

MINUTES OF THE MEETING  
STATE ADMINISTRATION COMMITTEE  
MONTANA STATE SENATE

January 14, 1985

The fourth meeting of the State Administration Committee was called to order at 10:00 a.m. on January 14, 1985, by Chairman Jack Haffey in Room 331 of the Capitol Building.

ROLL CALL: All the members were present.

CONSIDERATION OF SENATE BILL 8: A bill entitled, "AN ACT PROVIDING REPRESENTATION FROM THE RETIREMENT SYSTEMS ON THE BOARD OF INVESTMENTS; AMENDING SECTION 2-15-1005, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE." Chairman Haffey requested that SENATOR NEUMAN present the bill. SENATOR NEUMAN said that SENATE BILL 8 is a bill that came out of Subcommittee #3 during the interim, which provides for a representative from PERS and TRS to be on the Board of Investments. He said that the Board presently has 5 members and this would increase the number to 7 members. SENATOR NEUMAN stated that the Board of Investments has investments of 1.75 billion dollars invested and 22.6% is PERS funds and 17.03% is TRS funds and therefore, they should have a say as to how the money is invested.

PROPONENTS: Bob Johnson, Administrator of the Teachers' Retirement System, supports SENATE BILL 8. It concerns him that with such a large sum of money invested that they have no input into how the money is handled. He represents 50,000 active and retired members and he feels that they should have a representative on the Board. He is quite happy with what the present Board has done.

Larry Nachtsheim, Administrator for the Public Employees Retirement System, supports SENATE BILL 8. It would be a good working relationship for them to have some input on the Board.

Leo Berry, Association of Montana Retired Public Employees, supports SENATE BILL 8. This Board represents future benefits for public employees and we should have some input.

Bill Kearns, Board member of Teachers' Retirement System said that he would like for the Committee to support SENATE BILL 8.

Fritz Tassberg, Board of Investments. We would welcome additional members to the Board and their input.

OPPONENTS: There were no opponents.

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Chairman Haffey then opened SENATE BILL 8 for discussion by the Committee. SENATOR TVEIT said he would like to know if these appointments are approved by the Senate, and more specifically, by this Committee. SENATOR NEUMAN said no and deferred to Larry Nachtsheim. Mr. Nachtsheim said that 6 members of the Public Employees Retirement System were Governor appointed. They each had 5 year terms and that this would be a duplication of confirmation to a Board. SENATOR TVEIT then asked if these would be full and active members of the Board, and Mr. Nachtsheim replied yes. SENATOR LYNCH then asked how the member would be appointed from the Teachers' Retirement System. Mr. Johnson replied that this would call for an appointment by the Governor. It is a non-quasi judicial Board. SENATOR HARDING then asked if the people involved had considered changing Section 2-15-124 to include these members. SENATOR NEUMAN said that SENATE BILL 8 would change the law to include these extra people. He then referred SENATOR HARDING to page 2, lines 4 and 5 which read, "appoint five members who are informed and experienced in the subject of investments." There was further discussion about whether or not the positions would have to be appointed by the Governor and confirmed by the Senate, and SENATOR CONOVER felt that it was all right as written, but they would get a hassle from the floor over it. SENATOR NEUMAN mentioned that appointments to the Teacher's Retirement System are subject to Senate approval. However, Mr. Nachtsheim said that members of the Public Employees Retirement System are not. He said that originally they were known as the Board of Administration and they were not a policy making board. They had total right of hiring and firing employees, and there have since been some checks and balances added. SENATOR LYNCH said that if we didn't confirm them there might be some confusion and he asked if it would be all right to confirm them, because they already confirm the other members of the Board of Investments. SENATOR NEUMAN said that he did not feel one way or the other about whether or not the members were confirmed. Jim Howeth, Board of Investments, said that all their members are confirmed.

The Committee decided to hold action on SENATE BILL 8 until the amendments are ready tomorrow, January 15, 1985. SENATOR HAFHEY then closed the hearing on SENATE BILL 8.

SENATOR LYNCH made a motion that SENATE BILL 8 be amended by adding a period after Line 9, 2-15-1010, which would change it to read that all 7 should be confirmed by the Senate. Following more discussion, SENATOR MANNING said question and SENATOR HAFHEY called for a vote. It was voted unanimously that the amendments to SENATE BILL 8 be adopted, and that we hold this up until the amendments are ready. VALENCIA LANE, staff attorney, will do the amendments, and she requested that she be allowed to look at the affect on the statute.

SENATOR HAFHEY then asked SENATOR NEUMAN to present SENATE BILL 9. SENATOR NEUMAN said that this is a bill entitled, "AN ACT TO ALLOW FOUR ADDITIONAL EXEMPT POSITIONS ON THE STAFF OF THE BOARD OF

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INVESTMENTS; AMENDING SECTIONS 2-15-1005 and 2-18-103, MCA; AND PROVIDING AN EFFECTIVE DATE". SENATOR NEUMAN said that this bill asks for four more exempt positions on the Board of Investors. He said that they are losing their key people to the private sector. SENATOR NEUMAN said the reason was the pay was better in the private sector and they could not compete with their pay scales. He said they needed people of special ability, and they should be paid over and above the scale, so they can compete.

PROPOSERS: Fritz Tassberg, County Commissioner from Valley County and a member of Board of Investments said that there is a tremendous growth in the state and it is affecting how much money is invested. He said approximately 2 billion dollars is being managed today, Mr. Tassberg said it was a high stress job and that Jim Howeth, the head of the Board of Investments had a quadruple by-pass operation and scared them to death because he was the only man who knew anything about their investments. They need to be able to hire and hang onto their key people so that more than one man understands their investments in case something happens to them. Mr. Tassberg further stated that Mr. Howeth takes a lot of guff over how much he makes, but he makes a paltry sum compared to the private sector. Most investment brokers make 1/2 of 1% of what they invest.

OPPOSERS: There were no opposers.

SENATOR MANNING asked exempt from what, the pay plan? SENATOR NEUMAN replied yes. SENATOR MANNING said that Mr. Howeth is qualified and he agrees with what they are trying to do. SENATOR LYNCH asked why 4? Is this the key positions that you need covered right now, that you don't want to lose? Mr. Howeth replied that their main concern was death and holding on to key people. This will cover the people we don't want to lose. We may be back next session asking for more. SENATOR LYNCH felt that this may cause hard feelings with those that cannot move up. However, Mr. Howeth said that none of them are going to live forever so eventually they could move up. SENATOR TVEIT then asked how much he thought they were talking about to fund these positions. Mr. Howeth said that they did a fiscal note and we figured \$25,000.00 per year for the four exempt positions. SENATOR MANNING asked if this \$25,000.00 covered all four exempt positions. Mr. Howeth said it did. SENATOR HAFLEY then asked how many exempt positions there were in the state. Leo Berry, Assistant Montana Retired Public Employees, said the Bureau of Oil and Gas had one and that the others were listed. SENATOR HAFLEY closed testimony on SENATE BILL 9.

SENATOR HAFLEY said he would check on a fiscal note for this bill, and action was deferred until a fiscal note is received.

The meeting was adjourned at 11:15.

  
SENATOR JACK HAFLEY, CHAIRMAN

DATE January 14, 1945

COMMITTEE ON State Administration

Please Sign & Print VISITORS' REGISTER

your last name  
NAME

[illegible]

(Please leave prepared statement with Secretary)



*Exhibit "A" Senator Haffey SB-8*

*(See Legislative Council Minutes  
or Historical Society Minutes)*

# **Effective Management of State Investments**

**A Report to the 49th Legislature  
Joint Interim Subcommittee No. 3**

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