

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1100

2001 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1100

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1100

House Government and Veterans Affairs Committee

☐ Conference Committee

Hearing Date 01-19-01

Tape Number	Side A	Side B	Meter #
#1	X		319-1935
Committee Clerk Signature <i>Robin L. Small</i>			

Minutes:

REP. M. KLEIN calls the meeting to order, all members are present.

In favor:

SPARB COLLINS, ND PUBLIC EMPLOYEES RETIREMENT SYSTEM

Please see attached testimony.

REP. M. KLEIN asks how many members do you have?

COLLINS replies that there are 230.

REP. M. KLEIN asks if they need adjustment to make it more workable?

COLLINS replies that they need to clarify the program.

REP. KASPER asks for a definition of non-classified and classified employees.

COLLINS explains the difference.

REP. GRANDE states the clarification to the statement at hand.

REP. HUNSKOR asks for a definition of this plan.

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House Government and Veterans Affairs Committee

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COLLINS states that the new retirement plan is the increase of 8.12% of their salary.

REP. METCALF asks about disability insurance.

COLLINS states that is set up outside the retirement plan.

REP. METCALF asks would that be a benefit for the individual?

COLLINS replies that he does not know.

REP. KROEBER asks what was the beginning amount of money in the account to start with?

COLLINS replies that it was roughly \$8,000,000.00.

REP. GRANDE makes a point of interest to the committee. They reviewed them over the interim, so they don't effect one plan over the other. There was a 5-0 recommendation in their committee. She also agrees with these amendments.

Hearing Closed.

REP. DEVLIN moves to accept the amendments, seconded by REP. GRANDE. A voice vote roll call was taken, with a 15-0. Motion carries.

REP. DEVLIN motions for a DO PASS AS AMENDED, seconded by REP. KASPER. The motion carries 15-0. The carrier of the bill is REP. MEIER.

HB 1100 DO PASS AS AMENDED 15-0

CARRIER: REP. MEIER

## FISCAL NOTE

Requested by Legislative Council  
12/20/2000

Bill/Resolution No.: HB 1100

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						
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 to your analysis.*

This bill will have no fiscal impact.

**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.*

**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.*

**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:	North Dakota Public Employees Retirement System
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Phone Number: 323-3901

Date Prepared: 12/26/2000

PROPOSED AMENDMENT TO HOUSE BILL NO. 1100

Page 3, line 23, replace "employee" with "member"

Renumber accordingly

10072.0401  
Title.0500

Adopted by the Government and Veterans  
Affairs Committee  
January 19, 2001

VR  
1/19/01

HOUSE AMENDMENTS TO HB 1100      HOUSE GVA 1/19/01  
Page 3, line 23, replace "an employee" with "a member"

Renumber accordingly



Date: Jan. 19<sup>th</sup>, 2001  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1100

House GOVERNMENT AND VETERANS AFFAIRS Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken accept the amendment

Motion Made By Devlin Seconded By Grande

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: Jan. 19<sup>th</sup>, 2001  
Roll Call Vote #: 2

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1100

House GOVERNMENT AND VETERANS AFFAIRS Committee

- ☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken No Pass As Amended

Motion Made By Devlin Seconded By Kasper

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 \_\_\_\_\_

Floor Assignment Rep. Meier

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

**REPORT OF STANDING COMMITTEE (410)**  
January 19, 2001 12:48 p.m.

Module No: HR-09-1295  
Carrier: Meler  
Insert LC: 10072.0401 Title: .0500

**REPORT OF STANDING COMMITTEE**

**HB 1100: 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). HB 1100 was placed  
on the Sixth order on the calendar.

Page 3, line 23, replace "an employee" with "a member"

Renumber accordingly

2001 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1100

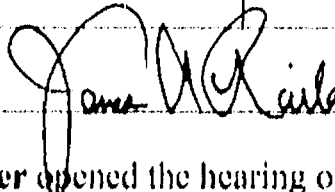
# 2001 SENATE STANDING COMMITTEE MINUTES

## BILL/RESOLUTION NO. HB 1100

Senate Government and Veterans Affairs Committee

☐ Conference Committee

Hearing Date March 8, 2001

Tape Number		Side A	Side B	Minutes
	1	X		29.3-41.5
March 15, 2001	2		X	5.9-10.0
Committee Clerk Signature				

Minutes: **Vice-Chairman Dever** opened the hearing on HB 1100 which relates to acceptance of rollover contributions under the defined contribution retirement plan, relating to participation, calculation of interest on transferred amounts, distribution options, and disability benefits under the defined contribution retirement plan. **Sparb Collins**, executive director of PERS testified before the committee. A copy of his written testimony is attached. **Senator Kilzer** inquired about some dates that are in the bill. **Howard Snortland** representing the association of former public employees. Our association believes in the old saying if it ain't broke don't fix it. We believe that every precaution should be taken to protect the people who are deciding to make the change to the defined contribution system. They should have time especially with an erratic stock market they should have time to really consider what they are doing. Having a disability provision is important. **Senator T. Mathern** indicated that Mr. Snortland's testimony seems contrary to what Mr. Collins has said. **Sparb Collins** indicated that in this bill the disability insurance would not be provided. There was no further testimony in support of, in neutral

Page 2

Senate Government and Veterans Affairs Committee

Bill/Resolution Number HB 1100

Hearing Date March 8, 2001

position on, in opposition to HB 1100. **Chairman Krebsbach** closed the hearing on HB 1100 at this time. **March 15, 2001** A motion for a Do Pass on HB 1100 was made by **Senator T. Mathern**, seconded by **Senator C. Nelson**. Roll Call vote indicated 6 Yeas, 0 Nays, and 0 Absent or Not Voting. **Senator T. Mathern** will carry the bill.

Date: 3/15/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1100 (Engrossed)

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

☐ Subcommittee on \_\_\_\_\_

**or**

☐ Conference Committee

**Legislative Council Amendment Number**

Action Taken Do Pass

Motion Made By Sen. J. Mathern Seconded By Sen. C. Nelson

[illegible]

Total (Yes) 6 No 0

Absent \_\_\_\_\_

Floor Assignment Sen. T. Mather

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

**REPORT OF STANDING COMMITTEE (410)**  
March 15, 2001 4:49 p.m.

**Module No: SR-45-5774**  
**Carrier: T. Mathern**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1100, as engrossed: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1100 was placed on the Fourteenth order on the calendar.**



2001 TESTIMONY

HB 1100

**REPORT OF THE LEGISLATIVE COUNCIL'S  
EMPLOYEE BENEFITS PROGRAMS COMMITTEE  
BILL NO. 1100**

**Sponsor:** Retirement Board

**Proposal:** Provides that eligible employees may elect to participate in the defined contribution retirement plan on the date the employee is first notified of eligibility as well as at any time during the first six months after the date of employment, whichever is later; provides that deferred members who are reemployed have six months after the date of reemployment or the date the employee is first notified of eligibility, whichever is later, rather than 60 days, to elect to participate in the defined contribution retirement plan; provides that participants who become employed by a political subdivision that participates in the Public Employees Retirement System must remain in the defined contribution retirement plan, but participants who become employees of the judicial branch, the State Board of Higher Education, a state institution under the jurisdiction of the State Board of Higher Education, Highway Patrol, or in a position subject to Teachers' Fund for Retirement membership must become a new member of the retirement plan for which that member's new position is eligible; allows participating members to roll over funds from other qualified plans into the member's account; allows distribution of the participating member's vested account balance if the board determines the participating member has become totally and permanently disabled.

The committee amended the proposal at the request of the Retirement Board to change the election provisions to allow the board, in its sole discretion, to determine whether an employee was adequately notified of the employee's option to participate in the defined contribution retirement plan, and if not, to provide the employee a reasonable time within which to make the election, which may extend beyond the original six-month election window; revise participation requirements to provide that if an employee elected to participate in the defined contribution retirement plan but becomes employed by a political subdivision, that employee continues to participate in the defined contribution retirement plan and to clarify that an employee who moved from a nonclassified position in which the employee selected the defined contribution retirement plan to the Supreme Court or State Board of Higher Education, the employee would maintain the employee's membership in the defined contribution retirement plan rather than being required to switch to the defined benefit plan; and add a provision to allow direct rollovers from other Internal Revenue Code Section 401 plans.

**Actuarial Analysis:** The actuarial consultant reported that the bill would have no actuarial cost impact on the Public Employees Retirement System.

**Committee Report:** Favorable recommendation.

**TESTIMONY**  
**OF**  
**SPARB COLLINS**  
**ON**  
**HB 1100**

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

The bill before you today, HB 1100, relates to the new defined contribution retirement system that was passed by the last legislature for non-classified state employees. This bill provides for several miscellaneous adjustments and clarifications to that system that have been highlighted as a result of the first year of operation.

Section 1 of HB 1100 provides for three additions to the defined contribution statute. The first addition relates to the election period in which a new member may decide to join the Defined Contribution System. The original legislation provided for a 6-month opportunity for the selection. We are proposing that the PERS Board have the authority to extend this election period if it determines a member is not given reasonable notice of the opportunity to make this election. Our concern is that at some point a member may inadvertently not get the information about their opportunity to join the Defined Contribution System. By adding this provision it would allow the board to provide this person an opportunity, should they for one reason or another, not be adequately informed

of the election opportunity. By not having this provision, if an employee were inadvertently missed, their opportunity would be lost. Therefore, this provision is proposed. Second, section one currently contains language that if an eligible employee elects to join the Defined Contribution System and later becomes employed by a political subdivision that they would be required to rejoin the Defined Benefit Plan. The concern is that by having the provision as it is in present statute, the continuity of their retirement plan is not maintained. The new language provides for continued participation in the Defined Contribution Plan. By making this change the continuity of the retirement plan selection would be maintained for the member. Third, also this section goes on to clarify what happens if a defined contribution plan member begins employment in another plan such as the Teachers Fund for Retirement (TFFR) or TIAA-CREF. It states that should they become eligible for employment under one of these alternative retirement plans, they must join that plan, although once they return to eligible employment underneath PERS they would rejoin the defined contribution plan.

We would also request a clarifying amendment on page 3 line 23 by replacing the word "employee" with "member". This change is to clarify that this applies to members of the Highway Patrol Retirement Plan only. Some employees of the Highway Patrol are members of the PERS Plan and some are members of the Highway Patrol Retirement Plan. Therefore, this clarification is proposed.

Section 2 of HB 1100 clarifies that compound interest is used in calculating the employer and employee contribution. Compound interest was used in the calculation of the original transfer amounts.

Section 3 of HB 1100 provides an additional benefit opportunity to the Defined Contribution System, which is allowing members to rollover funds from other qualified plans into the PERS DC plan. For example, if a member came from an employer where they had been participating in a Defined Contribution System for 5 years, and then become employed by the State of North Dakota and choose to participate in our Defined Contribution System, they could choose to rollover the amount from their previous employer into the State's Defined Contribution System and consolidate all their retirement funds into one account.

Section 4 of HB 1100 allows the PERS Board to issue automatic refunds from the Defined Contribution Plan for accounts with less than \$5000. This provision will help to insure that in the long term PERS and its record keeper will not be maintaining numerous small accounts.

Section 5 of HB 1100 clarifies the disability benefit provided for non-classified employees in the Defined Contribution Plan. The original legislation indicated that PERS should provide employees an opportunity to decide whether or not they wanted a disability benefit on a pre-tax basis as part of the Defined Contribution Plan. Since it was optional, the IRS would construe this as constructive receipt, which would put the plan

tax deferred status in jeopardy. Consequently, we could not allow the individuals an election opportunity, leaving the board only two alternatives. One was to require all members to have disability insurance and the second was to not offer disability insurance. Since there was not clear legislative guidance on this issue, the board elected not to offer disability insurance as a mandatory provision of the program. It was also noted that the non-classified employees average salary was over \$40,000 a year and that it was possible that many of these employees may already carry disability insurance of their own. The change in section 5 merely reflects the decision and states that the disability benefit is limited to the members account balance only.

This bill was reviewed by the PERS actuary and was determined that its provisions would not have an actuarial or financial effect on the defined contribution plan.

The interim legislative employee benefit committee has also reviewed this bill and gave 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.

**TESTIMONY**  
**OF**  
**SPARB COLLINS**  
**ON**  
**ENGROSSED HB 1100**

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

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change in section 5 merely reflects the decision and states that the disability benefit is limited to the members account balance only.

This bill was reviewed by the PERS actuary and was determined that its provisions would not have an actuarial or financial effect on the defined contribution plan.

The interim legislative employee benefit committee has also reviewed this bill and gave it a favorable recommendation.

Madame Chair, members of the committee, on behalf of the PERS Board, I request your favorable consideration of this bill.

This concludes my testimony.