

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Wednesday, March 16, 2005
Roosevelt Park Room, State Capitol
Bismarck, North Dakota

Senator Karen K. Krebsbach, Chairman, called the meeting to order at 4:00 p.m.

Members present: Senators Karen K. Krebsbach, Richard L. Brown, Ralph L. Kilzer, Carolyn Nelson; Representatives Bill Amerman, Al Carlson, Jim Kasper, Francis J. Wald

Others present: See Appendix A

It was moved by Representative Carlson, seconded by Senator Brown, and carried on a voice vote that the minutes of the January 26, 2005, meeting be approved as distributed.

EMPLOYEE BENEFITS PROGRAMS COMMITTEE BILL NO. 845

Chairman Krebsbach called on committee counsel who reviewed Employee Benefits Programs Committee Bill No. 845 [50845.0100]. He said the bill draft allows employees of the Department of Career and Technical Education to transfer from the Teachers' Fund for Retirement to the Public Employees Retirement System. He said the bill draft also allows new employees of the Department of Career and Technical Education the option of joining the Public Employees Retirement System.

Chairman Krebsbach called on Senator Dwight Cook who reviewed Employee Benefits Programs Committee Bill No. 845 [50845.0100]. Senator Cook distributed a letter from several employees of the Department of Career and Technical Education concerning the bill draft. A copy of the letter is attached as Appendix B.

Chairman Krebsbach called on Mr. Steve Zimmerman, Supervisor for Agricultural Education, Department of Career and Technical Education. Mr. Zimmerman said that as an employee of the department he is a member of the Teachers' Fund for Retirement but yet as a state employee, he did not participate in the salary enhancements awarded teachers as a result of legislation passed in 2001 and 2003. He said 64 percent of the teachers he is training earn higher salaries than he does. He said transferring to the Public Employees Retirement System would result in an additional \$1,500 to \$1,800 per year in increased take-home pay. He said other departments have been afforded this choice and employees of the Department of Career and Technical Education should also be afforded this choice.

In response to a question from Representative Wald, Mr. Zimmerman said the primary reason this bill draft should go forward is that employees of the Department of Career and Technical Education should have a choice in retirement plans.

Chairman Krebsbach called on Mr. Gary Freier, Department of Career and Technical Education. Mr. Freier said he is a 17-year employee with the department. He said the department is the only agency located in the State Capitol complex which does not participate in the Public Employees Retirement System. He noted that the Teachers' Fund for Retirement requires employee contributions while the Public Employees Retirement System employee contributions are "picked up" by the employer. He said the bill draft should go forward for a number of reasons. First, he said, there is an equity issue in that there is a difference in take-home pay between members of the Teachers' Fund for Retirement and the Public Employees Retirement System. For him personally, he said, this amounts to \$27,264 since he joined the department. Also, he said, legislation was enacted by the Legislative Assembly in 2003 which allowed employees of the Department of Public Instruction to transfer from the Teachers' Fund for Retirement to the Public Employees Retirement System. Thus, he said, it is inequitable to not allow the same opportunity for employees of the Department of Career and Technical Education. Second, he said, the proposed legislation is supported by the State Board for Career and Technical Education. Third, he said, teachers received raises while employees of the Department of Career and Technical Education, as state employees, did not. Fourth, he said, employees of the Department of Career and Technical Education are treated as state employees and not as teachers. Fifth, he said, under the Public Employees Retirement System, the employee is vested in both the employer and employee contributions at retirement while under the Teachers' Fund for Retirement, the employee is only vested in the employee contribution. Sixth, he said, the retiree health benefit is available upon retirement under the Public Employees Retirement System.

Chairman Krebsbach called on Ms. Debra Huber, Department of Career and Technical Education, who addressed the committee. Ms. Huber said she

supports the bill draft proposed by Senator Cook. She said the bill draft allows the employees of the Department of Career and Technical Education the same opportunities provided for those employed by the Department of Public Instruction.

Chairman Krebsbach called on Ms. Fay Kopp, Deputy Executive Director, Retirement and Investment Office, who discussed the bill draft and its actuarial impact. A copy of her written comments is attached as Appendix C. Ms. Kopp said the Teachers' Fund for Retirement actuary estimates that the proposed bill would result in an \$82,000 loss for the Teachers' Fund for Retirement.

In response to a question from Representative Kasper, Ms. Kopp said that in addition to the Department of Public Instruction and the Department of Career and Technical Education, the Division of Independent Study, North Dakota Vision Services - School for the Blind, School for the Deaf, and the Youth Correctional Center participate in the Teachers' Fund for Retirement.

At the request of Chairman Krebsbach, Mr. Sparb Collins, Executive Director, Public Employees Retirement System, reviewed the actuarial impact of career and technical education employees transferring from the Teachers' Fund for Retirement on the Public Employees Retirement System retiree health insurance credit fund. A copy of the actuarial report is attached as Appendix D. He said amortizing the present value of benefits accrued to the estimated number of employees who would transfer under the bill draft results in an increase to the required employer contribution of 2.34 percent of each transferring employee's payroll for a period of eight years.

In response to a question from Representative Carlson, Mr. Collins said the employer contribution will actually decrease under the proposal because the employer contributes 7.75 percent under the Teachers' Fund for Retirement and the employer contribution is 5.12 percent under the Public Employees Retirement System.

In response to a question from Representative Carlson, Mr. Collins said benefits under the Public Employees Retirement System and the Teachers' Fund for Retirement are similar except for the retiree health insurance credit fund under the Public Employees Retirement System.

It was moved by Representative Carlson, seconded by Senator Kilzer, and carried on a voice vote that the committee assume jurisdiction over the bill draft.

It was moved by Senator Kilzer, seconded by Senator Brown, and carried on a roll call vote that Employee Benefits Programs Committee Bill No. 845 be given an unfavorable recommendation. Senators Krebsbach, Brown, Kilzer, and Nelson and Representatives Carlson, Kasper, and Wald voted "aye." Representative Amerman voted "nay."

No further business appearing, Chairman Krebsbach adjourned the meeting at 5:15 p.m.

Jeffrey N. Nelson
Committee Counsel

ATTACH:4