

G. ANDREW ADAMER
CITAD E. ADAMS
DANIEL J. AUERBACH
KIMBERLY A. BEATTY
TROY L. BENSON
SARA S. BERG
LEO BERRY
LAURA K. BUCHHOLTZ
CARLO J. CANTY
ABBE N. COOK
MARK D. ETCHEART
STEVE J. FITZPATRICK
OLIVER H. GOE
J. DANIEL HOVEN



**BROWNING KALECZYK
BERRY & HOVEN P.C.**
ATTORNEYS AT LAW
Bozeman • Great Falls • Helena • Missoula

Mailing Address
POST OFFICE BOX 1697
HELENA, MONTANA 59624-1697
TELEPHONE (406) 443-6820
bkbh@bkbh.com

Street Address
800 N. LAST CHANCE GULCH, #101
HELENA, MONTANA 59601-3351
TELEFAX (406) 443-6883
www.bkbh.com

JUDD M. JENSEN
KASEY R. KIMBALL
CATHERINE A. LAUGHNER
CHRISTY SURE MCCANN
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BRIAN P. THOMPSON
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MORGAN M. WEBER
R. STEVEN BROWNSO (1940-2018)
STANLEY T. KALCZYK - Of Counsel

September 30, 2019

Association of Montana Retired Public Employees
P. O. Box 603
Helena, MT 59624-0603

RE: *Pension matters and the Legislature*

Dear AMRPE Members:

While I am certain many of you are aware that the Montana Legislature only meets for about 4 months in a 24 month cycle, you may not be aware that legislative committees continue to meet and conduct legislative business outside of the legislative session in a period known as the "interim." During the interim, legislative committees study various topics and typically propose draft legislation as a result.

HB 715 passed during the 2019 Legislative Session and called for an interim study of the State's finances including pensions and the impact of pensions on the state general fund. Specifically, a subcommittee of the interim finance committee has been tasked with studying pensions. While a specified direction or area of study has not yet been determined, pensions and changes to pensions will be in the interim discussions for the next 14 months.

The pension subcommittee members are Rep. Jim Hamilton (D – Bozeman, chairman), Rep. Kim Dudik (D – Missoula), Rep. Bill Mercer (R – Billings) and Rep. Ryan Lynch (D – Butte). The first subcommittee meeting occurred on Sept. 16, 2019 and several more meetings are scheduled to occur. I plan on working with the subcommittee members and representing AMPRE's interests as the subcommittee undertakes its interim work. Please be on the lookout for future reports on this matter.

I also would like to remind you about the importance of making efforts to know your local legislators and candidates for legislature. Some candidates for state office do not see value in the pension system or in protecting the pensions promised to state employees. I am in receipt of recent campaign materials from a legislative candidate in the Billings area suggesting that ending the state employee pension programs and switching to a defined contribution ("DC") system alone may be a good idea.

The potential problem is defined benefit systems depend upon new employees and their employers paying into the system as retired employees stop paying and begin to receive their benefit. Terminating the defined benefit pension system and making all new employees go to a DC system would result in no new money coming into the defined benefit system and not enough money remaining in the fund to cover the existing and future pension benefits already guaranteed.

These recent campaign talking points are very similar to a bill proposed in the 2011 Legislative Session that would have created this "no money in, all money out" situation. The 2011 bill made every future employee of the State of Montana and local government a member of a DC plan and left no way to pay for the pension obligations already guaranteed to current and retired state employees. Fiscal calculations of that 2011 bill estimated the pension fund would need an influx of billions of dollars in order to fund the pension obligations.

While the State cannot, by law, decrease or fail to pay the pension benefit of retired PERS members, it is not clear that the state is capable of coming up with billions of dollars to pay the pensions of current and retired state employees if money goes into a DC plan instead of the defined benefit system. The 2011 bill represented a significant threat to the pension system and to the retired public employees who rely upon it. While the 2011 bill did not pass the Legislature, this recent Billings area legislative campaign is a prime reason for AMRPE's existence and demonstrates the importance of your engagement in AMRPE and your local legislative campaigns.

Sincerely,

BROWNING, KALECZYC, BERRY & HOVEN, P.C.

By 
Brian P. Thompson