

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2084

2001 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2084

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2084

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date January 19, 2001

Tape Number	Side A	Side B	Meter #
1	X		36.1-End
1		X	0.0-11.9
1		X	12.5-13.4
Committee Clerk Signature <i>James A. Kail</i>			

Minutes: Chairman Krebsbach called the committee back to order and opened the hearing on SB 2084 which relates to computation of benefits, post retirement adjustments, and beneficiaries under the highway patrolmen's retirement system; and to provide an effective date. Appearing before the committee was Deb Knudsen Manager of Benefits Planning and Research with PERS, who presented testimony in behalf of Sparb Collins, Executive Director of PERS. A copy of Mr. Collins written testimony is attached. Senator T. Mathern Are the five options under section 1 of this bill available to the other public employees in the other PERS program? Ms. Knudsen indicated they are. Actually steps have been taken to make this purchase provision more available. Chairman Krebsbach indicated that this brings the highway patrol system to 90% with 25 years of service. Say someone starts at the age of 25 with the patrol and age 50 they would have 90% of their final salary, is this correct? Ms. Knudsen, assuming they've got the rule of 80 they would be able to leave with full benefits. The rule of 80 still applies. They would be able to leave but with a reduction of benefits because of the rule of 80. Senator Dever

inquired about social security and it's affect on other retirees in the other PERS program. In the main system if an employee retires at age 55 then they 64% instead of 90%. Ms. Knudsen indicated that they would receive a 60% reduction in their benefits if they had not reached the rule of 80. Appearing before the committee in support of SB 2084 was Colonel Jim Hughes, Superintendent of the North Dakota Highway Patrol. He indicated in his testimony that he stands in support of SB 2084. The ND Highway Patrol has a pay and benefits committee and they have reviewed the bill and recommend it's favorable passage. He then proceeded to talk to the committee about the North Dakota Highway Patrol including the areas of recruitment, retention, and retirement. Chairman Krebsbach inquired if the patrol had any difficulty filling positions. Colonel Hughes indicated they have no difficulty. Senator C. Nelson asked Colonel Hughes to describe how young people become patrolmen. Colonel Hughes explained the process to the committee. Senator Kilzer inquired about immunizations for members of the highway patrol. Colonel Hughes indicated that there are all kinds of opportunities for vaccinations for employees of the patrol. No one is forced to take them, however they are all offered the opportunity to take them. Other questions were offered by Senators Dever, T. Mathern, and C. Nelson. The fiscal note on the bill was read to the committee. There was nothing further on the bill. Chairman Krebsbach closed the hearing on SB 2084. A motion for a Do Pass on SB 2084 was made by Senator T. Mathern, seconded by Senator Dever. Roll Call Vote indicated 6 Yeas, 0 Nays, and 0 Absent or Not Voting. Senator T. Mathern will carry the bill.

FISCAL NOTE
 Requested by Legislative Council
 12/14/2000

Bill/Resolution No.: SB 2084

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			\$7,600		\$7,600	
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.*

Additional 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 employer or employee 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

REPORT OF STANDING COMMITTEE (410)
January 19, 2001 12:36 p.m.

Module No: SR-09-1291
Carrier: T. Matherr.
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2084: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman)
recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2084
was placed on the Eleventh order on the calendar.

2001 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2084

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2084

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 3/08/01

Tape Number	Side A	Side B	Meter #
2	X		0-1358
3/09/01 (1)	X		3176-3674
Committee Clerk Signature <i>Robin L. Small</i>			

Minutes:

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

In favor:

SPARB COLLINS, EXECUTIVE DIRECTOR NORTH DAKOTA PERS

Please see testimony.

REP. M. KLEIN asks about being a contributor. COLLINS replies that one can not receive credit for this twice. REP. M. KLEIN asks what line 24 means.

In favor:

COLONEL JAMES HUGHES, SUPERINTENDENT OF THE NORTH DAKOTA HIGHWAY PATROL

HUGHES is in support of this bill. States that one officer is receiving disability right now. 62% of the officers on the force right now have bachelor degrees. Only one officer left the department in the year 2000. Fifty two officers were hired since 1995.

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House Government and Veterans Affairs Committee
Bill/Resolution Number SB 2084
Hearing Date 3/08/01

REP. M. KLEIN asks how does this retirement rate with other states? HUGHES replies that they are the envy of many other states in respect to the retirement plan that North Dakota has.

REP. M. KLEIN asks what contribution the state makes. HUGHES replies that it is 16.7% .

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

Action was taken on March 9th, 2001. REP. GRANDE motioned for a DO PASS, seconded by

REP. KASPER. The roll call was taken with 15 YES, 0 NO and 0 ABSENT AND NOT VOTING. The motion carries. The CARRIER of the bill is REP. KASPER.

SB 2084: DO PASS 15-0

CARRIER: REP. KASPER

Date: 3/9/01

Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2084

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Grande 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. Kasper

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

REPORT OF STANDING COMMITTEE (410)
March 9, 2001 11:01 a.m.

Module No: HR-41-5194
Carrier: Kasper
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2084: Government and Veterans Affairs Committee (Rep. M. Klein, Chairman)
recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2084
was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

SB 2084

**REPORT OF THE LEGISLATIVE COUNCIL'S
EMPLOYEE BENEFITS PROGRAMS COMMITTEE
SENATE BILL NO. 2084**

Sponsor: Retirement Board

Proposal: Allows contributors to the Highway Patrolmen's retirement system to purchase additional service credit from rollovers from other qualified plans, purchase additional credit for up to four years of active employment in the armed forces of the United States, purchase credit for employer-approved leaves of absence, and purchase additional years of service credit to enable the contributor to qualify for normal retirement; increases the benefit multiplier from 3.40 to 3.60 percent of final average salary for the first 25 years of service; provides a postretirement increase in the benefit multiplier from 3.40 to 3.60 percent of final average salary; provides an increase for individuals receiving disability retirement benefits of six percent of the individual's present benefits; provides for the determination of beneficiaries under the Highway Patrolmen's retirement system; allows members of the Highway Patrolmen's retirement system to purchase service credit with either pretax or after tax moneys.

The committee amended the bill at the request of the Retirement Board to clarify that the purchase of service credit applies to both normal benefits and additional benefits.

Actuarial Analysis: The reported actuarial cost impact of the proposal is 3.98 percent of payroll. The statutory contribution rate is 16.70 percent of payroll, and the cost of the current plan is 9.18 percent of payroll. Thus, if the proposal is enacted, the remaining margin of the Highway Patrolmen's retirement system will be 3.54 percent ($16.70 - 9.18 = 7.52$; $7.52 - 3.98 = 3.54$).

The actuarial cost impact of the proposal is summarized in the following table:

	Current Results	Combined Changes	Benefit Multiplier	6% Ad-Hoc COLA
Actuarial accrued liability	\$34,034,236	\$35,928,926	\$35,004,632	\$34,958,530
Normal cost	\$1,019,503	\$1,072,219	\$1,072,219	\$1,019,503
Required contribution	\$427,514	\$612,461	\$547,954	\$492,021
As a percent of pay	9.18%	13.16%	11.77%	10.57%

Committee Report: Favorable recommendation.

TESTIMONY
OF
SPARB COLLINS
ON
SB 2084

Madame 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 2084 relates to the Highway Patrol Retirement System administered by the Public Employees Retirement System. This retirement system covers highway patrol officers. As of June 30, 2000 there were 122 active members. The average age of these members is 38 years with 12.5 average years of service. In addition, there are 59 pensioners and 21 surviving spouses receiving benefits. For the year ending June 30, 2000 this retirement system paid out \$1,629,020 in retirement benefits.

Section 1 of the bill provides for the purchase of additional service credit in a manner similar to that in the main retirement system and provides for the following:

1. That the highway patrol fund can accept rollovers from other qualified plans.
2. That highway patrol members may purchase additional service credit for certain active time served in the armed forces.
3. That a member may purchase credit for an approved leave of absence.

4. That a vested member may purchase additional time to qualify for the normal retirement date.
5. That the purchase amount shall be done in an amount equal to the actuarial cost to the fund for providing the additional credit.

Section 2 of the bill increases the multiplier for this retirement system from 3.4% to 3.6%. This section also provides for an equivalent increase of approximately 6% to retirees of the system, including disability retirees. This proposed increase in the multiplier is consistent with the PERS Board's goal to provide a benefit of 90% of final average salary for a member of the highway patrol retirement system with 25 years of service. This is the same goal that the board has for all the retirement systems it administers. Under present law a member would receive approximately 85% of final average salary upon retirement. Should the increase in this bill pass, a member with 25 years of service would receive 90% of their final average salary. Please note that officers in the highway patrol are not covered by social security and, therefore, this retirement system is their primary retirement benefit.

Section 3 of the bill clarifies the statutory language relating to payment of benefits to beneficiaries, contingent beneficiaries, and the member's estate.

Section 4 of the bill allows members of the highway patrol retirement system to purchase additional service on a pre-tax basis. By allowing pre-tax purchases it reduces the effect on a members take home salary.

Section 5 of the bill specifies that the PERS Board must receive a letter ruling from the IRS before section 4 of the bill can take effect to insure that these purchases can be done on a pre-tax basis and still maintain the qualified status of this system.

Our actuary has determined that the enhancements provided in this bill can be paid for by available funds within the Highway Patrol Retirement System. The actuary has also determined that this can be done on an actuarially sound basis with no increase required in the employer or employee contribution.

The interim Legislative Employee Benefits Committee reviewed this bill and the actuarial analysis. After studying the bill and the actuarial information the committee gave this bill a favorable recommendation.

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

This concludes my testimony.