1.47	-.23	-1.01	-.77

Grade 17 key classes included in the mail survey are the following:

Supervisor, Systems and Programming Section  
Psychologist V  
Lawyer III  
Supervisor, Contribution Section

\* Montana salaries are shown to indicate relative rank only and were not used in computing statistics.



Analysis of State Responses for Mail Survey

Other Grade 15 Key Classes for States Reporting a  
Match for a Portfolio Manager

<u>STATES</u>	<u>AVERAGE ACTUAL</u>	<u>AVERAGE MINIMUM</u>	<u>AVERAGE MAXIMUM</u>	<u>AVERAGE MIDPOINT</u>
California	\$24616	\$21416	\$25840	\$23628
Oregon	23652	20398	26162	23280
Minnesota	23378	18915	26208	22562
Wisconsin	Not Reported	17978	25682	21830
Washington	21409	17516	22349	19933
Utah	21288	18668	24066	21367
Wyoming	20279	17636	23716	20676
Nebraska	19566	17124	23852	20488
*Montana	17189	16138	20040	18089
Mean	22008	18662	24667	21665
<del>Standard Deviation</del> <del>South Dakota</del>	3441	2668	3383	2887
Montana Z Score	-1.40	- .95	-1.37	-1.24

Grade 15 key classes included in the mail survey are the following:

Civil Engineer IV  
 Psychologist III  
 Educational Program Consultant II  
 Lawyer II  
 Accountant Supervisor II  
 Employment Manager II

\* Montana salaries are shown to indicate relative rank only and were not used in computing statistics.

Analysis of State Responses for Mail Survey

Portfolio Manager

<u>STATES</u>	<u>ACTUAL</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>MIDPOINT</u>
Oregon	\$32472	\$29436	\$37584	\$33510
Washington	26916	21096	26916	24006
California	25524	23064	27855	25450
Minnesota	25020	23198	31508	27353
Wisconsin	Not Reported	20830	29162	24996
Wyoming	22278	19044	25512	22278
Nebraska	17220	14052	19440	16746
*Montana	17189	16133	20040	18089
Utah	14868	14868	21788	18288
Mean	23471	20698	27470	24085
Standard Deviation	5972	4917	5638	5244
Montana Z Score	-1.05	- .93	-1.32	-1.14

\* Montana salaries are shown to indicate relative rank only and were not used in computing statistics.

Analysis of State Responses for the Mail Survey

Administrator, Investments Division

<u>STATES</u>	<u>ACTUAL</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>MIDPOINT</u>
Minnesota	\$41000	\$41000	\$41000	\$41000
Wisconsin	Not Reported	32039	44854	38446
Oregon	35820	30924	39456	35190
Colorado	33456	24972	33456	29214
Washington	32268	25284	32268	28776
California	29892	25920	31296	28608
*Montana	29146	27822	31999	29910
Wyoming	27066	23136	30996	27066
Utah	Not Reported	21384	31272	26326
Nebraska	16764	16764	23328	20046
Mean	31282	26591	34043	30367
Standard Deviation	6393	7080	6569	6500
Montana Z Score	- .33	+ .16	- .31	- .07

\* Montana salaries are shown to indicate relative rank only and were not used in computing statistics.

States Responding to the Mail Salary Survey

<u>STATES</u>	<u>PORTFOLIO MANAGER</u>	<u>INVESTMENT DIVISION ADMINISTRATOR</u>
California	Match	Match
Colorado	No Match	Match
Idaho	No Match	No Match
Iowa	No Match	No Match
Kansas	No Match	No Match
Minnesota	Match	Match
Nebraska	Match	Match
Nevada	No Match	No Match
North Dakota	No Match	No Match
Oregon	Match	Match
South Dakota	No Match	No Match
Utah	Match	Match
Washington	Match	Match
Wisconsin	Match	Match
Wyoming	Match	Match
	8 Matches 7 No Matches	9 Matches 6 No Matches