

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Thursday, April 30, 2009
Fort Union Room, State Capitol
Bismarck, North Dakota

Representative Bette B. Grande, Chairman, called the meeting to order at 11:30 a.m.

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

Others present: See [Appendix A](#)

At the request of Chairman Grande, committee counsel reviewed Engrossed House Bill No. 1022 [\[98022.0200\]](#) and proposed amendments [\[98022.0205\]](#) to the bill. He said the amendment increases the Teachers' Fund for Retirement employer contribution from 8.25 percent to 8.75 percent of the salary of each teacher and appropriates \$25,000 to the Retirement and Investment Office to implement Senate Bill No. 2277.

In response to a question from Representative Kasper, Ms. Fay Kopp, Deputy Executive Director, Retirement and Investment Office, said the \$25,000 appropriation is included in the amendment to cover administrative expenses estimated to be incurred by the Retirement and Investment Office in reconfiguring software to make an additional payment, notify retirees, prepare modified reports, and implement necessary accounting changes.

In response to a further question from Representative Kasper, Ms. Kopp said the Retirement and Investment Office would provide a detailed breakdown of the costs of programming and administrative changes necessitated for providing a supplemental or 13th check to Teachers' Fund for Retirement beneficiaries.

It was moved by Senator Krebsbach, seconded by Senator Nelson, and carried on a voice vote that the committee accept jurisdiction over the proposed amendments to Engrossed House Bill No. 1022.

It was moved by Senator Krebsbach, seconded by Senator Nelson, 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, Glassheim, Kasper, Klein, and Kroeber and Senators Kilzer, Krebsbach, Nelson, and Olafson voted "aye." No negative votes were cast.

At the request of Chairman Grande, committee counsel reviewed three proposed amendments [\[90109.0411\]](#), [\[90109.0412\]](#), and [\[90109.0413\]](#) to Senate Bill No. 2277 [\[90109.0400\]](#). He said the amendments [\[90109.0411\]](#) provide that the

supplemental retiree benefit payment contained in Senate Bill No. 2277 is to be made from the Teachers' Fund for Retirement and changes the formula for determining this supplemental retiree benefit payment from an amount equal to an amount determined by taking \$24 multiplied by the member's number of years of service credit plus \$18 multiplied by the number of years since the member's retirement to an amount determined by taking \$16 multiplied by the member's number of years of service credit plus \$12 multiplied by the number of years since the member's retirement. He said the amendments [\[90109.0412\]](#) provide that the supplemental retiree benefit payment contained in Senate Bill No. 2277 is to be made from the Teachers' Fund for Retirement and changes the formula for determining the supplemental retiree benefit payment from an amount determined by taking \$24 multiplied by the member's number of years of service credit plus \$18 multiplied by the number of years since the member's retirement to an amount determined by taking \$18 multiplied by the member's number of years of service credit plus \$14 multiplied by the number of years since the member's retirement. He said the amendments [\[90109.0413\]](#) provide that the supplemental retiree benefit payment contained in Senate Bill No. 2277 is to be made from the Teachers' Fund for Retirement and changes the formula for determining the supplemental retiree benefit payment from an amount determined by taking \$24 multiplied by the member's number of years of service credit plus \$18 multiplied by the number of years since the member's retirement to an amount determined by taking \$20 multiplied by the member's number of years of service credit plus \$15 multiplied by the number of years since the member's retirement.

It was moved by Senator Krebsbach, seconded by Senator Nelson, and carried on a voice vote that the committee accept jurisdiction over each of the proposed amendments.

At the request of Chairman Grande, Ms. Kopp addressed the committee. She said the cost of Senate Bill No. 2277, as introduced, is \$5.4 million. She said the cost of the 20 and 15 proposal is \$4.6 million, the cost of the 18 and 14 proposal is \$4.2 million, and the cost of the 16 and 12 proposal is \$3.7 million. Concerning the actuarial information ([Appendix B](#)), she said, the actuarial analysis of the amendments [\[90109.0411\]](#), which reduces the amount of the one-time payment from \$5.4 million to

\$3.7 million, notes that the average one-time payment is \$591 and 327 members would have their payment limited. She said assuming the contribution increase contained in the amendments to Engrossed House Bill No. 1022 is enacted, the proposal increases the available margin in the Teachers' Fund for Retirement from a -.99 percent to a -.55 percent, or .44 percent. She said the actuarial analysis of the amendments [90109.0412], which reduces the amount of the one-time payment from \$5.4 million to \$4.2 million, results in a one-time payment of \$663 and 553 members would have their payment limited. Assuming the contribution increase contained in the amendments to Engrossed House Bill No. 1022 is enacted, she said, this proposal increases the available margin in the Teachers' Fund for Retirement from a -.99 percent to a -.56 percent, or .43 percent. She said the actuarial analysis for the amendments [90109.0413], which reduces the amount of the one-time payment from \$5.4 million to \$4.6 million, decreases the one-time payment from \$846 to \$723. Of the eligible annuitants, she said, 704 would have their benefit limited by the maximum--\$750--or 10 percent of the annual annuity. Assuming that the contribution increase contained in the proposed amendments to Engrossed House Bill No. 1022 is enacted, she said, this proposal increases the available margin in the Teachers' Fund for Retirement from a -.99 percent to a -.56 percent, or .43 percent.

Representative Grande recognized Representative Kasper. Although he supports the motion, he said, it is absolutely the wrong move to make. With the fund in the position it is in and the uncertainties surrounding the market, he said, benefit enhancements should not be made at this time. In the future, he said, he will work to change the plan and turn the plan over to the teachers, such as a defined contribution plan.

In response to Representative Kasper's comments, Representative Grande noted that the Teachers' Fund for Retirement did not sponsor the proposal and is not advocating the supplemental retirement payment.

It was moved by Senator Krebsbach, seconded by Senator Nelson, and carried on a roll call vote that the committee give a favorable recommendation to all three proposed amendments. Representatives Grande, Glassheim, Kasper, Klein, and Kroeber and Senators Kilzer, Krebsbach, Nelson, and Olafson voted "aye." No negative votes were cast.

No further business appearing, Chairman Grande adjourned the meeting at 12:15 p.m.

Jeffrey N. Nelson
Committee Counsel

ATTACH:2