

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Friday, April 24, 2009
Fort Union Room, State Capitol
Bismarck, North Dakota

Representative Bette B. Grande, Chairman, called the meeting to order at 4:30 p.m.

Members present: Representatives Bette B. Grande, Jim Kasper, Matthew M. Klein, Joe Kroeber; Senators Karen K. Krebsbach, Carolyn Nelson, Curtis Olafson

Members absent: Representative Eliot Glassheim; Senator Ralph L. Kilzer

Others present: See [Appendix A](#)

It was moved by Senator Nelson, seconded by Representative Kroeber, and carried on a voice vote that the minutes of the February 5, 2009, meeting be approved as distributed.

At the request of Chairman Grande, committee counsel reviewed Engrossed House Bill No. 1022 [\[98022.0200\]](#) and the proposed amendments [\[98022.0204\]](#) to the bill. Committee counsel said the proposed amendments increase the Teachers' Fund for Retirement employer contribution from 8.25 percent of salary to 8.75 percent of salary. He said the amendments would apply to salaries earned after June 30, 2010, would be effective until the ratio of the actuarial value of assets to the actuarial accrued liability of the Teachers' Fund for Retirement increases to 90 percent based upon the actuarial value of assets, and expire on the July first that follows the first valuation that shows a 90 percent funded ratio.

Chairman Grande recognized Ms. Fay Kopp, Deputy Executive Director, Retirement and Investment Office. She reviewed the actuarial analysis ([Appendix B](#)) prepared by Gabriel Roeder Smith and Company, the actuarial consultant for the Teachers' Fund for Retirement, for the amendments. She said the actuarial analysis covers proposed amendments to House Bill No. 1022 and Senate Bill No. 2277. She said the proposed amendments to House Bill No. 1022 increase the available margin in the Teachers' Fund for Retirement from -.99 percent to -.58 percent, or .41 percent.

In response to a question from Representative Klein, committee counsel said that it is the position of the Attorney General that an increase in the Teachers' Fund for Retirement employee contribution requirement without a corresponding enhancement in benefits would be an impairment of the teachers' contract with the retirement system. Under this contractual relationship, he said, active employees are entitled to fulfillment of the promise the state made the employee in return for the labor of that employee.

In response to a further question from Representative Klein, committee counsel said when Alaska established a defined contribution retirement plan it was made available only to new employees and the rights of existing employees were not affected.

At the request of Chairman Grande, committee counsel reviewed Senate Bill No. 2277 [\[90109.0400\]](#) and the proposed amendments [\[90109.0404\]](#) to the bill. Committee counsel said the amendments provide that the supplemental Teachers' Fund for Retirement retiree benefit payment contained in Senate Bill No. 2277 would be made available to all individuals who retire before January 1, 2009, and the supplemental retiree benefit payment would be made from the Teachers' Fund for Retirement as opposed to the general fund.

Chairman Grande recognized Ms. Kopp. She said the proposed amendments decrease the available margin in the Teachers' Fund for Retirement from -0.99 percent to -1.08 percent, or -0.09 percent.

Chairman Grande recognized Senator Krebsbach. She noted that Social Security recipients are projected to receive a one-time \$250 payment under the proposed federal stimulus legislation. Thus, she said, some are proposing that the entire \$5.4 million appropriation needed to fund the supplemental benefit payment contained in Senate Bill No. 2277 may not be needed in that the state could fund a lower benefit that when combined with the federal stimulus payment would result in a teacher receiving the same total benefit as proposed in the supplemental payment legislation.

It was moved by Representative Klein, seconded by Representative Kroeber, and carried on a voice vote that the committee accept jurisdiction over both proposed amendments.

Chairman Grande recognized Representative Kasper. He said the amendments before the committee reflect problems with defined benefit plans. From the perspective of retirement planning, he said, defined benefit plans are "dinosaurs." He said the amendments before the committee should be the impetus for freezing the Teachers' Fund for Retirement defined benefit plan and establishing a defined contribution plan for new teachers.

It was moved by Representative Kasper, seconded by Representative Klein, and carried on a roll call vote that the committee give the proposed amendments to Engrossed House Bill

No. 1022 a favorable recommendation. Representatives Grande, Kasper, Klein, and Kroeber and Senators Krebsbach, Nelson, and Olafson voted "aye." No negative votes were cast.

It was moved by Representative Klein, seconded by Representative Kasper, and carried on a roll call vote that the committee give the proposed amendments to Senate Bill No. 2277 a favorable recommendation. Representatives Grande, Kasper, and Klein and Senators Krebsbach

and Olafson voted "aye." Representative Kroeber and Senator Nelson voted "nay."

No further business appearing, Chairman Grande adjourned the meeting at 5:30 p.m.

Jeffrey N. Nelson
Committee Counsel

ATTACH:2