

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

1023

2005 HOUSE APPROPRIATIONS

HB 1023

Mr. Merl Paaverud and Robert Schlobohm spoke for the State Historical Society. (handout #3-14, attached) (meter Tape #3, Side A, #46.8). Mr. Schlobohm discussed variances described in handout and noted that their only carry over authority was in capital assets within Lewis and Clark. The decrease is due to the fact that the project is complete. Mr.. Paaverud noted that services were needed throughout the state and that funding is being sought for FTE positions.

Mr. Wayne Stenehjem Attorney General, distributed handout # 3-15 and discussed the 7 variances listed on page 2. (meter Tape #3, side B, #3.8) While discussing these, it was determined that the figures in the handout were in the wrong columns and would be corrected for the committee. (corrected version of handout is attached). Discussion ensued regarding "off Budget" positions in budgets and information was requested from Legislative Council concerning all agencies with off budget employees and whether or not these funds were included in the budgets and where.

Ms Teresa Larson spoke for Protection and Advocacy. (handout #3-16, attached) (meter Tape #3, side B, #15.5) Ms Larson read her written testimony and explained that this is the first time they have ever seen a decrease in federal dollars (mental Health Grant) which means an increase in operating expenses. Ms Larson continued by explaining their performance measurements listed on page 4 of handout.

Mr. Paul Shadwall from the Game and Fish Department reviewed the 8 variances listed on distributed handout #3-17 (attached). (meter Tape #3, side B, #33.2)

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[**Mr. Sparb Collins** from Public Employee Retirement System Distributed and reviewed handout #3-18 (attached). (meter Tape #3, side B, #44.7) Mr. Collins explained that the increase in Health Insurance is found in each agency's salary line and that the \$3000,000 increase is all

→

General Discussion

Page 6

January 6, 2005

House Appropriations Full Committee

under special funds. Mr. Collins explained that the contingency line has never been accessed but it is there for things like having to fulfill federal requirements that may come up.

Mr. Steve Cochrane from Retirement and Investment Office reviewed the distributed handout # 3-19 (attached). (meter Tape #4, side A, #2).

Rep. Ken Svedjan, Chairman asked for any further testimony. Seeing none, meeting was adjourned. (Meter Tape #4, side A, #3.0)

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1023

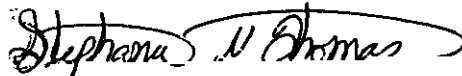
House Government Performance Division

☐ Conference Committee

Hearing Date January 13, 2005

Tape Number	Side A	Side B	Meter #
2	X		1886-End
		X	1-1582

Committee Clerk Signature



Minutes: **Chair Carlson** opened the hearing for HB1023, a bill for an appropriation for defraying the expenses of various state retirement and investment agencies.

Sparb Collins, Executive Director of the North Dakota Public Employees Retirement System. (SEE WRITTEN TESTIMONY)

Rep. Monson: What rate do the political subs pay for their insurance plan?

Sparb: The state has a flat rate right now. Political subdivisions rate is a single and family rate.

Rep. Monson: Do retired Legislators fall into the retired rate plan?

Sparb: There's a special provision in the statute for Legislators. It allows retired Legislators to continue on the plan.

Rep. Monson: All these other political subs, like schools and retired county commissioners, can they get all the other benefits that you've got, like the dental insurance, vision, use of flex plan, long term care. Is that available to them?

Sparb: They can be on the retirement plan, the health insurance plan, some entities are authorized to be in the flex benefits program. The dental, vision, and long term care plans are not available right now to the political subdivisions.

Chair Carlson: A lot of our public employees have a spouse at another job that also has the benefit of employment as health insurance. When there's husband and wife that both work for the state, can they both take health insurance policies?

Sparb: No, it's required that only one of them can take the coverage. It's the employee who has worked the longest for the agency, who has the coverage.

Chair Carlson: Have we put a number for health insurance alongside of every one of those? Are we funding these, or not?

Lori Laschkewitsch, OMB: It would depend on the agency for those employees, because the benefits are set up by each agency.

Rep. Skarphol: Do you know how many married couples there are that work for state government?

Sparb: I don't know. That's a policy, and we put that out to our employers in state government that it's there.

Rep. Skarphol: I noticed in the budget detail, you have 29 employees. I noticed that you've got 44,200 dollars in your budget for IT equipment under 5,000 dollars. Can you give me some idea of what that is?

Sparb: That's to replace our 30 laptops.

Rep. Skarphol: the online services aspect, the 47,000 dollars that you anticipate spending to make online transmissions possible, how many forms are we talking about?

Sparb: We're talking about our employers in the retirement area, especially in the political subdivisions, they report to us on paper right now. What we want to do is put that out there so they will be able to do.

Chair Carlson: When you do things like this, bar code, and online services, are you hiring outside people to help you with this, or are you using the ITD department?

Sparb: That's done through ITD.

Chair Carlson: Did we provide general fund money, or special fund money?

Sparb: You gave us special fund authority.

Rep. Skarphol: You have your data costs increasing 13.9 percent. Is that a result, do you think, of the cost of operating Connect ND.

Sparb: I'd have to double check on that. Our Connect ND costs that we built in, that were billed back to us, that are being billed back to us in our budget, are about 9800 dollars.

Rep. Skarphol: Has Connect ND been beneficial to you?

Sparb: Our agency has been very involved with Connect ND, and a lot of our staff have devoted a lot of time to it this year.

Steve Cochrane, Executive Director of the North Dakota Retirement & Investment Office.

(SEE WRITTEN TESTIMONY)

Rep. Skarphol: On the project, what do you anticipate will be the carryover? Has that been calculated into the budget?

Steve: If things remain as planned, we will come in under budget, but how much of that will actually apply to the period after June 30, I'm not sure.

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House Government Performance Division
Bill/Resolution Number HB1023
Hearing Date January 13, 2005

Rep. Skarphol: Your data processing costs are taking a dramatic decline, is that because your getting off the mainframe and going to a web A system.

Steve: Yes, that's exactly why.

Rep. Skarphol: Would you consider doing a Systems Development Life Cycle Review on this project for us?

Steve: Continuing appropriations (SEE WRITTEN TESTIMONY)

Hearing closed.

General Discussion

- ☐ Committee on Committees
- ☐ Rules Committee
- ☐ Confirmation Hearings
- ☐ Delayed Bills Committee
- ☐ House Appropriations
- ☐ Senate Appropriations
- ☐ Other

*Govt
Performance
1023*

Date January 19, 2005

Tape Number

2

Side A

X

B Side

Meter #

1-4504

Committee Clerk Signature



Minutes: **Chair Carlson** opened general discussion on HB 1023.

Chair Carlson: The enhancements the way it was presented was last times budget, then enhancements this time, then beyond that we will talk about enhancements that you are asking for that are not in the Governor's proposal. The first set of enhancement will be the governor's proposal, the second one which would be any changes from 03/05, and anything that you are asking for that have not been included by the Governor's proposal.

Sparb Collins (Pers): The first part was to summit the base budget. What we did in putting together our base budgets is we had increased the salaries wage line items by 44,723 dollars, and decreased our operating line items to come up with that base budget. Our first priority was to transfer the funds from the operating to salaries and wage. No new FTE's in this budget. What

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we were able to do when we submitted the base budget, we were able to add in the base budget without having to subtract out the Connect ND. After the base, we made a request for a series of IT projects. The first one was to do the bar code, our Individual Billing System.

Rep. Skarphol: Are these projects off the shelf products, or are they development things?

Sparb: We got these things from ITD, I don't know that they are off the shelf.

Rep. Skarphol: Is the cost associated with it, is that the cost of the bar code IBS system, and the online services and the workload system? Is that the cost of the module or is that the implementation cost of the module?

Sparb: As I understand, that's the cost to get it up and going, total cost. The second one is the online services. That's where we will be able to have our employers report online, instead of by paper.

Rep. Skarphol: Have you communicated with ITD about these costs, there estimates from them?

Sparb: Yes. The work flow project is one that we'd be doing just in one of the areas of the office. Right now the applications are coming in on Health Insurance, or any paperwork relating to health insurance program.

Rep. Skarphol: What's a hardware replacement?

Sparb: That is the PC, and the two laptops.

Rep. Skarphol: How many employees do you have?

Sparb: 29 full time FTE's.

Rep. Skarphol: What's your replacement cycle?

Sparb: 4 years.

Chair Carlson: Do we have any idea what the savings would be if they were to participate in this purchasing?

Lori, OMB: With Pers there's a leaning situation, because the fact that they can lease computers.

Rep. Monson: If you buy these computers then, IT is still going to charge you so much a month.

Sparb: Yes, we will buy the computers under their contract.

Rep. Skarphol: Your typical agency situation on a four year replacement cycle, is that you replace half every two years. How do we accomplish that?

Lori: With some of the smaller agencies, there is exceptions to that. With some of the smaller agencies, there is sometimes that benefit to replacing all of their machines in the four years, because with that it is easier to keep everybody on the same platform.

Steve Cochran (Rio): All of our money is special funds. The way our payment for services is that we identify where the benefit goes from any purchase, and then that purchase is paid for. Our budget is pretty straight forward, our biggest item that we had is what we call C Pass, which is the name for the software program were implementing to help us with the administration for the Teachers Fund for Retirement. What we asked your committee to look at, was to allow us to Carry over the unexpended amount that we have, at the end of this biennium, to be used to wrap up that project.

Rep. Skarphol: As far as our health insurance, what would it take for us to own that provider Network?

Sparb: We have a bill in, we had one last legislature, that was unsuccessful. There's was concern that we would create this independent provider, and sell that project over to Basin Electric, MDU, and others.

Chair Carlson: How many contracts would we have to fund, out of the general fund?

Sparb: Out of the general fund, it's a budgeted FTE, about 11 to 12,000.

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Rep. Glassheim: It seems extremely disruptive to make this big of transfer, who's running things if someone else were to get it?

Sparb: We're not dissatisfied. We call it our bill to make the plan work better.

Rep. Monson: Is there some reluctance to come in and bid this?

Sparb: We go out now on a 6 year bid basis. We say to the vendor that were going out in 6 years, subject to 2 year renewal.

Hearing Closed.

*Govt Performance
1023*

General Discussion

- ☐ Committee on Committees
- ☐ Rules Committee
- ☐ Confirmation Hearings
- ☐ Delayed Bills Committee
- ☒ House Appropriations
- ☐ Senate Appropriations
- ☐ Other

Date January 28, 2005

Tape Number

1

Side A

X

B Side

Meter #

1-1235

Committee Clerk Signature

Stephanie N Thomas

Minutes: **Chair Carlson** opened general discussion hearing on HB 1023, relating to defraying the expenses of various state retirement and investment agencies.

Discussion on Amendment. (SEE AMENDMENT 58046.0101)

Rep. Skarphol: Roxanne, is this a plight of all agencies?

Roxanne, Legislative Council: There is a section of code that applies to all agencies.

Lori, OMB: Doesn't this amendment just update the statute?

Rep. Skarphol: Yes

Rep. Monson: I'll move the amendment.

Rep. Skarphol: I'll second.

General Discussion

Page 2

House Government Performance

January 28, 2005

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Rep. Skarphol: Can you tell us how many dollars would be involved with Pers?

Lori, OMB: Roughly twenty of their people, and about \$21,000. Our equity pool only addresses people below the midpoint.

Rep. Skarphol: I move the bill as amended.

Rep. Monson: I second.

Chair Carlson: HB 1023 is do pass, as amended.

Closed General Discussion Hearing.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1023
Public Employees Retirement System

House Appropriations Full Committee

☐ Conference Committee

Hearing Date February 15, 2005

Tape Number
5

Side A

Side B
X

Meter #
#13.2 - #20.5

Committee Clerk Signature

Chris Alexander

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on HB1023.

Rep. Bob Skarphol explained that this is a special funded agency and we made adjustments for the compensation package and a language change to section 6 with regards to technology projects. These are exceptions to the continuing appropriations statutes as the projects will cross over into the new biennium.

Rep. Bob Skarphol moved to adopt amendment #0102 to HB1023.

Rep. David Monson seconded.

Rep. Ron Carlisle asked for an explanation of section 6

Rep. Bob Skarphol answered that the only change is on page 2, subsection 5, where it says "authorized ongoing information technology projects." It is changed so that they can complete their IT project in the new biennium.

Rep. Ole Aarsvold asked for a clarification on the effective dates in section 6 (meter Tape #5, side B, #14.4)

Rep. Ken Svedjan, Chairman explained that the existing code would stay in place but on page 2 this would become effective with the underlying language in sub section 5.

Rep. Bob Skarphol commented that one date is effect through June 30, 2005 and the other is effective after June 30, 2005.

Mr. Joe Morrisette from OMB explained that this is the way it currently is in code the difference is the section relating to the University system appropriations is only effective through June 30, 2005 whereas the change on page 2 is effective after June 30, 2005.

Rep. Ken Svedjan, Chairman clarifies that page 2 changes becomes effective after June 30, 2005.

Rep. Tom Brusegaard asked if the new language in section 6 covers just the computer project in the investment office.

Rep. Bob Skarphol answered no. This is applicable to all ongoing IT projects statewide for all agencies. (meter Tape #5, side B, #16.7)

Rep. Ken Svedjan, Chairman called for a voice vote on the motion to adopt amendment #0102 to HB1023. Motion carried.

Rep. Bob Skarphol moved a Do Pass As Amended motion on HB1023.

Rep. David Monson seconded

Rep. Ken Svedjan, Chairman called for a roll call vote on the Do Pass As Amended motion for HB1023. Motion carried with a vote of 22 yeas, 1 nay and 0 absences. Rep Skarphol will carry the bill to the house floor.

Rep. Ken Svedjan, Chairman closed the discussion on HB1023.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1023

Page 1, line 2, after "agencies" insert "; and to amend and reenact section 54-44.1-11 of the North Dakota Century Code, relating to the cancellation of unexpended appropriations"

Page 3, line 3, replace "unexpected" with "unexpended"

Page 3, after line 10, insert:

"SECTION 6. AMENDMENT. Section 54-44.1-11 of the North Dakota Century Code is amended and reenacted as follows:

54-44.1-11. (Effective through June 30, 2005) Office of management and budget to cancel unexpended appropriations - When they may continue. Except as otherwise provided by law, the office of management and budget, thirty days after the close of each biennial period, shall cancel all unexpended appropriations or balances of appropriations after the expiration of the biennial period during which they became available under the law. Unexpended appropriations for the North Dakota university system are not subject to this section and the North Dakota university system shall report on the amounts and uses of funds carried over from one biennium to the next to subsequent appropriations committees of the legislative assembly. The chairmen of the appropriations committees of the senate and house of representatives of the legislative assembly with the office of the budget may continue appropriations or balances in force for not more than two years after the expiration of the biennial period during which they became available upon recommendation of the director of the budget for:

1. New construction projects.
2. Major repair or improvement projects.
3. Purchases of new equipment costing more than ten thousand dollars per unit if it was ordered during the first twelve months of the biennium in which the funds were appropriated.
4. The purchase of land by the state on a "contract for deed" purchase if the total purchase price is within the authorized appropriation.

(Effective after June 30, 2005) Office of management and budget to cancel unexpended appropriations - When they may continue. The office of management and budget, thirty days after the close of each biennial period, shall cancel all unexpended appropriations or balances of appropriations after the expiration of the biennial period during which they became available under the law. The chairmen of the appropriations committees of the senate and house of representatives of the legislative assembly with the office of the budget may continue appropriations or balances in force for not more than two years after the expiration of the biennial period during which they became available upon recommendation of the director of the budget for:

1. New construction projects.
2. Major repair or improvement projects.

3. Purchases of new equipment costing more than ten thousand dollars per unit if it was ordered during the first twelve months of the biennium in which the funds were appropriated.
4. The purchase of land by the state on a "contract for deed" purchase if the total purchase price is within the authorized appropriation.
5. Authorized ongoing information technology projects."

Renumber accordingly

Date: Jan 28, 2005
Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1023

House

Government Performance

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58046.0101

Action Taken DO PASS, AS Amended

Motion Made By Rep. Skarphol Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlson	X		Rep. Glassheim	X	
Vice Chairman Skarphol	X				
Rep. Monson	X				

Total (Yes) 4 No 0

Absent 0

Floor Assignment Rep. Monson Skarphol

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

Date: **February 15, 2005**
Roll Call Vote #: **1**

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1023

House Appropriations - Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number **58046.0102**

Action Taken **DO PASS AS AMENDED**

Motion Made By **Rep Skarphol** Seconded By **Rep Monson**

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	X		Rep. Jeff Delzer		X
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew	X	
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Gulleson	X		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	X				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson	X				

Total Yes **22** No **1**

Absent **0**

Floor Assignment **Rep Skarphol**

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

REPORT OF STANDING COMMITTEE

HB 1023: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (22 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1023 was placed on the Sixth order on the calendar.

Page 1, line 2, after "agencies" insert "; and to amend and reenact section 54-44.1-11 of the North Dakota Century Code, relating to the cancellation of unexpended appropriations"

Page 2, line 3, replace "195,430" with "187,647"

Page 2, line 6, replace "(\$1,876,406)" with "(\$1,884,189)"

Page 2, line 9, replace "223,640" with "212,122"

Page 2, line 11, replace "300,847" with "289,329"

Page 2, line 12, replace "(\$1,575,559)" with "(\$1,594,860)"

Page 2, line 20, replace "1,970,315" with "1,962,532"

Page 2, line 23, replace "2,966,923" with "2,959,140"

Page 2, line 26, replace "2,877,294" with "2,865,776"

Page 2, line 29, replace "4,692,005" with "4,680,487"

Page 2, line 30, replace "7,658,928" with "7,639,627"

Page 3, line 3, replace "unexpected" with "unexpended"

Page 3, after line 10, insert:

"SECTION 6. AMENDMENT. Section 54-44.1-11 of the North Dakota Century Code is amended and reenacted as follows:

54-44.1-11. (Effective through June 30, 2005) Office of management and budget to cancel unexpended appropriations - When they may continue. Except as otherwise provided by law, the office of management and budget, thirty days after the close of each biennial period, shall cancel all unexpended appropriations or balances of appropriations after the expiration of the biennial period during which they became available under the law. Unexpended appropriations for the North Dakota university system are not subject to this section and the North Dakota university system shall report on the amounts and uses of funds carried over from one biennium to the next to subsequent appropriations committees of the legislative assembly. The chairmen of the appropriations committees of the senate and house of representatives of the legislative assembly with the office of the budget may continue appropriations or balances in force for not more than two years after the expiration of the biennial period during which they became available upon recommendation of the director of the budget for:

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3. Purchases of new equipment costing more than ten thousand dollars per unit if it was ordered during the first twelve months of the biennium in which the funds were appropriated.
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(Effective after June 30, 2005) Office of management and budget to cancel unexpended appropriations - When they may continue. The office of management and budget, thirty days after the close of each biennial period, shall cancel all unexpended appropriations or balances of appropriations after the expiration of the biennial period during which they became available under the law. The chairmen of the appropriations committees of the senate and house of representatives of the legislative assembly with the office of the budget may continue appropriations or balances in force for not more than two years after the expiration of the biennial period during which they became available upon recommendation of the director of the budget for:

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4. The purchase of land by the state on a "contract for deed" purchase if the total purchase price is within the authorized appropriation.
5. Authorized ongoing information technology projects."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1023 - Summary of House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Retirement and Investment Office			
Total all funds	\$2,966,923	(\$7,783)	\$2,959,140
Less estimated income	<u>2,966,923</u>	<u>(7,783)</u>	<u>2,959,140</u>
General fund	\$0	\$0	\$0
Public Employees Retirement System			
Total all funds	\$4,692,005	(\$11,518)	\$4,680,487
Less estimated income	<u>4,692,005</u>	<u>(11,518)</u>	<u>4,680,487</u>
General fund	\$0	\$0	\$0
Bill Total			
Total all funds	\$7,658,928	(\$19,301)	\$7,639,627
Less estimated income	<u>7,658,928</u>	<u>(19,301)</u>	<u>7,639,627</u>
General fund	\$0	\$0	\$0

House Bill No. 1023 - Retirement and Investment Office - House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$1,970,315	(\$7,783)	\$1,962,532

REPORT OF STANDING COMMITTEE (410)
February 16, 2005 3:13 p.m.

Module No: HR-31-3198
Carrier: Skarphol
Insert LC: 58046.0102 Title: .0200

Operating expenses	914,608		914,608
Contingencies	<u>82,000</u>		<u>82,000</u>
Total all funds	\$2,966,923	(\$7,783)	\$2,959,140
Less estimated income	<u>2,966,923</u>	<u>(7,783)</u>	<u>2,959,140</u>
General fund	\$0	\$0	\$0
FTE	17.00	0.00	17.00

Dept. 190 - Retirement and Investment Office - Detail of House Changes

	REDUCES COMPENSATION PACKAGE TO 3/4	TOTAL HOUSE CHANGES
Salaries and wages	(\$7,783)	(\$7,783)
Operating expenses		
Contingencies		
Total all funds	(\$7,783)	(\$7,783)
Less estimated income	<u>(7,783)</u>	<u>(7,783)</u>
General fund	\$0	\$0
FTE	0.00	0.00

House Bill No. 1023 - Public Employees Retirement System - Detail House Action

	EXECUTIVE BUDGET	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$2,877,294	(\$11,518)	\$2,865,776
Operating expenses	1,564,711		1,564,711
Contingencies	<u>250,000</u>		<u>250,000</u>
Total all funds	\$4,692,005	(\$11,518)	\$4,680,487
Less estimated income	<u>4,692,005</u>	<u>(11,518)</u>	<u>4,680,487</u>
General fund	\$0	\$0	\$0
FTE	29.00	0.00	29.00

Dept. 192 - Public Employees Retirement System - Detail of House Changes

	REDUCES COMPENSATION PACKAGE TO 3/4	TOTAL HOUSE CHANGES
Salaries and wages	(\$11,518)	(\$11,518)
Operating expenses		
Contingencies		
Total all funds	(\$11,518)	(\$11,518)
Less estimated income	<u>(11,518)</u>	<u>(11,518)</u>
General fund	\$0	\$0
FTE	0.00	0.00

2005 SENATE APPROPRIATIONS

HB 1023

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1023

Senate Appropriations Committee

☐ Conference Committee

Hearing Date March 8, 2005

Tape Number	Side A	Side B	Meter #
2	x		849

Committee Clerk Signature



Minutes:

Vice Chairman Bowman opened the hearing on HB 1023.

Sparb Collins, Executive Director, NDPERS, presented written testimony and testified in support of HB 1023. He indicated he would cover the PERS portion and Steve Cochrane, Retirement Investment Office would cover that portion. He presented an overview of the agency, plans administered by the agency, and the budget requests.

Vice Chairman Bowman asked about the upgrade of technology and choice to buy vs lease equipment and if this is on a four year replacement cycle. Response was IT policy statewide is to purchase.

Senator Tallackson asked if there was any provision to help retirees keep up with inflation. Response was no, no funds available.

Senator Christmann asked about the policy of PERS investments.

Vice Chairman Bowman asked what type of return on investment there is.

Senator Fischer asked about the number of OASIS beneficiaries. The response was three all in their 90's.

Steve Cochrane, (tape 2a #2882) Executive Director of the ND Retirement and Investment Office (RIO) and Investment Director, State Investment Board (SIB), presented written testimony and testified in **support of HB 1023**. He responded to Senator Christmann's question. He described his role, the budget appropriations which is from special funds and requested to carry through the ITD funds through the next biennium. He showed a graph and discussed the assets he manages.

Senator Tallackson asked about the number of investment firms handling funds. The response was 30 firms which are continuously monitored and changed when necessary.

Chairman Holmberg closed the hearing on HB 1023.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1023

Senate Appropriations Committee

☐ Conference Committee

Hearing Date March 24, 2005

Tape Number

3

Side A

a

Side B

Meter #

1656-2175

Committee Clerk Signature



Minutes:

Chairman Holmberg called the discussion to order on HB 1023 and amendments were distributed regarding health care changes.

Senator Robinson moved a DO PASS on amendment .0202, **Senator Lindaas** seconded. A voice vote was taken and the motion carried.

Senator Grindberg moved a DO PASS on amendment .00201, **Senator Krauter** seconded.

A voice vote was taken and the motion carried.

Senator Robinson moved a DO PASS WITH AMENDMENTS, **Senator Tallackson**

seconded. A roll call vote was taken resulting in 13 yes, 0 no, 2 absent. The motion carried.

Chairman Holmberg closed the hearing on HB 1023.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1023

Page 1, line 2, replace "section" with "sections" and after "54-44.1-11" insert "and 54-44.3-12.1"

Page 1, line 3, after "appropriations" insert "and revisions to compensation plans under the central personnel system"

Page 4, after line 22, insert:

"SECTION 7. AMENDMENT. Section 54-44.3-12.1 of the North Dakota Century Code is amended and reenacted as follows:

54-44.3-12.1. Revisions to compensation plan. Revisions to the compensation plan may only be made on July first, following the close of a regular legislative session, except that new classifications may be added to the compensation plan during a biennium when deemed necessary by the director. Revisions to the compensation plan do not become effective for county employees covered by the plan until become effective on January first of the first full calendar year following the revision or on July first following the close of a regular legislative session, based on official action by the board of county commissioners. Revisions to the compensation plan may only be made to the extent the legislative assembly appropriates funds to implement such plans."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1023

Page 2, line 5, replace "187,647" with "185,525"

Page 2, line 8, replace "(\$1,884,189)" with "(\$1,886,311)"

Page 2, line 11, replace "212,122" with "208,378"

Page 2, line 13, replace "289,329" with "285,585"

Page 2, line 14, replace "(\$1,594,860)" with "(\$1,600,726)"

Page 2, line 22, replace "1,962,532" with "1,960,410"

Page 2, line 25, replace "2,959,140" with "2,957,018"

Page 2, line 28, replace "2,865,776" with "2,862,032"

Page 3, line 1, replace "4,680,487" with "4,676,743"

Page 3, line 2, replace "7,639,627" with "7,633,761"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1023 - Summary of Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Retirement and Investment Office				
Total all funds	\$2,966,923	\$2,959,140	(\$2,122)	\$2,957,018
Less estimated income	<u>2,966,923</u>	<u>2,959,140</u>	<u>(2,122)</u>	<u>2,957,018</u>
General fund	\$0	\$0	\$0	\$0
Public Employees Retirement System				
Total all funds	\$4,692,005	\$4,680,487	(\$3,744)	\$4,676,743
Less estimated income	<u>4,692,005</u>	<u>4,680,487</u>	<u>(3,744)</u>	<u>4,676,743</u>
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$7,658,928	\$7,639,627	(\$5,866)	\$7,633,761
Less estimated income	<u>7,658,928</u>	<u>7,639,627</u>	<u>(5,866)</u>	<u>7,633,761</u>
General fund	\$0	\$0	\$0	\$0

House Bill No. 1023 - Retirement and Investment Office - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$1,970,315	\$1,962,532	(\$2,122)	\$1,960,410
Operating expenses	914,608	914,608		914,608
Contingencies	<u>82,000</u>	<u>82,000</u>		<u>82,000</u>
Total all funds	\$2,966,923	\$2,959,140	(\$2,122)	\$2,957,018
Less estimated income	<u>2,966,923</u>	<u>2,959,140</u>	<u>(2,122)</u>	<u>2,957,018</u>
General fund	\$0	\$0	\$0	\$0
FTE	17.00	17.00	0.00	17.00

Dept. 190 - Retirement and Investment Office - Detail of Senate Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE ¹	TOTAL SENATE CHANGES
Salaries and wages	(\$2,122)	(\$2,122)
Operating expenses		
Contingencies		
Total all funds	(\$2,122)	(\$2,122)
Less estimated income	<u>(2,122)</u>	<u>(2,122)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment reduces funding for state employee health insurance premiums from \$559.15 to \$553.95 per month.

House Bill No. 1023 - Public Employees Retirement System - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$2,877,294	\$2,865,776	(\$3,744)	\$2,862,032
Operating expenses	1,564,711	1,564,711		1,564,711
Contingencies	<u>250,000</u>	<u>250,000</u>		<u>250,000</u>
Total all funds	\$4,692,005	\$4,680,487	(\$3,744)	\$4,676,743
Less estimated income	<u>4,692,005</u>	<u>4,680,487</u>	<u>(3,744)</u>	<u>4,676,743</u>
General fund	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00

Dept. 192 - Public Employees Retirement System - Detail of Senate Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE ¹	TOTAL SENATE CHANGES
Salaries and wages	(\$3,744)	(\$3,744)
Operating expenses		
Contingencies		
Total all funds	(\$3,744)	(\$3,744)
Less estimated income	<u>(3,744)</u>	<u>(3,744)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment reduces funding for state employee health insurance premiums from \$559.15 to \$553.95 per month.

Date 3/24
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 1023

Senate SENATE APPROPRIATIONS

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

0201 0202

Action Taken

DP A

0202 / 0201

Motion Made By

Robinson

Seconded By

Tallackson

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	/		SENATOR KRAUTER	/	
VICE CHAIRMAN BOWMAN	/		SENATOR LINDAAS	/	
VICE CHAIRMAN GRINDBERG	/		SENATOR MATHERN	/	
SENATOR ANDRIST	/		SENATOR ROBINSON	/	
SENATOR CHRISTMANN	/		SEN. TALLACKSON	/	
SENATOR FISCHER	/				
SENATOR KILZER	/				
SENATOR KRINGSTAD	/				
SENATOR SCHOBINGER	/				
SENATOR THANE	/				

Total (Yes)

13

No

0

Absent

2

Floor Assignment

Robinson

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

REPORT OF STANDING COMMITTEE

HB 1023, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (13 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed HB 1023
was placed on the Sixth order on the calendar.

Page 1, line 2, replace "section" with "sections" and after "54-44.1-11" insert "and
54-44.3-12.1"

Page 1, line 3, after "appropriations" insert "and revisions to compensation plans under the
central personnel system"

Page 2, line 5, replace "187,647" with "185,525"

Page 2, line 8, replace "(\$1,884,189)" with "(\$1,886,311)"

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Page 2, line 22, replace "1,962,532" with "1,960,410"

Page 2, line 25, replace "2,959,140" with "2,957,018"

Page 2, line 28, replace "2,865,776" with "2,862,032"

Page 3, line 1, replace "4,680,487" with "4,676,743"

Page 3, line 2, replace "7,639,627" with "7,633,761"

Page 4, after line 22, insert:

"SECTION 7. AMENDMENT. Section 54-44.3-12.1 of the North Dakota
Century Code is amended and reenacted as follows:

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compensation plan may only be made on July first, following the close of a regular
legislative session, except that new classifications may be added to the compensation
plan during a biennium when deemed necessary by the director. Revisions to the
compensation plan do not become effective for county employees covered by the plan
until become effective on January first of the first full calendar year following the
revision or on July first following the close of a regular legislative session, based on
official action by the board of county commissioners. Revisions to the compensation
plan may only be made to the extent the legislative assembly appropriates funds to
implement such plans."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1023 - Summary of Senate Action

EXECUTIVE
BUDGET

HOUSE
VERSION

SENATE
CHANGES

SENATE
VERSION

REPORT OF STANDING COMMITTEE (410)
March 25, 2005 11:52 a.m.

Module No: SR-55-6216
Carrier: Robinson
Insert LC: 58046.0203 Title: .0300

Total all funds	\$2,966,923	\$2,959,140	(\$2,122)	\$2,957,018
Less estimated income	<u>2,966,923</u>	<u>2,959,140</u>	<u>(2,122)</u>	<u>2,957,018</u>
General fund	\$0	\$0	\$0	\$0
Public Employees Retirement System				
Total all funds	\$4,692,005	\$4,680,487	(\$3,744)	\$4,676,743
Less estimated income	<u>4,692,005</u>	<u>4,680,487</u>	<u>(3,744)</u>	<u>4,676,743</u>
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$7,658,928	\$7,639,627	(\$5,866)	\$7,633,761
Less estimated income	<u>7,658,928</u>	<u>7,639,627</u>	<u>(5,866)</u>	<u>7,633,761</u>
General fund	\$0	\$0	\$0	\$0

House Bill No. 1023 - Retirement and Investment Office - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$1,970,315	\$1,962,532	(\$2,122)	\$1,960,410
Operating expenses	914,608	914,608		914,608
Contingencies	<u>82,000</u>	<u>82,000</u>		<u>82,000</u>
Total all funds	\$2,966,923	\$2,959,140	(\$2,122)	\$2,957,018
Less estimated income	<u>2,966,923</u>	<u>2,959,140</u>	<u>(2,122)</u>	<u>2,957,018</u>
General fund	\$0	\$0	\$0	\$0
FTE	17.00	17.00	0.00	17.00

Dept. 190 - Retirement and Investment Office - Detail of Senate Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE ¹	TOTAL SENATE CHANGES
Salaries and wages	(\$2,122)	(\$2,122)
Operating expenses		
Contingencies		
Total all funds	(\$2,122)	(\$2,122)
Less estimated income	<u>(2,122)</u>	<u>(2,122)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment reduces funding for state employee health insurance premiums from \$559.15 to \$553.95 per month.

House Bill No. 1023 - Public Employees Retirement System - Senate Action

	EXECUTIVE BUDGET	HOUSE VERSION	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$2,877,294	\$2,865,776	(\$3,744)	\$2,862,032
Operating expenses	1,564,711	1,564,711		1,564,711
Contingencies	<u>250,000</u>	<u>250,000</u>		<u>250,000</u>
Total all funds	\$4,692,005	\$4,680,487	(\$3,744)	\$4,676,743
Less estimated income	<u>4,692,005</u>	<u>4,680,487</u>	<u>(3,744)</u>	<u>4,676,743</u>
General fund	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00

Dept. 192 - Public Employees Retirement System - Detail of Senate Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE ¹	TOTAL SENATE CHANGES
--	---	----------------------------

REPORT OF STANDING COMMITTEE (410)
March 25, 2005 11:52 a.m.

Module No: SR-55-6216
Carrier: Robinson
Insert LC: 58046.0203 Title: .0300

Salaries and wages	(\$3,744)	(\$3,744)
Operating expenses		
Contingencies		
Total all funds	(\$3,744)	(\$3,744)
Less estimated income	<u>(3,744)</u>	<u>(3,744)</u>
General fund	\$0	\$0
FTE	0.00	0.00

1 This amendment reduces funding for state employee health insurance premiums from \$559.15 to \$553.95 per month.

2005 TESTIMONY

HB 1023

PERS

House Apps - Full

TESTIMONY OF
SPARB COLLINS
ON
HOUSE BILL 1023

Handout
3-18

~~1-6-05~~ 1-6-05

Mr. Chair, members of the committee, good afternoon my name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System. Today I appear before you to give you a brief overview of our agency and our budget request.

First let me start by providing an overview of our agency. Attached pages 3 & 4 identify the various programs administered by PERS and provide some statistical information about each. Page 3 lists the various retirement plans administered by our agency. As you will note our agency is responsible for the administration of about 10 different retirement plans. Three were assigned to our agency by the last legislative session. Those were the Job Service retirement plan and OASIS plan which were transferred to PERS from Job Service. The other is the new Law Enforcement Plan for political subdivisions which was created by the last session. The 401(a) plan was assigned to our agency in 1999.

The other retirement programs have been a part of PERS since the 1980's. You will note the largest retirement plan we administer is the Main retirement system which provides services to not only the state but also to political subdivisions. For this plan about 55% of the active members are state employees and 45% are political subdivision employees.

Page 4 is information on the group insurance programs administered by PERS. As you will note the largest responsibility in this area is the health plan. For this program about 59% of members are state employees and 41% are political subdivisions or retirees. The most recent new responsibility in this area occurred last session when PERS was assigned the responsibility to review and analyze any new health coverage mandates passed by the legislature and to make a recommendation on whether or not it should be a part of all health plans. The 1995 session added to PERS the Employee Assistance Program, Long Term Care Plan, Dental Plan & Vision Plan. The other group insurance programs have been a part of the agency since before 1990.

As the attached and the above discussion shows the scope of responsibilities in PERS is broad with substantial new program requirements being added to the agency in recent legislative sessions. We have appreciated the confidence of the legislature in our agency by assigning these new duties to PERS.

On page 5 we focus specifically on the budget that is proposed for our agency. First of all let me discuss the variance between our 2003-2005 appropriation and our actual spending. For the salaries and wages line item actual expenditures will be less than the appropriation primarily due to position vacancies that occurred throughout the biennium. The agency had 2 positions that were vacant as a result of turnover during the biennium and were subsequently filled and 1 new position that took almost 6 months to fill. Relating to the operating expenses we expect to use most of the line item this biennium. Concerning the contingency line item, at this time it does not appear the agency will need to access it.

Second is the requested increase from 2003-2005 to 2005-2007. You will note that we are not requesting any new positions this biennium. Internally there were some requests for positions due to the additional program responsibilities. However, it is our hope to continue to integrate the new programs and improve administrative operations by enhancing some of our systems before determining future staffing needs. Therefore, we deferred these considerations to a future biennium. Concerning the budget before you, the total increase is about \$300,000 with \$223,640 of the increase in the salaries and wage line item and \$77,207 in the operating line item. Approximately 80% of the increase in the salaries and wages line item is the Governors proposed compensation adjustment. The remainder is some potential reclassifications. The difference in the operating line item of about \$77,000 is primarily to fund IT projects that are in our IT plan

The last part of the information on page 6 includes information on the major goals of our agency and how we measure them. As a service agency you will note that our goals center on providing value and quality services to our participating employers and members. We measure that by regularly getting feedback from our groups. PERS is also somewhat unique in that many of our members or employers voluntarily participate in our programs. Therefore, those who are not satisfied with our services can discontinue participation. Consequently, our participation levels are also a measure of our performance and we have not experienced any declines over the years.

Mr. Chair, members of the committee thank you for providing me this opportunity to give you an overview of our agency and also thank you for your support.

January 1, 2005

RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

TOTAL RETIREMENT	Main System	D.C. 401(a)	Highway		Law		Job Service	Deferred Comp.	Health Credit
			Patrol	Judges	Guard	Enforcement			
92	92	32	1	1	1		1	92	92
44	44					3		33	44
95	95							39	95
66	66					2		16	66
54	54							20	54
351							200		351
10,195	9,750	250	132	46	17		65	3,846	10,195
3,135	3,087					48		1,318	3,135
4,277	4,277							556	4,277
445	442					3		174	445
431	431							159	431
0	0								
6,001	5,853	41	90	14	3		213	1,000	3,661
24,484	23,840	291	222	60	20	51	278	7,053	

* In addition PERS administers the OASIS Retirement Plan and the Judges Retirement Plan section 27-17.

January 1, 2005

GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

		HEALTH	LIFE	DENTAL	VISION	EAP	FLEXCOMP	LT CARE
PARTICIPATION								
AGENCY								
State	92	92	92	92	92	92	83	92
Counties	37	28					-	
School Dist	25	3					-	
Cities	53	21					-	
Others	59	22						
	266	166	92	92	92	92	83	92
EMPLOYEES								
State	13,690	14,550	2,713	2,698	14,550	7,800		98
Counties	1,714	2,639					-	
School Dist	1,132	63					-	
Cities	903	155					-	
Others	430	222						
Legislators	127							
Retirees	5,172	3,568	1,100	500				
COBRA	376							
	23,544	21,197	3,813	3,198	14,550	7,800		98

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Overview Presentation to the House Appropriations Committee

JANUARY 6, 2005

	2003-05		2005-07		Recommendation Change (Variance) to 2003-05
	Legislative Appropriation	Estimated Expenditures or Currently Filled FTE Positions	(1) Variance	Executive Recommendation	
Salaries and wages	2,653,654	2,564,651	89,003	2,877,294	223,640
Operating expenses	1,487,504	1,487,504	0	1,564,711	77,207
Contingency	250,000	0	250,000	250,000	0
Equipment	0	0	0	0	0
Capital assets	0	0	0	0	0
Grants	0	0	0	0	0
Total	\$4,391,158	\$4,052,155	\$339,003	\$4,692,005	\$300,847
General fund					
Federal funds					
Special funds					
Total	4,391,158	4,052,155	339,003	4,692,005	300,847
Total	\$4,391,158	\$4,052,155	\$339,003	\$4,692,005	\$300,847
FTE	29.00	29.00	0.00	29.00	0.00

(1) Explanation of Major Funding and FTE Variances for the 2003-05 Legislative Appropriation to 2003-05 Current Estimates

	FTE	General Fund	Federal and Special Funds	Total
Salaries & wages: Actual expenditures will be less than the appropriation primarily due to position vacancies that occurred throughout the biennium. The agency had 2 positions that were vacant as a result of turnover and 1 new position that was not filled until January 2004.				
			89,003	89,003
Contingency: At this time, the agency is not aware of any unanticipated expenditures that would require a transfer from the contingency line item during the remainder of this biennium.			250,000	250,000

(2) Explanation of Major Funding and FTE Changes (Variances) for the 2005-07 Recommendation to 2003-05 Legislative Appropriations

	FTE	General Fund	Federal and Special Funds	Total
Salaries and wages: The primary variance is due to the Governor's recommended salary/benefits package. In addition, the Agency requested funds for adjustments resulting from potential reclassifications for several positions.			223,640	223,640
Operating expense: The primary variance is funding requested by the agency to fund projects in the agency's IT plan.		77,207		77,207

Summary of Major Goals and Objectives and Related Performance Measurement Data for the 2005-07 Biennium (to the extent available)

Goal: Maintain a high level of member satisfaction
Measure: Weekly report cards; biannual member survey

Goal: Provide value to participating employers
Measure: Growth in employer base

Goal: Maintain cost effective programs
Measure: Stable retirement costs; health costs lower than national average

Goal: Provide timely payments to members
Measure: Standards for monthly retirement payments are met consistently

Goal: Maintain financial integrity of programs
Measure: Clean audit opinion from independent audit firm; receive GFOA certificate of achievement for excellence in financial reporting

HB 1023
North Dakota Retirement and Investment Office
Testimony to House Appropriations Committee
Steve Cochrane, Executive Director
January 6, 2005

Good afternoon. My name is Steve Cochrane and I serve as Executive Director of the North Dakota Retirement and Investment Office (RIO) and as Investment Director to the State Investment Board (SIB).

RIO was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of two important long-standing state programs – the retirement program of the Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB).

TFFR is a qualified defined benefit public pension plan. The plan covers North Dakota public school teachers and administrators and is funded on an actuarial basis. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves nearly 10,000 teachers from 266 employer groups and pays benefits to more than 5,300 retirees and beneficiaries. High quality member services and outreach programs are offered to members and employers as part of the continuing effort to keep them informed about the retirement program.

The SIB is responsible for setting policies and procedures guiding the investment of more than \$4.0 billion in assets for five pension funds and 16 other insurance-type funds. Their investments are divided into two investment trust funds – the Pension Trust and the Insurance Trust. The Pension Trust is made up of only qualified pension funds whose monies must be invested exclusively for the benefit of their participants. The Insurance Trust is made up of mainly insurance-type funds, but also includes funds that do not qualify as pension funds and would like to benefit from the cost savings of being pooled with other funds' assets. All of these funds are invested in accordance with the "Prudent Investor Rule".

I am happy to report that the pension funds experienced outstanding returns for the past fiscal year, ranking well into the top quartile of all public funds measured by our investment consultant, Callan Associates. Returns for this fiscal year-to-date are positive and encouraging.

The RIO budget appropriation is all special funds. No general funds are requested.

The attached schedule contains the budget variance information for RIO as requested by this committee.

- We are currently anticipating a small remaining balance in our salaries and wages line due to an employee being on active military leave during a portion of the biennium and lower than expected salary increases for the unclassified FTE's.

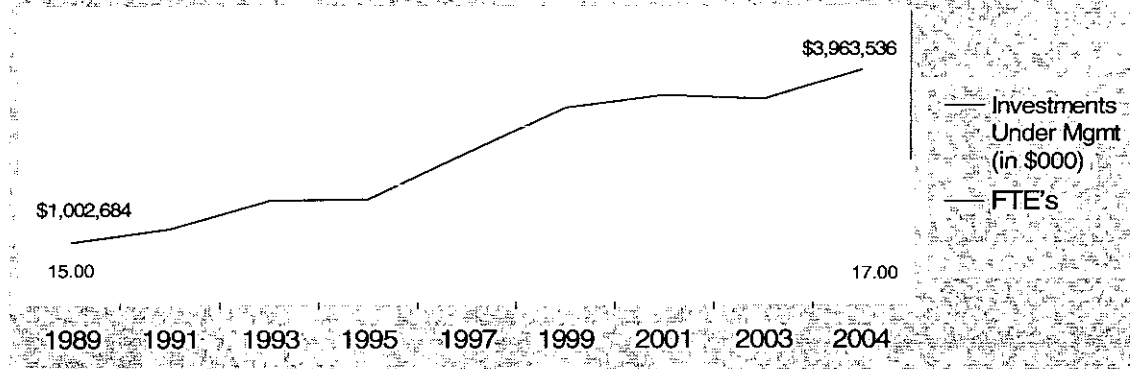
- Approximately 90% of the variance in our operating line is due to ITD data processing funds not being expended. We had requested funds for ITD data processing for this biennium in the event that the retirement software replacement project appropriation was not approved so we could continue programming of our current mainframe system. Since the project was approved, we have not put any new programming into the old system this biennium.
- We do not expect to need any funds from our contingency line.
- We do anticipate spending most of the dollars appropriated for the retirement software replacement project in the contracted service line. However, due to the timing of the completion of the project, we are asking that any funds not expended as of June 30, 2005, be carried forward into the next biennium when the project will be completed.

The attached schedule also details the changes in our 2005-2007 budget request from the approved 2003-2005 budget.

- Our original budget request was submitted at 100% of the current budget (excluding the contracted services line). An increase in our salaries and wages line was off-set by an equal decrease in our operating line. The additional increase showing in our salaries and wages line was added by the Governor in his Executive Recommendation.
- We are not requesting an increase in our contingency line.
- We are not requesting additional funds in our contracted services line. We are requesting that we be allowed to carry forward the unexpended balance in our current appropriation in this area to complete our retirement software replacement project.
- No additional FTE's are being requested.

In conclusion, the Retirement and Investment Office strives to provide top-notch services to its members and clients in a cost effective and efficient manner. We feel that this budget will allow us to continue to do so. Thank you for your time and consideration.

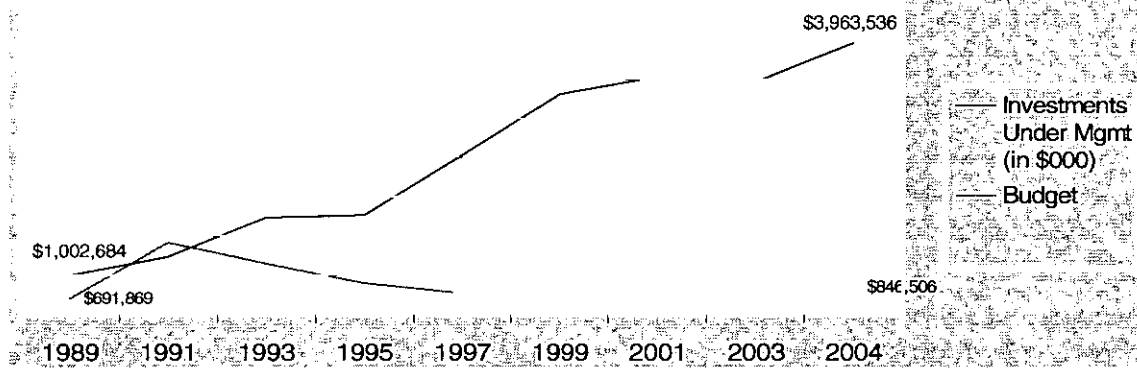
Retirement and Investment Office Assets Under Management vs FTE's



1989-1991 Biennium
2005-2007 Requested

\$ 66,846,000 Investment Dollars per FTE
\$233,149,000 Investment Dollars per FTE

State Investment Board Assets Under Management vs Budget



1989-1991 Biennium
2005-2007 Requested

\$1,449 Investment Dollars per Budget Dollar
\$4,682 Investment Dollars per Budget Dollar

ND RETIREMENT AND INVESTMENT OFFICE
Overview Presentation to the House Appropriations Committee
January 6, 2005

	2003-05 Legislative Appropriation	2003-05 Estimated Expenditures or Currently Filled FTE Positions	(1) Variance	2005-07 Executive Recommendation	(2) 2005-07 Recommendation Change (Variance) to 2003-05 Legislative Appropriations
Salaries and wages	1,774,885	1,748,164	26,672	1,970,315	195,430
Operating Expenses	986,544	704,983	281,561	914,608	(71,936)
Contingency	82,000	-	82,000	82,000	-
Contracted Services	2,000,000	2,000,000	-	-	(2,000,000)
Total	4,843,429	4,453,147	390,233	2,966,923	(1,876,506)
Special funds	4,843,429	4,453,147	390,233	2,966,923	(1,876,506)
FTE	17	17	-	17	-

(1) Explanation of Major Funding and FTE Variances for the 2003-05 Legislative Appropriations to 2003-05 Current Estimates.

Approximately \$215,000 of the variance in the operating expenses line is due to data processing funds not expended. These funds were originally requested in the event the retirement software replacement project funds (contracted services line) were not approved. These additional funds would have been used for programming to the existing system.

(2) Explanation of Major Funding and FTE Changes (Variances) for the 2005-07 Recommendation to 2003-05 Legislative Appropriation.

We are not requesting funds in the contracted services line for the 2005-07 biennium. We are requesting a carry-over of any unexpended funds in this line to the 2005-07 biennium as we anticipate the project will not be completed until the first quarter of fiscal year 2006.

Our original request had an increase in the salaries line offset by a decrease in the operating line (hold-even budget).

The additional increase in the salary line is due to the Governor's salary increase recommendation.

ND RETIREMENT AND INVESTMENT OFFICE
Overview Presentation to the House Appropriations Committee
January 6, 2005

(3) Summary of Major Goals and Objectives and Related Performance Measurement Data for the 2005-07 Biennium (to the extent available).

Goal: SIB clients receive cost-effective investment services directed at meeting their written financial goals under the Prudent Investor Rule.

Measure: Cost effectiveness means the ratio of total investment expenses to total assets under management shall not exceed the Universe of the Cost Effectiveness Measurement, Inc. (CEM) Annual Survey. Investment Expenses include investment office expenses, consultant fees, money manager fees, and master custodian fees.

Goal: SIB Clients receive investment returns consistent with their written investment policies and market variables.

Measure: Actual total fund return versus policy benchmark.

Goal: Potential SIB clients have access to information regarding the investment services provided by the SIB.

Measure: All interested parties are provided robust information, augmented by an informative web site.

Goal: TFFR benefit recipients receive their retirement benefits in a cost-effective and timely manner.

Measure: Standards for monthly retirement payments are met consistently.

Goal: TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.

Measure: Outreach programs and retirement services evaluations.

Goal: SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.

Measure: The quality of services will be assured by direct board contact and by surveying clients and beneficiaries at least annually and promptly addressing identified client/beneficiary concerns.

TESTIMONY OF SPARB COLLINS ON HOUSE BILL 1023

Mr. 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. Today I appear before you to give you an overview of our agency and our budget request.

First let me start by providing an overview of our agency. PERS is directed by a board composed of the following members:

Chair (appointed by Governor)	Jon Strinden
Appointed by Attorney General	Sandi Tabor
State Health Officer or Deputy	Arvy Smith
Elected	Howard Sage
Elected	David Gunkel
Elected	Rosey Sand
Elected	Ron Leingang

Concerning our program responsibilities the attached pages 12&13 identifies each program administered by PERS and provides some statistical information about each. Page 12 lists the various retirement plans administered by our agency. As you will note our agency is responsible for the administration of about 10 different retirement plans. Three were assigned to our agency by the last legislative session. Those were the Job Service retirement plan and OASIS plan which were transferred to PERS from Job Service. The other is the new Law Enforcement Plan for political subdivisions which was created by the last session. The 401(a) plan was assigned to our agency in 1999. The other retirement programs have been a part of PERS since the 1980's. You will note the largest retirement plan we administer is the Main retirement system which provides services to not only the state but also to political subdivisions. In this plan about 55% of the active members are state employees and 45% are political subdivision employees. Page 13 is information on the group insurance programs administered by PERS. As you will note the largest responsibility in this area is the health plan. In this program about 59% of members are state employees and 41% are political subdivisions or retirees. The

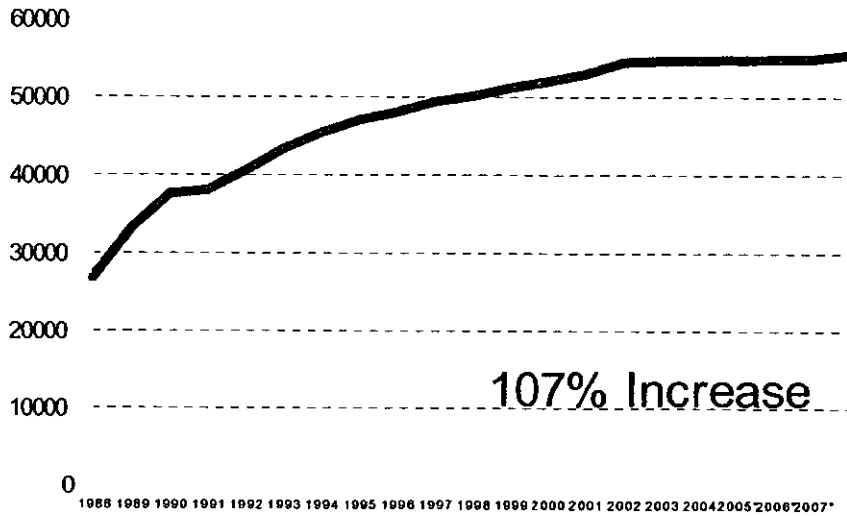
As the attached and the above discussion shows the scope of responsibilities in PERS is broad with substantial new program requirements being added to the agency in recent legislative sessions. The following table shows the progression of responsibilities over time:

Plans Administered by NDPERS

Low Enforcement Plan											
OASIS											
Job Service Plan											
Visitor Plan											
Legislative Plan											
401(a) Plan											
Hydrex Retirement											
EAP											
LTC Plan											
Dental Plan											
Job Service Admin											
Guard Retirement											
Flexing Plan											
Retiree Health											
Judges 27-17											
457 Plan											
H.P. Retiree											
Life Plan											
Health Plan											
PC Retirement											
DB Retirement											
1977											
1983											
1987											
1988											
1989											
1991											
1993											
1996											
1997											
1999											
2001											
2003											

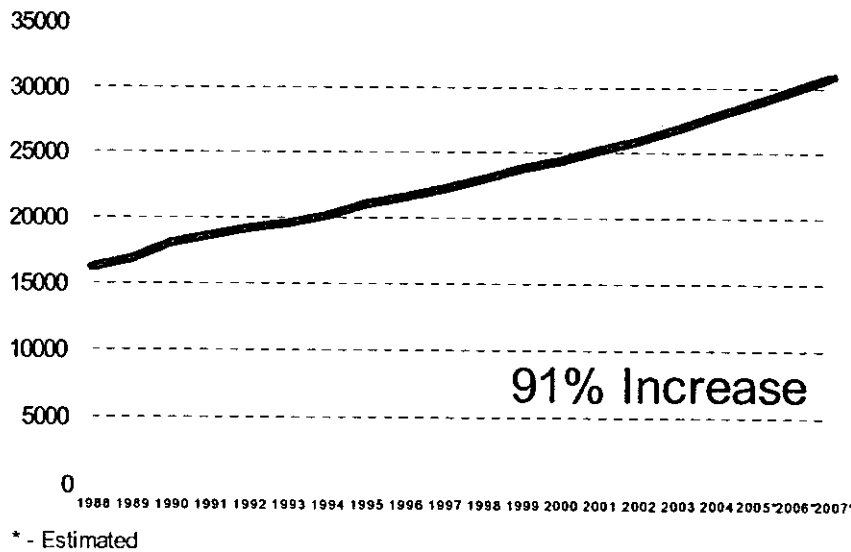
NDPERS

Health Plan Membership



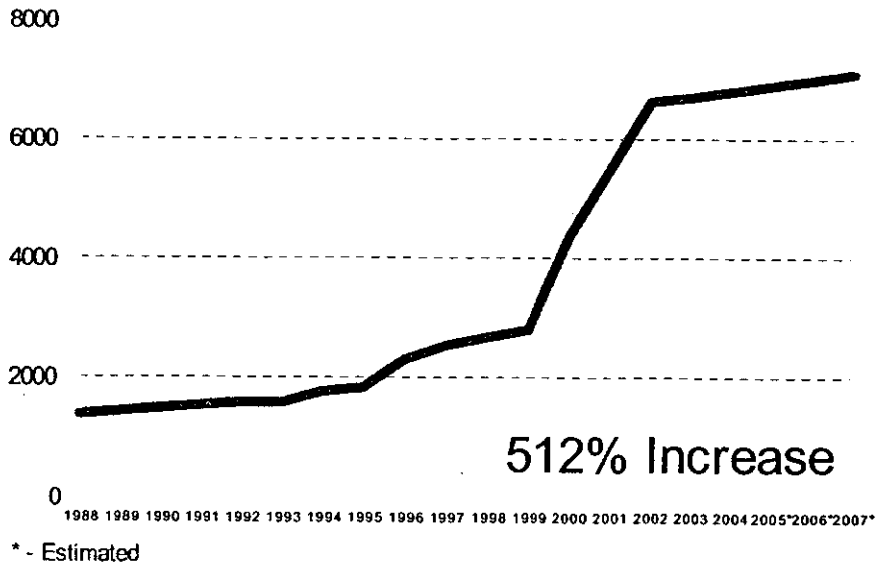
NDPERS

Retirement Plan Membership



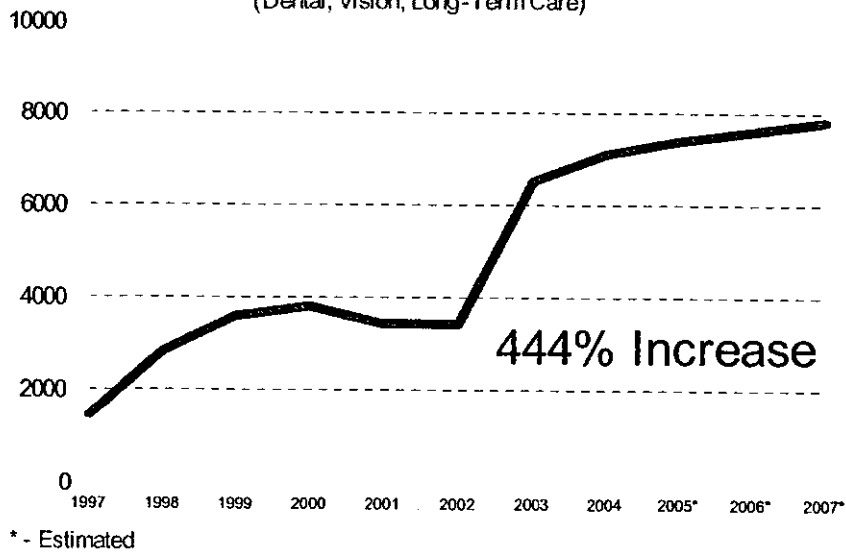
NDPERS

Deferred Compensation Plan Membership



NDPERS

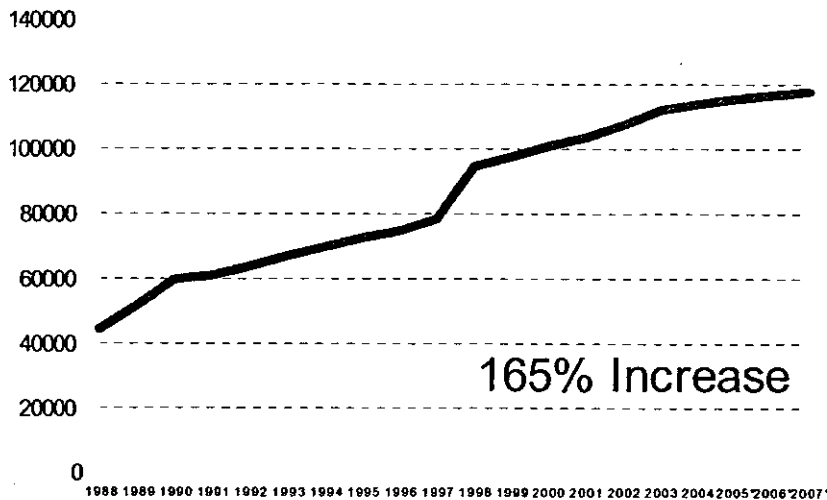
Voluntary Insurance Plans Membership (Dental, Vision, Long-Term Care)



NDPERS

Total Members

(Health, Retirement, 457 Plan, Flex, Dental, Vision, LTC, EAP)

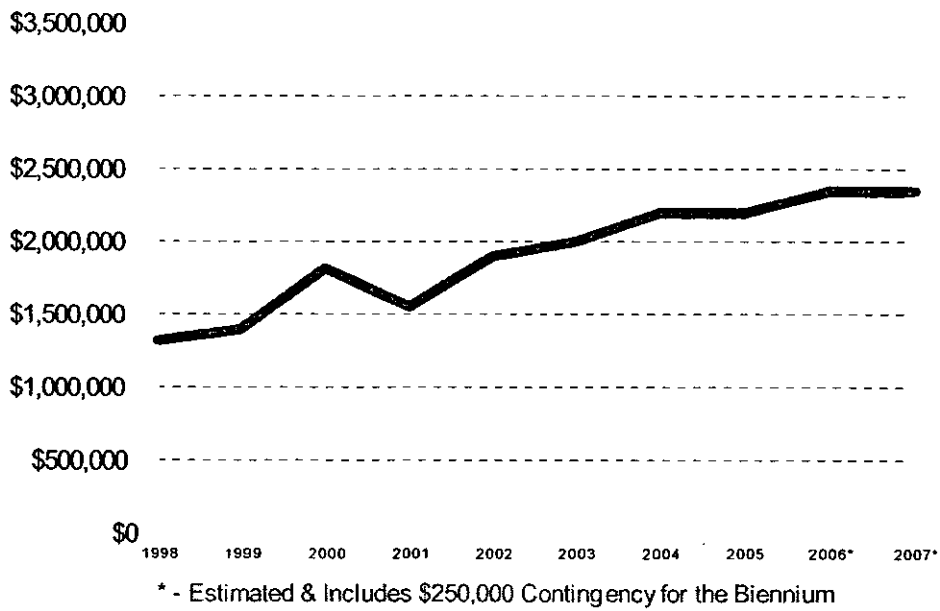


* - Estimated

The addition of these programs and associated increase in participation has also allowed us to diversify our staff over greater membership and programs. One way we measure how we are doing is to determine our cost per member. We determine this by taking the total membership in each program, and dividing it into the administrative budget. This tells us how we are doing administratively in terms of the level of effort for what we do. While our administrative budget has grown over the years the expansion in program responsibilities and membership has allowed us to maintain a fairly even level of effort or cost per member as shown in the tables below.

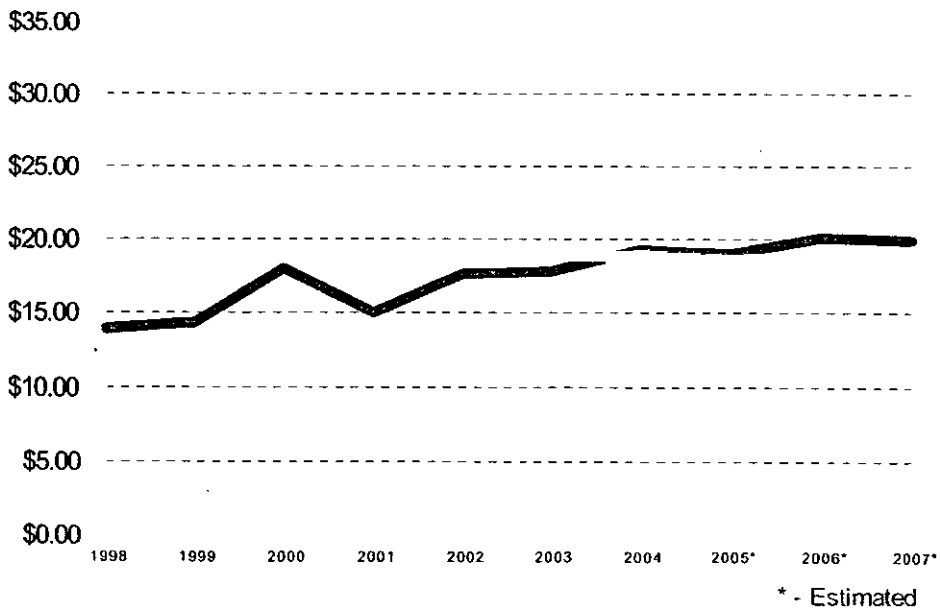
NDPERS

Appropriated Expenditures

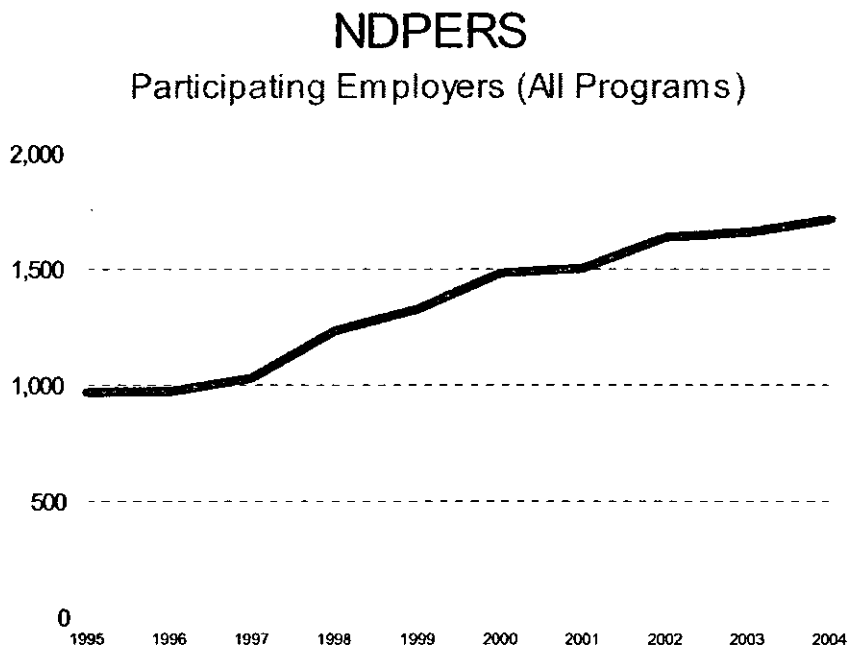


NDPERS

Appropriated Per Member

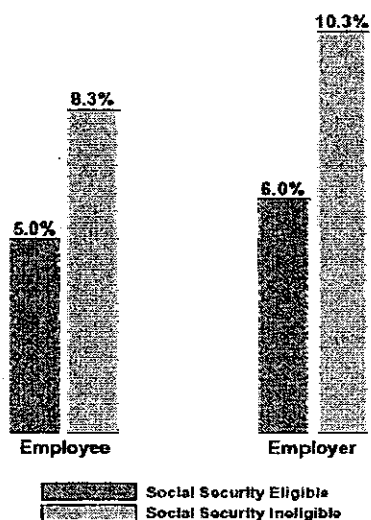


Another measure of the effort at PERS is the number of participating employer groups.



Last in terms of background is that we try to provide programs that are valued by our members and are of value to our employer groups. One way of measuring value is to compare to ourselves to other public employers. For our retirement plan the table shows the median rates for public retirement plans nationally.

**Median FY 2002 Contribution Rates
for Teachers and General Employees**



Our employer rate is 4.12% which puts us in the lowest 25%. Concerning the health plan:

	Estimated Total SINGLE Premium			Single Premium Split						Estimated Total FAMILY Premium		Family Premium Split										
				Employer Portion			Employee Portion					Employer Portion			Employee Portion							
CO	\$261	-	\$283	57%	\$156	-	\$156	43%	\$105	-	\$127	\$673	-	\$740	46%	\$326	-	\$326	54%	\$347	-	\$414
IA	\$287	-	\$431	100%	\$287	-	\$431	0%	\$0	-	\$0	\$688	-	\$1,008	86%	\$688	-	\$778	14%	\$0	-	\$230
KS	\$326	-	\$357	90%	\$307	-	\$308	10%	\$19	-	\$50	\$916	-	\$1,000	54%	\$514	-	\$514	46%	\$402	-	\$487
MN	\$320	-	\$320	100%	\$320	-	\$320	0%		-	\$0	\$942	-	\$942	90%	\$848	-	\$848	10%	\$93	-	\$93
MO	\$316	-	\$409	86%	\$281	-	\$342	14%	\$35	-	\$67	\$934	-	\$1,236	74%	\$703	-	\$910	26%	\$231	-	\$326
MT	\$328	-	\$365	100%	\$328	-	\$365	0%	\$0	-	\$0	\$572	-	\$628	89%	\$511	-	\$560	11%	\$61	-	\$68
NE	\$280	-	\$306	79%	\$221	-	\$241	21%	\$59	-	\$64	\$994	-	\$1,085	79%	\$785	-	\$857	21%	\$209	-	\$228
OK	\$371	-	\$372	100%	\$371	-	\$371	0%	\$0	-	\$0	\$916		\$1,037	88%	\$859	-	\$859	12%	\$57	-	\$178
SD	\$407	-	\$407	100%	\$407	-	\$407	0%		-	\$0	\$615	-	\$693	62%	\$407	-	\$407	38%	\$208	-	\$286
WY	\$400	-	\$400	93%	\$372	-	\$372	7%	\$28	-	\$28	\$1,200	-	\$1,200	69%	\$828	-	\$828	31%	\$372	-	\$372
Avg	\$330	-	\$365	91%	\$305	-	\$331	9%	\$31	-	\$34	\$845	-	\$957	74%	\$647	-	\$689	26%	\$198	-	\$268
ND *			\$230	100%			\$230	0%			\$0			\$568	100%			\$568	0%			\$0

As the above table shows our health premium costs are among the lowest in the region. Consequently our two largest programs operate at rates that are among the lowest when compared to other public employers. The above background gives you a historical perspective of the agency which shows that the scope of program efforts have grown over time, the number of our members and employers has grown over time, our cost per member has remained fairly stable and our program costs to our participating employers is among the lowest when compared to others. To the extent that all of this has happened it is only as a result of your support and the effectiveness of the benefits oversight authority the legislature has established in the Legislative Employee Benefits Committee.

With that background let me now turn to the budget before you today. First let me discuss our proposed base budget submitted to OMB (hold even from last biennium). You will note that in our base budget proposal for 2005-2007 we reduced our operating line item by \$35,261 and increased our salaries line item by \$44,723. This change primarily reflects our desire to submit several of our positions for review to Human Resource Management Services and our belief that such a review will result in reclassifications. You will note that our base budget also includes the addition of \$9,462 for the ConnectND fee.

	2003-2005 Appropriation	Proposed Base <u>Budget</u>	Change
Salaries	\$2,653,654	\$2,698,377	\$44,723
Operating	1,487,504	1,452,243	(35,261)
Contingency	250,000	<u>250,000</u>	
Total Base	\$4,391,158	\$4,400,620	\$9,462

Our requested increase from the base budget is as follows.

	Base <u>Budget</u>	Proposed 2005-2007	Change
Salaries	\$2,698,377	\$2,877,294	\$178,917
Operating	1,452,243	1,564,711	112,468
Contingency	250,000	<u>250,000</u>	
Total increase	\$4,400,620	\$4,692,005	\$291,385
Total base and increase change			\$300,847

The requested increase amount of \$291, 385 is distributed to the salaries and wages line in the amount of \$178, 917 which is the Governors compensation proposal. The \$112,468 relates to IT projects which are as follows:

Bar Code IBS (\$6,000) - IBS is our individual billing system that is used to bill many of our retiree and COBRA members. This change would rearrange the form and perforate it so that the portion to be returned could be easily removed. A barcode will be added to the removable portion of the form and contain the participant's information. The barcode could then be scanned for processing instead of being manually entered.

On Line Services (\$47,632) - Currently, PERS uses a process whereby employers report wages via paper transmittals. This project will make available an area on the PERS web site which employers can use to process "online" transmittals for their departments thereby eliminating manual entry.

Workflow (\$35,000) – This project would allow us to begin development and implementation of document workflow in the PERS office.

Upgrade IT hardware (\$23,836) – PERS proposes to upgrade 30 PC's and 2 laptops. Our base budget has funds to lease the equipment. This would allow us to purchase the equipment.

We had also requested \$90,633 in equity funding as part of the executive budget to continue to move PERS classified employees to be on par with other state employees. Last session you had provided us funds and that helped to increase our comp ratio to 91%. The state average is about 95%. This was not approved since the Governor proposed a state package to address this issue. As a result we are not requesting that this be added back.

The above provides the overview of our budget and the requests. On behalf of our board I want to thank you for your past support. It has been truly appreciated and what we have been able to accomplish is directly related to that support. We would also appreciate your support of the budget before you today.

Also attached (page 14 & 15) is the information requested on continuing appropriations (page 14) and a table showing the North Dakota Century Code references (page 15). The financial information is taken from our financial audit reports. The top of the form is from our financial statements for the various funds under PERS. Please note that most of the revenues are the earnings and contributions of the various retirement systems administered by PERS. I have also noted on the statement the group insurance premiums (health, dental, vision, LTC and EAP). These are funds passed through the agency and the auditor does not show them as revenue/expenditures to our fund pursuant to the GASB standards. Reasons for the continuing appropriations are:

- 1) To make timely benefit and premium payments pursuant to NDCC statutes.
- 2) To pay for the necessary actuarial and technical work required to administer the program including annual actuarial evaluations for each of the systems
- 3) To pay for the actuarial and technical work of the legislative Employee Benefits Committee. Pursuant to statute the Legislative Employee Benefits Committee performs an evaluation of all proposed legislation. The respective funds actuary does the work and the cost is paid from that fund.
- 4) To invest funds.

The above processes are best handled by a continuing appropriation, that is reported in the financials, since these payments fluctuate based upon the number of members, retirees, refunds, employer groups, and by the benefit elections of the members and other variables. If these funds had a fixed appropriation that was not sufficiently large enough to cover all contingencies the danger would be that a more restrictive appropriation would be insufficient during the biennium thereby endangering the timely payments of benefits and premiums. The resulting delay in getting any necessary supplemental appropriations would be very difficult for our members whose benefits or premiums would go unpaid. In addition, the consequence could be to expose the funds to late payment fees, interest charges, litigation by members for alleged harm and other potential liabilities a court may hold us to for ancillary damages.

Mr. Chair, members of the committee thank you for providing me this opportunity to give you an overview of our agency.

January 1, 2005

RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

TOTAL RETIREMENT		Main System	D.C. 401(a)		Highway Patrol	Judges	Guard	Law Enforcement	Job Service	Deferred Comp.	Health Credit
PARTICIPATION AGENCY											
State	92	92	32	1	1	1			1	92	92
Counties	44	44						3		33	44
School Dist	95	95								39	95
Cities	66	66						2		16	66
Others	54	54								20	54
	351									200	351
EMPLOYEES											
State	10,195	9,750	250	132	46	17			65	3,846	10,195
Counties	3,135	3,087						48		1,318	3,135
School Dist	4,277	4,277								556	4,277
Cities	445	442						3		174	445
Others	431	431								159	431
Legislators	0	0									
Retirees	6,001	5,853	41	90	14	3			213	1,000	3,661
COBRA											
	24,484	23,840	291	222	60	20		51	278	7,053	22,144

* In addition PERS administers the OASIS Retirement Plan and the Judges Retirement Plan section 27-17.

GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

January 1, 2005

		HEALTH	LIFE	DENTAL	VISION	EAP	FLEXCOMP	LT CARE
PARTICIPATION								
AGENCY								
State	92	92	92	92	92	92	83	92
Counties	37	28					-	
School Dist	25	3					-	
Cities	53	21					-	
Others	59	22						
	266	166	92	92	92	92	83	92
EMPLOYEES								
State	13,690	14,550	2,713	2,698	14,550	7,800		98
Counties	1,714	2,639					-	
School Dist	1,132	63					-	
Cities	903	155					-	
Others	430	222						
Legislators	127							
Retirees	5,172	3,568	1,100	500				
COBRA	376							
	23,544	21,197	3,813	3,198	14,550	7,800		98

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Report to Legislature on Continuing Appropriations

	Actual 1999-2001 Biennium	Actual 2001-2003 Biennium	Actual 2003-2004 Fiscal year	Estimated 2004-2005 Fiscal year	Estimated 2005-2007 Biennium
Beginning Balance	1,176,727,624	1,216,421,397	1,178,774,947	1,442,197,073	1,544,465,650
Revenues	152,063,550	79,171,441	331,495,680	175,290,689	498,830,410
Total Available	1,328,791,174	1,295,592,838	1,510,270,627	1,617,487,762	2,043,296,060
Expenditures - legislative appropriation	3,364,075	3,795,326	1,894,470	2,157,685	4,692,005
Expenditures - continuing appropriation	109,005,702	113,022,565	66,179,084	70,864,427	156,871,660
Ending Balance	1,216,421,397	1,178,774,947	1,442,197,073	1,544,465,650	1,881,732,395
Uniform Group Insurance Program (UGIP)					
UGIP-Premiums Collected	172,078,108	208,797,633	126,339,150	127,786,490	283,666,232
UGIP-Premiums Paid	172,078,108	208,797,633	126,339,150	127,786,490	283,666,232

The UGIP premiums reported above include group health and life, dental, vision and EAP. For fiscal year end 2004, 97% of the total premiums represent health insurance premiums.

Per GASB 10, an enterprise fund is required to be used for all public entity risk pools (regardless of whether there is a transfer of risk). See page 16, first paragraph of the audit report. Since the UGIP is for all intents and purposes a means for purchasing insurance for the state and political subdivisions, "premiums collected" and "premiums paid" are not revenues and expenses of the UGIP. To include them as such would result in the state reporting the expenses twice (once when the state agency "pays" UBIP and then again when the UGIP "pays" BCBS).

Program

PERS Retirement Plans:

- Main, Judges, Natl Grd, Law Enf
- Job Service
- Deferred Comp

Retiree Health Program

Group Insurance Plan (Health, Dental, Vision, LTC & EAP)

Pretax Benefits Program

Defined Contribution Plan

OASIS Retirement Plan

Highway Patrol Plan

Continuing Appropriation for Benefit Payments, Investments and Actuarial/technical consulting

54-52-04(actl & tech wk, refunds, prior service &service bft)

54-52-13 (investments)

54-52-13.1 (benefit payments)

54-52-17 (Medical or rehabilitation expense)

54-52.1-03.2 (investments & benefits)

54-52-04(Act & tech wk, premium payments)

54-52.1-04.3 (self insurance contingency reserve fund)

54-52.1-06.1 (self insurance benefits)

54-52.3-03 (technical wk & med spending reserve)

54-52.3-06 (benefit payments)

54-52.6-06 (Investment & tech work)

52-09-07 (benefit payments)

39-03.1-05 (Investment & benefit payments)

HB 1023
Testimony to House Appropriations Committee
Government Performance Division
Steve Cochrane, Executive Director
North Dakota Retirement and Investment Office

January 13, 2005

Good morning. My name is Steve Cochrane and I serve as Executive Director of the North Dakota Retirement and Investment Office (RIO) and as Investment Director to the State Investment Board (SIB).

BASE BUDGET

The Retirement and Investment Office (RIO) Base Budget was submitted at 59% of the 2003-05 biennium's budget. Taking out the \$2 million one-time request for the TFFR software replacement project in the 2003-05 biennium, our base budget was submitted at 100%. Including the salary increases added in the Governor's recommendation, our base budget request is \$2,966,923.

TFFR PENSION SOFTWARE IMPLEMENTATION PROJECT

1999-2001

RIO identified the need for an outside study of pension software solutions to replace or upgrade the existing TFFR mainframe computer system. The current system was originally designed and built 20 years ago using technologies that, although currently supported by ITD, are no longer commonly used in modern computer systems, and may not be supported by ITD in the future. RIO included a feasibility study in the 2001-03 IT plan submitted to State ITD.

2001-2003

RIO conducted a comprehensive business needs analysis, market survey, and vendor investigation and analysis which involved outside consultants (MSI), and staff from NDRIIO, ITD, OMB, State Procurement, and Attorney General's office staff. Consultant's reports and recommendations were presented to the TFFR Board. The Board approved recommendations to replace the current mainframe-based pension system with commercial software. RIO received authority from the 2003 Legislature to spend up to \$2 million to replace the existing system.

2003-2005

During the summer and fall of 2003, an RFP was developed, distributed, and responses analyzed. In January 2004, the TFFR Board approved awarding the contract to CPAS to license and implement pension administration software for the TFFR pension program. After contract and performance bond negotiations were completed, the contract was signed March 31, 2004.

RIO hired an outside project manager for this software implementation project. As a large IT project, quarterly reports are given to ITD and the Legislative IT Committee. In addition, a steering committee consisting of upper management of RIO, ITD, and CPAS meet to review progress on a monthly basis. The TFFR Board also receives monitoring reports on this project at each board meeting.

Major project activities include development of statement of work, project charter, project plan, requirements and specifications, template installation, business rules set-up, data conversion, system configuration and design, interfaces, reports, system testing, and training. Conversion of imaged documents from Visual Info to FileNet is also part of the overall project. Approximately 44% of the project tasks have been completed.

The project plan estimates an 18-month implementation period with project completion anticipated in September 2005. The project remains within budget. RIO is requesting to be allowed to carry forward the unexpended balance in our current appropriation in this area for the pension software replacement project that will not be completed until the next biennium. HB 1023 Section 4 pertains to this carry-over and contains a typo where the word, "unexpected", should read, "unexpended". Our understanding is that Legislative Council is addressing the correction and will submit an amendment.

CONTINUING APPROPRIATIONS

Continuing appropriations for the Retirement and Investment Office are specified in NDCC 21-10-06.2 (State Investment Board) and 15-39.1-05.2 (Teachers' Fund for Retirement).

NDCC 21-10-06.2 appropriates the amounts necessary to pay for investment costs, such as investment counseling fees, trustee fees, custodial fees, performance measurement fees, expenses associated with money manager searches, expenses associated with onsite audits and reviews of investment managers, and asset allocation expenses. NDCC 54-52-14.1, related to the Public Employees Retirement Fund, allows investment costs to be paid directly from that fund as well. These costs are included on the attached schedule under note 1 – Investment Expenses. Our investment expenses calculate out to approximately 55 basis points annually.

The actual amount of administrative expenses incurred by the State Investment Board must be paid from the funds under management in proportion to the services rendered for each fund. There is a continuing appropriation in ND 54-52.5-03 allowing each fund to pay these costs to the State Investment Board.

NDCC 15-39.1-05.2 appropriates funds for payment of TFFR benefits and consultant fees as necessary from TFFR funds. The attached schedule shows the total benefit and member refund amounts paid (shown as note 2). TFFR consulting fees are shown in note 3.

These items are included in our continuing appropriation authority as they are difficult to predict and vary significantly from biennium to biennium. Investment costs are generally based on market values of investments which generally fluctuate year-to-year. Retirements and deaths, which are difficult to predict, affect benefit payment changes. Refunds to active members are even more difficult to estimate. Retirement consultant costs vary based on the needs of the fund, pending legislation, investment market

conditions and national trends. A fixed appropriation could result in a shortfall with significant ramifications including potential interest charges, late fees, breach of fiduciary responsibility charges and lawsuits by affected parties.

The Exclusive Benefit Rule applies to all funds under the Retirement and Investment Office. This rule requires all assets of the funds be used only for the benefit of the funds and their participants. Additionally, these are all Special Funds. We request that all of the continuing appropriations be allowed to continue, as they are critical to the ongoing operations of both the ND Teachers' Fund for Retirement and the State Investment Board and are necessary to administer the programs within the agency.

**REPORT TO LEGISLATURE ON CONTINUING APPROPRIATIONS
2005-2007 BUDGET CYCLE
ND RETIREMENT AND INVESTMENT OFFICE - DEPARTMENT 190; FUND 207 (SPECIAL FUNDS)
NDCC 21-10-06.2 and 15-39.1-05.2**

	Actual 1999-2001	Actual 2001-2003	Estimated 2003-2005	2004 actual	2005 actual as of 11/30/04	2005 estimated Dec-June	Estimated 2005-2007
Additions:							
Total contributions	108,094,284	116,625,233	127,311,521	63,655,363	19,088,158	44,568,000	127,312,316
Investment income:							
Total investment income	232,630,248	(24,256,965)	747,931,224	533,540,085	213,891,139	500,000	-
Investment expenses (1)	23,795,847	21,557,571	26,354,211	11,905,380	5,448,831	9,000,000	28,897,662
Net investment income	208,834,401	(45,814,536)	721,577,013	521,634,705	208,442,308	(8,500,000)	(28,897,662)
Total additions	316,928,685	70,810,697	848,888,534	585,290,068	227,530,466	36,068,000	98,414,654
Deductions:							
Benefits paid to participants (2)	111,324,185	139,527,459	167,347,271	77,153,054	35,194,217	55,000,000	180,388,434
Refunds (2)	5,915,860	4,473,172	9,100,200	5,800,100	1,422,259	1,877,841	6,600,200
Administrative charges (3)	2,114,880	2,122,920	4,036,358	1,513,788	727,570	1,795,000	2,400,000
Total deductions	119,354,925	146,123,551	180,483,829	84,466,942	37,344,046	58,672,841	189,388,634
Net increase (decrease) in net assets resulting from operations	197,573,760	(75,312,854)	668,404,705	500,823,126	190,186,420	(22,604,841)	(90,973,980)
Net contributions/(withdrawals)	21,766,106	7,417,296	1,012,716	(4,502,004)	5,514,720	-	-
Total increase (decrease) in net assets	219,339,866	(67,895,558)	669,417,421	496,321,122	195,701,140	(22,604,841)	(90,973,980)
Net assets:							
Beginning Balance	3,327,297,114	3,546,636,980	3,478,741,422	3,478,741,422	3,975,062,544	3,975,062,544	4,148,158,843
Ending Balance	3,546,636,980	3,478,741,422	4,148,158,843	3,975,062,544	4,170,763,684	3,952,457,703	4,057,184,863

(1) "Investment Expenses" includes both legislatively appropriated expenses and continuing appropriations under NDCC 21-10-06.2.

Investment Management Costs	\$ 21,133,651	\$ 18,529,877	\$ 23,151,896	10,466,798	\$ 5,051,006	7,634,092	\$ 25,117,416
Investment Custody Costs	1,546,839	1,883,811	1,788,632	771,770	216,862	800,000	2,033,724
Investment Consulting Costs	440,689	428,879	666,214	303,334	62,880	300,000	650,000
Income Offset	(37,145)	(37,214)	(24,960)	(19,344)	(5,616)	-	(24,000)
Due Diligence/Education Costs	152,266	122,402	129,017	60,272	16,745	52,000	137,490
Total Investment Expenses-Continuing Appropriation	23,236,300	20,927,755	25,710,799	11,582,830	5,341,877	8,786,092	27,914,630
Legislatively Appropriated Expenses-SIB	559,547	629,816	643,413	322,550	106,954	213,908	769,764
Total Investment Expenses	23,795,847	21,557,571	26,354,211	11,905,380	5,448,831	9,000,000	28,684,394

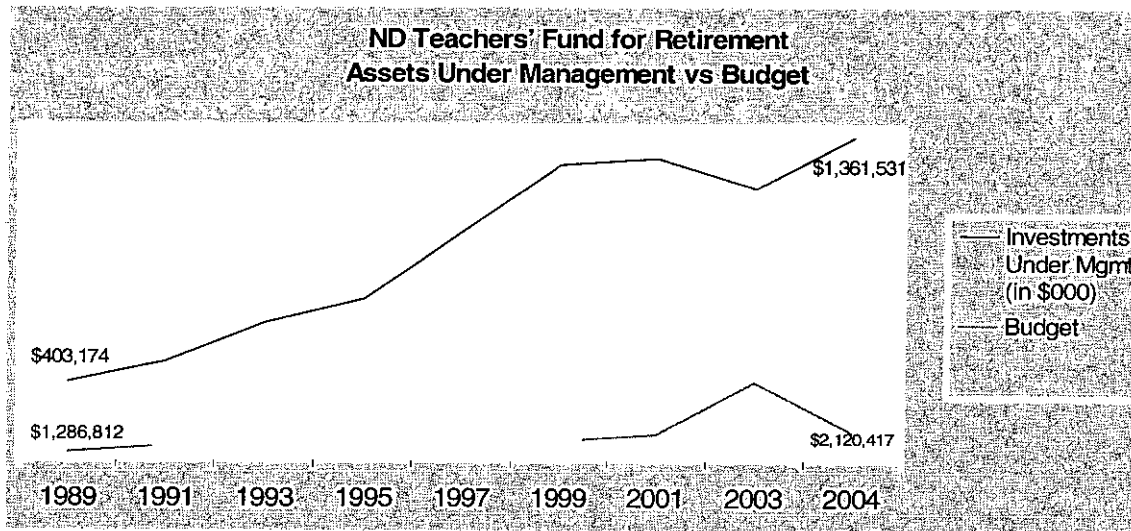
(2) Benefits and Refunds are covered under continuing appropriations in NDCC 15-39.1-05.2.

(3) "Administrative charges" includes both legislatively appropriated expenses and continuing appropriations for consulting expenses under NDCC 15-39.1-05.2.

Legislatively Appropriated Expenses-TFFR	\$ 1,765,702	\$ 1,790,222	\$ 3,634,595	\$ 1,324,376	\$ 680,203	\$ 1,630,016	\$ 2,000,000
Income Offset	(2,732)	(900)	(337)	(206)	(131)	-	-
TFFR Consulting Costs - Continuing Appropriation	351,910	333,598	402,100	189,618	47,498	164,984	400,000
	2,114,880	2,122,920	4,036,358	1,513,788	727,570	1,795,000	2,400,000

JUSTIFICATION FOR CONTINUING APPROPRIATIONS

We request that all of the above continuing appropriations be allowed to continue as they are all critical to the ongoing operations of both the ND Teachers Fund for Retirement (TFFR) and the State Investment Board (SIB). These funds are Special Funds only. TFFR and SIB both operate under the Exclusive Benefit Rule whereas the assets of the funds are to be used only for the benefit of the funds and their participants. The expenses shown above are necessary to administer the programs within the agency.

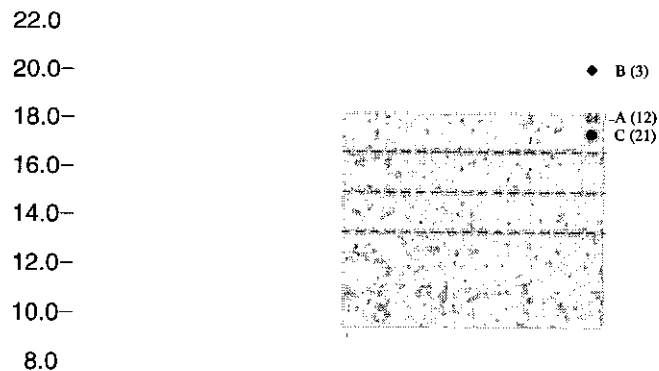


1989-1991 Biennium
2005-2007 Requested Base

\$313 Investment Dollars per Budget Dollar
\$642 Investment Dollars per Budget Dollar

SIB PERFORMANCE

Total Fund Rankings Compared to Callan Database
For Year Ended June 30, 2004



Year Ending 6/30/04

10th Percentile	18.31
25th Percentile	16.63
Median	14.96
75th Percentile	13.33
90th Percentile	9.36
ND Pension Trust	18.13
TFFR Total Fund	20.07
PERS Total Fund	17.38

TESTIMONY OF
SPARB COLLINS
ON
ENGROSSED HOUSE BILL 1023

*With the
exception of
these pages,
same
testimony
given to
the House*

Mr. Chair, members of the committee, good afternoon my name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System or PERS. Today I appear before you to give you an overview of our agency and our budget request.

First let me start by providing an overview of our agency. PERS is directed by a board composed of the following members:

Chair (appointed by Governor)	Jon Strinden
Appointed by Attorney General	Sandi Tabor
State Health Officer or Deputy	Arvy Smith
Elected	Howard Sage
Elected	David Gunkel
Elected	Rosey Sand
Elected	Ron Leingang

Concerning our program responsibilities the attached pages 13&14 identifies each program administered by PERS and provides some statistical information about each. Page 13 lists the various retirement plans administered by our agency. As you will note our agency is responsible for the administration of about 10 different retirement plans. Three were

With that background let me now turn to the budget before you today. First let me discuss our proposed base budget submitted to OMB (hold even from last biennium). You will note that in our base budget proposal for 2005-2007 we reduced our operating line item by \$35,261 and increased our salaries line item by \$44,723. This change primarily reflects our desire to submit several of our positions for review to Human Resource Management Services and our belief that such a review will result in reclassifications. You will note that our base budget also includes the addition of \$9,462 for the ConnectND fee.

	2003-2005 Appropriation	Proposed Base <u>Budget</u>	Change
Salaries	\$2,653,654	\$2,698,377	\$44,723
Operating	1,487,504	1,452,243	(35,261)
Contingency	250,000	<u>250,000</u>	
Total Base	\$4,391,158	\$4,400,620	\$9,462

Our requested increase from the base budget is as follows based upon the engrossed bill.

	Base <u>Budget</u>	Proposed 2005-2007	Change
Salaries	\$2,698,377	\$2,865,776	\$167,399
Operating	1,452,243	1,564,711	112,468
Contingency	250,000	<u>250,000</u>	
Total increase	\$4,400,620	\$4,680,487	\$279,867
Total base and increase change			\$289,329

The requested increase amount of \$279,867 is distributed to the salaries and wages line in the amount of \$167,399 which is the House compensation proposal. The \$112,468 relates to IT projects which are as follows:

Bar Code IBS (\$6,000) - IBS is our individual billing system that is used to bill many of our retiree and COBRA members. This change would rearrange the form and perforate it so that the portion to be returned could be easily removed. A barcode will be added to the removable portion of the form and contain the participant's information. The barcode could then be scanned for processing instead of being manually entered.

On Line Services (\$47,632) - Currently, PERS uses a process whereby employers report wages via paper transmittals. This project will make available an area on the PERS web site which employers can use to process "online" transmittals for their departments thereby reducing manual entry.

Workflow (\$35,000) - This project would allow us to begin development and implementation of document workflow in the PERS office.

Upgrade IT hardware (\$23,836) - PERS proposes to upgrade 30 PC's and 2 laptops. Our base budget has funds to lease the equipment. This would allow us to purchase the equipment.

We had also requested \$90,633 in equity funding as part of the executive budget to continue to move PERS classified employees to be on par with other state employees. Last session you had provided us funds and that helped to increase our comp ratio to 91%. The state average is about 95%. This was not approved since the Governor proposed a state package to address this issue in section 3 of House Bill 1015.

The above provides the overview of our budget and the requests. On behalf of our board I want to thank you for your past support. It has been truly appreciated and what we have been able to accomplish is directly related to

that support. We would also appreciate your support of the budget before you today.

Mr. Chair, members of the committee thank you for providing me this opportunity to give you an overview of our agency.

PLANS ADMINISTERED BY NDPERS

[illegible]

Engrossed HB 1023
North Dakota Retirement and Investment Office
Testimony to Senate Appropriations Committee
Steve Cochrane, Executive Director
March 8, 2005

Good afternoon. My name is Steve Cochrane and I serve as Executive Director of the North Dakota Retirement and Investment Office (RIO) and as Investment Director to the State Investment Board (SIB).

RIO was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of two important long-standing state programs – the retirement program of the Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB).

TFFR is a qualified defined benefit public pension plan. The plan covers North Dakota public school teachers and administrators and is funded on an actuarial basis. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves nearly 10,000 teachers from 266 employer groups and pays benefits to more than 5,300 retirees and beneficiaries. High quality member services and outreach programs are offered to members and employers as part of the continuing effort to keep them informed about the retirement program.

The SIB is responsible for setting policies and procedures guiding the investment of more than \$4.0 billion in assets for five pension funds and 16 other insurance-type funds. Their investments are divided into two investment trust funds – the Pension Trust and the Insurance Trust. The Pension Trust is made up of only qualified pension funds whose monies must be invested exclusively for the benefit of their participants. The Insurance Trust is made up of mainly insurance-type funds, but also includes funds that do not qualify as pension funds and would like to benefit from the cost savings of being pooled with other funds' assets. All of these funds are invested in accordance with the "Prudent Investor Rule".

I am happy to report that the pension funds experienced outstanding returns for the past fiscal year, ranking well into the top quartile of all public funds measured by our investment consultant, Callan Associates. Returns for this fiscal year-to-date are positive and encouraging.

The RIO budget appropriation is all special funds. No general funds are requested.

Some of the highlights from our budget request are detailed below:

- Our original budget request was submitted at 100% of the current budget (excluding the contracted services line). An increase in our salaries and wages line was off-set by an equal decrease in our operating line. The additional increase showing in our salaries and wages line is the 3% and 4% increases granted by the House earlier in the session.

- We are not requesting an increase in our contingency line.
- We are not requesting additional funds in our contracted services line. We are requesting that we be allowed to carry forward the unexpended balance in our current appropriation in this area to complete our retirement software replacement project. The House has approved that request which is contained in Section 4 of the bill.
- No additional FTE's are being requested.

In conclusion, the Retirement and Investment Office strives to provide top-notch services to its members and clients in a cost effective and efficient manner. We feel that this budget will allow us to continue to do so. Thank you for your time and consideration.