

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Monday, March 19, 2007
Sakakawea Room, State Capitol
Bismarck, North Dakota

Representative Matthew M. Klein, Chairman, called the meeting to order at 7:30 a.m.

Members present: Representatives Matthew M. Klein, Al Carlson, Joe Kroeber, Ken Svedjan, Francis J. Wald; Senators Ray Holmberg, Ralph L. Kilzer, Carolyn Nelson

Member absent: Senator Karen K. Krebsbach

Others present: See attached appendix

It was moved by Representative Wald, seconded by Representative Svedjan, and carried on a voice vote that the minutes of the previous meeting be approved as distributed.

C. B. Haas, State Representative, Taylor, provided information to the committee on the amendments adopted by the House Government and Veterans Affairs Committee to Senate Bill No. 2046 relating to benefit changes of the Teachers' Fund for Retirement (TFFR).

Representative Haas said the amendments under consideration make the following changes to the bill as introduced:

1. Provides that the 1 percent employer contribution increase from 7.75 percent to 8.75 percent is effective only until the actuarial

value of the assets of the Teachers' Fund for Retirement is at least 95 percent.

2. Continues the vesting period for all teachers at three years of service rather than increasing the vesting period for new teachers to five years of service.
3. Requires an 8.75 percent employer contribution on retired teachers returning to work. The bill, as introduced, provided for a 16.5 percent employer contribution for these employees.

Ms. Fay Kopp, Deputy Executive Director, Retirement and Investment Office, presented the technical and actuarial information on the bill as amended. Ms. Kopp said that based on the actuarial projections, the TFFR would reach a 95 percent funded ratio in 2032 both under Senate Bill No. 2046, as originally introduced, and under Senate Bill No. 2046 as amended. Ms. Kopp reviewed the actuarial information contained on the following schedules comparing projected actuarial information as of the years 2016 and 2036 under current law, Senate Bill No. 2046, as originally introduced, and Senate Bill No. 2046 as amended.

Projected Results as of July 1, 2016			
Item	No Changes	SB 2046 (Before Amendments)	SB 2046 (Amended)
Funded ratio	84.0%	86.0%	85.9%
Unfunded accrued actuarial liability (UAAL)	\$482.5 million	\$420.5 million	\$424.2 million
Annual required contribution (ARC)	10.17%	8.28%	8.38%
Margin	-2.42%	0.47%	0.37%
Funding period	Infinite	24.8 years	25.8 years

Projected Results as of July 1, 2036			
Item	No Changes	SB 2046 (Before Amendments)	SB 2046 (Amended)
Funded ratio	82.4%	100.4%	98.7%
UAAL	\$947.3 million	-\$20.1 million	\$65.7 million
ARC	10.35%	2.37%	3.04%
Margin	-2.60%	6.38%	4.71%
Funding period	Infinite	0.0 years	1.3 years

Ms. Kopp reviewed the technical comments of the actuary regarding the bill as amended. She said the amendment providing for the expiration date of the additional 1 percent employer contribution rate is not clear regarding the specific time when the rate would revert to 7.75 percent. Ms. Kopp said if not clarified in the bill, she would recommend the TFFR Board adopt administrative rules to specify the timing of the rate change when the plan reaches a 95 percent funded ratio.

In addition, Ms. Kopp said provisions of the bill, as amended, would allow a Tier 2 member teacher to be eligible for a retirement benefit after three years of service; however, the bill requires computing a five-year average salary for determining the retirement benefit. She said the board believes if a member has less than five years of service, the calculation would include only nonzero fiscal year salaries during the time employed. She said if these provisions of the bill

are not clarified, the board would also adopt administrative rules to clarify this calculation.

Ms. Kopp distributed a schedule showing the projected employer contribution effect for fiscal years 2008-11 as a result of the employer contribution increases. She said additional employer contributions are projected to range from \$4.5 million in fiscal year 2008 to \$4.8 million in fiscal year 2011. A copy of the report is on file in the Legislative Council office.

It was moved by Senator Nelson, seconded by Senator Holmberg, and carried on a roll call vote to give Senate Bill No. 2046, as amended, a favorable recommendation. Representatives Klein, Kroeber, and Svedjan and Senators Holmberg, Kilzer, and Nelson voted "aye." Representatives Carlson and Wald voted "nay."

The committee adjourned subject to the call of the chair at 8:15 a.m.

Allen H. Knudson
Assistant Legislative Budget Analyst
and Auditor

Jim W. Smith
Legislative Budget Analyst and Auditor

[ATTACH:1](#)