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Valosta Rickford
Operator's Signature

10/2/03
Date

2003 HOUSE GOVERNMENT AND VETERANS AFFAIRS
HB 1064

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10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1064

House Government and Veterans Affairs Committee

☐ Conference Committee

Hearing Date 1-23-03

Tape Number	Side A	Side B	Meter #
1	x		0-6.2
1		x	50.8-56.5
Committee Clerk Signature <i>Jody Bink</i>			

Minutes: Chairman Klein: called the hearing to order on HB 1064. All committee members present.

Wayne Kindem, Job Service North Dakota: gave a report in favor of the bill (SEE ATTACHED TESTIMONY).

Sparb Collins, Public Employees Retirement System: appeared in support of this bill and asked for a few amendments to the bill. (SEE ATTACHED TESTIMONY). He also stated that they did not request additional appropriations.

Representative Sitte: Moved to AMEND HB 1064 as presented by written testimony.

Representative Grande: SECOND the AMENDMENT to HB 1064. All in favor.

Representative Kasper: moved to **DO PASS AS AMENDED**

Representative Sitte: SECOND the motion.

VOTE 14 YES 0 NO Motion PASSED.

Representative Kasper: will carry bill to the floor. Meeting adjourned.

FISCAL NOTE
Requested by Legislative Council
01/27/2003

Amendment to: HB 1064

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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

There should be no net fiscal change as a result of transferring the administrative responsibility for the Job Service Retirement Plan from Job Service North Dakota to the Public Employees Retirement System Board.

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:	Wayne Kindem	Agency:	Job Service
Phone Number:	328-3033	Date Prepared:	01/28/2003

FISCAL NOTE
Requested by Legislative Council
01/03/2003

Bill/Resolution No.: HB 1064

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.

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Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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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:	Wayne Kindem	Agency:	Job Service
Phone Number:	328-3033	Date Prepared:	01/07/2003

Halston Rickford
Operator's Signature

10/2/03
Date

30060.0201
Title.0300

Adopted by the Government and Veterans
Affairs Committee
January 23, 2003

VK
1/23/03

HOUSE AMENDMENTS TO HOUSE BILL NO. 1064

GVA 1-24-03

Page 1, line 4, remove "; and to provide for implementation of this Act"

Page 1, line 22, after the period insert "The public employees retirement system board shall fund the administrative expenses of administering that retirement plan from the funds in that plan."

HOUSE AMENDMENTS TO HB 1064

GVA 1-24-03

Page 2, remove lines 8 and 9

Renumber accordingly

Page No. 1

30060.0201

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Operator signature

Costa Rickford

10/2/03
Date

Date: 1-23-03
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1064

House GOVERNMENT AND VETERANS AFFAIRS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Move to amend as presented by written testimony

Motion Made By Rep. Sitte Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman M.M. Klein	X		B. Amerman	X	
Vice Chairman B.B. Grande	X		L. Potter	X	
W.R. Devlin	X		C. Williams	X	
C.B. Haas	X		L. Winrich	X	
J. Kasper	X				
L.R. Klemin	X				
L. Meier	X				
M. Sitte	X				
W.W. Tieman	X				
R.H. Wikenheiser	X				

Total (Yes) 14 No 0

Absent 0

Floor Assignment _____

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

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Yolanda Rickford
Operator's Signature

10/2/03
Date

Date: 1-23-03
Roll Call Vote #: 1-23-03

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1064

House GOVERNMENT AND VETERANS AFFAIRS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP as amended

Motion Made By Rep. Kasper Seconded By Rep. Sitte

Representatives	Yes	No	Representatives	Yes	No
Chairman M.M. Klein	X		B. Amerman	X	
Vice Chairman B.B. Grande	X		L. Potter	X	
W.R. Devlin	X		C. Williams	X	
C.B. Haas	X		L. Winrich	X	
J. Kasper	X				
L.R. Klemin	X				
L. Meier	X				
M. Sitte	X				
W.W. Tieman	X				
R.H. Wikenheiser	X				

Total (Yes) 14 No 0

Absent _____

Floor Assignment Rep Kasper

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

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Yolanda Rickford
Operator's Signature

10/2/03
Date

REPORT OF STANDING COMMITTEE (410)
January 24, 2003 12:41 p.m.

Module No: HR-14-1051
Carrier: Kasper
Insert LC: 30060.0201 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1064: Government and Veterans Affairs Committee (Rep. M. Klein, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1064 was placed on the Sixth order on the calendar.

Page 1, line 4, remove "; and to provide for implementation of this Act"

Page 1, line 22, after the period insert "The public employees retirement system board shall fund the administrative expenses of administering that retirement plan from the funds in that plan."

Page 2, remove lines 8 and 9

Renumber accordingly

2003 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1064

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Yolanda Rickford
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10/2/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1064

Senate Government and Veterans Affairs Committee

☐ **Conference Committee**

Hearing Date 02/28/03

Tape Number	Side A	Side B	Meter #
Tape 1	x		1522-3900
Committee Clerk Signature <i>[Signature]</i>			

Minutes:

Senator Karen Krebsbach, Chairman opens HB 1064. All senators present.

Wayne Kindem, Director of Administrative Services for Job Service ND. (Testimony attached)

Senator Krebsbach : This plan has been administered by your department and funding has come from where?

Kindem: The funding over the years has come from our federal operating grants.

Senator Brown: Why haven't you gone to PERS before?

Kindem: We actually began thinking about this in the early 90's. At that time the plan was not fully funded. We felt that we wanted to wait until it was set and fully funded so it wasn't misconstrued.

Senator Krebsbach : The active participants at this time are they continuing to be funded through this program or are they transferred to the PERS?

Page 2

Senate Government and Veterans Affairs Committee

Bill/Resolution Number HB 1064

Hearing Date 02/28/03

Kindem: New hires since 1980 are under PERS. This employees that were hired prior to 1980 are under the old plan.

Senator Krebsbach : The funding for this will still come from federal dollars?

Kindem: Yes

Senator Wardner: The Employees Benefit committee, did you every come before them?

Kindem: The plan has not any enhancements since its freezing in 1980.

Senator Nelson: What is the benefit plan?

Kindem: There is a escalator clause, in the 70's the dept. of labor recognized our plan where now they negotiated with us.

Senator Nelson : Do they have the rule of 80 or how do they figure out what their pension is going to be?

Kindem: The plan has a formula. It is not quite as flexible as PERS.

Senator Krebsbach : Job Service is looking to levitate themselves of this and give it to a entity that can handle this.

Kindem: Yes, and we feel PERS is the best place for us.

Senator Krebsbach : Who cuts the checks for the retirees at this time?

Kindem: There are two types of benefits, before 1993 it was through the travelers insurance company. Since 93 we have contracted with PERS.

Sparbs Collins: PERS: we would be willing to assume responsibility for this program

Senator Krebsbach : You are equipped to take on this amount for?

Collins: Yes

Senator Brown: What is the level of investment that PERS is under.

Page 3

Senate Government and Veterans Affairs Committee

Bill/Resolution Number HB 1064

Hearing Date 02/28/03

Collins: It varies, I think it is still over a billion dollars.

Closed HB 1064

Senator Nelson moves for a Do Pass

Senator Wardner 2nd

6 Yes 0 No

carrier: Senator Wardner

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Operator's Signature

Salosta Rickford

Date

10/2/03

Date: 2/28/03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1064

Senate Government and Veteran Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO Pass

Motion Made By Nelson Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Karen Krebsbach, Chr.	✓		Senator April Fairfield	✓	
Senator Dick Dever, Vice Chr.	✓		Senator Carolyn Nelson	✓	
Senator Richard Brown	✓				
Senator Rich Wardner	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Wardner

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

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Yolanda Rickford
Operator's Signature

10/2/03
Date

REPORT OF STANDING COMMITTEE (410)
February 28, 2003 11:30 a.m.

Module No: SR-36-3647
Carrier: Wardner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE
HB 1064, as engrossed: Government and Veterans Affairs Committee (Sen. Krebebach, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1064 was placed on the Fourteenth order on the calendar.

(2) DESK, (3) COMM

Page No. 1

SR-36-3647

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10/2/03
Date

2003 TESTIMONY

HB 1064

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10/2/03
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**REPORT OF THE LEGISLATIVE COUNCIL'S
EMPLOYEE BENEFITS PROGRAMS COMMITTEE
HOUSE BILL NO. 1064**

Sponsor: Job Service North Dakota

Proposal: Transfers administration of the retirement plan established in 1981 and frozen to new entrants in 1980 or employees of Job Service North Dakota under NDCC Chapter 52-11 from Job Service North Dakota to the PERS Board.

The committee amended the bill at the request of the Retirement Board to add a full-time equivalent (FTE) position to the Public Employees Retirement System to administer the bill's provisions.

Actuarial Analysis: The consulting actuary reported that the proposal would not have an actuarial impact on the Public Employees Retirement System main system.

Committee Report: Favorable recommendation.

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10/2/03
Date

1st testimony

Committee on Government and Veterans Affairs
Testimony on House Bill 1064
Presented by Wayne Kindem, Job Service North Dakota
January 23, 2003

A Chairman Klein and members of the committee my name is Wayne Kindem, Director of Administrative Services for Job Service North Dakota. I am here to testify in support of House Bill 1064.

House Bill 1064 transfers administration authority for the Job Service Retirement Plan (Plan) from Job Service North Dakota to the Public Employees Retirement System (PERS) Board.

A A goal of the Job Service Retirement Plan is to ensure the long-term timely and professional administration of the Plan. Job Services mission is to provide customer focused services to meet the current and emerging workforce needs of the state. We are not in the business of providing or administering employee benefit programs. Thus, it is a significant challenge to maintain the capacity and expertise to administer a retirement program. The PERS Board and the System staff have the expertise in retirement plan administration to meet our long-term goal. The primary mission of the PERS Board and system staff is to administer public employee benefit programs and as such maintains the expertise and capacity to provide effective administration of the Job Service North Dakota Retirement Plan.

Attached to my testimony is information that provides background about the Job Service Retirement Plan. I will not go through that information in detail but would like to highlight a few points about our plan and HB 1064 that I believe are relevant to your review of this legislation.

A First, the Job Service Plan would retain its separate identity. The Job Service Plan would remain an independent separately funded plan.

A Second, the Plan is in solid financial condition. As of the last actuarial valuation, July 1, 2002, the market value of plan assets were \$65.2 million with projected liabilities of \$59.9 million for a positive margin of over \$5 million or 9%.

A Third, the Plan is relatively small in numbers of participants, 81 active and inactive vested, 87 pensioners paid from plan assets and 122 pensioners who have annuities purchased from the Travelers for whom the Plan pays the COLA adjustments from 1993. The Plan was frozen to new entrants in 1980 so there are no new entrants to the Plan and the remaining current active participants will be retiring over the next 10 plus years.

A Fourth, the Plan has current investment guidelines (updated in July 2002) and uses the State Investment Board as its investment manager.

A Finally, the PERS Board has reviewed this proposal and has given its formal support to transferring the administration of the Job Service Retirement Plan to the Board. Also, the Legislative Council's Employee Benefits Programs Committee considered this transfer and gave its favorable recommendation.

In summary, the Plan is in excellent financial condition, it will remain a separately funded independent plan, but wishes to have the PERS Board expertise to administer the Plan for the long term.

JOB SERVICE RETIREMENT PLAN BACKGROUND

History, Current Operations, and Demographics

The Plan was established (NDCC Ch. 52-11) in 1960 at the encouragement of the United States Department of Labor (USDOL) since North Dakota did not have a retirement plan for public employees at that time. Job Service and the USDOL agreed in 1980 to enhancing plan benefits and freezing the Plan to new entrants as of October 1, 1980 in part because by 1980 North Dakota had established a statewide public employees retirement program. Since October 1, 1980 all new hires at Job Service are participants in the NDPERS.

Until October 1, 1993 the Plan maintained a deposit administration fund with the Travelers and annuities were purchased for retirees from the Travelers. In October 1993 the Plan selected The North Dakota Investment Board to be the Plan investment manager. Retirees, after October 1, 1993, are paid their benefit from plan assets on a monthly basis. The Plan contracts with the Public Employees Retirement System to make the monthly payments. Annual cost-of-living adjustments, after October 1, 1993, are paid from Plan assets for all Plan pensioners, including annuitants with the Travelers.

The Plan has an annual actuarial valuation, which is currently being performed by the Segal Co. The Plan, also, has a periodic asset-liability study to determine the optimal asset allocation to meet forecasted liabilities, review the Plan 'Investment Guidelines and Objectives', and make recommendations for changes to investment strategy, asset allocation and performance criteria. The most recent asset-liability study was completed in July 2002 and was used to update the Plan asset allocation.

The Plan Actuarial Valuation at July 1, 2002 shows 76 active participants, 5 inactive vested participants and 87 pensioners and beneficiaries. There are also 122 pensioners receiving payments from annuities purchased from the Travelers.

Funding Status ★

The Plan is fully funded. According to the most recent Actuarial Valuation (7-1-02) the actuarial value of assets is \$67,580,067 (market value is \$65,178,175) compared to \$59,851,477 actuarial present value of benefits. The financial status of the Plan is further strengthened by the USDOL commitment to resume amortizing the balance of the Plans' 'initial frozen unfunded liability' (IFUL) if the Plan were to go into an under funded status. Currently, the value of the unamortized IFUL is approximately \$12 million. The commitment of USDOL for the UFIL is included in the 'Compromise Agreement' between USDOL and Job Service North Dakota. The Plan could also trigger an employer normal cost contribution to Plan assets if the Plan were to enter an under funded status in the future.

Currently the Plan does not have an employer contribution for normal cost. Job service, as the employer, does contribute 4% of the active participants salary as a contribution 'on behalf of the employee' and the active participant pays 3% of their salary into plan assets.

Committee on Government and Veterans Affairs
Testimony on House Bill 1064
Presented by Wayne Kindem, Job Service North Dakota
February 28, 2003

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10/2/03
Date