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SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2082

2001 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2082

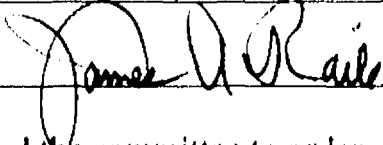
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2082

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date January 19, 2001

Tape Number	Side A	Side B	Meter #
1	X		0.0-18.5
1		X	14.4-16.0
Committee Clerk Signature 			

Minutes: Chairman Krebsbach called the committee to order, The clerk called the roll. All members were present. At this time Chairman Krebsbach opened the hearing on SB 2082 which relates to the public employees retirement system. Sparb Collins, Executive Director of the North Dakota Public Employees Retirement System appeared before the committee to explain the proposed legislation. A copy of his written testimony is attached. The testimony provides a section by section explanation of what this will do. Senator T. Mathern Mr. Collins, under section 1, if you could give me an example of what a fine might be that you refer to. Mr. Collins An example would be that we have a requirement that, well for example, if I am participating in the deferred comp program, I get between like one of 10 different providers that are in the program. Let's say that I would decide to make a change from one provider to another provider. We say that that change needs to be done in a certain period of time, in 30 days. When I file my change notice, we say that it has to be executed in 30 days. If a provider doesn't execute it in the time frame, under the agreement they sign with us, we can put an administrative penalty into

place. Senator Kilzer At the end of your testimony you said that the PERS actuary had reviewed the proposed bill. Could you tell me how long ago that was? Sparb Collins indicated that the actuary review was done in Sept.-Oct. of this past year. The final actuarial report on this bill is dated Sept.-Oct. 2000. Mr. Collins briefly explained the actuarial margin of this bill. Senator Wardner The portability enhancement program, how is that going? Mr. Collins indicated that they have been real pleased with it. We have increased participation in the program. In the deferred comp program we have probably doubled it. The big challenge we face now is getting the information out to all the new employees. It's gone well. Chairman Krebsbach where did fees and penalties go in the past? Mr. Collins indicated that right now they are going to the general fund. Senator Kilzer wondered that if this were to become law, is this the first group that would reach the two point goal. Mr. Collins indicated that this would be in our system. There were no other questions at this time. Appearing before the committee was Chris Runge, Executive Director representing the North Dakota Public Employees Association. She indicated that she and those she represents support SB 2082. There were no questions for Ms. Runge. Tom Toupa representing the Association of Former Public Employees and the Independent North Dakota State Employees Association. Combined there are approximately 1500 in the two groups. He indicated that he and his organizations encourage support of the committee for SB 2082. There were no questions for Mr. Toupa. He did however comment that he would like to commend Mr. Collins and PERS for the fine work they have done concerning the public employees retirement program. There was nothing further on SB 2082. At this time Chairman Krebsbach closed the hearing on SB 2082. Committee Action (Tape 1, Side B, Meter #'s 14.4-16.0). Senator Wardner made a motion for a Do Pass on SB 2082, seconded by Senator

Page 3

Senate Government and Veterans Affairs Committee

Bill/Resolution Number SB 2082

Hearing Date January 19, 2001

Kilzer. Roll Call vote indicated 6 Yeas, 0 Nays, and 0 Absent or Not Voting. Senator Kilzer

will carry the bill.

FISCAL NOTE

Requested by Legislative Council
12/14/2000

Bill/Resolution No.: SB 2082

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$136,000		\$136,000	
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant your analysis.*

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenues are the result of income and sales taxes paid by the retiree's on the additional benefit payment.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

This bill will have no effect on state expenditures since no additional employee or employer contribution is required. The proposed benefit enhancement will be paid for with existing funds in the retirement system.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:

Sparb Collins

Agency:

Public Employees Retirement System

Phone Number:

328-3901

Date Prepared: 12/20/2000

Date: 1/19/01
Roll Call Vote #:)

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2082

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen. Wardner Seconded By Sen. Kilzer

Senators	Yes	No	Senators	Yes	No
Senator Karen Krebsbach, Chr.	✓		Senator Carolyn Nelson	✓	
Senator Dick Dever, Vice-Chr.	✓		Senator Tim Mathern	✓	
Senator Ralph Kilzer	✓				
Senator Rich Wardner	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen. Kilzer

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 19, 2001 12:29 p.m.

Module No: SR-09-1289
Carrier: Kilzer
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2082: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman)
recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2082
was placed on the Eleventh order on the calendar.

2001 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2082

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2082

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 3/08/01

Tape Number	Side A	Side B	Meter #
2	X		1359-2843
3/9/01 (1)		X	0-2000
Committee Clerk Signature <i>Robin L. Small</i>			

Minutes:

REP. M. KLEIN called the hearing to order, all members were present.

In favor:

SPARB COLLINS, EXECUTIVE DIRECTOR OF THE NORTH DAKOTA PERS

Please see attached testimony.

REP. GRANDE asks if section three has to do with the PEP portion. COLLINS states that is the buy back.

REP. KLEMIN talks about the confidentiality part of the bill.

REP. M. KLEIN asks about section one of the bill, what are those expenses? COLLINS states that they are different chapters, main retirement statute. REP. M. KLEIN asks about the fines collected from defined contribution groups. COLLINS replies that they are from AETNA, Seiko, thirty days to pay it back.

Page 2

House Government and Veterans Affairs Committee

Bill/Resolution Number SB 2082

Hearing Date 3/08/01

REP. M. KLEIN asks what is the adjustment on page 6? COLLINS replies that it is the prior service retirees.

Being there was no further testimony in favor or in opposition the hearing was then closed.

Action was taken on March 9th, 2001. SPARB COLLINS addresses the committee if questions are needed to be answered.

General discussion:

REP. BRUSEGAARD asks if the deferred compensation plans are available to the legislatures.

COLLINS replies that yes they are. REP. GRANDE asks if she put \$8,000.00 into the plan would the state match it? COLLINS replies no they would not. REP. M. KLEIN asks if this is paid before taxes? COLLINS replies that yes it is. REP. M. KLEIN points to the committee that he does not like how temporary employees are kept on for such a long period of time and never are able to take part in the benefit programs and never are permanent employees. COLLINS is thanked for coming back to committee and answering questions.

Action:

REP. DEVLIN motions to accept the first amendment, seconded by REP. KLEMIN. A voice vote is taken and passes by majority. REP. KLEMIN motions to accept the second amendment, seconded by REP. DEVLIN. A voice vote is taken and passes by majority. REP. HAAS motions for a DO PASS AS AMENDED, with both amendments, seconded by REP. KROEBER. The roll call is taken with 15 YES, 0 NO and 0 ABSENT AND NOT VOTING. The motion carries. The CARRIER of the bill is REP. GRANDE.

SB 2082: DO PASS AS AMENDED 15-0

CARRIER: REP. GRANDE

10071.0201
Title.0300

Adopted by the Government and Veterans
Affairs Committee
March 9, 2001

VK
3/9/01

HOUSE AMENDMENTS TO SB 2082 HOUSE GVA 3/9/01

Page 7, line 17, replace "Member interest groups approved by the board, limited to information concerning" with "The member's spouse or former spouse, that person's legal representative, and the judge presiding over the member's dissolution proceeding for purposes of aiding the parties in drafting a qualified domestic relations order under section 54-54-17.6. The information disclosed is limited to information necessary for drafting the order."

Page 7, remove line 18

Renumber accordingly

Date: 3/9/01

Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2082

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Accept the Amendment #1

Motion Made By Devlin Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN			REP KROEBER		
VICE CHAIR GRANDE					
REP BELLEW					
REP BRUSEGAARD					
REP CLARK					
REP DEVLIN					
REP HAAS					
REP KASPER					
REP KLEMIN					
REP MEIER					
REP WIKENHEISER					
REP CLEARY					
REP HUNSKOR					
REP METCALF					

*VOICED VOTE
PASSES*

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/9/01

Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2082

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Further Amend # 2

Motion Made By Klemin Seconded By Devlin

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN			REP KROEBER		
VICE CHAIR GRANDE					
REP BELLEW		✓			
REP BRUSEGAARD					
REP CLARK					
REP DEVLIN					
REP HAAS					
REP KASPER					
REP KLEMIN					
REP MEIER					
REP WIKENHEISER					
REP CLEARY					
REP HUNSKOR					
REP METCALF					

voice vote
pass

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/9/01

Roll Call Vote #: 3

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2082

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass As Amended

Motion Made By Haas Seconded By Kroeber

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN	✓		REP KROEBER	✓	
VICE CHAIR GRANDE	✓				
REP BELLEW	✓				
REP BRUSEGAARD	✓				
REP CLARK	✓				
REP DEVLIN	✓				
REP HAAS	✓				
REP KASPER	✓				
REP KLEMIN	✓				
REP MEIER	✓				
REP WIKENHEISER	✓				
REP CLEARY	✓				
REP HUNSKOR	✓				
REP METCALF	✓				

Total (Yes) 15 No 0

Absent 0

Floor Assignment Rep. Grande

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 12, 2001 8:47 a.m.

Module No: HR-42-5289
Carrier: Grande
Insert LC: 10071.0201 Title: .0300

REPORT OF STANDING COMMITTEE

SB 2082: Government and Veterans Affairs Committee (Rep. M. Klein, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2082 was placed on the Sixth order on the calendar.

Page 7, line 17, replace "Member interest groups approved by the board, limited to information concerning" with "The member's spouse or former spouse, that person's legal representative, and the judge presiding over the member's dissolution proceeding for purposes of aiding the parties in drafting a qualified domestic relations order under section 54-54-17.6. The information disclosed is limited to information necessary for drafting the order."

Page 7, remove line 18

Renumber accordingly

2001 SENATE GOVERNMENT AND VETERANS AFFAIRS

CONFERENCE COMMITTEE

SB 2082

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2082

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date April 3, 2001

Tape Number	Side A	Side B	Meter #
2	X		0.0-20.4
Committee Clerk Signature <i>James A. Raib</i>			

Minutes: **Senator Kilzer**, Chairman of the Conference Committee, called the committee to order. The clerk called the roll. All members were present. The discussion was opened on SB 2082 which is the PERS Retirement Bill. **Chairman Kilzer** indicated that the bill was not amended in the Senate but, it was amended in the House GVA Committee. **Representative Klemin** indicated that there were two amendments. The first one was the amendment proposed by Sparb Collins from PERS relating to domestic relations orders. Basically a qualified domestic relations order is a thing in a divorce where when they are getting into property settlements that both the spouses in a divorce have a right to obtain information on the other spouses pension plan and so they can be sent a qualified domestic relations order and there is another section that refers to how that is done and then the pension administrator can provide that information so that they can use that in determining property settlement in a divorce. As **Representative Klemin** indicated this was proposed by PERS. This amendment is page 7, line 17. The second one it was noted related to members information. Presently member information

concerning whether you are retired or not, where you live and all that sort of stuff is confidential. In order for PERS to be able to give out that kind of information to anyone, it is done on a blind kind of basis. There is a third party contractor that actually sends out whatever it is that somebody wants to send out. The member interest group then doesn't get a list of all the retirees and where they live to be able to send that out themselves. What this does is to change that so that the PERS board can provide that information to member interest groups and they can do with it what they choose. The house believed that this was kind of an incursion into privacy rights of the retirees. There is no definition of what a member interest group is, no restriction on what a member interest group, whatever that is, does with that information once they get it. There's nothing that says that or allows the person who is retired to opt in or opt out. These groups could then theoretically at least sell their mailing lists. **Representative Klemin** related personal experiences that have occurred since his wife has retired from teaching. **Senator C. Nelson** indicated in response to Representative Klemin, the fact that your wife retired is public knowledge, because it is part of the school board records and anyone can figure that up if they have a telephone book. She indicates that she has the same thing. She doesn't know that it comes from a pension plan. It could come from a variety of other places that would know that your wife is a teacher. She gets a lot of that herself and she also has caller ID and doesn't answer unavailables. She indicated that she thinks in the Senate Government and Veteran's Affairs Committee we had a concern that they did use the third party mailer and questioned whether they had the authority to do that. This was a method of giving them the authority to use that third party mailer, that they would approve the board, approve the group and then it could go to the third party and they would mail it. They questioned whether they actually had the authority to use that third party mailer and I think that that is what we were trying to get to is to allow PERS

to use their third party mailer to send out things. **Representative Haas** inquired if we leave the language on page 7 as it is, who makes the decision on whether or not that information about a retiree is available. **Senator C. Nelson** indicated the way she reads it it would be the PERS board. She indicated that she does not see member interest groups as including the multitude of insurance companies and other things out there. **Representative Haas** wondered if the interest groups share it with beyond them? **Senator C. Nelson** felt that would have to be up to the agreement that they have with the PERS board. **Senator Dever** inquired what would happen if at the end of the sentence we just put a comma (, with the members permission) and said with the members permission. That way they would have to opt into it. Discussion continued with several suggestions on how groups might be included or restricted. **Senator C. Nelson** pointed out that she understood what Representative Haas was suggesting but she indicated it would be a logistical nightmare because every time some outfit wants something that you would have to get approval of the whole membership the PERS staff has more than plenty to do and they don't need to send out a whole mailing every time there's going to be a mailing to ask their permission. You've got 14,000 employees to contact. That's an awful lot of book work. This would probably need to be done annually just to secure the permission. After discussion **Senator C. Nelson** moved that the Senate Accede to the House Amendments and amend by reinserting the old #7 with the added language suggested by Representative Klemin. The intern, **Annette Bendish** suggested that from a logistical stand it would be better if the House Receded from it's amendments and the committee amended the bill using the language the committee had arranged (See attached conference committee report for exact wording). **Representative Haas** made that motion and it was seconded by **Senator C. Nelson**. Roll Call Vote indicated 6 Yeas, 0 Nays, and 0 Absent or Not Voting. The conference committee was adjourned by **Chairman Kilzer**.

Date: April 3, 2001
 Roll Call Vote #: 1

**2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2082**

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken House Recede and Adopt Further Amendments

Motion Made By Rep. Haas Seconded By Sen. C. Nelson

Senators	Yes	No	Representatives	Yes	No
SENATOR KILZER	✓		REP. KLEMIN	✓	
SENATOR DEVER	✓		REP. HAAS	✓	
SENATOR C. NELSON	✓		REP. KROEBER	✓	

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

REPORT OF CONFERENCE COMMITTEE

SB 2082: Your conference committee (Sens. Kilzer, Dever, C. Nelson and Reps. Klemir, Haas, Kroeber) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 814, adopt amendments as follows, and place SB 2082 on the Seventh order:

That the House recede from its amendments as printed on page 814 of the Senate Journal and page 873 of the House Journal and that Senate Bill No. 2082 be amended as follows:

Page 7, line 17, after "board" insert "on a third-party blind list basis"

Page 7, after line 18, insert:

- "8. The member's spouse or former spouse, that individual's legal representative, and the judge presiding over the member's dissolution proceeding for purposes of aiding the parties in drafting a qualified domestic relations order under section 54-52-17.6. The information disclosed under this subsection must be limited to information necessary for drafting the order."

Renumber accordingly

SB 2082 was placed on the Seventh order of business on the calendar.

2001 TESTIMONY

SB 2082

TESTIMONY
OF
SPARB COLLINS
ON
SB 2082

Madam Chair, members of the Committee, good morning. My name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System, or PERS.

SB 2082 relates to the main retirement system that is administered by PERS. There are approximately 16,000 active participants in this system. Most state employees participate in this system with the exception of certain employees of higher education, certain non-classified employees who elected to participate in the new Defined Contribution Plan, members of the highway patrol system and the judges' system. There are also 223 participating political subdivisions that are a part of the PERS retirement system. This includes 58 cities and park districts, 41 counties, 76 school districts and 48 other political subdivisions. Since benefits became payable under this retirement system, 5,388 retirement pensions have been awarded, of which 4,297 remained on the roles in June of 2000. In addition, benefit payments are being made to 412 beneficiaries and 170 prior service retirees. Attached, for your information is a table of those retirees and the associated benefit payments by county as well as a map showing these residents. This

bill also relates to the deferred compensation program administered by PERS. This is a supplemental retirement plan, approximately 4600 members participate in this program. Since the enactment of the Portability Enhancement Program or (PEP) by the last legislation session, participation in this program has doubled in the last two years. This bill makes several administrative clarifications and changes to this program.

Section 1 of SB 2082 relates to the deferred compensation program and provides that any penalties that are assessed against providers will be deposited in the administrative fund of PERS. These deposits would help to offset the cost of the program administration. We do note, however, that in the last several years PERS and its 457-provider community have worked very closely together. As a result of this effort, we do not anticipate any fines in the future.

Section 2 of SB 2082 increases the multiplier from 1.89% to 2% of final average salary. This section also modifies the early retirement offset to take effect at age 65 or the age at which the individual would meet the rule of 85. The increase in the multiplier will provide a career employee with 25 years of service, a retirement benefit of 50% of final average salary at their normal retirement date. Combining this with the expected social security payment of approximately 40% would mean that an average employee could retire with approximately 90% of their final average salary at retirement. Achieving this has been a goal of the PERS board for many years.

This section also clarifies the payments of benefits to beneficiaries, contingent beneficiaries and the estate, using service credit and age at the time of termination to determine when benefits could commence.

Section 3 of SB 2082 states that a member's purchase provision is the greater of the actuarial cost or the amount the member received upon taking a refund plus interest. The purpose of this section is to address any issues that could arise when someone may have the opportunity to transfer both the employee and the employer contribution out of the Defined Benefit Plan as a result of the Portability Enhancement Program (PEP) and then subsequently, gets an opportunity to buy back into the Defined Benefit Plan with the resulting actuarial cost being less than the actual amount paid by the Defined Benefit Plan. This would insure that the system would receive back either the amount it had previously paid out to the member or the actuarially required amount.

Section 4 of SB 2082 allows a member to purchase service on a pre-tax basis. By allowing pre-tax purchases it reduces the amount paid on a take home basis by the member. However section 11 of the bill clarifies that this provision would become effective only after IRS approval.

Section 5 and section 6 of SB 2082 provide a cost of living adjustment of 6% to the PERS retirees. This increase is the equivalent to the increase in the benefit multiplier and will come effective on August 1, 2001. You will note that in the attached table it indicates what this increase would mean in terms of total benefit payments for PERS.

Section 7 of SB 2082 proposes some changes in the confidentiality provisions in the following ways:

1. Extends the confidentiality of records to participating entities as well as PERS, thereby making the defined contribution participation information confidential at the employer level. This was requested by several of our members who made an election to the Defined Contribution Plan and preferred that it not be public information,
2. Clarifies that PERS is able to share information with the Retirement and Investment Office. This clarification is important since we must share information to implement the coordination of benefits provisions.
3. Allows PERS to share information with state and federal agencies, or participating employers for purposes of demonstrating compliance with applicable state or federal laws.
4. Allows the board to share mailing address information with member interest groups.

Section 8 of SB 2082 relates to the deferred compensation program and clarifies that the plan can consist of one or more plans.

Section 9 of SB 2082 defines the definition of eligible employee for the deferred comp program as a full-time employee and also includes members of the legislative assembly. Part-time or temporary employees would no longer be eligible to participate in this program.

Section 10 of SB 2082 repeals an old provision in the statute.

Section 11 of SB 2082 relates to the pre-tax purchase, and as indicated previously, clarifies that the pre-tax provision would only go into effect subject to IRS approval.

The provisions of this bill will be paid from available funds in the retirement system.

The PERS actuary has reviewed the proposed bill and determined that it can be funded on an actuarially sound basis from existing contributions and will not require an increase in employer or employee contributions.

The interim Legislative Employee Benefits Committee has also reviewed this bill, the technical analysis and actuarial information and has given it a favorable recommendation.

Madam Chair, members of the committee, on behalf of the PERS board, I request your favorable consideration of this bill

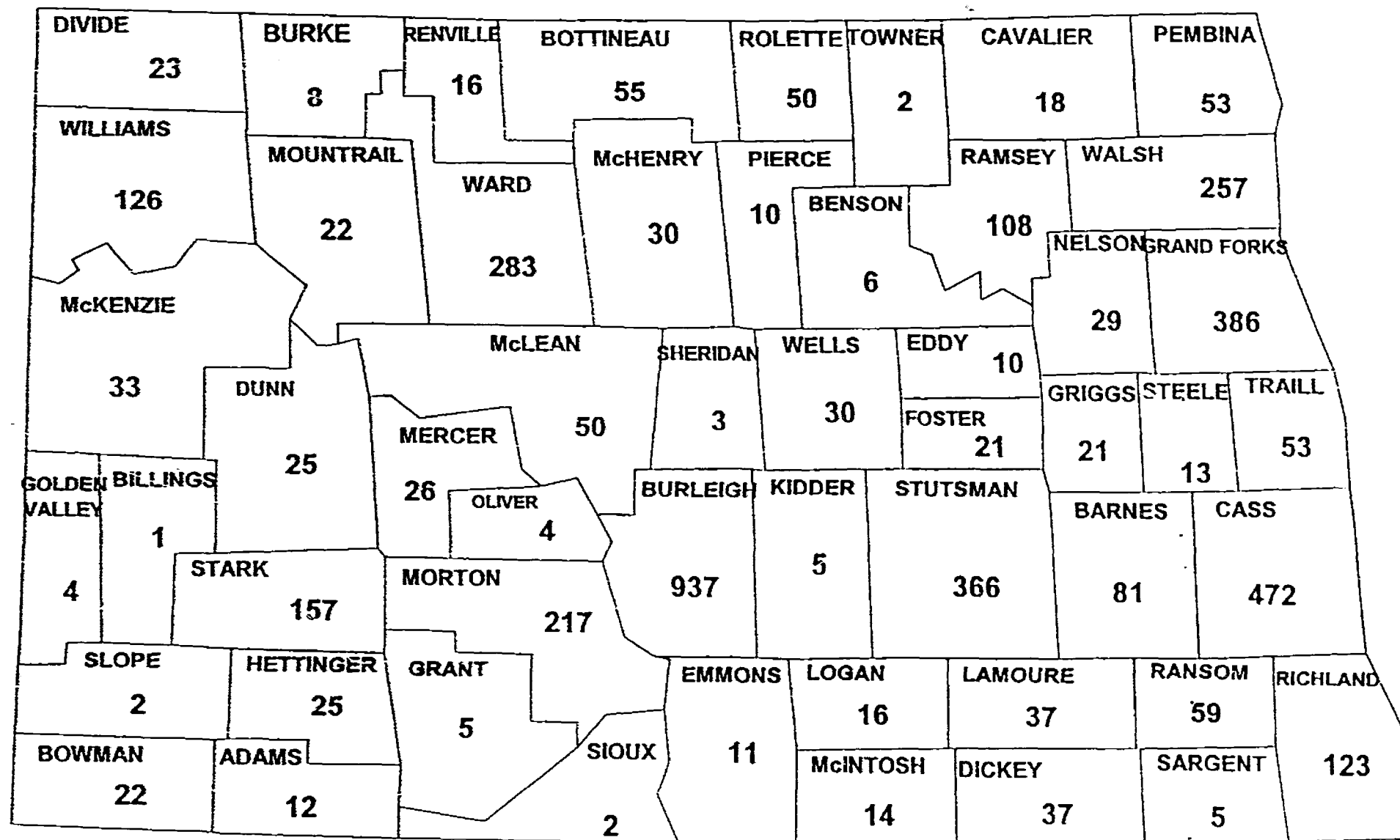
This concludes my testimony.

DECEMBER 2000 - NDPERS MAIN SYSTEM RETIREMENT PAYMENTS & AVERAGE YEARLY PAYMENTS

COUNTY	RETIREES	MONTHLY PAYMENTS	PAYMENT PERCENT	YEARLY PAYMENTS	YEARLY PAYMENTS + 6%
01 ADAMS	12	\$6,547.33	0.21%	\$78,567.96	\$83,282.04
02 BARNES	81	\$50,656.64	1.63%	\$607,879.68	\$644,352.46
03 BENSON	6	\$3,494.80	0.11%	\$41,937.60	\$44,453.86
04 BILLINGS	*	*	*	*	*
05 BOTTINEAU	55	\$27,333.46	0.88%	\$328,001.52	\$347,681.61
06 BOWMAN	22	\$10,349.17	0.33%	\$124,190.04	\$131,641.44
07 BURKE	8	\$3,187.51	0.10%	\$38,250.12	\$40,545.13
08 BURLEIGH	937	\$837,429.05	26.92%	\$10,049,148.60	\$10,652,097.52
09 CASS	472	\$260,393.79	8.37%	\$3,124,725.48	\$3,312,209.01
10 CAVALIER	18	\$7,239.08	0.23%	\$86,868.96	\$92,081.10
11 DICKEY	37	\$16,211.55	0.52%	\$194,538.60	\$206,210.92
12 DIVIDE	23	\$8,306.82	0.27%	\$99,681.84	\$105,662.75
13 DUNN	25	\$10,301.20	0.33%	\$123,614.40	\$131,031.26
14 EDDY	10	\$5,075.74	0.16%	\$60,908.88	\$64,563.41
15 EMMONS	11	\$6,586.70	0.21%	\$79,040.40	\$83,782.82
16 FOSTER	21	\$10,682.60	0.34%	\$128,191.20	\$135,882.67
17 GOLDEN VALLEY	4	\$3,717.48	0.12%	\$44,609.76	\$47,286.35
18 GRAND FORKS	386	\$237,368.72	7.63%	\$2,848,424.64	\$3,019,330.12
19 GRANT	5	\$1,505.99	0.05%	\$18,071.88	\$19,156.19
20 GRIGGS	21	\$10,074.92	0.32%	\$120,899.04	\$128,152.98
21 HETTINGER	25	\$16,257.94	0.52%	\$195,095.28	\$206,801.00
22 KIDDER	5	\$1,328.76	0.04%	\$15,945.12	\$16,901.83
23 LAMOURE	37	\$15,294.01	0.49%	\$183,528.12	\$194,539.81
24 LOGAN	16	\$5,722.97	0.18%	\$68,675.64	\$72,796.18
25 MCHENRY	30	\$14,644.36	0.47%	\$175,732.32	\$186,276.26
26 MCINTOSH	14	\$3,530.92	0.11%	\$42,371.04	\$44,913.30
27 MCKENZIE	33	\$19,671.32	0.63%	\$236,055.84	\$250,219.19
28 MCLEAN	50	\$38,114.14	1.23%	\$457,369.68	\$484,811.86
29 MERCER	26	\$7,909.75	0.25%	\$94,917.00	\$100,612.02
30 MORTON	217	\$136,669.24	4.39%	\$1,640,030.88	\$1,738,432.73
31 MOUNTRAIL	22	\$9,843.19	0.32%	\$118,118.28	\$125,205.38
32 NELSON	29	\$16,592.38	0.53%	\$199,108.56	\$211,055.07
33 OLIVER	4	\$2,261.55	0.07%	\$27,138.60	\$28,766.92
34 PEMBINA	53	\$29,033.61	0.93%	\$348,403.32	\$369,307.52
35 PIERCE	10	\$5,313.72	0.17%	\$63,764.64	\$67,590.52
36 RAMSEY	108	\$59,509.35	1.91%	\$714,112.20	\$756,958.93
37 RANSOM	59	\$20,161.45	0.65%	\$241,937.40	\$256,453.64
38 RENVILLE	16	\$6,232.40	0.20%	\$74,788.80	\$79,276.13
39 RICHLAND	123	\$57,754.75	1.86%	\$693,057.00	\$734,640.42
40 ROLETTE	50	\$20,270.08	0.65%	\$243,240.96	\$257,835.42
41 SARGENT	5	\$2,115.38	0.07%	\$25,384.56	\$26,907.63
42 SHERIDAN	3	\$1,969.70	0.06%	\$23,636.40	\$25,054.58
43 SIOUX	*	*	*	*	*
44 SLOPE	*	*	*	*	*
45 STARK	157	\$89,682.92	2.88%	\$1,076,195.04	\$1,140,766.74
46 STEELE	13	\$6,343.22	0.20%	\$76,118.64	\$80,685.76
47 STUTSMAN	366	\$198,262.37	6.37%	\$2,379,148.44	\$2,521,897.35
48 TOWNER	*	*	*	*	*
49 TRAIL	53	\$25,096.19	0.81%	\$301,154.28	\$319,223.54
50 WALSH	267	\$141,867.97	4.56%	\$1,702,415.64	\$1,804,560.58
51 WARD	283	\$187,609.62	6.03%	\$2,251,315.44	\$2,386,394.37
52 WELLS	30	\$15,882.39	0.51%	\$190,588.68	\$202,024.00
53 WILLIAMS	126	\$89,893.39	2.89%	\$1,073,720.68	\$1,143,443.92
99 OUT OF STATE	611	\$345,916.09	11.12%	\$4,150,993.08	\$4,400,052.66
TOTAL:	4,992	\$3,111,261.19	100.00%	\$37,336,134.28	\$39,575,242.34

NDPERS MAIN SYSTEM RETIREES

DECEMBER 2000



OUT OF STATE - 611

TOTAL - 4,992

SENATE GOVERNMENT AND VETERANS' AFFAIRS COMMITTEE
January 19, 2061

North Dakota Department of Transportation
Tom Freier, Deputy Director

SB 2082

The North Dakota Department of Transportation supports SB 2082, in order to increase recruitment and retain employees of hard-to-fill classes.

As a result of the recent increase in federal funding for highway construction and decreased enrollment in civil engineering programs, there has been a nationwide shortage of civil engineers and technicians. Our department has been particularly hard hit. Of 350 engineering and related positions, we have more than 20 vacancies. Some of these positions remain vacant even though we have made repeated employment offers.

The department has mounted an extensive campaign to promote employment. We are present at all career fairs, and always include engineers and engineering technicians in promotional events. We make classroom presentations. We make sure that the work we give temporary employees to do relates to their career interests with the department. We began a joint venture with NDSU to develop a design center on campus that will provide part-time engineering design work for students. Before interview days, we have sponsored informational events for students.

Over the past four years NDDOT has substantially increased entry salaries for engineers and two-year technical school graduates. Given the increases to the base salaries and the extra recruitment effort, the results so far this year have been disappointing. We have been successful in hiring only 1 of the 5 December graduates to whom offers were extended. We are extremely worried that we face similar results for the spring recruitment effort.

Another critical problem is retaining key employees throughout critical phases in the design and construction of major highway projects, information technology systems, and other department initiatives.

**REPORT OF THE LEGISLATIVE COUNCIL'S
EMPLOYEE BENEFITS PROGRAMS COMMITTEE
SENATE BILL NO. 2082**

Sponsor: Retirement Board

Proposal: Increases the benefit multiplier from 1.89 to 2.00 percent; establishes a procedure for determining a member's beneficiary; provides that if a participating member repurchases service the member did not elect to repurchase upon reemployment, the member must pay to the board an amount equal to the greater of the actuarial cost to the fund of providing the credit or the amount the member received upon taking a refund of the member's account balance; allows members to purchase service credit with either pretax or after tax moneys; provides a postretirement adjustment of six percent of the present benefit; provides a prior service adjustment of six percent of the present benefit; provides that the Retirement Board may share retirement records as needed by an employer to validate the employer's compliance with existing state or federal laws, the Retirement and Investment Office, state or federal agencies, and interest groups approved by the board; allows the Public Employees Retirement System to administer more than one deferred compensation program; defines employee for purposes of the deferred compensation program as a person who is at least 18 years of age and employed in an approved and regularly funded position of unlimited duration for 20 hours or more per week and at least five months each year, including members of the Legislative Assembly; and repeals NDCC Section 54-52-17.9 relating to prior service retiree adjustments.

The committee amended the proposal at the request of the Retirement Board to change the purchase of service provisions from the actuarial cost to the fund of providing the credit or the amount the member received upon taking a refund of the member's account balance to the actuarial cost to the fund to provide the credit or the amount the member received upon taking a refund of the member's account balance, plus interest at the actuarial rate of return from the time the member was issued the refund.

Actuarial Analysis: The reported actuarial cost impact of the proposal, as amended, is 3.67 percent of pay for the main system, 3.02 percent of pay for the National Guard retirement system, and .16 percent of pay for the judges' system.

The actuarial cost impact of the proposal, as amended, is summarized in the following tables:

Main System					
(Amounts Shown in Millions)					
	Current Results	2% Benefit Multiplier	6% Ad-Hoc COLA	Early Retirement Reduction	Combined Changes
Actuarial accrued liability	\$879.2	\$910.6	\$897.0	\$882.7	\$932.2
Normal cost	\$34.0	\$35.5	\$34.0	\$34.1	\$35.7
Required contribution	\$9.4	\$13.1	\$10.6	\$9.8	\$14.8
As a percent of pay	2.32%	3.25%	2.63%	2.42%	3.67%

NOTE: The liability increases do not add due to the compounding of changes.

National Guard Retirement System				
	Current Results	2% Benefit Multiplier	6% Ad-Hoc COLA	Combined Plan Changes
Actuarial accrued liability	\$853,820	\$887,450	\$866,937	\$900,567
Normal cost	\$39,868	\$41,886	\$39,868	\$41,886
Required state contribution	\$7,225	\$11,590	\$8,140	\$12,505
As a percent of pay	1.74%	2.80%	1.96%	3.02%

Thus, if this bill is enacted, the remaining margin in the Public Employees Retirement System main system will be .45 percent ($1.80 - (3.67 - 2.32) = .45$), and the remaining margin in the National Guard retirement system will be 5.31 percent ($6.59 - (3.02 - 1.74) = 5.31$).

Committee Report: Favorable recommendation.

Senate Bill 2082 (LC 10071.02)

Main Retirement System Bill:

The Main Retirement System Bill does the following:

- Section 1:** This section provides that administrative penalties under the Deferred Compensation program, which are assessed and reimbursed, will go into the administrative fund of PERS.
- Section 2:**
1. Increase the multiplier from 1.89 to 2 percent (Page 2)
 2. Set the normal retirement date, for purpose of the early retirement offset, at age 65 or the age in which an individual would meet the Rule of 85. (Page 3 lines 6 & 7)
 3. Remove a portion of statute that is no longer applicable. (Page 3 lines 17-21)
 4. Clarifies the payment of benefits to the beneficiaries, contingent beneficiaries and estate. (Page 4 line 4-17)
- Section 3:** States that a member's purchase provision is the greater of the actuarial cost or the amount the member received upon taking a refund. The purpose of this section is to address any issues where someone may have the opportunity to do a cash transfer out of the DB plan and transfer both the employer and employee contribution out of PERS as a result of PEP, and then subsequently gets an opportunity to get back into the DB plan and the additional cost ends up being less than the actual amount paid out by the Defined Benefit plan. (Page 5 lines 18-28)
- Section 4:** Allows a member to purchase service on a pretax basis pursuant to rules adopted by the Board. (Page 6 lines 5-7)
- Section 5:** Provides a cost of living adjustment of 6% for prior service retirees. This adjustment is equal to the increase in the multiplier. (Page 6 lines 10-15)
- Section 6:** Provides a cost of living adjustment of 6% for the prior service retirees. (Page 6 lines 19-21)
- Section 7:** Changes the confidentiality provisions in the following ways: (Page 6 & 7)
1. Extends the confidentiality of records to participating entities as well as PERS, thereby making the Defined Contribution participation information confidential at the employer level.
 2. Clarifies that PERS is able to share information with the Retirement & Investment Office
 3. Allow PERS to share information with state or federal agencies, or participating employers for purposes of demonstrating compliance with applicable state and federal laws.
 4. Allows the Board to share mailing information with member interest groups.
- Section 8:** Clarifies that the State Deferred Compensation Plan can consist of one or more plans. (Page 7 line 28)
- Section 9:** Defines an eligible employee for the Deferred Comp Plan as a full time employee and a member of the legislative assembly. This definition then is the same as the plan document. (Page 8 lines 10-15)
- Section 10:** Repeals an old provision of the statute. (For a past prior service increase of 1993.)
- Section 11:** Clarifies that Section 4 is effective only upon approval of the IRS.

TESTIMONY
OF
SPARB COLLINS
ON
SB 2082

Mr. Chairman, members of the Committee, good morning. My name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System, or PERS.

SB 2082 relates to the main retirement system that is administered by PERS. There are approximately 16,000 active participants in this system. Most state employees participate in this system with the exception of certain employees of higher education, certain non-classified employees who elected to participate in the new Defined Contribution Plan, members of the highway patrol system and the judges' system. There are also 223 participating political subdivisions that are a part of the PERS retirement system. This includes 58 cities and park districts, 41 counties, 76 school districts and 48 other political subdivisions. Since benefits became payable under this retirement system, 5,388 retirement pensions have been awarded, of which 4,297 remained on the roles in June of 2000. In addition, benefit payments are being made to 412 beneficiaries and 170 prior service retirees. Attached, for your information is a table of those retirees and the associated benefit payments by county as well as a map showing these residents. This

bill also relates to the deferred compensation program administered by PERS. This is a supplemental retirement plan, approximately 4600 members participate in this program. Since the enactment of the Portability Enhancement Program or (PEP) by the last legislation session, participation in this program has doubled in the last two years. This bill makes several administrative clarifications and changes to this program.

Section 1 of SB 2082 relates to the deferred compensation program and provides that any penalties that are assessed against providers will be deposited in the administrative fund of PERS. These deposits would help to offset the cost of the program administration. We do note, however, that in the last several years PERS and its 457-provider community have worked very closely together. As a result of this effort, we do not anticipate any fines in the future.

Section 2 of SB 2082 increases the multiplier from 1.89% to 2% of final average salary. This section also modifies the early retirement offset to take effect at age 65 or the age at which the individual would meet the rule of 85. The increase in the multiplier will provide a career employee with 25 years of service, a retirement benefit of 50% of final average salary at their normal retirement date. Combining this with the expected social security payment of approximately 40% would mean that an average employee could retire with approximately 90% of their final average salary at retirement. Achieving this has been a goal of the PERS board for many years.

This section also clarifies the payments of benefits to beneficiaries, contingent beneficiaries and the estate, using service credit and age at the time of termination to determine when benefits could commence.

Section 3 of SB 2082 states that a member's purchase provision is the greater of the actuarial cost or the amount the member received upon taking a refund plus interest. The purpose of this section is to address any issues that could arise when someone may have the opportunity to transfer both the employee and the employer contribution out of the Defined Benefit Plan as a result of the Portability Enhancement Program (PEP) and then subsequently, gets an opportunity to buy back into the Defined Benefit Plan with the resulting actuarial cost being less than the actual amount paid by the Defined Benefit Plan. This would insure that the system would receive back either the amount it had previously paid out to the member or the actuarially required amount.

Section 4 of SB 2082 allows a member to purchase service on a pre-tax basis. By allowing pre-tax purchases it reduces the amount paid on a take home basis by the member. However section 11 of the bill clarifies that this provision would become effective only after IRS approval.

Section 5 and section 6 of SB 2082 provide a cost of living adjustment of 6% to the PERS retirees. This increase is the equivalent to the increase in the benefit multiplier and will come effective on August 1, 2001. You will note that in the attached table it indicates what this increase would mean in terms of total benefit payments for PERS.

Section 7 of SB 2082 proposes some changes in the confidentiality provisions in the following ways:

1. Extends the confidentiality of records to participating entities as well as PERS, thereby making the defined contribution participation information confidential at the employer level. This was requested by several of our members who made an election to the Defined Contribution Plan and preferred that it not be public information,
2. Clarifies that PERS is able to share information with the Retirement and Investment Office. This clarification is important since we must share information to implement the coordination of benefits provisions.
3. Allows PERS to share information with state and federal agencies, or participating employers for purposes of demonstrating compliance with applicable state or federal laws.
4. Allows the board to share mailing address information with member interest groups.

Please note that we do presently release our mailing lists to certain providers or member interest groups but on a blind list basis. How this works is the group must retain a third party. That third party must sign a contract with us agreeing to keep the list confidential. The group sends their information to the third party and we send the third party mailing labels. The third party then mails the information. The change proposed above would eliminate the third party and the cost associated with retaining that third party.

We would also request an amendment to this section relating to our procedures for a Domestic Relations Order (DRO) and the confidentiality provision. A Domestic

Relation's Order has to do with a divorce settlement. When the court and the two parties approve an order it is submitted to us. We must determine if it is qualified. To be qualified it can not require any type or form of benefit not otherwise available or to provide a benefit greater than the member has earned. Our procedure has always been that when a DRO is filed with us we review it and if it is determined not to be qualified we so indicate that to both parties and the reasons. However, our attorney has recently advised us that the confidentiality statute does not allow us to communicate to the non-members spouse/attorney the reason why a Domestic Relation's Order is not qualified. This means that we would be refusing to accept the Order and when asked why we would not be able to tell them. The only recourse for the party would be to keep trying until they find an acceptable method and we would keep denying until they find that acceptable method. Therefore, we are requesting in the attached amendment authorization for us to continue doing what we have in the past, which is when a Domestic Relations Order is unacceptable, we would not only deny but also let them know why we denied it.

Section 8 of SB 2082 relates to the deferred compensation program and clarifies that the plan can consist of one or more plans.

Section 9 of SB 2082 defines the definition of eligible employee for the deferred comp program as a full-time employee and also includes members of the legislative assembly. Part-time or temporary employees would no longer be eligible to participate in this program.

Section 10 of SB 2082 repeals an old provision in the statute.

Section 11 of SB 2082 relates to the pre-tax purchase, and as indicated previously, clarifies that the pre-tax provision would only go into effect subject to IRS approval.

The provisions of this bill will be paid from available funds in the retirement system.

The PERS actuary has reviewed the proposed bill and determined that it can be funded on an actuarially sound basis from existing contributions and will not require an increase in employer or employee contributions.

The interim Legislative Employee Benefits Committee has also reviewed this bill, the technical analysis and actuarial information and has given it a favorable recommendation.

Mr. Chairman, members of the committee, on behalf of the PERS board, I request your favorable consideration of this bill.

This concludes my testimony.

PROPOSED AMENDMENT TO HOUSE BILL NO. 2082

Page 7, after line 18 insert the following:

"8. The member's spouse or ex-spouse, that person's legal representative, and the judge presiding over the member's dissolution proceeding for purposes of aiding the parties in drafting a qualified domestic relations order pursuant to section 54-52-17.6, which information shall be limited to information necessary for drafting the order."

Renumber accordingly