

TESTIMONY OF

Lisa Kudelka, Director of Operations, Human Resource Management Services (HRMS)

Chairman Kasper and members of the Government and Veterans Affairs Committee, I am Lisa Kudelka, Director of Operations, HRMS within the Office of Management and Budget (OMB). I am here to testify in support of House Bill No. 1342 relating to increased employer and employee contributions under the public employee's retirement defined benefit and defined contribution plans.

OMB is supportive of legislative action that would increase the long-term funding for the public employee's retirement system. We support legislation that would increase the contribution rate for both employers and employees and provide additional funds for the retirement plan.

The financial stability of the North Dakota Public Employees Retirement System (NDPERS) defined benefit retirement plan is important to the financial well-being of state government and the political subdivisions that participate in the retirement programs. We understand increasing the employer and employee contributions to NDPERS is a sizable financial commitment. However, pushing this commitment forward will not decrease the cost; instead, it will continue to increase the cost for both employers and employees.

The commitment of state funds and the funds of political subdivisions is difficult with many competing needs and interests. Just as each of us determines how much or little we wish to invest in our own retirement plans vs. our present day needs and wants. When I was 21, my father, who was an accountant, encouraged me to invest in my first IRA. To say I was skeptical, is an understatement. At the time, I had many other important priorities in my life. After all, I had bills to pay and other items I wanted to purchase. However, I did take his advice and continued to invest in my retirement. Today I'm thankful for his advice. This is the same advice financial consultants give their clients. The earlier you begin investing in your retirement account the longer the period to maximize your investment and decrease your overall investment of money.

OMB is asking you to support increased funding for NDPERS by increasing the contribution rates for both the employer and employee. In the 2019-21 executive budget, the governor endorsed the idea of improving the financial solvency of the NDPERS fund by providing a one-

time transfer, similar to the idea proposed in this bill. Having a solid defined benefit retirement plan helps state government and political subdivisions recruit new employees and retain our veteran employees. A defined benefit plan also provides a stable source of income for retirees who continue to support North Dakota businesses and pay taxes on these benefits.

We urge your support of HB 1342. Mr. Chairman and committee members, this concludes my testimony. I would be happy to answer any questions.