STATE ADMINISTRATION
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Bill No. Informational Meeting

# Principles and Guidelines for Public Employee Retirement Systems Adopted by the State Administration and Veterans' Affairs Interim Committee

**June 22, 2006**

Pursuant to 5-5-228, MCA, the State Administration and Veterans' Affairs Interim Committee has established the principles stated in (1) through (4) as sound fiscal and public policy in the context of public employee retirement systems.

I. Pensions should provide the base of financial security in retirement.
II. Pension funding should be a contemporary obligation.
III. Pension investments should be governed by the Prudent Expert Rule.
IV. Pension benefits should be equitably allocated among beneficiaries.

Also pursuant to 5-5-228, MCA, the State Administration and Veterans' Affairs Interim Committee has established the guidelines stated in (A) through (X) to assist members of the 60th Legislature, public employees and other interested stakeholders, taxpayers, and the public whenever considering changing the law or policy of Montana in the context of public employee retirement systems.

(A) The legislature should approve all changes of benefits.
(B) The legislature should approve the funding of the state's retirement systems.
(C) The legislature should regularly review the management of the state's public retirement systems and the investment of the systems' assets.
(D) The legislature should maintain permanent, pension-review bodies to analyze the problems of the state's public retirement systems on an ongoing basis and to make recommendations for state legislative action.
(E) The legislature should require contemporaneous funding of pension benefits to ensure that pension costs are not shifted to future taxpayers, including that any increase in pension benefits be accompanied by a corresponding and equal increase in employer and employee contributions.
(F) The legislature should require a fiscal note when establishing or amending pension plan benefit provisions and the fiscal note should state whether the proposed revisions follow the principles and guidelines established under 5-5-228, MCA.
(G) The legislature should ensure that the full, long-term costs of early retirement programs and incentives have been calculated before such a program is adopted in order to allow the legislature to provide for the costs.
(H) The legislature should ensure that post-retirement benefit adjustments are independently funded and have a ceiling on the percentage of increase for a single year.
(I) The legislature should provide strict guidelines for disability coverage and should provide for periodic, follow-up screenings of disabled retirees.
(J) The legislature should make available but not pay for health insurance for retired employees. Health insurance is not a benefit available through the retirement systems administered by the Public Employees' Retirement Board or the Teachers' Retirement Board.

(K) The legislature should establish strict fiduciary standards and conflict of interest laws to govern the conduct of trustees as they manage the assets of the retirement system.

(L) The legislature should move toward requiring annual actuarial reports that use uniform actuarial assumptions to evaluate the financial soundness of the state's pubic retirement systems.

(M) The legislature should provide for reciprocity of benefits for workers who shift jobs within the state and its political subdivisions and portability for those who shift jobs across state lines.

(N) The legislature should ensure that pension plan participants are fully informed of plan provisions, including benefits, service and vesting requirements, assets and liabilities, investment performance and risk, actuarial assumptions and data, fiduciary requirements, and selection of plan trustees.

(O) The legislature should support coordination of state and local retirement systems.

(P) The legislature should encourage and support the efforts of state retirement system administrators to comply with the principles of pension system administration established by the Public Pension Coordinating Council.

(Q) The legislature should not index postretirement benefit increases.

(R) The legislature should provide for an annual increase in postretirement benefits.

(S) The legislature should not enact one-time, *ad hoc* benefit increases.

(T) The legislature should require that public employees belong to a retirement plan.

(U) The legislature should authorize local governments to enroll rural firefighters under the Firefighters' Unified Retirement System, provided the local government pays the cost.

(V) The legislature should strive to ensure that retirement benefit formulas in the public safety retirement plans are similar.

(W) The legislature should resist changes to retirement benefit formulas or retirement eligibility criteria that would encourage early retirement.

(X) The legislature should encourage retirees who return to work to also return to active retirement plan membership.