

MINUTES OF THE MEETING OF THE HOUSE STATE ADMINISTRATION COMMITTEE
April 16, 1983

CHAIRMAN JOE BRAND called the meeting to order at 9 a.m. in Room 129, Capitol building, Helena, Montana.

Roll call was taken and all members were present except Representatives Bardanouve, McBride and O'Connell.

HOUSE JOINT RESOLUTION 44

REPRESENTATIVE JACK RAMIREZ, sponsor of House Joint Resolution 44, introduced this bill. It is an attempt to study how we can better monitor the state pension plans and get a little bit better handle on the requirements that we set for the local pension plans. It is very difficult to keep track of the benefits and the contributions as well as everything else because each plan is handled a little bit differently. When one plan is changed even the slightest, then it may have a ripple effect on the other eight plans as well as the local government plans that are available. It seems that perhaps we should create an oversight committee so that we could keep a better control on some of these pension plans and see that they are more uniform in the benefits and such. I would think that this would help your work in this particular committee as well as the legislature on the whole.

This bill is just to start studying the situation and then come up with some suggestions for the next session.

LARRY NACHTSHEIM, Administrator, Public Employees' Retirement Division, Department of Administration, spoke in support of this bill. He mentioned that the day before, the Public Employees' Retirement Board had voiced their support of the concept of this kind of legislation. There is a statement in the resolution that bothers the members of this board, however, on page 2, line 23 through line 24. The board feels that the legislative auditor does oversee the compliance of the law as well as checking the fiscal operations. The board wouldn't support the creation of another super retirement agency on the legislative side duplicating what they already do. On the other hand, they would support a concept of the board working with the legislative committee to determine long term policy and roles for taking the retirement systems wherever they think they should go. They feel that a legislative committee that would review all retirement legislation that is proposed by outside groups would be best handled by an interim committee since they might have more time to deal with this. The board also feels that if this legislation were approved they would like to ask that the leadership of the legislature consider appointing members of this committee and the counterpart in the Senate who have looked at most of the retirement legislation already. This would provide a base of expertise that would be very beneficial to at least start looking at some ways the retirement system might be consolidated.

He personally gave thanks to the committee for all it has done with the various pieces of legislation for the retirement systems.

REPRESENTATIVE CLYDE SMITH spoke as a proponent for this legislation. He said that public pension plans do involve a lot of money and that he is very much in favor of the concept.

ROBERT JOHNSON, Administrator, Teachers' Retirement System, said that he could not speak on behalf of the Teachers' Retirement Board since they have not seen this resolution but he would like to speak strictly as an administrator. He feels that this could be very advantageous to the systems. It has been done in other states, and it has had a positive effect. There could definitely be advantages to both the legislature and the retirement systems.

THERE BEING NO ADDITIONAL PROPONENTS AND NO OPPONENTS TO THIS BILL REPRESENTATIVE RAMIREZ CLOSED.

COMMITTEE QUESTIONS

REPRESENTATIVE GLENN MUELLER asked Representative Ramirez about the problem that the Retirement Board has on page 2, lines 23 through 24. Would he have any problem with taking this out or any comments regarding the questions they raised? Representative Ramirez said that he did not feel that it needed to be taken out. This is simply monitoring and seeing what is going on in the various plans and overseeing the procedures. He did not feel that this would mean a creation of another staff person or anything else. He stated that the first sentence of the bill explains this question.

REPRESENTATIVE CHESTER SOLBERG asked Representative Ramirez if he was thinking that maybe some day we could combine all of the retirement systems into one. Representative Ramirez stated that this would have to be a long-range goal. Anytime that you start talking about this people get a little nervous about their plan being adversely effected by that. But yes, that is one thing that I think should be considered.

REPRESENTATIVE JERRY DRISCOLL asked Representative Ramirez if he would support all the contributions coming from the employer. The reason he ask this was that there wouldn't be reversion as quickly if the plans were set-up on this concept. Representative Ramirez said that this could be looked at. The committee could look at many of these problems and address them accordingly. Larry Nachtsheim also said that there are employer funded plans in both the retirement area and the social security area.

REPRESENTATIVE BILL HAND said that this is very technical. Representative Ramirez said that he felt that this was a study and it meant that there would be a lot of information that would need to be gathered before anything could actually be done.

We may never need more expertise than what we have among our own legislators and state government. We need to look at all of the facts and then make the decisions. This is only a first step. This should not be the kind of thing that requires money being spent other than the cost of getting together to look at things.

Representative Hand ask Representative Ramirez how many times he thought the committee might have to meet during the year. Representative Ramirez said that the principle function would be to see how we the legislature are going to get a handle on this situation. We may want to create a permanent committee to continue to look into this area. Larry Nachtsheim said that in 1972 there was a committee to do this and it did result in some consolidation of the various retirement systems.

CHAIRMAN JOE BRAND remarked on the "WHEREAS" on page 2. He ask what retirement funds were not properly funded. Representative Ramirez replied that he would agree to this being taken out if the committee felt that they were uncomfortable with it. Chairman Brand said that he knew that there had been some programs that were in bad shape but they have been pretty well worked over in this session. One of them was the judge's but we tried to shore that up as best we could. We also had a bill this session that took care of alot of concern. Representative Ramirez said, "I don't think that any of these pension plans are a sacred cow and this is one that comes to mind."

Chairman Brand asked Mr. Nachtsheim if there are other PERS programs in other states that are funded the same as the one in Montana. Are they inter-changable? Mr. Nachtsheim replied that there are many different plans and that only in the teacher's area are they primarily inter-changable. There are very few states that permit moving public service to public service. Most of them are employee/employer plans and some of them have gone to complete employer payments. Ohio is probably the forerunner in the retirement systems and implements progressive changes.

Chairman Brand then ask if the other states were to go under the Ohio plan for instance, would Mr. Nachtsheim envision the state of Montana doing this. Mr. Nachtsheim replied, that it is possible, at one time Congress addressed this, and they suggested the prospect of having a pooling mechanism at the federal level regarding the moving from one system to another. This could be a possibility.

Chairman Brand asked Mr. Johnson if he would like to address this question with regards to the teachers. Mr. Johnson said, that there is some reciprocity among teacher systems in that they allow members to buy certain numbers of years of out-of-state teaching services. There is no transfer agreement between states.

It has become less popular in the systems. There would have to be some kind of reimbursement to the system to which the individual is transferring to, in order to finance the cost of that benefit. This has been before Congress many times.

THERE BEING NO ADDITIONAL QUESTIONS ON HOUSE JOINT RESOLUTION 44
CHAIRMAN BRAND CLOSED THE HEARING.

EXECUTIVE SESSION

REPRESENTATIVE JERRY DRISCOLL MOVED the bill be DO PASS, and it was seconded by Representative Francis Koehnke. The question being called, the motion carried with unanimous voice vote.

REPRESENTATIVE GLENN MUELLER MOVED for adjournment and it was seconded by Representative Joe Hammond. Motion carried with unanimous voice vote.

The meeting adjourned at 9:30 a.m.

Respectfully submitted,



REPRESENTATIVE JOE BRAND, CHAIRMAN

Cleo Anderson, Secretary to Committee

STANDING COMMITTEE REPORT

April 16

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MR. SPEAKER

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE JOINT RESOLUTION Bill No. 44

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A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES
OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY TO EXPLORE
MECHANISMS OR PROCEDURES TO ASSIST THE LEGISLATURE IN DECISION-
MAKING CONCERNING PUBLIC EMPLOYEES RETIREMENT SYSTEMS AND
REQUIRING A REPORT OF THE FINDINGS OF THE STUDY TO THE 49TH
LEGISLATURE.

Respectfully report as follows: That HOUSE JOINT RESOLUTION Bill No. 44

DO PASS.