

MINUTES OF MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

February 2, 1979

The sixteenth meeting of the Senate State Administration Committee was called to order in the temporary absence of Chairman Pete Story, by Senator George Roskie, Acting Chairman, on the above date, in Room 442 of the State Capitol Building at 10:00 a.m.

ROLL CALL: All members of the committee were present, although Senator Story arrived late and was unable to stay for the complete meeting.

CONSIDERATION OF SENATE BILL No. 199: Acting Chairman Roskie called on Senator Jean Turnage, sponsor of Senate Bill No. 199, to present his testimony.

Senator Turnage advised this bill was as a request on the part of the judges of Montana relating to retirement. This concern was expressed by a Judge of the Fourth District regarding a physical problem - he was not totally disabled, but could read only a couple hours a day. New language from present law appears on Page 2 pertaining to inability of judge to do his duties because of physical or mental incapacity. The "board" referred to is the Public Employees Retirement Board. Second change is in Section 2, page 3. Senator Turnage expressed doubt that the bill would have any immediate or large impact as probably not many district judges or supreme court justices would opt for an early retirement under this, but there would probably be an impact on the retirement fund. Because of this, he asked Larry Nachtsheim to give the financial information on the Bill.

Larry Nachtsheim, Director of the PERS, explained that his office primarily put the definition of "disability" and applied it to the district judges. The Bill doesn't have any funding, and their actuary advised it would be about 2.55%, which could be funded by increasing the present 6% of contributions to 8.55%. He suggested possibly amending the title to put funding in the Bill, but as a retirement system administrator, he thought this might still be within the scope of the Bill, but as to putting in a benefit without funding it, this would not work. He advised he would work with Senator Turnage in providing for a funding of the benefit if the Committee desired.

Vice Chairman Roskie called for further proponents of the Bill; none appearing, opponents were called for. None responded.

In closing, Senator Turnage requested that action be deferred on this Bill to allow the funding problem to be worked out with Mr. Nachtsheim and also to allow him to get in touch with some of the judges to see if they wanted to fund the benefit at the increased cost.

Senator Story commented that it was the feeling of the Committee that any benefit in a retirement system be fully funded.

Questions by the Committee were called for.

Senator Jergeson questioned if the disability was decided by the judge or whom, to which Senator Turnage responded that a Judicial Standards Commission or the Retirement System would make that decision.

Senator Jergeson then asked if the language on page 3 and 4 constituted rule-making authority requiring a letter of intent. Senator Turnage replied in the negative, with Mr. Nachtsheim adding that in the Judges' Retirement System, there wasn't any mechanism stating how they should handle this, so, his office is using the same mechanism as the other retirement systems based on the medical information supplied.

Senator Ryan's question on the basis of short term judges, who made the determination that his disability would be connected with his job. Mr. Nachtsheim replied the Board, again, would make that decision. If the PERS judge doesn't agree with the Board, then they may appeal; after appeal, they may ask for judicial review, if they desire.

Senator Ryan then inquired if the appeal steps are the same as for any other retirement system, to which Mr. Nachtsheim replied, it was.

Senator Roskie inquired as to no mandatory language included in the Bill. Senator Turnage advised that was intentional so retirement was not forced on anyone, but the Judicial Standards Commission would have some leverage. Retirement for disability would be an individual choice, added Mr. Nach---

Senator Hafferman questioned if this type of retirement would help to take care of some of the case load problems of judges, and Senator Turnage answered that this might conceivably help as there is an instance where a judge suffered a stroke with some permanent disability. This judge still tried to function although he could not manage his case load, so, putting in a younger judge could have an effect.

Senator Ryan questioned if there was any law or regulations saying a person possibly disabled should take a physical for retirement purposes. Senator Turnage replied there was not, but his friends and colleges might suggest this.

There being no further questions, the Vice Chairman closed the hearing on Senate Bill No. 199, stating that the Committee will defer action until they can get the additional information necessary.

CONSIDERATION OF SENATE BILL NO. 212: Discussion of holding the hearing in the absence of the Bill's sponsor, Senator Steve Brown, was carried on; Senator Ryan commented Senator Brown did speak to him prior to the hearing regarding his absence. There being no objection, Vice Chairman Roskie called for proponents to present testimony.

Neil J. Lynch testified in support of the bill, explaining that he represented the organization which was more commonly known as the "world bank". This consisted of three banking organizations: International Bank of Reconstruction & Development (Europe and Africa), Inter-American Development Bank (South America) and the Asian Development Bank (Asia). It was an alternative to foreign aid and a much better means of helping undeveloped nations by means of loaning money rather than hand-out programs. Another plus is that it is the free world's way of promoting capitalism in allowing funds to develop their standard of living. We have talked to the Governor on this, and as Montana is very interested in selling its products to foreign markets, he was in favor of promoting a healthy economy in those same countries.

The world bank did not ask on their own or solicit for this investment. Montana has about \$1 million to invest in the world bank, and, perhaps, would be all we were interested in at first. Referring to the Bill, he pointed out that present law (page 1, line 18) limits any investments to the U.S.. The new language on lines 20-21 adds the world bank. This would clear up the ambiguity now in this act. The stockholders of the world bank are the free nations of the world, and many people of these nations may invest in this world bank. Prior to the existing law, investment was allowed; when the law was changed by codification, this was inadvertently left out. He concluded by saying that none of the U.S. banks object to investments in the world bank, nor do the state investment accounts. He then introduced J. Eugene Marans, attorney for the 3 member banks, from Washington, D.C..

Mr. Marans submitted written testimony, copy of which is attached to these original minutes. His statement explained that this legislation is primarily technical in nature, amending Sec. 79-310(1) of the Codes to authorize investment of public funds under the Unified Investment Program of the Montana State Board of Investments in obligations of corporations of which the U.S. Government is a voting shareholder by Act of Congress. This means allowing investment in the "world bank" because the U.S. Government is a voting shareholder in these 3 corporations. He added that there has never been a default of any of these loans and that they bring a higher yield of return than most any other investment, including U.S. Treasury bonds and referred to the graph attached to his statement for comparison of rate of

return on investment of the world bank as compared to domestic corporations such as Ford, General Electric and DuPont. He explained the two kinds of world bank stock, paid in and callable capital stock, which is a form of guarantee for their bonds. Definite advantage to the world bank is that it is sound and yields a higher rate than domestic institutions.

Acting Chairman Roskie called for further proponents; there being none, opponents were asked for. None appeared.

In closing, Mr. Lynch added that after talking with other legislators, it was their feeling that the Montana Investment Board was investing too heavily in private stock, and perhaps more public bonds like these would be possible.

Opening for questions by the Committee, Mr. Marans responded to Senator Jergenson's inquiry regarding the coupons noted on the graph that the coupon interest rate was a guaranteed return and was not a tax dodge. The purpose of the world bank is the highest return with the highest security.

Sen. Roskie questioned what percentage the U. S. investment in the world bank represented. Mr. Marans advised it was about 22.5% of the total investment of both pledged and callable stock.

Senator Jergeson asked what other countries were involved, to which Mr. Marans replied that all of the major countries except Russia were. China has been included as Tiawan, but he wasn't sure what would happen now under the present circumstances.

Senator Hafferman questioned if that shaky situation would affect the stability or security of the bank. He was advised that investment by the world bank is on a project basis, so each project is considered separately to make sure it is sound and that the credit is good. The first loans paid back are to the world bank, but, in addition, it also maintains a large reserve.

Senator Hafferman asked if they had any investments in Canada. As Canada was already a developed nation, Mr. Marans stated they only had short term projects.

Commenting further, Mr. Marans stated the probable reason no one hears much about the world bank is because it works so well and is a wonderful cooperative effort. All these countries are sharing the burdon of helping develop the poorer countries in a manner in which their money is returned with interest. The U. S. does have strings attached to these loans in that there is a restriction that materials and supplies for these projects must be purchased from the investors by the borrowing countries.

Vice Chairman Roskie thanked Mr. Marans for attending and closed the hearing on Senate Bill No. 212.

Senator Bill Hafferman moved that Senate Bill No. 212 DO PASS; motion was seconded and carried by unanimous vote of the Committee members present.

DISPOSITION OF SENATE JOINT RESOLUTION NO. 1: Senator Tom Rasmussen moved the following amendment to the Resolution:

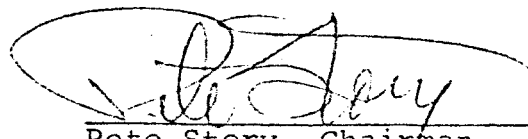
On page 1, line 13. Following "States", strike "and have been declared sovereign dependent nations by the U. S. Supreme Court".

This was the amendment proposed by Senator Lowe, sponsor of the Bill, which amendment was adopted by a majority of the members voting. Senator Greg Jergeson voted "no".

Senator Jergeson then moved that Senate Joint Resolution No. 1 DO PASS AS AMENDED, which motion was seconded and carried by unanimous vote of the members of the Committee present.

ADJOURNMENT:

There being no further business, the Vice Chairman adjourned the meeting at 11:00 o'clock, a.m.


Pete Story, Chairman

Date Feb 2, 1979

ROLL CALL

STATE ADMINISTRATION COMMITTEE
46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
Senator Pete Story, Chairman	(late - left early)		
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.

ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Date Feb. 2, 1979 SENATE Bill No. 212 Time _____

Do Pass

NAME	YES	NO
Senator Pete Story, Chairman <i>(absent)</i>		
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 ⁽³⁾	✓	

Jennie L. Palmer
Secretary

Pete Story
Chairman

Motion: Senator Bill Hafferman moved that Senate
Bill No. 212 DO PASS; motion carried by unanimous vote
of the Committee members present.

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

STANDING COMMITTEE REPORT

.....February 2..... 19 79.....

MR.President.....

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

having had under considerationSENATE..... Bill No. 212.....

Respectfully report as follows: That.....SENATE..... Bill No. 212,.....

Introduced Bill,

DO PASS *PA.*

[Handwritten Signature]
.....
Pete Story, Chairman.

STANDING COMMITTEE REPORT

.....February 2..... 19 79.

MR.President.....

We, your committee onState Administration.....

having had under considerationSENATE JOINT RESOLUTION..... Bill No. 1.....

Respectfully report as follows: That.....SENATE JOINT RESOLUTION..... Bill No. 1.....

Introduced Bill, be amended as follows:

1. Page 1, line 13.

Following: "States"

Strike: "and have been declared sovereign dependent nations
by the U. S. Supreme Court"

And, as so amended,

DO PASS *g.c.*

ROLL CALL VOTE RECORD

①

SENATE COMMITTEE STATE ADMINISTRATION

Date Feb 7 ~~Jan.~~, 1979 Senate Joint Resolution Bill No. 1 Time _____

For Amendment

NAME	YES	NO
Senator Pete Story, Chairman <i>(absent)</i>		
Senator George F. Roskie, V. Chairman	✓	
Senator Bob Brown	✓	
Senator A. T. (Tom) Rasmussen ⁽⁵⁾	✓	
Senator Patrick L. Ryan	✓	
Senator Greg Jergeson		✓✓
Senator William F. Hafferman	✓	

Jennie L. Palmer
Secretary

Pete Story
Chairman

Motion: Senator Tom Rasmussen moved that Senate Joint Resolution No. 1 be amended, which motion passed by majority vote with Sen. Jergeson voting "no", as follows: 1. Page 1, line 13. Following: "States" Strike: "and have been declared sovereign dependent nations by the U. S. Supreme Court".

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

ROLL CALL VOTE RECORD

SENATE COMMITTEE STATE ADMINISTRATION

Date Feb. 2-79 80 R Bill No. 1 Time _____

DO PASS as Amended.

NAME	YES	NO
Senator Pete Story, Chairman <i>(absent)</i>		
Senator George F. Roskie, V. Chairman	✓	
Senator Bob Brown	✓	
Senator A. T. (Tom) Rasmussen	✓	
Senator Patrick L. Ryan	✓	
Senator Greg Jergeson <i>(2)</i>	✓	
Senator William F. Hafferman	✓	

Jennie L. Palmer
Secretary

Pete Story
Chairman

Motion: Senator Greg Jergeson moved that Senate Joint
Resolution No. 1 DO PASS AS AMENDED; motion carried by
unanimous vote of all Committee members present.

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

NAME: L. NACHTSHEIM DATE: 2/2/79

ADDRESS: _____

PHONE: _____

REPRESENTING WHOM? P.E.R.D.

APPEARING ON WHICH PROPOSAL: SB 199

DO YOU: SUPPORT? _____ AMEND? X OPPOSE? _____

COMMENTS: PROVIDE FUNDING

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.