2009 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2277

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2277

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 1/29/09

Recorder Job Number: 8095

Committee Clerk Signature Katie Owel

Minutes:

Senator Dever opened the public hearing on SB2277.

Senator O'Connell: District 6 Senator. SB2277 gives people on lower salary end a 13th payment; it is geared to help those with lower paychecks.

Senator Dever: Does this apply to all retired teachers.

Senator O'Connell: Helps ones that are retired the longest. Appreciate adjust of Fiscal note into 2 payments instead of 1.

Ken Tupa: Testimony #1.

Senator Nelson: The 10% comes from IRS?

Ken Tupa: Yes, the supplemental payment cannot to exceed greater than 10%.

Senator Cook: Some of these lower annuities, could that be from a teacher taught for 5 years and then moved on and then retired from that profession.

Ken Tupa: Yes. There are 137 members and the average service is just under 8 years. The formula that 2277 provides is something for all retirees. We are going to take it into account those who taught and made it a profession.

Senator Cook: You made the point that this is for people who have spent their careers teaching. That is not necessarily the case, there are some that would benefit from this that have not spent their entire careers teaching.

Ken Tupa: Use of formula is so that those who made it a career.

Senator Horne: Help me understand how this helps teachers that taught in periods of low salaries.

Ken Tupa: That is the reason we are using the formula. The numbers of years taught and the number of years retired. Part of formula is taking $18 and multiplies it by the number of years you have been retired. The benefit is weighted towards those who have been retired longer.

Senator Dever: If included years since retirement I imagine there would have an inverse relationship to the amount of monthly pension.

Ken Tupa: Yes.

Senator Christman: Senator from District 33 & I met with retired teachers in my area last fall. Mr. Tupa has covered everything that I know about the bill. If you have questions directly for me, I would be happy to answer them.

Rolland Larson: Testimony # 2.

Senator Cook: Every time we adjust that factor it was in effect at the time of retirement.

Rolland Larson: Factors I am referring to are the multiplier that will not change. The $2 per year retired does not change the multiplier.

Senator Nelson: That is what you have people waiting to retire until after we make a decision.

Senator Horne: This is a onetime payment so teacher A) in Ken's example would receive $750 but next year there would be no change.

Rolland Larson: Yes, this would be a onetime supplemental payment.

Ruth Stefonowicz: Testimony #3.

Senator Cook: The merits of this bill are good. What about someone that taught for 5 years, tell me why do they deserve this?

Ruth Stefonowicz: The amount they get will not be much larger. The larger increases will go to the dedicated long term teachers.

Senator Cook: Do you think that is justified?

Ruth Stefonowicz: I would like to have someone who is going to administer this fund answer that. But I think it would be a nightmare to pick out those people. My mother taught for a few years, went through education program to become a teacher, and some of those people are in that category.

Senator Nelson: Those people taught when they were 20-21, and they can't retire until they are 65.

Fay Kopp: Testimony #4.

Senator Dever: 1022 is in the house appropriations and this will go to the senate house appropriations, so there is nothing in this bill that addresses the language in HB1022

Fay Kopp: It does not address this particular bill, but there is $5,000,000 for retiree supplemental payment for those that have been retired the longest.

Senator Dever: If that was included in the governor's budget why didn't your agency submit a bill?

Fay Kopp: TFFR is the board is responsible for $2,000,000,000 trust and 6,300 retirees and beneficiaries. In past, the board has proposed legislation can they increase legislation. While this bill was in governor's recommendation the board did not take a position and decided to allow for this to happen. Decide where to spend general fund. Unless it would negatively effect us TFFR doesn't take a stance.

Senator Dever: Because it is coming from the general fund is something I have problems with. How is the fund doing?

Fay Kopp: TFFR did come to you in 2007 and as we looked into the future, the demographic rate had effected up. In 2007 we require employee contribution increase. 2007 got 1/2 % increase and new tier of benefits stared for new teachers. Last year TFFR has suffered in the market. From July 1 through now we are down 25%. This will have dramatically effect on funding level. The likelihood that investments will take us out of that, it is unlikely. Overtime funding level will decline. We project drops in the next 5-10 years. Looking at TFFR we will be coming back in the future to ask for funding improvements.

Senator Dever: Anyone else to testify? If not we will close the public hearing on 2277.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2277

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 01/29/09

Recorder Job Number: 8860

Committee Clerk Signature Katie Olivo

Minuets:

Senator Dever: It would be nice if we could shift the dollars to those who are getting less in retirement.

Senator Nelson: Some of the older teachers who are way down there have been retired for a while.

Senator Dever: Switched $24 and $18, that wouldn't work, they have a cap anyway.

Senator Cook: Multiplier does not always go up. Lower salary that retirement is based off of.

Senator Dever: Made a big difference in the last 8 years.

Senator Cook: Have a chart to see what the multiplier is over the last 8 yrs.

Senator Nelson: Bill puts a cap of $750 on and so those people who are at the top won't get a very big percentage based on what they were making.

Senator Cook: The cap is $750 so everyone is getting 13th payment.

Senator Nelson: The maximum they can get is $750.

Ken Tupa: The limits that are set there the greater than 10% of their annuity. You will see where $750 is a limit and see that language. So long as that does not exceed that then they can make more than $750. I think the average was less than $900. Some higher and some lower.

Senator Cook: When this bill was introduced as a bonus payment for those who taught at some time in their career. When decided it was not for them, making more money and get a retirement plan.

Senator Dever: One chart shows 48 members that receive a benefit less than $100 their average length of service is 3.84 years. I imagine that it is likely their first career.

Senator Nelson: I think that Fay told me that those people would not be singularly vested under the TFFR, but they are duel members, they also have membership in PERS. That is why they are carrying this amount.

Senator Cook: That could be.

Senator Nelson: That would be in the when retired they are meshed as to years of service.

A motion was made for a Do Pass with a re referral to appropriations by Senator Nelson with a second by Senator Horne.

Roll was taken with the bill passing 5-0 with a re referral to appropriations.

FISCAL NOTE

Requested by Legislative Council
05/01/2009

Amendment to: SB 2277

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

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	$0	$0	$0
Expenditures	$0	$0	$0	$4,600,000	$0	$0
Appropriations	$0	$0	$0	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	$0	$0	$0	$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

As amended by the Conference Committee, SB 2277 provides a one-time supplemental retiree benefit payment from TFFR fund to all retired teachers and administrators who retired before January 1, 2009. Supplemental payment is based on a formula using $20 per year of service plus $15 per year retired.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 provides for the one-time supplemental retiree payment. Based on estimates from TFFR's actuarial consultant, approximately 6,317 retirees would receive an average supplemental payment of about $723. Total payment is estimated to be about $4,600,000.

Note: HB1022 is the companion bill for SB 2277, and includes employer/school district contribution increase of 0.5% to improve TFFR funding and offset supplemental retiree payment in SB2277, if passed. HB1022 also includes $25,000 appropriation for TFFR to implement SB2277.

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

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

None

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

Estimate $4,600,000 from TFFR fund for one-time supplemental retiree benefit payment in December 2009.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Note: HB1022 is the companion bill for SB 2277, and includes $25,000 appropriation for TFFR to implement SB 2277, if passed.

Name:	Fay Kopp	**Agency:**	ND Retirement & Investment Office
Phone Number:	328-9895	**Date Prepared:**	05/01/2009

FISCAL NOTE

Requested by Legislative Council
04/13/2009

Amendment to: SB 2277

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

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	$0	$0	$0
Expenditures	$0	$0	$3,425,000	$0	$0	$0
Appropriations	$0	$0	$3,425,000	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	$0	$0	$0	$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

As amended, SB 2277 provides a one-time supplemental retiree benefit payment to retired teachers and administrators who retired before July 1, 2001 under TFFR. The supplemental payment is based on a formula using years of service and years retired as described in the bill.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 provides for the one-time supplemental payment. Based on estimates from TFFR's actuarial consultant, approximately 3,718 retirees would receive an average supplemental payment of about $918. Total payment is estimated to be about $3.4 million.

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

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

None

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

Estimate $3,400,000 for one-time supplemental retiree benefit payment in December 2009.

Estimate $25,000 for administrative expenses (computer programming and member notification)to implement bill.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Estimate $3,400,000 for one-time supplemental retiree benefit payment in December 2009.

Estimate $25,000 for administrative expenses (computer programming and member notification) to implement bill.

NOTE: HB 1022 is companion bill to SB 2277. Engrossed HB 1022 includes $5.425 million general fund transfer to fund supplemental payment in SB 2277 which, if amendments are approved, is estimated to cost $3.425 million. These two bills will need to be reconciled.

Name:	Fay Kopp	**Agency:**	ND Retirement & Investment Office
Phone Number:	329-9895	**Date Prepared:**	04/13/2009

FISCAL NOTE
Requested by Legislative Council
01/20/2009

Bill/Resolution No.: SB 2277

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

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	$0	$0	$0
Expenditures	$0	$0	$5,425,000	$0	$0	$0
Appropriations	$0	$0	$5,425,000	$0	$0	$0

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	$0	$0	$0	$0

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2277 provides a one-time supplemental retiree benefit payment to retired teachers and administrators under TFFR, based on a formula using years of service and years retired.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 provides for the one-time supplemental payment. Based on estimates from TFFR's actuarial consultant, approximately 6,317 retirees would receive an average supplemental payment of about $846. Total payment is estimated to be about $5.4 million.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

None

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

Estimate $5,400,000 for one-time supplemental retiree benefit payment in December 2009.

Estimate $25,000 for administrative expenses (computer programming and member notification)to implement bill.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Estimate $5,400,000 for one-time supplemental retiree benefit payment in December 2009.

Estimate $25,000 for administrative expenses (computer programming and member notification) to implement bill.

NOTE: HB 1022 includes general fund appropriation of $5 million to TFFR for purposes of supplemental retiree benefit payment described in SB 2277.

Name:	Fay Kopp	**Agency:**	ND Retirement & Investment Office
Phone Number:	328-9895	**Date Prepared:**	01/23/2009

Date: 2-5-09
Roll Call Vote #: 1

2277
Carrier: Nelson

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass w Re Refer

Motion Made By Nelson Seconded By Horne

Senators	Yes	No	Senators	Yes	No
Dick Dever	X		Dwight Cook	X	
Dave Oehlke	X		Carolyn Nelson	X	
Robert M. Horne	X				

Total Yes 5 No

Absent

Floor Assignment

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

REPORT OF STANDING COMMITTEE

SB 2277: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2277 was rereferred to the **Appropriations Committee**.

2009 SENATE APPROPRIATIONS

SB 2277

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2277

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 9, 2009

Recorder Job Number: 9038

Committee Clerk Signature	Rose Laning

Minutes:

Chairman Holmberg called the committee hearing to order on SB 2277 relating to supplemental retiree benefit payments under the teachers' fund for retirement.

Ken Tupa ND Retired Teachers Association. Testified in favor of SB 2277. See attachment #1.

Rep. Kathy Hawken District #46. Testified in favor of SB 2277. The state has 269 teachers who are getting older and getting less money. They haven't had an increase in pay since 2001 and they are not getting rich off their retirement. It's in the governor's budget. This bill would instill confidence to help get our state moving again. It's a onetime thing but it is a very important onetime thing. It may need to be tweaked, but we ask you to keep it alive.

Josh Asvig North Dakota Education Association. Testified in favor of SB 2277. Ken did a good job of summing up the bill. I would just like to say that we have retired members who spent years teaching but have not been properly compensated. These people are on a fixed income while the prices of everyday goods have gone way up.

Senator Mathern Does the employer who didn't pay enough to create a proper retirement take responsibility? Is there any support from the employer?

Asvig This is just a onetime supplemental payment to the teachers' fund.

Senator Mathern If there was a school district that paid higher salary, that teacher has a higher annuity. A school district that's paid lower has a lower annuity. Are we bailing out the lower paying school?

Asvig I do think we need to raise teacher's salaries in ND. I think it's a good bill and we need to have equity for all.

Chairman Holmberg I am probably one of the only people who were here in 1977 when we put a ½ M into the fund in part because the legislature had been generous with benefits and the employers couldn't keep up. Since that time there have been some court rulings that have made it more difficult for TFFR to give raises to retired teachers and they have had to base where they are going on the market. Since 2001 when we raised benefits substantially, the stock market went south. They have to give raises based on what they can generate from their income. Gave example of how teacher's income is assessed and the difference between active and retired teachers.

Madeline Hehr Retired teacher, my husband is a retired state employee. We have tried to save for retirement but as you have invested in the market know, it has not been good. Our spendable income has dropped 30-40% in the last 3-4 years. This bill is a small request actually. We have all felt that we should get a piece of the pie. My friend in Texas was provided with a 13th pay check. I urge you to consider this very carefully and work with the house to provide a onetime 13th paycheck.

Fay Kopp Director, ND Retirement and Investment Office (RIO). Testified in favor of SB 2277. See attachment # 2.

There was no opposition testimony given.

Chairman Holmberg Closed the hearing on SB 2277.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2277

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 9, 2009

Recorder Job Number: 9050 (34:30)

Committee Clerk Signature	Rose Laning

Minutes:

Chairman Holmberg opened the discussion on SB 2277.

Chairman Holmberg: This is a bill without any money. If you recall, the teacher's fund for retirement, the House had the budget money of $5 M in their budget and they took that out today saying the policy is over in the Senate.

V. Chair Bowman moved Do Pass on SB 2277

Senator Seymour seconded.

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 1

Senator Nelson will carry the bill.

Chairman Holmberg closed the hearing on HB 2277.

Date: 2/9/09
Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2277

Senate _______________________________ Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _______________

Action Taken _______________

Motion Made By Sen Bowman Seconded By Sen. Seymour

Representatives	Yes	No	Representatives	Yes	No
Senator Krebsbach	✓		Senator Seymour	✓	
Senator Fischer	✓		Senator Lindaas		
Senator Wardner	✓		Senator Robinson	✓	
Senator Kilzer	✓		Senator Warner	✓	
V. Chair Bowman	✓		[redacted]		
Senator Christmann	✓		Senator Krauter	✓	
V. Chair Grindberg	✓		Senator Mathern	✓	
Chairman Holmberg	✓				

Total Yes 13 No 0

Absent 1

Floor Assignment goes back to committee Nelson

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

REPORT OF STANDING COMMITTEE

SB 2277: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2277 was placed on the Eleventh order on the calendar.

2009 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2277

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2277

House Government & Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 03/12/09

Recorder Job Number: 10828 & 10864

Committee Clerk Signature	Jeanette Cook

Minutes:

Chairman Grande opened the hearing on SB 2277.

Senator David O'Connell, District 6: Introduced SB 2277. This will put a thirteen paycheck into retired teacher's lives. I know a number of teachers that are less than $500 a month. Some have had to sell their homes and go into apartments as the cost of living went up. The teachers who didn't get paid much and don't have much retirement, they are the ones that taught our qualified teachers now. We have all fought in our campaigns to bring the teacher's wages up, but we forgot the ones that taught the teachers. There are experts here that will testify on this bill.

Representative Kathy Hawken, District 46, Fargo: There is nothing secret about what this is. It is an additional check for our retired teachers. I think this is an important bill. You all know that we all have teachers who are members of our church or who live next door. As Senator O'Connell mentioned, some of our older teachers are not under social security. So, what they get could be what they get. It is really, really, not very much. In this uncertain time, this is extremely important. I have heard from people on this particular bill that have never contacted anyone before. It is usually not the person that we would be giving the money to. It is neighbors and friends of those people. I hope that we can see our way to a Do Pass.

Ken Tupa, representing the North Dakota Retired Teachers Association, spoke in support of SB 2277. See attachment #1.

Representative Dahl: Is there a precedent here, where we take general fund money and appropriate it for a thirteenth check for retired teachers?

Ken Tupa: I don't know that general fund money has been used for that express use in the past. What I can say, is that general fund dollars are used to provide state employee salary increases and to fund education. It is not breaking precedent in that fashion. The reason that we pursued general fund dollars is because if we would have pursued TFFR dollars, it would have a negative impact to the fund. We did not want to do that. We felt that with the surplus in the state, and the fact that retired teachers really have been overlooked for the past seven years. It is probably time to look at doing something for them. Representative Hawken made a good point, and so did Senator O'Connell. A lot of these teachers have taught their entire lives. They had very low final average salaries. There were different rules and different times in place as to how much they could contribute to TFFR. Some of the systems didn't participate in social security, and there are a couple of systems that still don't today. For a lifetime educator to be receiving a $400-$600 annuity, with no other means for providing for themselves, and the cost of living continues to rise, we need to address this. This seems like the most responsible way to do it.

Vice Chairman Boehning: Teachers are not state employees, are they?

Ken Tupa: No.

Vice Chairman Boehning: Why would the state want to fund non-state employees that are basically a political subdivision? Are we going to see county, township, and city employees coming in and asking for a thirteenth check, if we set this precedent?

Ken Tupa: I don't know if we will see other groups wanting to come in and pursue this or not. The retirement fund is administered by the state. The districts and the fact that teachers pay into that fund, their contract for the annuity is with the state, therefore the state guarantees that contract. That being the case, we feel that it is appropriate that general fund dollars are used to provide an adjustment, if it is necessary. I'm not saying that is an avenue that we want to pursue, or will continue pursuing. Clearly, we would like to look at funding an ongoing increase from the Teachers Fund for Retirement, but we can't do that. The demographics of more retirees, and fewer actives, and the market conditions create a situation where there isn't an investment margin in the fund to provide this. This is not just in the last seven years, but possibly five to twenty years in the future. We have a lifetime retired teacher drawing an annuity of $600 to $700 a month. You are looking at that being the case for the next five to ten years. At what point do we say, we value our retired state employees and our active teachers? We need to make that commitment also to our retired teachers.

Vice Chairman Boehning: Is the state general fund putting dollars into the fund besides the money that goes back to the political subdivision to the school districts?

Ken Tupa: The state is not putting money into the retirement fund. The money that goes into the retirement fund is from the school districts at 8.25% per teacher, and the employee themselves puts in 7.75%. That is how it is funded. The state administers it.

Representative Wolf: How do I go back home and explain to my constituents that we are giving teachers which aren't funded by state dollars, technically through a political subdivision, a thirteenth check. The constituents in my district are getting laid off, they are losing their benefits, their salaries are being cut, and their benefits are being cut, and yet we are going to give teachers a thirteenth check from the state general fund. How can I defend that when I get back to my district?

Ken Tupa: I think you can say that retired teachers spent a lifetime teaching in North Dakota with very, very low salaries and lower multipliers. They contributed to a fund that is administered by the state, guaranteed by the state. They have not seen an increase in the past seven years, and it may be another five to ten years, while state employees have and active teachers have, and even retired state employees have. Those are all good things. This is about doing the right thing. It is about recognizing the need to provide some sort of cost of living adjust for retired teachers, who for years taught at such low salaries because they were dedicated to teaching. I think that Senator O'Connell said it well. We have forgotten about all the teachers that taught other teachers.

Representative Amerman: In your testimony you talked about going in front of the employee benefits program committee. What was the recommendation from that committee?

Ken Tupa: There was no recommendation.

Representative Amerman: You mentioned $25,000 to administer. Why that figure?

Ken Tupa: That was provided in the fiscal note by Miss ___(inaudible) _____ from TFFR. She might be able to better address that than I can.

Chairman Grande: Definition between defined benefit and defined contribution, sir?

Ken Tupa: PERS and TFFR are defined benefit systems. They are guaranteed annuity. You work for x number of years. Say, you work for twenty years, and your final average salary is $40,000 a year. Your annuity might be $2,000 a month. That is a consistent annuity. If it is $2,000 a month it is guaranteed by the state. It doesn't mean that it will go up, but it won't go down. Defined contribution would be more of a privatized sort of fund. Where if today, we were to have had a defined contribution system for a retired teacher that taught thirty years and made $600 in her annuity, if it wasn't guaranteed, it might be $100 a month. It is more volatile, and it can go up and down. Defined contribution is when you can control your own investments and you can do some things with it. Defined benefits is a system where you have a guaranteed annuity at the end of the contract.

Chairman Gande: So, it is understood when you are in a defined benefit that you will have your guaranteed benefit, but nobody guarantees you in that contract that once you retire, you will receive more. Correct?

Ken Tupa: That is correct. It is a good point. I think it underscores the reason that we are here. There is NO guarantee that you are going to get anything in the future. The reason that we are here is because we have gone seven years, and we have these very, very low annuities that we need to address. How many more years can we go? When the state is doing well, the private sector has done well up to this point, and we have a surplus.

Chairman Gande: Isn't it the security of the fund that they are guaranteed their retirement. They never lost any of the money. Yet every other citizen that is sitting with a defined contribution plan has lost money. At least they haven't lost money, where most people have lost 60%. We are really lucky to give out these full benefits each time are we not?

Ken Tupa: Yes, it is a good retirement system.

Representative Froseth: There are some discrepancies here on line 13. It says, "payment not to exceed the greater of 10% of the member's annual annuity or $750." But, in the fiscal note in Section 1 under B it says, "approximately 6,317 retirees would receive an average supplement payment of $846." Which is correct?

Ken Tupa: They are both correct. The fiscal note would refer to the average supplemental payment. It is going to differ depending upon the retiree's number years of service credits and the number of years of they have been retired. If you take a look at the example sheet, see attachment #1 page 3, example #A. Also look at example B. (explanation followed) The fiscal note talks to the average of all of these.

Representative Karls: Just to refresh our memories, when an active teacher is teaching do they contribute to this fund or does the school district pay both sides?

Ken Tupa: Generally the active teacher pays 7.75% and the district pays 8.25%. There may be cases where the district pays both.

Ruth Stefonowicz, President of the North Dakota Education Association-Retired and a member of the North Dakota Retired Teachers Association, testified in support of SB 2277 with the support of North Dakota Education Association. See attachment # 2.

Ray Hager, Washburn, North Dakota, a retired teacher, coach, principal, and administrator: Maybe we weren't state employees, but some of our money came from the state. The state told me what classes I had to take for the DPI which is an extension of the state legislature. So, I guess I always felt that I was a state employee, even though not all the money that I got came from the state. There are many of us that need a little help, whichever way that you can possibly see to make it more feasible for these older retired teachers. I may not be one of them, but I have been retired sixteen years. Whatever you could come up with for a benefit, I think would be a benefit. I think you could tell your constituents that these people put in a lot of time at a lot of low salaries and maybe deserve a little pat on the back.

Everette Stromme, a superintendent of one of the larger Class B schools and a retiree: I am here to solicit your support for SB 2277. Every year about this time my board would ask me what are the schools doing for teachers' salaries? My response was always something like this, because we were surrounded at that time by Carpio, Donneybrook, Lansford, Sherwood, and all of those schools that were asking me, "What are you doing?" So, I'm telling my board that we have t be leaders because they are asking us. We cannot compete with Minot and Bismarck salarywise. Now, looking at me you can tell that we had many of these teachers in these smaller schools that were getting less salaries than the teachers in our school. I was a superintendent, and I am not hurting in the amount that I am getting each month. But, keep in mind that you're are looking at length of service, salary, and the point system as far as retirement is concerned. So, these teachers that were teaching, especially in these smaller schools, had really a minimum of retirement money. I can vouch for one that lives in my house. She taught for nineteen years, and her retirement check is $303 a month. You are getting a cost of living as state employees, and here you have a group that is not getting this increase. You have an opportunity to give them a minimal amount. We know that you are being bombarded for handouts. I am really not talking for myself, my salary and 39 plus years, has given me enough to live on. I know some that would really appreciate getting enough money to buy a fridge or new mattress or something for their place. I ask that you consider this group of people for the services they gave to your state. Keep in mind that North Dakota retirement system is known as one of the lowest in the whole nation.

Chairman Grande asked if there was anyone who could not come back to testify in the afternoon hearing. She announced that we will continue this hearing after session today.

CONTINUED ON RECORDER # 10864

Chairman Grande opened the continuation of the hearing on SB 2277.

Fay Kopp, North Dakota Retirement and Investment Office and Chief Retirement Officer NDTFFR, provided neutral testimony on SB 2277. See attachment # 3.

Chairman Grande: Any questions?

Representative Froseth: In the history of TFFR has there ever been a thirteenth check or a bonus payment over and above the benefits paid out?

Fay Kopp: To my knowledge, and at least going back to 1977, I do not see in any records that there has been a thirteenth check. Any form of additional retiree payment has been added to their monthly benefit adjustment.

Representative Froseth: What would happen to the funds, if we appropriate the funds to be paid as a one-time cost of living increase. If that could be done - - - -(inaudible)- - - .

Fay Kopp: Certainly, it would increase the unfunded liability of the plan. If you use the same $5.4 million, it would add $5.4 million to the unfunded liability of the plan, if you used it as a one-time supplemental payment. Which would in turn, reduce the funded level and impact us negatively, at a time when we can't afford to be any more negatively impacted than what the markets have done to us. So, from our perspective it would hurt the plan. You also indicated a cost of living adjustment. If you would somehow take that 5.4 and spread it across everyone and give them a monthly adjustment for their lifetime, I'm not sure if it would amount to more than a buck or two a check or not. The actuaries would have to run that. If you take the $750 and divide it by 12, it will amount to $60 or $70 a month.

Chairman Grande: I don't know what percentage of loss you would have if you tried to pull five and one half million dollars out of the fund right now.

Representative Meier: I want to talk about how much money is in the fund currently and how much of a hit it took in 2009.

Fay Kopp: As of July 1, 2008 evaluation of the plan the fund was 80% funded and had assets of about $1.8 billion dollars. That was after a year when we had gone through a year where returns were less than the actuarial assumed rates. We had an 8% fiscal loss that fiscal year. From that point to date we were down about 35%. So, if you take 1/3 of the $1.8 billion then we would be down on paper some $600 million. Now, how will that affect our funding level? Certainly, if you measured it on a market basis, that is going to drop our funded level from 80% (on market value) to 55%. Retirement systems like ours are able to smooth those losses over a five year period. So, we will recognize that loss a little bit more slowly, and average it out with a few gains we had five years ago. We will see our funded level decline, absent any dramatic and quick recovery. We are certainly hoping for that to happen, no one more so, than we at the retirement plan. We also recognize that the outlook is somewhat thin at this time. I would anticipate that the fund would be coming back to the legislature in the next session requesting that we be allowed to raise contributions and/or make possibly other benefit adjustments. I know that is in the works, and we are having discussions at this level. At this time it is very difficult to determine how much we would need and over what period of time because everything is so volatile.

Representative Wolf: A few weeks ago I was reading the newspaper about some investments in North Dakota and PERS was part of it. Was TFFR also included in that?

Fay Kopp: Yes, the North Dakota State Investment Board did have a man from Westridge Company who had an affiliate called WG Trading that was handling a certain portfolio for the State Investment Board. I'm not the investment person, he was here this morning, so I will try to give this to you in layman's terms. We found out at the end of February that two of the principles of that Trading Company are under federal investigation for fraud. The securities exchange commission and all other regulatory bodies are dealing with that, and have frozen all assets. Prior to that happening, we were able to get back about $3.5 million back from Westridge, but we still do have a large sum of money that has been frozen. It is probably somewhere around $100 million. We are very hopeful that as we go through the regulatory action that we are going to be able to recover some or much of that dollar amount. At this time it would be premature to tell you that. I can tell you that we did have a relationship with that company for about nine years. Over that period of time they did meet normal expectations, and there was no red flag. When the market was up, we did well with them. When the market was down, they were down with us. It was not like there was anything that would jump out of the trigger. Prior to the time that we hired them, our investment consultant did do diligence on them. Many big investment consultants around the country in the years since then have been recommending clients to them. They looked pretty good, but were not.

Vice Chairman Boehning: If we go ahead and take general fund money and give it to the teachers as a supplemental one-time payment, can you see other political subs coming in, like the counties, cities, and other entities that are involved in the PERS plan, do you think they will want to come in and get a supplement too? Are we going to set a precedent by taking general fund dollars and giving it as retirement payments?

Fay Kopp: It would be very difficult for me to respond to that question. I deal basically with the school districts as a political subdivision. I'm sure there is always that possibility that others will come requesting similar contribution increases. I would dare say, however, that one of the reasons that the retired teachers and those that put forth this legislation did it because the timing is appropriate. There is a surplus condition that may not be in effect sometime down the road.

Representative Amerman: But, again, if we did do this, would it set a precedent?

Fay Kopp: I think that is up to you to decide. It is a policy making decision that you have to decide. Sometimes precedents are good.

Representative Amerman: Getting back to the software. It is $20, 000? So, if we never authorize another thirteenth check, can that software be used for anything else?

Fay Kopp: I would say that if we have this program in the system, some parts of it may able to be used for other types of proposals that are done. Let's say a different type of thirteenth check payment would come down the road. It is possible that it could be used for other reporting capabilities. I would never say that all is lost because sometimes as you develop things you are able to find multipurpose for it.

Chairman Grande closed the hearing on SB 2277.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2277

House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 03/13/09

Recorder Job Number: 10904

Committee Clerk Signature Jeanette Cook

Minutes:

Chairman Grande brought SB 2277 before the committee.

Chairman Grande: As this was being discussed, there are those that thought that there were some in need of this particular agreement, but it wasn't necessarily something that we wanted to do for all of them. I was thinking about where a cutoff place could be. I had Fay Kopp look up some numbers for me. My dividing point was...... Well, as you look at the handout from Mr. Tupa , the last page, that had the chart that shows 1999. Then you see the jump to 2001. At 2001 they hit that #2 multiplier. As history kind of goes, both PERS and TFFR, as we were working to define the (inaudible) program, one of the goals that was to be achieved was to get to that 2.0 multiplier. As you can see, it went up every chance it could go to get that done. We did it in a fairly aggressive fashion. When you compare the years retired on these sheets, you can come down to what I would call a breakdown. I am looking at ' TFFR members by monthly benefits'. There should be a breakdown at the eighth grouping. That is where the retirement line comes in, about $1,400 to $1,599. That is the breakpoint of those that don't get the 2.0 multiplier. Look above that line. That is where you see that they are not getting the big payments.

Fay Kop: That would not be the line because this is only divided by the amount of the monthly benefit. It is not divided by the formula that they retired under. That would be in another prepared document that I provided to you. It is about 3,600 of those individuals that don't have the 2% multiplier.

Chirman Grande: And of that group, their average supplemental payment is about $929. You can see where they are in the lesser group. Cost, if we make a cutoff around that would be about $3.4 million. The total cost is $3.425 million with the ability to computerize and distribute. I would use the exact formula from the bill.

Representative Wolf: The average check for that group of people would be?

Fay Kopp: The average amount of their extra payment would be about $928. The average amount that that whole group would be getting is probably $1000 per month.

Representative Froseth: Has it ever been proposed to bring everyone up to the 2.0 multiplier?

Fay Kopp: Yes, there has been discussion at the TFFR board level and amongst other interested parties. Obviously, there is a cost in doing that. When the discussion occurred in 2001, was about the time that the market took the first dive of the decade. We have not been able to provide funding to do that. What we had done prior to that time, we did give a benefit improvement to retirees. So, instead of bringing them up to the 2%, we brought the lowest up as far as we could. It doesn't bring everyone up to the 2% multiplier. In reality, the lower people that are getting a smaller benefit are probably getting a 2% multiplier, but it is based on very low salaries. It is still not at the level that you would want to be, if you were going to pick a number.

Chairman Grande: I asked Mr. Nelson to come down because I wanted him to hear the language we are talking about, in case we need an amendment drafted.

Representative Froseth: I feel that if we start taking state funds for this purpose, where does it stop? I understand the problem, that these people aren't getting much money. If there is any avenue at all that they can get it out of their retirement account, I would certainly support it. I don't know if we can start this method of funding.

Representative Karls: I spoke with my father last night, who was on appropriations in the Senate for 28 years. He remembers putting about $17 million of general fund money into TFFR way back.

Fay Kopp: I wasn't here when that happened, but in 1977 the legislature did transfer $14.5 million to TFFR. The reason for that transfer was two or three fold. At that time the fund was experiencing very low funded levels, as measured in 1977 terms. That funding was brought about primarily by a number of retiree increases that were granted in the '67, '71, and '73 sessions that were not funded through investment gains or funded through increased contributions or anything like that. The legislature chose to provide increased benefits to retirees, and they were not funded. This caused an increasing unfunded liability. The fund was considered to be about 40% solvent at that time. So, that was the reason behind that transfer. The other thing that they did at that time, which was part of getting TFFR back on track, was to take the cap off of school district contributions. Prior to that time, employee contributions were x amount, but employer contributions were a matching amount, but they were capped at like $500 or whatever the amount was. So, they removed that cap and increased contributions from both the employees and the employers. That was the other part of that mechanism.

Chairman Grande: As with any plan that the state has their fingers in, the tax payers are held liable forever and ever.

Representative Kasper: In the constitution of North Dakota it says, 'but neither the state nor any political subdivision thereof, shall otherwise loan or give its credit, or make donations to, or in aid of any individual association or corporation, except for reasonable support of the poor, must subscribe to or become the owner of capital stock in any association or corporation.' It is my understanding that we would be using general funds for this one-time payment. How do you react to the use of general funds to go to private citizens, compared to the constitution of North Dakota?

Jeff Nelson, LC: That is an interesting but difficult question. That has not been addressed by the courts of North Dakota. As Fay mentioned, there is a Supreme Court case that determined clearly that pension payments to teachers that have accrued pension benefits, that those payments are not a gift out of the gift prohibition. The issue of whether a supplemental retirement benefit funded from the general fund has not been addressed by the North Dakota courts that I am aware of. I think that if this issue were litigated, people on both sides of the issue would have an argument. That perhaps, we have a precedent where general fund monies were used in funding TFFR in 1977. Certainly perhaps, some of those dollars were used to fund benefits for people that were already retired at that time. I don't think that was ever challenged. Some of the other cases say that whether there is a financial obligation, a (inaudible) obligation, or a moral obligation, the state may rest on that claim. In this case the argument could be made that there are retirees out there that have a lower benefit than other retirees. Perhaps the state has some sort of moral obligation to these retirees. They could make that argument. On the other hand, as you know, acts of the legislative assembly are presumed to be constitutional. The legislature will have a presumption in favor of the constitutionality of any act of the legislative assembly. It also takes four of the five Supreme Court justices to declare an act of the legislative assembly unconstitutional. Those are some of the issues and thoughts on both sides of the issue. Again, the courts have not addressed that issue specifically in North Dakota. The best I could say is, I don't know.

Representative Kasper: In the issue of the payment in 1977, that was because of an unfunded liability where a fund was in jeopardy based upon a legislative action?

Jeff Nelson: I think that would be fair to say.

Representative Kasper: I think that might be a different circumstance than today, where we are just going to single out a few people. If a legislator felt that what we are doing is unconstitutional, how would a legislator go about filing an action? Do you have to hire your own attorney? Is there a process that is different for a legislator?

Jeff Nelson: There are two options. One is that a member of the legislative assembly can request an attorney general's opinion. The attorney general could issue an opinion. That opinion would govern the action of state officials, until such issues were addressed by the courts. As a member of the legislative assembly, I would have to give that some thought. The first issue would be an issue of standing. Do you as a legislator have sufficient interest in that case to bring the action? As a taxpayer the court might say you might have standing, or sufficient interest to bring the case.

Representative Kasper: If you have standing as a legislator is the attorney general required to represent you or would you have your own counsel?

Jeff Nelson: In this case as a member of the legislative assembly, if you were to be the plaintiff, the attorney general would be tasked with defending the state. Inaudible- - - - provide different counsel for a member of the legislative assembly ----- challenge it.

Representative Wolf: Why does the legislature have control over TFFR? We had a bill last session to try to fix some of the problems with TFFR. This committee guided that bill. I didn't understand that last session, why does the legislature have the say as to how much teachers put in and how much employers put in, the vesting of three to five years? If you could explain that to me, I would appreciate that.

Fay Kopp: I would say the reason behind that is that the state in 1913 established a Teachers Fund for Retirement Plan. It is a plan sponsored by the state of North Dakota. Therefore, as a plan sponsored by the state it is responsible for the rules and regulations and the laws governing that plan. Should something go wrong with the plan the state is also responsible for the payment of the benefits of the plan to the recipiants.

Representative Wolf: Are we required by statute, as teachers, to participate in this plan, or can we do something different?

Fay Kopp: Yes, teachers are required by law to be members of the plan, if they are contracted with a school district, a special ed unit, or another covered employer, and if they are licensed to teach and are providing teaching, supervisory, or administrative, or extracurricular services.

Representative Froseth: Jeff, to follow up on Representative Kasper's question, when an attorney general makes an opinion, does that stop the process or put it on hold until it is taken to the court?

Jeff Nelson: Yes, the attorney general's opinion is just that. However, what is beneficial about the opinion is that state officials that rely on that opinion, and act on that opinion are protected from any type of liability. The court could very well rule differently than the attorney general, and the opinion of the court would be the final say on that matter.

Representative Kasper: If the legislature passed a bill like this, and a court action was taken. If the Supreme Court ruled that it is unconstitutional, do we have any liability as legislators, or are we protected because we are in the office of a legislator?

Jeff Nelson: I couldn't see any liability of the members of the legislative assembly. They are acting as public officials and passing laws to the best of their ability. In other states there are bills that are challenged at the federal level. I have never been aware that a member of an assembly passing the legislation would be liable.

Vice Chairman Boehning: If we would pass this bill, would we be setting precedence for other political subdivisions to ask for a thirteenth payment from the general fund?

Jeff Nelson: I'm not sure. Does the legislative assembly set precedence by enacting laws? I don't know that it is a precedent in the same sense that you would look to a court opinion. The legislative assembly could say that they address each issue as it comes before the legislative assembly. Each assembly is different than the previous assembly. They are not bound by the previous assembly in any way. Certainly proponents of something may point at something and say that the legislative assembly has done it in the past, but the legislative assembly would in no way be bound or obligated to pass future legislation based upon an act of the past.

Representative Schneider: Would it be accurate to say that TFFR is already funded by general fund dollars as it is. Given the scenario that as a legislature we appropriate a large amount of money to education funding, and that money in turn is filtered back to TFFR through employee and employer contributions.

Jeff Nelson: I think that that could certainly be one argument that could be made. If this were to ever be litigated there would also be other theories that I haven't even thought of.

Chairman Grande: There is the option of the bill as it stands, or there is the option as was asked for, that we looked at the group that was the most needy. I need some direction from the committee.

Representative Meier: When we are talking about the most needy, what ages are we looking at for retirement ages?

Chairman Grande: Do we have a breakdown by age? About 72 years old.

Representative Wolf moved a Do Pass as is on SB 2277 with re-referral to Appropriations.

Representative Schneider seconded the motion.

Representative Schneider: Obviously, there are some that are in more need than others, but I think that if you look back into history at the funding of education and how we have paid our teachers, we have done the best that we could with the money that we've had. But, now we are in the situation with the surplus, we have a chance to help out all of our teachers. We haven't been able to meet the obligations as well as we probably could have in past years. This bill was in the governor's budget. It passed the Senate unanimously. I feel more than comfortable going forward with it as is.

Chairman Grande: The only thing I would question is you saying, 'meet the obligations". We have completely met our obligations to every one of the retired teachers.

Representative Schneider: To clarify my statement, we have met our obligation to the best of our ability at the time. I think that given our surplus, we are now have a chance to play catch up for times when we weren't able to go to a level that we would have if we had had more money then.

Representative Kasper: I want to reiterate what Chairman Grande just said. This state of North Dakota does not fund the Teachers Fund for Retirement. So, whatever the obligation may be or may not be, or where they ought to be in their retirement benefits, that is not our obligation. That is the obligation of the teachers how their funding has been set up and met over the years past. What we are now doing by passing this bill, and I may still support it, is setting a precedent. That is what Representative Boehning is concerned about. That we are opening the flood gates for all sorts of future requests like this. Funding is not our obligation at this point. You can argue that it is through the education formula. I say that is a stretch, because of what the money does once we send it from the state legislature to the various educational areas. They decide what they are going to do with the money based on some certain parameters that we set. In the past, the teachers could have asked for more contribution from the teachers. They could have asked for many things that they haven't. This is blazing a new trail that we haven't been down before. The area of constitutionality is a concern with me.

Chairman Grande: I want to go back to *obligation*. The obligation in a defined benefit is to continue payment at what you retire at. There is no obligation to enhance that after retirement. We have preceded by giving them enhancements, but there is no obligation to do so. I do not like that word. The obligations are met, and they are met in full. They know by contract when they retire that that was their benefit.

Representative Schneider: I agree, it is not an obligation. It is a supplement. But, if you look back at the way we have funded education over the years we have done the best that we could. Had we been able to fund more that would have led to higher contribution rates, and it would have let to higher retirement salaries. But, we weren't able to in the past twenty to thirty years. Now we are in good economic time and it is our chance to provide a supplement, not an obligation. I think it is reasonable, given our situation.

Representative Wolf: I would like to make sure that I understand something that Representative Kasper said. He stated that teachers could have come in and asked to put in more. I understand that we can't. I contribute 7.75% of my salary to TFFR every pay check. I understand that we can't, even if we want to. That was my understanding last session because we talked about upping one side or both sides, and the legislature controls how much the employers contribute. I can't contribute more. I have other retirement accounts that I have opened. As a teacher I don't have any control of what I can contribute. Is that a correct statement?

Fay Kopp: Yes, that is correct, based upon our understanding of an interpretation of a statement from the attorney general's office that we received a number of years ago. The contract that the teachers have with the state of North Dakota is that when they sign on, for this amount of money, they will receive this amount of benefit. The state cannot change the amount of contribution that employees pay in without increasing the benefits that they will receive in a corresponding fashion. This is because of the contractual language of this. The state can however, increase the contribution by the employer, since the same contract provision doesn't apply. There have been times when the employee contribution was raised. In 1987 it went up to pay for a higher multiplier. It went up in about 1989 to pay for the rule of 85.

Representative Kasper: How many are available right now where employees may contribute their own dollars besides the defined benefit plan that they can enroll in at their place of employment? How many plans would teachers be eligible to participate in with their own dollars with payroll deduction, right now?

Fay Kopp: I would assume that whatever tax sheltered annuities or IRA's that they can contribute into as an employee of the district or as an individual.

Representative Kasper: So, there are other means that an individual can take his or her own dollars and contribute.

Fay Kopp: Certainly.

Representative Wolf: Could teachers as a group decide to circumvent having to have an increased benefit, let's say go from 7.75% to 8%. Could we as a whole, because TFFR is in trouble, decide to raise our rate to 8%, even if we don't get anything more for that?

Fay Kopp: I wouldn't have the answer to that. Those are legal questions that I would not be able to answer. There may be other ways that could happen.

Vice Chair Boehning: If this bill does get passed on the floor. I could see that next session that the amount of political subdivisions that are wanting their share for a thirteenth check is going to grow. Therefore, I am not going to support the bill.

Representative Schneider: If we do pass this bill out, will it go to appropriations?

Chairman Grande: Yes.

Representative Nathe: Didn't we turn down a request for PERS in the first part of the session?

Chairman Grande: Yes.

Vice Chair Boehning: Called question.

Chairman Grande: Question has been called.

A roll call vote was taken. **Aye 8 Nay 5 Absent 0**

The motion passed.

Representative Schneider will carry SB 2277.

Date: 3/13/9

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2277

House **Government and Veterans Affairs** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ____________

Action Taken ☑ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Wolf Seconded By Schneider

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande		✓	Rep. Amerman	✓	
Vice Chairman Boehning		✓	Rep. Conklin	✓	
Rep. Dahl	✓		Rep. Schneider	✓	
Rep. Froseth		✓	Rep. Winrich	✓	
Rep. Karls	✓		Rep. Wolf	✓	
Rep. Kasper		✓			
Rep. Meier	✓				
Rep. Nathe		✓			

Total (Yes) 8 No 5

Absent 0

Floor Assignment Rep. Schneider

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

RE-REFER to appropriations

REPORT OF STANDING COMMITTEE

SB 2277: Government and Veterans Affairs Committee (Rep. Grande, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (8 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). SB 2277 was rereferred to the **Appropriations Committee**.

2009 HOUSE APPROPRIATIONS

SB 2277

2009 HOUSE STANDING COMMITTEE MINUTES

SB 2277

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: April 7, 2009

Recorder Job Number: 11769

Committee Clerk Signature	Vicky Crabtree

Minutes:

Chairman Svedjan: We will move to SB 2277. We are working from the original bill. There is no engrossed bill here.

Rep. Grande: We did not amend. The bill in front of you is actually just language and no money. The money is over in the Senate. The appropriations removed from the house and added back into the Senate. It wasn't voted out but it was added back in. The confusion is that the language was in on the house side and the bill on the Senate side.

Rep. Thoreson: Which bill in the Senate?

Rep. Grande: You understand the budget numbers better than I. The (inaudible) budget. I don't know what the bill number would be. This is the language that would offer a 13th check to retired teachers. This is just the formula that would introduce that money back. It would be issued through TFFR out of general fund dollars appropriated to TFFR to be then filtered through that formula issued in checks from them. The current formula in front of you with the start dates would come to approximately $5,400,000.

Chairman Svedjan: The way this bill is written it would pertain to anyone drawing TFFR right now?

Rep. Grande: Yes. If I may continue, as this bill was in front of our committee we kind of ran out of time. This ran up to the date of the discussion period. In the discussion it was coming up that beings this was a general fund dollar amount what would we see as the amount that would be best or what we see as who should receive a check at this point. This is not normal procedure or anything that has been done before. This is usually school boards paying into this fund. It's a very unusual procedure. Our committee has received a breakdown of who has been retired for the longest time and how much money they retired at and the multiplier that goes with that. We ended up passing this out. The discussion at the time was those who had retired prior to the 2% multiplier. The 2% multiplier was the big leap and was the ultimate goal we were looking for in our retirement plan and they received a pretty nice retirement. It puts them at what would be at retirement age at 90% of salary. It is 60% plus the social security reaches them to the 90% retirement. Those who retired prior to July 1 don't have that multiplier. Their retirement plan is much smaller. Also in that group of retirees, they fall into the area where they did not receive social security. Highway Patrol and firefighters aren't under social security. At the time, the school board had the opportunity to do the same to teachers. They received very small payments and plans. What our committee was trying to do is find out how we get to the point of those who are in desperate need. We looked at those below the 2% multiplier. If the committee will be willing, I had those amendments drafted up since then.

Chairman Svedjan: Are you saying that it was the will of your committee to consider this amendment?

Rep. Grande: I would have seen that as the direction of the committee if they would have known the dollar amounts or the numbers of people we are talking about.

Chairman Svedjan: If we entertain that amendment is your committee going to come back to us and say you are delving into policy?

Rep. Grande: I would hope not and I guess I would take the responsibility. If you want to send it back to committee (drops sentence).

Distributed amendments.

Rep. Grande: Simple amendment, you are changing January to July and 2009 to 2001. This amendment brings us to approximately 3,670 of the retirees receiving a check. The average supplemental check would be about $928.00 costing 3.4 million from general fund dollars.

Rep. Williams: That figure you just gave, 3,000 and some?

Rep. Grande: 3,670 and I believe that is approximate.

Rep. Williams: Second question, 3,670 out of how many teachers that are retired?

Rep. Grande: 6,317.

Rep. Skarphol: I'm assuming that on the other side where the money is, is general funded?

Rep. Grande: Strictly general fund dollars.

Chairman Svedjan: That is the unusualness that you referred to earlier?

Grande: Yes. It is coming general fund dollars to do a supplement payment out and its teachers. TFFR is funded with the school districts. It's not typically a general fund dollar. We have never done a 13th check.

Chairman Svedjan: And it has never been done with general funds?

Rep. Grande: Correct. TFFR has never done it even out of their own fund.

Kroeber: The PERS program had checks out of their fund. This isn't something that has not ever been done before. PERS was done out of the fund. 13th has been done by us.

Rep. Grande: The 13th check out of PERS comes when PERS reaches a particular percentage in their fund if the fund can sustain a 75% of a 13th check. When fund is not qualifying percentage wise they cannot issue that check.

Chairman Svedjan: So you indicated with these amendments this would change the fiscal notes to what?

Rep. Grande: $3.4 to $5 million from $5.425 million.

Chairman Svedjan: Do you know the current status of TFFR?

Rep. Grande: As of July 1, 2008 it was 80%. Investments have fallen approximately 30% since then. They are 50%-60% funded right now.

Chairman Svedjan: So that's the lowest it has been for a long time?

Rep. Grande: I don't think it has ever been this low. Prior to 1977.

Rep. Skarphol: Did you get a calculation as to if this were funded out of the fund, what affect it would have as to the percentage in the fund? Is there an amount you can relate to us?

Rep. Grande: If the supplemental retirement payment would come out of the TFFR fund instead of the general fund, it would have a minimal impact of TFFR funding level. Probably less than .25%, but that also takes us from being 50% funded to 49.75% which is about the same as saying from the employer side it would be .05 to .1% increase.

Rep. Skarphol: If we do this, is it anticipated that we will continue to do it after this time?

Rep. Grande: It is a question I've asked for over a year now and was never given a direct answer other than the fact if the fund isn't stable we will have to keep coming back for it in this form. In my assumption to that is the fund was to try and bring itself back by market, we would be asked this every other year for the next twenty years.

Rep. Skarphol: If the fund were at the 80% level as it was July 1, would it be appropriate to fund this out of fund?

Rep. Grande: The TFFR board would not have recommended that, no.

Rep. Skarphol: At what level?

Rep. Grande: At a 102%. Typically we haven't done enhancements out of the plans until they reached 100%.

Rep. Kroeber: The first 13th check has always been considered a one-time payment and only made if there were reserve in the fund.

Rep. Wald: If we went with the $3.425 million rather than the $5.425 million, where would the cutoff be? Who are we going to send this to in terms of how long they have been retired?

Rep. Grande: If we move to the amended form, they will have to have retired before July 1, 2001.

Rep. Wald: If we stay with the $5.425 million that would cover anyone retired in the last 12 months?

Rep. Grande: Everyone that retired from Jan. 1, 2009 and on.

Rep. Skarphol: What is the best level of funding that TFFR has ever had? What is typical?

Rep. Grande: In 2001 we were at 101% when we did the 2% multiplier and we did do a retiree increase.

Rep. Skarphol: What has been the trend since then? After making that change have we been trending downward ever since regardless of the strength of the market?

Rep. Grande: When we made this change, it was expected that typically when you make a multiplier change like that, we have seen gone from the 101 knowing we would dip into the 90's and the funding has always come back market wise on its own. The problem after that was we had 911. When you have a market drastically move and change like that, we were already in the down spiral because of the change and then that hit on top of it and it plummeted it and it has been working its way up since as long as the market was holding. TFFR had a struggle trying to get back because of its makeup. When we make adjustments it affects the fund because we pull people out and then they are not paying in and then there are some issues that we have to be willing to address when we make those. Last session we made a couple of changes on pay out and investing periods and asked for a slight employer increase that will last until the fund reaches a percentage.

Rep. Skarphol: Where did it peak before it began its most recent decline? In 2007, 2008, where did it peak, was it over 90% again?

Rep. Grande: Our high point was around 80% It was making its way back well.

Rep. Wald: It was a rule of 85 and 90. How did that impact?

Rep. Grande: I'm not sure if I have those notes with me. I'd have to do some research as I don't have those numbers.

Rep. Wald: It certainly would have impacted the fund because they are retiring earlier by five years. So they are going to draw five years of retirement benefits they wouldn't have had if we had stayed with the rule of 85?

Rep. Grande: Correct.

Chairman Svedjan: If we had stayed with the rule of 90 instead of 85.

Rep. Grande: Correct. We have the rule of 85 in TFFR. Once you receive the benefit we can never take it away.

Rep. Kempenich: Move amendment .0402 to SB 2277.

Rep. Skarphol: Second.

Rep. Onstad: I question the fact that the amendment they should have adopted in that policy committee are brought to that policy committee and it didn't and they get the hearing and they are really not getting that hearing at this point. I oppose the amendment.

Voice Vote: (Chairman couldn't tell if it passed and did a roll call vote.)

Roll Call Vote: 13 yes, 12 no, 0 absent:

Motion Carried.

Rep. Wald: Motion Do Pass As Amended.

Rep. Kempenich: Second.

Rep. Dosch: Was there any discussion about lower back the multiple until the fund regained some of its strength?

Rep. Grande: Once a benefit is given, you cannot recede it.

Rep. Dosch: What was the justification in your committee in passing this bill that we are going to use taxpayer money to handout bonus checks to someone we are not obligated to?

Rep. Grande: This vote was not easy by a lot of the committee members and was not a straight out 13-0 vote. I don't wish to speak for each individual on my committee.

Rep. Williams: What was the vote in your committee?

Rep. Grande: 8-5.

Rep. Berg: Prior to 2001 people had a multiplier of 1.8 and then we changed that to 2, all those people started receiving the true multiplier, but if they stay on the 1.8 and the newly retired people went on the 2 multiplier.

Rep. Grande: The TFFR plan, once you retire at that you stay at that rate. We did not increase as they went along. PERS we did differently because we had the money and were able to do it, because of the way the plan was set up.

Rep. Berg: So when someone retires you stay at that, it is your defined benefit and it is set at that. When we had extra cash we raised that multiplier, but it only impacted the new retirees?

Rep. Grande: When we raised the multipliers those that were not getting the raised multiplier, they would get a monthly increase. So we would say to those that were currently retired, but not getting the multiplier change, what we have been doing is saying, you will get an extra $5 a month from now on.

Rep. Berg: So they are getting a multiplier, just a different way?

Rep. Grande: Yes and no. They don't get the full amount to equal the multiplier.

Rep. Berg: So school boards across the state they had a retirement plan for their teachers and that was paid out of the property tax and foundation aid and had some trouble and at one point turned it all over to PERS because they were good at managing it.

Rep. Grande: Not PERS, into RIO.

Rep. Berg: There never was any general fund; we were just managing it for all retired teachers.

Rep. Grande: We were considered an oversight manager to a certain level. We had an oversight and the fund was not going right in 1977. I don't have the history. It was an influx of money and that is when the state took it over.

Rep. Berg: The only comments I have is that this does make it unique in the ways that we are used to doing things. We are looking at a retirement fund that is someone else's responsibility and supplementing it with state funds.

Roll Call Vote: 17 yes, 8 no, 0 absent.

Motion Carried a Do Pass as amended.

Bill Carrier: Rep. Grande

2009 HOUSE STANDING COMMITTEE MINUTES

SB 2277

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: April 9, 2009

Recorder Job Number: 11814

Committee Clerk Signature	Le Mae Kuch

Minutes:

Rep. Berg: I move that we reconsider our action whereby we gave SB 2277 a Do Pass.

Rep. Thoreson: Seconded the motion.

Rep. Dosch: Sometimes we do make decisions in haste and I think this may be one of them. This deals with the 13th check. The bill contained two different issues – the 13th check and how that is funded. I don't have a problem with the 13th check. But we need to think about how it is funded. We did it in PERS, the money came out of PERS. What we are doing here, for the first time, this money would come out of the General Fund. The state is getting into the business of giving bonuses from the General Fund. We are opening up the doors for retired teachers to give them bonus out of General Fund. The dangerous part of this is that we are setting a precedent. I can guarantee you that next session they will be back again and want it funded out of the General Fund. PERS will then line up so you can do it for the retired state workers. By taking it out of the General Fund, we are opening it up for anyone to get bonus checks. We will be starting a new benefit program. I'm proposing that if you want to issue a bonus check it should come from the TFFR fund. At least we are containing the 13th check to the funds themselves.

Rep. Meyer: I hope we could resist this motion. There are retired teachers in my district that I have had to help apply for heating assistance and also food stamps. If there are issues with the funding mechanism let them work it out in conference committee.

A Roll Call vote was taken on motion to reconsider action. **Yes: _11_, No: _13_, Absent: _1_,** (Representative Klein).

Motion failed.

90109.0402
Title.0500

Prepared by the Legislative Council staff for
Representative Grande
March 19, 2009

VR
4/8/09

PROPOSED AMENDMENTS TO SENATE BILL NO. 2277

Page 1, line 7, replace "January" with "July"

Page 1, line 8, replace "2009" with "2001"

Renumber accordingly

Date: 4/7/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ________

Full House Appropriations Committee

☐ Check here for Conference Committee SB 2271

Legislative Council Amendment Number ________

Action Taken move amendment .0402

Motion Made By Kempenich Seconded By Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	X	X			
Vice Chairman Kempenich	X				
Rep. Skarphol	X		Rep. Kroeber		X
Rep. Wald	X		Rep. Onstad		X
Rep. Hawken		X	Rep. Williams		X
Rep. Klein	X				
Rep. Martinson		X			
Rep. Delzer	X		Rep. Glassheim	X	
Rep. Thoreson	X		Rep. Kaldor		X
Rep. Berg	X		Rep. Meyer		X
Rep. Dosch	X				
Rep. Pollert	X		Rep. Ekstrom		X
Rep. Bellew	X		Rep. Kerzman		X
Rep. Kreidt	X		Rep. Metcalf		X
Rep. Nelson		X			
Rep. Wieland	X				

Total (Yes) 13 No 12

Absent ________

Floor Assignment ________

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

Date: 4/7/09
Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2277

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ____________

Action Taken: Do pass as amended

Motion Made By: Wald Seconded By: Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		X			
Vice Chairman Kempenich	X				
Rep. Skarphol		X	Rep. Kroeber	X	
Rep. Wald	X		Rep. Onstad	X	
Rep. Hawken	X		Rep. Williams	X	
Rep. Klein	X				
Rep. Martinson	X				
Rep. Delzer		X	Rep. Glassheim	X	
Rep. Thoreson		X	Rep. Kaldor	X	
Rep. Berg	X		Rep. Meyer	X	
Rep. Dosch		X			
Rep. Pollert		X	Rep. Ekstrom	X	
Rep. Bellew	X		Rep. Kerzman	X	
Rep. Kreidt		X	Rep. Metcalf	X	
Rep. Nelson		X			
Rep. Wieland	X				

Total (Yes) 17 No 8

Absent 0

Floor Assignment ~~Rep. Grande~~ Schneider

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

Date: 4/9/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2277

Full House Appropriations Committee

☐ Check here for Conference Committee

Failed

Legislative Council Amendment Number ______

Action Taken: Reconsider SB 2277 Do Pass

Motion Made By: Berg Seconded By: Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich		✓			
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad		✓
Rep. Hawken		✓	Rep. Williams		✓
Rep. Klein	—	—			
Rep. Martinson		✓			
Rep. Delzer	✓		Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer		✓
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom		✓
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf		✓
Rep. Nelson		✓			
Rep. Wieland	✓				

Total (Yes) 11 No 13

Absent 1

Floor Assignment: Voice Vote -

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

REPORT OF STANDING COMMITTEE (410)
April 10, 2009 11:13 a.m.

Module No: HR-59-6784
Carrier: Schneider
Insert LC: 90109.0402 Title: .0500

REPORT OF STANDING COMMITTEE

SB 2277: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (17 YEAS, 8 NAYS, 0 ABSENT AND NOT VOTING). SB 2277 was placed on the Sixth order on the calendar.

Page 1, line 7, replace "January" with "July"

Page 1, line 8, replace "2009" with "2001"

Renumber accordingly

2009 SENATE GOVERNMENT AND VETERANS AFFAIRS

CONFERENCE COMMITTEE

SB 2277

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.2277

Senate Government and Veterans Affairs Committee

☒ Check here for Conference Committee

Hearing Date: 04/21/09

Recorder Job Number: 12085

Committee Clerk Signature	Katrina Oliver

Minuets:

Chairman Dever opened the conference committee hearing, roll was taken, and all were present.

Senator Dever: the only difference in the bill, as I see it, is the date. Would you like to comment on that?

Representative Grande: The discussion on the house side dealt with the 13th check, the recipients thereof and the amount money that was going out in some of the checks. The fact that it was starting January 1 of this year; some of those people receiving around $4,000 in payment and people felt the idea was based on need. We were intending to have a conversation and take it up, but we ran out of time being it had to be down to appropriations. In that we did see that there was dramatic cut off of the payment or in increase of payment came at the time when we offered the 2% multiplier. In doing so, the appropriations committee changed time frame of who would receive this 13th payment to those that retired prior to the receiving of the 2% multiplier that is what the change in date reflects. It is approximately those who have been retired more than 8.5 years. It goes from 5.4 million to 3.4 million; the average supplemental payment will go out at between $918-$928. That is where we are at with this amendment

Senator Dever: I have another schedule that is slightly different than the one you handed out, the other one goes to $4,000.

Representative Grande: Different request the way it is broke down, one based on number and one on average years of salary.

Senator Horne: Based on line 7 of the 0500 draft, whoever retired after July 2001 would not get a supplemental check?

Representative Grande: Correct, if you retired anywhere from July 2001-today would not qualify for the 13th check

Senator Horne: What is the reason for that?

Representative Grande: The reasoning dealt with the 2% multiplier, the amount their 13th checks are and they have not been that long without the bigger checks. As you look in the history on them, those who have been retired and don't receive social security and we wanted to make sure that we included that grouping.

Senator Dever: Did the amendments in the House increase the amount that those who have been retired for longer?

Representative Grande: We used the exact same formula because changing the formula may affect their IRS forms of how much they are allowed to receive. With the max at $750 it is important to keep it in that formula.

Senator Dever: It seems to me that in our hearing there was some comment about not being able to set people apart because of IRS regulation.

Representative Grande: The only time that I remember the IRS stuff coming us is during the interim when the payment was too big. They are only allowed a certain amount before the IRS has to be told and they have to be given an option as to how to reinvest. May throw them for a loop saying they have to reinvest.

Senator Krebsbach would ask that Fay Kopp, from TFFR, provide the committee with the multiplier units from 1990 and on. If we can take a look at reducing the monthly pay for the years of service and the years of retirement and come to some agreement for a dollar amount in that area we would be consistent with the pay throughout.

Representative Conklin: Can you expand on the combination of benefits?

Senator Krebsbach: The way it is set up now it is $24 per year of service and $18 per year of retirement. What I am looking at is perhaps a reduction in those dollar amounts.

Representative Dosch: Perhaps, we can think about if we are going to do this that we consider the money coming out of the fund itself and not the general fund. We are being unfair to public employees; we killed a bill that gave them bonus out of general fund. I am also concerned with other North Dakotans who are on fixed income and could use additional check as well, if we use general fund dollars why are we limiting it to a certain group of people? Maybe we should be looking at any retiree who is on a fixed income. We went against public employees and are not opening it up to other citizens but still using tax dollars. I feel it creates a dilemma as to what we are doing there and I think that we have to be careful to treat everyone fairly. If it comes out of the fund then we are isolating it; it is their fund and it is a fairer way to go about things. Public employees, we gave them a 13th check 2 sessions ago, but that came out of the public employees fund. I think that we need to be consistent and this would be the first time we took money out of the general fund to give a bonus to certain group of people. Some employee work for companies that have no retirement and they are not getting anything; should they be considered if we are using general fund dollars. It just opens doors; if the fund can do it then make it fair, just something to ponder.

Senator Krebsbach: I don't know if making payments individually is constitutional or not, but for the state to put funds into the teacher's fund for retirement has been done in the past.

Representative Dosch: I think that the difference there is that the state has an obligation that there needs to be money in those retirement accounts in order to meet the state's obligation. This bonus check has no obligation to the state of North Dakota to do this.

Senator Krebsbach: It was included in the governor's budget and would not be included if not constitutional.

Senator Dever: Any additional questions?

Senator Krebsbach: I know we have received this information but I wonder if Fey can give us the info as the status of the last report of the TFFR fund and the number of active teacher's in the fund today.

Representative Grande: The last employee benefits committee dealt with the July report, which is close to what Mrs. Kopp has given me already.

Chairman Dever closed the conference committee on SB2277

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.2277

Senate Government and Veterans Affairs Committee

☒ Check here for Conference Committee

Hearing Date: 04/21/09

Recorder Job Number: 12194

Committee Clerk Signature	Katie Wirtz

Minuets:

Chairman Dever called the conference committee to order, roll was taken, and all were present.

Representative Grande: In listening to the options and I looked into some of those. With the discussion that we utilize the TFFR versus general fund we can make that an element for discussion. From the Senate to House version

Senator Horne:

Representative Grande: At the end of the discussion Representative Dosch talked about. Mrs. Kopp spoke about that, she is not here today she is at a TFFR board meeting. What happens, I proposed that question to her the other day.

25% on estimated market value used above. 50% funded plan to 49.70% plan based on retiree inquiry only. She gives a range that added to TFFR liability. .05-.1% increase. That would be made up 8.25% to 8.3 or 8.35 depending on how much we decide on. These are rough estimates. The actuary will have those in your hands tomorrow. The other thing is that TFFR funding levels, they have faces significant losses there would be concern about this taking place, keep it with the general fund. In having this conversation with her I suggested that we think about what kind of increase and the shore up will come and what does this do to that. We still have to look at shoring it up I would like to suggest that we utilize the other bill and 1022 and offer that we would do a 0.5 increase. We would not any type of detriment. That is not going to be the limit of what we are going to. Last session there was a bill that came though to shore up the fund at 1%.

Senator Krebsbach: I think that it does make sense. I think that the school boards were onboard with doing 1%. In this session would not object. Should that be done on the appropriation bill or the one we have in front of us?

Representative Grande: The reasoning I had in my mind is to understand that it is separate. The increase is the reason to pay off the 13th check. If they are not paying it off then they are shoring it up unless we are able to insure the legislative intent.

Senator Horne: The increase and shore up would come from the teachers fund instead of from the general fund

Senator Horne: If we did this, by receding from the amendment then all retired teachers would have 13th check

Representative Grande: Depending on what form you want I have it in there.

Senator Horne: Has the school board seen this and what do they think of it?

Representative Grande: I have not seen her here today, with the delayed date of the July 1 2010 then when 1400 is completed and there are diff payouts and whatnot. That will give the school boards. No reason to mess up contracts that are already in place.

Senator Krebsbach: Explained the changes that were made to the TFFR from the 1970's-1995

Representative Grande: No increases were done for the retirees

Senator Krebsbach: In 1993 there was 1.55 and the teachers did share in that type of funding. 2% factor would give the retirees 90% of their salary. Formula there that was given to the teachers; there has been a lot of investment by those teachers before now. We have got that to the same time allowed to give the retirees to share.

Representative Grande: When you retire this is what you get. Try to not keep them in that bubble.

Representative Conklin: I am not totally opposed to this but I want to know what the dollar figure is

Representative Grande: Not yet, will have that before we make a final decision.

There was no further discussion and Chairman Dever closed the conference committee meeting on 2277.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.2277

Senate Government and Veterans Affairs Committee

☒ Check here for Conference Committee

Hearing Date: 04/21/09

Recorder Job Number: 12220

Committee Clerk Signature	

Minuets:

Chairman Dever opened the conference committee on SB2277, roll was taken, and all were present.

Representative Grande: We were fortunate enough to put the actuaries to work for us overtime. The information that is front of you is dealing with a variety of scenarios, but if you look at the last page. The final column deals with the payment going out to all instead of previous multiplier and it also has the .5% employer increase so it combines that down to give numbers to work with. We are looking at those employer contributions going up to an 8.75%, meaning an increase of .5%, the grand total amount that comes out for all employers comes to $39,700,000 which means that $2,200,000 is what it costs per district. One thing that I found interesting is that in the funding period piece, we want to be close to a 30% and right now we are at 57% but with the change of .5% it brings us to 39.6%. I have not expected that nice of a change there.

Representative Dosch: That shows an improvement in the fund?

Representative Grande: Yes. We are used to working with the accrued liabilities if you want to ask a specific question I would defer you to one of our experts. What the funding period in years means if we do nothing it will take 57 years to become normal. If we make this change then it will go to 39 years.

Senator Dever: The 57 years in the 1st column it was the evaluation in July 1, 2008.

Representative Grande: That is the best they can do because it is the last time that the actuary had the opportunity to do the full evaluation. To have gotten a full evaluation would have taken too much time and cost too much money for our purposes.

Senator Krebsbach: Yesterday when we talked about it I felt we had the idea solution. Then, I got to thinking about it more and even though it is the right thing to do our timing is wrong. I would feel much more comfortable if I got positive notes from the entities involved that this is alright. I know that TFFR met yesterday and I wonder if they had any conversation on this.

Fay Kopp: Deputy Director of the Retirement Investment Office. TFFR board had a meeting yesterday afternoon and I shared with them some of the information that I had gotten. In general, the board does not support proposals that would negatively impact the plan. With that said, the board sees the proposal to increase the funding to the plan which would more than offset that retiree payment. While this would not negatively impact then fund the board was concern about board groups & school board associations not having the opportunity to sit down with boards and others that are interested in this issue and to try and brainstorm other solutions. While we believe funding improvements are necessary and appreciate the fact that the Legislature is looking and recognizing the need for those improvements, the board did have some concerns.

Representative Grande: Can you share with the committee how much of a liability this 5.4 would show up on the investments?

Fay Kopp: As it relates to its funded level, the funded ratio changes slightly based on these numbers. I think that it is a very small amount when you look at it from the totally liability of the plan. And all the info is based on July 1, 2008. TFFR is under financial stress and if we can have them go to improvements.

Representative Dosch: I guess looking at the numbers, it seems pretty important to increase the funding rate by .5 so it seems to me that the right thing to do at the right time. If we wait another 2 years to do something the fund could be in really bad position.

Fay Kopp: We would love to see funding improvements made in 2007 we asked for it. Honestly I would love to see the increase made. This is just a small step in the direction to solve the problems. The longer you wait the harder it is. There are no projections that would say we are going to run out of money in the next 2 years. TFFR board is to sit down with the entities and at least have some discussion. There are concerns that have been expressed.

Representative Dosch: I find it hard to believe that these are there retirees and why would there be resistance to take care of their retirees and push them off on someone else. I find that amazing.

Fay Kopp: Hard to say because I do not oppose funding improvements. The concern is that there will be money coming out of the fund and contributions won't increase and it is hitting us when we are down. H ad the board thought that they could provide I retiree fund. The board did not submit the legislation to have the money come from the general fund.

Senator Dever: The fund with surplus is general fund.

Senator Krebsbach: I want us to do this the right way.

Fay Kopp: That improvement in the funding period, in that it reduces from 57 years down to 39, is assuming that .5% increase goes into effect, for whatever period of time it will take, until TFFR reaches the 90% funding level. As the actuary indicates in his letter, he does not see that cap going away for the next 20-30 years as far as and projections would indicate.

Senator Dever: What does UAAL stand for?

Fay Kopp: It stands for the Unfunded Actuarial Accrued Liability of the plan.

Chairman Dever recessed the public hearing on SB2277.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.2277

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 04/21/09

Recorder Job Number: 12294

Committee Clerk Signature	Katie Oliver

Minuets:

Chairman Dever opened the conference committee to order, roll was taken and all present.

Senator Dever: We had some conversations about some other approaches and now we have some more approaches in front of us.

Senator Nelson: After I got some notices from Social Security saying they were going to deposit a lump sum into my checking account as part of the stimulus package I thought this may be the way to go instead of going through the years of service and so forth in trying to keep the price down. This morning I talked to Ellen Knutson, the head of the Fiscal Division, to see where the pots of money were that were still available for use that was not a part of TFFR. The money that was he came up with was 1) there is still several million dollars left in the Recovering and Reinvestment Act money and he wrote the language as to the appropriations and fiscal note here. Basically this would give a payment of $5,000 to each retired teacher the original bill had IRS factor of $750 in it so I don't think that this will be a problem with the IRS because this bill does not take money out the fund and does not need to go through Employee Benefits. Most of the teachers had taught 20-25 years take that and multiply that by the original amount that was in the bill. On that amount for the long time teachers they have a number of years in the retired section and so most of them would come up at the $500 level. Having just the straight amount of $500 is all that this does and takes the formula out of that bill and puts in section 2 and 3 that says where the money will come from.

Representative Grande: Did you discuss what it might cost TFFR to get this sent out?

Senator Nelson: I think that it would go as a supplemental payment, and I would guess that most of them are by automatic deposit.

Senator Dever: We are looking at a total of $3,158,500?

Senator Nelson: Correct; that is based on the number of retirees that we were given.

Representative Grande: I didn't hear exactly where this money is coming from.

Senator Nelson: $2,000,000 is coming from Recovery and Reinvestment Act optional monies that are still remaining; the remaining $1,158,000 would be coming from the general fund.

Senator Dever: With both being channeled through the TFFR fund.

Senator Nelson: I think that as chairman of Government and Veterans Affairs several of us serve on the interim committee, I would think that is one of the studies that is on the TFFR agenda is what can we do to enhance the fund before the next legislative session. I think that they would be able to come forth with what to do during the interim.

Senator Dever: Considering the state of the TFFR is it school district or state? The Attorney General said that the school districts are creatures of the state. The state is the ultimate responsibility, state needs to bare that responsibility.

Representative Grande: As standing member of the committee on employee benefits we have been on this for a few years. It is a part of that that every year we examine PEERS and TFFR through their actuary.

Senator Nelson: We thought about putting a study on it, but we didn't want to micromanage their board.

Senator Krebsbach: To me this seems like a feasible option. No actuarial studies, we don't have to go through the employee benefits committee to get approval on this program, and granted, it is taking $1,158,500 out of the general fund but it is considerably less than $5,425,000. I would like to hear from Fay is she thinks they will need any administrative costs with this proposal.

Fay Kopp: Fay Kopp, Deputy Director for the Retirement and Investment Office, which is the agency that administers TFFR. We had requested a fiscal note of $25,000 for computer programming, communication, and notifications to the retirees to support this payment. Based on this payment we would still have to program for a supplemental payment. I would guess that it would be $10,000 or $15,000. If it doesn't come out of the fund this way we would have to go to our contingency fund in our real budget to request use of some of those dollars that way. The cost would be reduced and yes we would like to see the ability to see it happen.

Senator Dever: When would these payments be made?

Fay Kopp: We would make that payment in December of 2009 or before. The number that was used to get to the $3,158,000 was based on July 1 2008 actuary report. The number will be less than that with the people that pass away before December 1, 2009.

Representative Dosch: It was my understanding for the need for teachers who really needed the help with the extra check. I guess I am questioning throwing out the formula that gave us the money in the first place. What happens if the $2,000,000 is not available? I am not sure how giving the bonus check is a government service, what happens if the money is not available?

Representative Grande: One of my concerns is someone who worked 3-5 years and they will get the check just like someone who gave 25 years.

Senator Nelson: I thought the same about the Social Security announcement that we got. It was not based on what they were taking it was based on how long you worked and how long you have been retired.

Representative Grande: I think that there was a lot of study and work done on putting out that formula and I don't want to deviate too much from it.

Senator Dever: I wonder if we could use that formula with these dollars.

Representative Grande: If you take out the general fund I would be willing to discuss it.

Senator Krebsbach: I handed out the notice from Fay Kopp dated April 25(see attachment #1), it is basically changing it from 25 to 20 for the years of service and from 18 to 15 for the years of retirement According to this we can have a savings of $1,650,000 if we were to go to that. If we did I am not sure how we would reach this. The more I think about it the flat payment is the way to go.

Representative Conklin: Can we take the .5% and the mill out of there and then use this formula. Add .5% to retirement and take half of the money and put the rest in retirement.

Representative Grande: Logistically, it would be fine, but it would be not a good way to do it

Senator Dever: What we put in and what we take out are different

Representative Grande: $2,000,000 into TFFR's fund.

Senator Nelson: Does not get deposited, just goes straight to teachers.

Representative Grande: .5 would be in the fund and invested separate payments.

Senator Nelson: You would have to wait a year; Representative Grande's proposal is not effective until next year.

Representative Dosch: I don't understand the base reason for deviating from what was talked about.

Senator Nelson: We couldn't afford it; all $4,500,000 was out of the general fund. This amounts to $3,200,000 but only $1,850,000 is coming out of the general fund.

Representative Dosch: If you stuck with the formula maybe the same thing could be accomplished.

Senator Nelson: You would have to go down less. That would cost the general fund it would take more office staff.

Senator Krebsbach: If we go back to that, there is a lot more computation than that. There is a bigger hit to the general fund. $1,765,000 and with the reduction in numbers it is a good possibility that we would not even need that much.

Representative Dosch: Just dispersing the funds from the stimulus or general fund.

Chairman Dever closed the conference committee on SB2277.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.2277

Senate Government and Veterans Affairs Committee

☒ Check here for Conference Committee

Hearing Date: 04/28/09

Recorder Job Number: 12363

Committee Clerk Signature	Katie Winel

Minuets:

All members were present. Senator Nelson brought in 2 sets of amendments that she had made up.

Representative Grande: I checked with a few other appropriations, $2,000,000 is being offered in a few other bills. If we pass this the money will get spread out and we would not get a 13th check.

Senator Dever: They said that the governor would have to fund those as it is available at lesser amounts. The bill says $500 if the money is not there then it doesn't happen at all.

Representative Grande: If we are going to promise a 13th check I want the money to be there.

Senator Nelson moved for the adoption of 90109.0409 with a second by Representative Conklin, there was no further discussion, and the motion failed. Representative Grande handed out amendment number 90109.0404.

Representative Dosch: Representative Grande, for clarification, when you say the full amount are you talking the original Senate version or House version?

Representative Grande: Senate version.

Representative Dosch: If we go back up to where everyone is included I would like to further amend this to move it to a 20 15

Senator Krebsbach: 7:52 According to this it would save $1,650,000 in doing that.

Representative Dosch: If I may for clarification...which is still more than what it came out of the House with,

Senator Krebsbach: This covers all; it is not going back to the 2001 level.

Senator Dever: Motion to adopt amendment.

Senator Krebsbach: I think that we need to have the actuary figures before we can act on that part

Representative Grande then asked Fay Kopp to answer some questions regarding the formula and the actuary.

Fay Kopp: As far as how long it would take, under either scenario they would have to run the numbers. If the real number that you want is, we can give you variations to what formula would give you that number. I am guessing I can have them by tomorrow afternoon.

Representative Dosch: Whatever would be easier I would not have a problem just using a dollar amount? My question is what assurances do we have that it would be more weighted to the older teachers, how would we know that?

Fay Kopp: In my request to the actuary to keep a similar ratio to the original bill. As you come down the numbers have to come down, more numbers are weighted towards the years of service. I can ask them to run a 2015, I believe the numbers will come back different than the numbers that you have.

Senator Dever: What would we said 4/7 to number of years and 3/7

Fay Kopp: We may end up with some odd years when you ration that number down. To get to that exact ration would be hard.

Senator Nelson: I am concerned about the fund; the board said that they could not afford it in the first place. Even if the .15% was added it would not be added until next year, where is the money coming from?

Fay Kopp: If this bill says it is to come out of the trust, then it will come out of the trust. Typically any given month or year there is more money coming in than going out, this is a strange year. That would be it would have to come from. We have not run a cash flow analysis.

Representative Dosch: What would you think if the payment is split, half in December and half the following December? Would that require too much administrative work?

Fay Kopp: I think that I don't know what the cash flow will look like; doing it in one shot now is preferable.

Senator Dever: Individual basis is not a lot of money

Representative Grande: I think that in our actuary report we saw how it would affect the fund. We had a look as to what it came out of. We were talking about it affecting the fund at a certain percentage.

Senator Dever: The middle column on that sheet refers to that amendment.

Representative Dosch: That is based on $5,400,000 as well.

Representative Grande: How much does it affect the fund to take it out in December?

Fay Kopp: Similar to the 3rd column; $3,400,000 and $5,400,000. Both of those are coming out without there being an employer increase. Or the funding period is extended, the negative margin, when you look at it in terms of contribution and funding $5,400,000 looks bigger.

Representative Grande: The analysis is run that it will be at the benchmark after? How the funding ration is going to be

Fay Kopp: The assumed return is 8% based on our evaluation on market phase.

Representative Grande: The hit to the fund of the $3,700,000 is not going to drop it 16%, a blip but not too big. I think that for simplifying this I would like to move it to a dollar amount.

Senator Dever: Can we give the actuary the dollar amount and have them give us the formula. What would you like the employer increase to be? Provide the support to make up for it.

Representative Grande: I think that if these amendments are to pass that I would insist that the .5% would be billed or followed through.

Representative Dosch: Would that be best, to put it on with this bill?

Senator Dever: I have problems supporting the payment without providing for the dollars to fund it.

Senator Nelson: I would agree with that, you can't base it on something we did 2 years ago. The actuarial thing that we have is based on last July. The market has changed a lot since then.

Senator Krebsbach: Or at least for this amount. There is only one way to do that and it is to access the employers. That would be delayed in the implementation to take a look and work around it. IN the long run we know that we are going to have to increase that. Do we make it perm or have a sunset clause on it?

Representative Dosch: I have no problems sun setting that if it makes the committee happy.

Senator Dever: Would we generate enough revenue?

Representative Grande: With the reduced amount we would have $4,400,000.

Senator Dever: The middle of the next biennium.

Representative Grande: I will call an employee benefits com if I know that we are moving in that direction.

Senator Dever: This would have a delayed implementation.

Senator Nelson: 2 years?

Senator Dever: 2 years would cover the cost of the check.

Senator Nelson: You run into a problem with school districts; they have to change their software every 2 years.

Bev Nelson: Just increase contribution to get the check out. My sense is that Employee Benefits intends to. Don't accomplish a lot. If you intend to raise the contribution then there is no point on having it last 2 years.

Representative Grande: That is how I have looked at it. My point is, watching this through the interim. Take it at .5 and 90% funded. It follows more of an assurance so the actuary knows what is happening

Senator Dever: What info do we need?

Representative Grande: Actuary to plan on the .5. Have them run it at the 2015 and at $3,750,000 and see what we come up with. That is the implementation of July 2010 and 90% funded.

Senator Nelson: The amount should also include administration cost.

The committee then decided to meet again after the report had been run, there was no further discussion, and Chairman Dever closed the conference committee on SB2277.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No.2277

Senate Government and Veterans Affairs Committee

☒ Check here for Conference Committee

Hearing Date: 04/30/09

Recorder Job Number: 12426

Committee Clerk Signature	Katie Oliver

Minuets:

Chairman Dever opened the conference committee on SB2277, roll was taken, and all members were present.

Representative Grande made a motion to remove her motion to adopt amendment number 90109.0404 with a second by Senator Nelson. Representative Grande handed out amendment number 90109.0413. Any amendments that would be brought forward have been approved.

Employee benefits committee report.

Representative Grande made a motion to adopt amendment number 90109.0413 with a second by Senator Nelson.

Senator Dever: Conference committee on 1022 is this afternoon and that provisions to cover the costs of this will be taken up in that meeting.

Senator Nelson: My motion with that is pursuant to the passage of this bill then the other one would kick in. If it doesn't pass then the .5% would not kick in.

Representative Dosch: Representative Grande these amendments will make it open to all teachers?

Representative Grande: All current retired teachers will get it.

Representative Dosch: And the cost is $4,600,000?

Representative Grande: Yes.

Senator Krebsbach: I intend to support this motion and feel that this is the right thing to do.

Even though I had hesitations it is the right things to do

There was no further discussion on the amendments, roll was taken, and the motion passed

with Senator Nelson carrying the bill to the floor..

Failed

Adopt Amend .0409

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 2277 (, as (re)engrossed): Date: 4-~~27~~ 28-09

Your Conference Committee Govt + Vet Affairs

For the Senate:	YES	NO	For the House:	YES	NO
Sen Dever		X	Rep Dosch		X
Sen Krebsbach	X		Rep Grande		X
Sen Nelson	X		Rep Conklin	X	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) ____ – ____

____, and place ____ on the Seventh order.

____, adopt (further) amendments as follows, and place ____ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) ____ was placed on the Seventh order of business on the calendar.

DATE: ____
CARRIER: ____

LC NO. 90109.0409 of amendment	
LC NO. of engrossment	
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: Nelson

SECONDED BY: Conklin

VOTE COUNT ___ YES ___ NO ___ ABSENT

Adopt Amend 90109.0404

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 2277 (, as (re)engrossed): Date: 4-21-09 28

Your Conference Committee Govt + Vet Affairs

For the Senate:

	YES	NO
Sen Dever		
Sen Krebsbach		
Sen Nelson		

For the House:

	YES	NO
Rep Dosch		
Rep Grande		
Rep Conklin		

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) ______ – ______

____, and place ________ on the Seventh order.

____, adopt (further) amendments as follows, and place ________ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) ________ was placed on the Seventh order of business on the calendar.

DATE: ________
CARRIER: ________

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: Grande

SECONDED BY: Berg

VOTE COUNT ___ YES ___ NO ___ ABSENT

90109.0413
Title.

Prepared by the Legislative Council staff for
Representative Grande
April 29, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2277

That the House recede from its amendments as printed on page 1330 of the Senate Journal and page 1363 of the House Journal and that Senate Bill No. 2277 be amended as follows:

Page 1, line 10, after the first "payment" insert "from the fund" and replace "twenty-four" with "twenty"

Page 1, line 11, replace "eighteen" with "fifteen"

Renumber accordingly

Move 90109.0413

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 2277 (, as (re)engrossed): Date: 4-~~21~~ 30-09

Your Conference Committee Govt + Vet Affairs

For the Senate: **For the House:**

	YES	NO		YES	NO
Sen Dever	X		Rep Dosch	X	
Sen Krebsbach	X		Rep Grande	X	
Sen Nelson	X		Rep Conklin	X	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) ______ - ______

____, and place ________ on the Seventh order.

X, adopt (further) amendments as follows, and place ________ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) ________ was placed on the Seventh order of business on the calendar.

DATE:

CARRIER: ~~Dever~~ Nelson

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: Grande

SECONDED BY: Nelson

VOTE COUNT 6 YES 0 NO ____ ABSENT

REPORT OF CONFERENCE COMMITTEE

SB 2277: Your conference committee (Sens. Dever, Krebsbach, Nelson and Reps. Dosch, Grande, Conklin) recommends that the **HOUSE RECEDE** from the House amendments on SJ page 1330, adopt amendments as follows, and place SB 2277 on the Seventh order:

That the House recede from its amendments as printed on page 1330 of the Senate Journal and page 1363 of the House Journal and that Senate Bill No. 2277 be amended as follows:

Page 1, line 10, after the first "payment" insert "from the fund" and replace "twenty-four" with "twenty"

Page 1, line 11, replace "eighteen" with "fifteen"

Renumber accordingly

SB 2277 was placed on the Seventh order of business on the calendar.

2009 TESTIMONY

SB 2277

Testimony

SB 2277 – Senate Government & Veterans Affairs Committee
Senator Dick Dever, Chairman

January 29, 2009

Chairman Dever, members of the Senate Government & Veterans Affairs Committee, I am Ken Tupa representing the ND Retired Teachers Association. Thank you for the opportunity to provide testimony this morning in support of SB 2277. SB 2277 is a "companion" bill to funding included in the Governor's budget in HB 1022. HB 1022 is the money; SB 2277 is the policy formula for the purpose of providing a supplemental retirement payment to members of the Teachers Fund For Retirement (TFFR).

ed educators last received a cost of living adjustment in 2001-02 using a formula of service credit and number of years retired, plus a .75% increase for each of these years. The average increase was $78/month.

In 2007 we began exploring options that would provide some form of increase for retired educators. As the committee are aware, funding an ongoing, cost of living adjustment from Fund margin was not an option, though we did discuss it with the TFFR board and other interest groups early in 2008. Since we are now entering the 7th year without a cost of living adjustment, we met with the Governor's office to address the issue and request one-time funding with general funds for the purpose of providing a supplemental payment. At that time, Senator David O'Connell had introduced an interim bill No. 109 that provided for a supplemental payment using a formula similar to that in SB 2277. As the bill was reviewed by the Employee Benefits Programs Committee, it was modified to address administrative and IRS issues.

North Dakota Retired Teachers Association
www.aptnd.com/rta
P.O. Box 447
Bismarck, ND
58502-0447
701-221-7766

Originally, the bill provided two payments – one in 2009 and one in 2010. Funding for two payments was estimated by the TFFR actuary at $10.9 million ($5.4 million for 2009 and $5.5 million for 2010). HB 1022, the RIO budget, includes $5 million for the "purpose of making supplemental payments, based on years of service and years of retirement." This amount would be transferred to TFFR in July, 2009 for the purpose of making the payments. The purpose of SB 2277 is therefore to provide the formula for making the supplemental payment. While we would certainly appreciate the Legislature's consideration for funding the two payments at $10.9 million, SB 2277 was introduced to provide one payment in December, 2009, and we have requested that an additional $400,000 be added to HB 1022 to fully fund the one payment.

SB 2277 would provide a supplemental payment for all retired members drawing an annuity from TFFR who retired before January 1, 2009. In other words, all retired members of TFFR having retired in 2008 and prior receiving an annuity check on December 1, 2009 would qualify for the supplemental payment. The bill provides the formula to be used to calculate the payment by taking $24 multiplied by the member's years of service credit and adding to this amount $18 multiplied by the number of years the member has been retired. This formula, used in 2001 and 1999 to determine ongoing cost of living adjustments, takes into account differences in annuities which are calculated using final average salaries and the multiplier. As is shown on the History sheet provided by TFFR, prior to 2001 there were lower retirement multipliers and certainly lower final average salaries. Additionally, SB 2277 provides a "limit" to the supplemental payment which may not exceed the greater of 10% of the members' annual annuity, of $750. This language was included in the bill to address IRS regulations governing supplemental payments.

Example: Retired Teacher A, has 20 years of service credit and has been retired for 20 years. Retired Teacher A's retirement annuity from TFFR is $600 a month.

$24 X 20 (years of service credit) = $480	$480.00
plus	
$18 X 20 (years retired) = $360	$360.00
Total Calculated Supplemental Payment	$840.00

Now apply the limit test: Annual annuity may not exceed the greater of 10% of Retired Teacher A's annual annuity (10% of $7,200 is $720), or $750. In this case, Retired Teacher A supplemental payment would be $750.

Example: Retired Teacher B, has 30 years of service credit and has been retired for 5 years. Retired Teacher B's retirement annuity from TFFR is $2000 a month.

$24 X 30 (years of service credit) = $720	$720.00
plus	
$18 X 5 (years retired) = $90	$90.00
Total Calculated Supplemental Payment	$810.00

Now apply the limit test: Annual annuity may not exceed the greater of 10% of Retired Teacher B's annual annuity (10% of $24,000 is $2400), or $750. In this case, Retired Teacher B supplemental payment would be $810.

Same handout given to House.

History of TFFR Retirement Plan Changes

July 1	Plan Changes	Benefit Formula	Retiree Benefit Increase	$ Average Increase	% Average Increase	Average Monthly Benefit
2007	Effective 7-01-07 • Require employer contributions of 7.75% on re-employed retirees. Effective 7-01-08 • Increase employer contributions from 7.75% to 8.25% on active and retired members' salaries (until TFFR reaches 90% funded level). • Create new tier of reduced member benefits: o Tier 1 – Rule of 85, 3 yr vesting, 3 yr FAS o Tier 2 – Rule of 90, 5 yr vesting, 5 yr FAS	No Change	No Increase	-0-	-0-	*2007-$1434 2006-$1383
2005	• None.	No Change	No Increase	-0-	-0-	2005-$1309 2004-$1255
2003	• Clarified definition of salary. • Updated dual membership guidelines. • Added 20 year term certain and partial lump sum distribution (PLSO) options. • Expanded refund & rollover options to purchase service credit. • Allow employers to purchase service credit on behalf of members.	No Change	No Increase	-0-	-0-	2003-$1203 2002-$1152
2001	• Modified retiree employment provisions by adding exceptions for critical shortage areas and educational foundation donations, and improved recalculation of retiree benefits after returning to teach.	Multiplier increased to 2.00% FAS X 2.00% X years of service	Increase equal to $2 month X member's years of service credit + $1 month X number of years since member's retirement plus 0.75% annual adjustment for 7-1-01 and 7-1-02.	$78.00	7.8%	2001-$995 2000-$970
1999	• Vesting and eligibility for benefits reduced from 5 to 3 years. • Early retirement reduction changed from age 65 to earlier of age 65 or Rule of 85. • Purchase of service credit modified; air time and leave of absence added. • Member's spouse required to be beneficiary and spousal consent to choice of benefit option.	Multiplier increased to 1.88% FAS X 1.88% X years of service	Increase equal to $2 month X member's years of service credit + $1 month X number of years since member's retirement.	$70.00	8.5%	1999-$833 1998-$810
1997	• Employer and employee contributions increased to 7.75%. • Allow rollovers to purchase service credit. • Expand TFFR Board to 7 members.	Multiplier increased to 1.75% FAS X 1.75% X years of service	$30 month increase.	$30.00	4.1%	1997-$729 1996-$719
1995	• Allow members to rollover refunds from TFFR to IRA or qualified plan.	No Change	No Increase	-0-	-0-	1995-$690 1994-$663

History of TFFR Retirement Plan Changes

July 1	Plan Changes	Benefit Formula	Retiree Benefit Increase	$ Average Increase	% Average Increase	Average Monthly Benefit
1993	• Disability retirement formula changed to coincide with retirement formula.	Multiplier increased to 1.55% FAS X 1.55% X years of service	10% of current benefit or leveling benefit increase based on retirement date and years of service. (Maximum of $100/mo)	$75.00	13.80%	1993-$547 1992-$549
1991	• Provisions for military service credit under Veterans' Reemployment Rights Act (VRRA) added.	Multiplier increased to 1.39% FAS X 1.39% X years of service	10% of current benefit or leveling benefit increase based on retirement date and years of service. (Maximum of $75/mo)	$63.24	14.66%	1991-$513 1990-$415
1989	• "Pop-up" to single life annuity for joint and survivor options. • Level income with Social Security. • "Rule of 85" replaced the "Rule of 90." • Employer and employee contributions increased to 6.75%.	Multiplier increased to 1.275% FAS x 1.275% X years of service	Increase equal to $.05 X years of service X number of years since member's retirement.	$18.30	5.2%	1989-$361 1988-$352
1987	• Eligibility for disability benefits changed to one year of service and disability benefit improved. • Vesting for retirement benefits reduced from 10 to 5 years.	Multiplier increased to 1.22% FAS X 1.22% X years of service	$1.50/mo increase for every year since member's retirement. Members receiving benefits under 1967 & 1969 formulas rec'd $15/mo bonus (Max $75/mo)	$27.25	9.1%	1987-$327 1986-$312
1985	• Partial retirement possible at age 62. • Dual membership for vesting of benefits for members under TFFR, PERS, and Highway Patrol Retirement System.	Multiplier increased to 1.15% FAS X 1.15% X years of service	1% increase in benefits for every year since member's retirement. (Max of 10%; or $40)	$17.88	7.39%	1985-$269 1984-$242
1983	• "Rule of 90" (age + service = 90) approved. • Employer payment of member assessments allowed. • School day for TFFR purposes set at 4 duty hours. • FAS changed to high 3 years of career.	Multiplier increased to 1.05% FAS X 1.05% X years of service	15% increase in current benefit to all retirees. (Max of $45/mo)	$29.78	15.93%	1983-$221 1982-$187
1981	• Early retirement age reduced to age 55. • Eligibility for disability benefits reduced from 15 to 10 years.	No Change	No Increase	-0-	-0-	1981-$182 1980-$174
1979	• New benefit formula using multiplier, years of service and final average salary (high 5 of last 10 years). • Normal retirement @ 65 w/10 yrs or age 60 w/35 yrs service • Employee and employer contribution rate increased from 5% to 6.25% each.	Established multiplier of 1.0% FAS X 1.0% X years of service	No Increase	-0-	-0-	1979-$171 1978-$165

Same handout given to House.

North Dakota Teachers' Fund for Retirement

Schedule of Retired Members by Monthly Benefit
As of July 1, 2008

Monthly Benefit Amount	Number of Members	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Less than $100	48	39	9	3.84
$100 - $199	137	95	42	7.90
$200 - $299	207	147	60	10.98
$300 - $399	263	220	43	15.01
$400 - $499	269	224	45	18.22
$500 - $599	270	219	51	21.27
$600 - $699	267	221	46	24.74
$700 - $799	239	192	47	25.60
$800 - $899	189	142	47	25.53
$900 - $999	230	173	57	27.28
$1,000 - $1,199	538	387	151	28.45
$1,200 - $1,399	498	327	171	29.80
$1,400 - $1,599	534	328	206	30.97
$1,600 - $1,799	510	317	193	31.22
$1,800 - $1,999	499	298	201	31.80
$2,000 - $2,199	377	213	164	31.83
$2,200 - $2,399	329	174	155	32.88
$2,400 - $2,599	250	130	120	33.58
$2,600 - $2,799	185	87	98	33.93
$2,800 - $2,999	144	55	89	33.73
$3,000 - $3,199	102	42	60	34.48
$3,200 - $3,399	50	14	36	34.33
$3,400 - $3,599	60	18	42	34.69
$3,600 - $3,799	35	6	29	33.67
$3,800 - $3,999	15	2	13	34.55
$4,000 & Over	72	14	58	37.46
Total/Average	6,317	4,084	2,233	27.62

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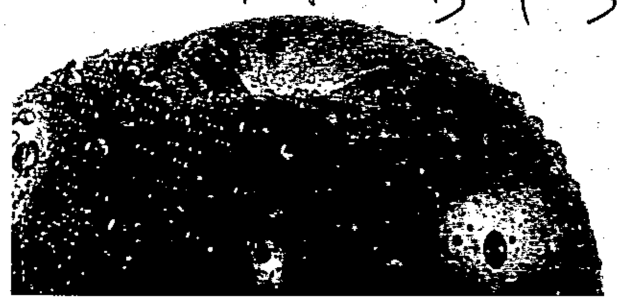


Dear Retiree:

We invite you to join the North Dakota Retired Teachers Association!

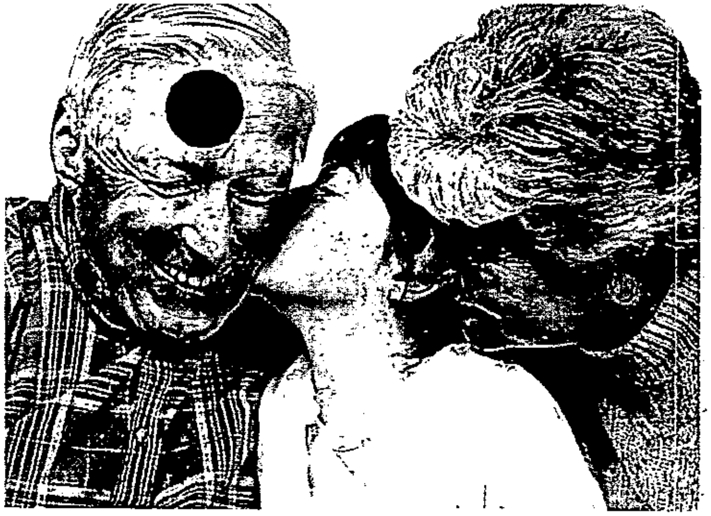
NDRTA is your communication link! We are an organization of 16 local retired Teachers Associations located throughout North Dakota with dedicated volunteer members and a paid executive staff located in Bismarck. We keep you informed on important issues affecting you as a retired teacher and annuitant. As a member, you join thousands of other retired teachers in North Dakota who benefit from programs, services, and legislation sponsored by NDRTA.

NDRTA **is your voice at the Legislature. Your membership helps strengthen our voice at the Capitol.**
Legislative goals include:

* Post-retirement Annuity Adjustments
* Additional Seniors/Retiree Legislation

NDRTA monitors the Teachers Fund for Retirement (TFFR) and speaks on behalf of NDRTA members to maintain and enhance your retirement benefits.

For more information, contact NDRTA at: (701)-221-7766
or
visit NDRTA on-line at:
www.aptnd.com/rta



Education is Ageless

Just because you've retired from active service doesn't mean you should no longer be active in a professional organization. NDRTA is a viable, growing group that needs your participation and support so our common goals and interests may be strengthened.

Member Benefits

- Promotes economic, social and professional status
- Promotes state and/or federal legislation beneficial to retirees
- Protects and improves pension and survivor benefits
- Promotes direct involvement in community services
- Provides influence in local state and national level decision making
- Encourages pre-planning for retirement
- Provides and encourages opportunity for contact with friends and associates
- Association newsletter
- TFFR Investment Information
- Membership card with local, state, and national discounts

NDRTA is.

- The Largest retired teachers organization in ND
- The only organization in ND to exclusively represent retired educators
- 16 local units united to form NDRTA

Bismarck/Mandan	Missouri River Basin (Hazen/Beulah)
Cass County (Fargo)	Slope Area (Dickinson)
Central Red River Valley	South Central (Wishek)
Dickey-LaMoure County (LaMoure/Ellendale/Oakes)	Southwest (Bowman)
Fargo	Stutsman County (Jamestown)
Grand Forks	Turtle Mountain (Bottineau)
Lonetree (Harvey)	Valley City
Minot	Williston

- An Independent, non-partisan organization
- Instrumental in raising pension benefits for retirees
- Monitoring state legislative and retirement proceedings

"You stay informed through NDRTA sponsored programs, workshops and conventions."

- Participation in AARP's State Legislative Committee (SLC)
- Annual Workshops
- Informative Programs
- Interaction with North Dakota's youth
- Annual NDRTA Convention

Only $18 Annually

NDRTA Membership Enrollment Form

Name ______________ Phone ______________ E-mail ______________

Address ______________ City ______________ State ______ Zip ______ Year Retired ______

Choose One Method of Payment

Membership to take effect July 1st of each year

○ **6 Months Free Plus Preferred Method:** I request voluntary withholding of $18.00 for annual membership dues in the North Dakota Retired Teacher's Association from my July annuity payment from the North Dakota Teachers' Fund for Retirement to remain in effect until I choose to terminate by written notice to the North Dakota Teachers' Fund for Retirement prior to June 15 of any year. (Request for voluntary withholding must be received by June 15th of each year.)

Social Security Number ______ - ______ - ______ (Required for voluntary withholding)

○ 6 Months Free Plus Enclosed is $18.00 for annual membership payable by June 30 of each year.

Signature ______________ Date ______________

MAIL TO: NDRTA - PO BOX 447 - BISMARCK, ND 58502-0447

Testimony

Senate Bill 2277 – Rolland Larson, North Dakota Retired Teachers Association

Senate Government and Veterans Affairs Committee

Senator Dever, Chairman

January 29, 2009

Chairman Dever and members of the Committee, my name is Rolland Larson. I am a member of the North Dakota Retired Teachers Association and am currently the 1st Vice President.

We are asking the Legislature to provide a supplemental payment to all teachers who are retired as of June 30, 200~~9~~8. While this bill would not provide a permanent increase in annuities, it would provide help to our Retired Teacher's at this time.

The formula for calculating a retired teacher's annuity is based on that teacher's average salary for his or her highest three years multiplied by the number of years of credit the teacher had at retirement and multiplied by a factor that was in effect at the time of retirement.
Without adjustments, the amount a teacher gets during the first year of retirement will stay the same for the rest of his or her life. The formula does not have a provision for any adjustments on a regular basis.

Increases can be made when the earnings of the Retirement Fund exceed the established benchmark by an amount that satisfies the actuaries that it would be possible to increase everyone's annuity. Fortunately, the Retirement Fund has been quite successful over the years and annuities have been increased periodically. However, since July 1, 2002, the Retirement Fund earnings have been below that benchmark and as a result retired teachers have not had an increase since that time. And in the current situation, it does not seem possible for we will receive an increase for some time.

Our proposal for the formula to calculate the payments is based on the number of years of credit each teacher has with the Retirement Fund and the number of years the teacher has been retired. This bill would not give Retired Teachers a permanent increase in their annuities, but it would provide a supplemental payment to help them this year.

Chairman Dever and members of the committee thank you for the opportunity to testify before you today - I urge your favorable recommendation for the support of Senate Bill 2277.

Thank you for your time and attention. I'd be happy to answer any questions the committee may have.

Testimony on SB 2277
Senate Government and Veterans Affairs Committee

Chairman Dever, Vice Chair Oehlke and members of the committee. I am Ruth Stefonowicz, President of the North Dakota Education Association-Retired and a member of the North Dakota Retired Teachers Association. I'm here to support SB 2277. Sen. O'Connell was asked to introduce this bill by NDRTA with the support of NDEA and I'm sure I can say for all North Dakota's retired teachers.

I will refer to the handout I gave you later but for now I'd like you to look at the total at the bottom of the first column (6,317.) Not a huge number but these are the dedicated people who have taught you, your children or your grandchildren. Many of the reasons have been given to you as to why this bill has been introduced. I hope to add a couple more.

The retired group that I belong to in Fargo has five of my former teachers who regularly attend. All five are women. Two are high school teachers and three are elementary teachers. I knew them as Miss Nelson, Miss Fox etc. They still go by the same last name so I'm quite sure they never married. This is important because there is no second income to rely on except social security and because North Dakota teachers salaries have not seen big improvements, saving is not always possible. You know how prices for housing, food, healthcare, gas and many other areas keep going up yet there has been no increase since 2002 for these 6000+ former teachers.

Please also think about how many others have received increases in the past few years. There aren't many in the public sector that I can think of who have not received some type of increase yet these teachers received on average $7.50 in 2001 and nothing since. These teachers believe in their retirement system and want what is best for all the teachers in North Dakota. Hopefully the economy will straighten out and eventually increases will again come from the fund but for now these 6000+ retired teachers need your help.

When this bill was first being considered the dollar amount was going to be for 11 Million with a payout over two years. We were glad the Governor put 5 Million in his budget but that will not cover a one year payout with the current formula. The dollars per individual will not make anyone rich but it will give a note of thanks to many dedicated people.

I'd like you to take a good look at the handout I gave you. The numbers are from TFFR so I am sure they are accurate. Can you imagine living on that amount of money plus what you may get from social security. Please vote in favor of this bill and if you think they are worth it add an amendment to make it a two year payment.

Thank you for your time. I will answer questions if you have time.
Ruth Stefonowicz, NDEA Retired President

North Dakota Teachers' Fund for Retirement

Schedule of Retired Members by Monthly Benefit
As of July 1, 2008

Monthly Benefit Amount	Number of Members	Female	Male	Average Service
(1)	(2)	(3)	(4)	(5)
Less than $100	48	39	9	3.84
$100 - $199	137	95	42	7.90
$200 - $299	207	147	60	10.98
$300 - $399	263	220	43	15.01
$400 - $499	269	224	45	18.22
$500 - $599	270	219	51	21.27
$600 - $699	267	221	46	24.74
$700 - $799	239	192	47	25.60
$800 - $899	189	142	47	25.53
$900 - $999	230	173	57	27.28
$1,000 - $1,199	538	387	151	28.45
$1,200 - $1,399	498	327	171	29.80
$1,400 - $1,599	534	328	206	30.97
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$4,000 & Over	72	14	58	37.46
Total/Average	6,317	4,084	2,233	27.62

TESTIMONY ON SB 2277

Senate Government & Veterans Affairs Committee
January 29, 2009

Fay Kopp - Deputy Director, ND Retirement and Investment Office (RIO)
Chief Retirement Officer, ND Teachers' Fund for Retirement (TFFR)

SB 2277 affects more than 6,300 retired teachers and administrators receiving monthly benefits from TFFR. While SB 2277 was not submitted by the TFFR Board, we recognize how important this bill is to retired teachers who are greatly impacted by the ever increasing costs of health care, groceries, fuel, and other basic necessities.

<u>Formula for Supplemental Retiree Payment</u>

As explained by the bill's sponsor, SB 2277 provides for a one-time supplemental retiree benefit payment to TFFR retirees and beneficiaries who retired before January 1, 2009 and are receiving annuity benefits on December 1, 2009. The payment is equal to an amount determined by taking $24 per year of service credit, plus $18 per number of years since the member's retirement. The supplemental payment cannot exceed the greater of 10% of the member's annual annuity or $750. If approved, the supplemental payment would be made in December 2009. The bill is structured to provide the greatest benefit to those teachers and administrators who taught the longest and who have been retired the longest.

According to TFFR's 2008 actuarial valuation report, as of June 30, 2008, there were 6,317 annuitants in TFFR. The average annuitant's benefit was $1,477 per month, and the average annuitant had 27.63 years of service. As of 2009, these annuitants will have been retired on average for 12.9 years.

Based on the formula outlined in SB 2277, retirees would receive an average supplemental payment of about $846 in December 2009. Payment would be limited to the maximum (greater of 10% of the retiree's annual annuity or $750 to comply with IRS requirements) for about 1,000 – 1,100 annuitants.

Example 1: *Retiree with 30 years of service credit who retired in 1994 (15 years retired). Current annuity is $1,500 per month.*

$24 X 30 years (service credit)	*720*
$18 X 15 years (retired)	*+<u>270</u>*
Supplemental Payment Amount	***$990 paid December 2009***

The supplemental payment cannot exceed the greater of $750 or 10% of annual annuity benefit ($1,500 X 12 months X 10% = 1,800). Since the supplemental payment does not exceed $1,800, the payment will not be capped in Example 1.

Example 2: *Retiree with 15 years of service credit who retired in 1979 (30 years retired). Current annuity is $600 per month.*

$24 X 15 years (service credit)	*360*
$18 X 30 years (retired)	*+540*
Supplemental Payment Amount	*$900 capped at $750, so* ***$750 paid in December 2009***

The supplemental payment cannot exceed the greater of $750 or 10% of annual annuity benefit ($600 X 12 months X 10% = $720). Since the supplemental payment exceeds $750, the payment will be capped in Example 2.

Cost of Supplemental Retiree Payment – Fiscal Note

According to TFFR's actuarial consultant, total cost of the supplemental retiree payment is estimated to be about $5.4 million. The cost of administering the bill (computer programming and member communications) is estimated to be about $25,000 which we would ask to be added to RIO's appropriation. Therefore, the fiscal note for SB 2277 totals $5,425,000.

It is our understanding that the supplemental retiree payment in SB 2277 would be funded through a transfer from the State's General Fund to TFFR. Please note that Governor Hoeven included $5 million for the supplemental retiree payment in his budget recommendation which is included in RIO's budget bill, HB 1022. These two bills will need to be reconciled, along with the request for RIO administrative expenses. Because the supplemental retiree payment is expected to be covered by the General Fund transfer, there would be no financial impact on TFFR.

Attachment #1

Testimony

SB 2277 – House Government & Veterans Affairs Committee
Representative Bette Grande, Chair

March 12, 2009

Madame Chair Grande, members of the House Government & Veterans Affairs Committee, I am Ken Tupa representing the ND Retired Teachers Association. Thank you for the opportunity to provide testimony this morning in support of SB 2277. SB 2277 is a "companion" bill to funding included in the Governor's budget in HB 1022 and the formula for providing a supplemental payment to members of the Teachers Fund For Retirement (TFFR).

Retired educators last received a cost of living adjustment in 2001-02 using a formula of service credit and number of years retired, plus a .75% increase for each of these years. The average increase was $78/month.

In 2007 we began exploring options that would provide some form of increase for retired educators. With current market conditions and demographics in ND, funding an ongoing, cost of living adjustment from Fund margin was not an option, though we did discuss it with the TFFR board and other interest groups early in 2008. Since we are now entering the 7th year without a cost of living adjustment, we met with the Governor's office to address the issue and request one-time funding with general funds for the purpose of providing a supplemental payment. At that time, interim bill No. 109 was introduced to the Employee Benefits Programs Committee that provided for a supplemental payment using a formula similar to that in SB 2277. As the bill was reviewed by the committee and TFFR actuary, it was modified to address administrative and IRS issues.

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Bismarck, ND
58502-0447
701-221-7766

2277 would provide a supplemental payment for all retired members drawing an annuity from TFFR who retired before January 1, 2009. In other words, all retired members of TFFR having retired in 2008 and prior, and receiving an annuity check on December 1, 2009 would qualify for the supplemental payment. The bill provides the formula to be used to calculate the payment by taking $24 multiplied by the member's years of service credit and adding to this amount $18 multiplied by the number of years the member has been retired. This formula, used in 2001 and 1999 to determine ongoing cost of living adjustments, takes into account differences in annuities which are calculated using final average salaries and the multiplier. As is shown on the History sheet provided by TFFR, prior to 2001 there were lower retirement multipliers and certainly lower final average salaries. Additionally, SB 2277 provides a "limit" to the supplemental payment which may not exceed the greater of 10% of the members' annual annuity, or $750. This language was included in the bill to address IRS regulations governing supplemental payments.

nce 2001-02, ND has made progress increasing active teacher's salaries, state employee salaries, and occasional post-retirement adjustments for state employees. While the cost of living continues to rise, retired teachers' annuities have remained the same. Madame Chair Grande and committee members, thank you for the opportunity to testify before you this morning; NDRTA asks for your Do Pass recommendation on SB 2277 as introduced and passed unanimously by the Senate.

Example: Retired Teacher A, has 20 years of service credit and has been retired for 20 years. Retired Teacher A's retirement annuity from TFFR is $600 a month.

$24 X 20 (years of service credit) = $480	$480.00
plus	
$18 X 20 (years retired) = $360	<u>$360.00</u>
Total Calculated Supplemental Payment	$840.00

Now apply the limit test: Annual annuity may not exceed the greater of 10% of Retired Teacher A's annual annuity (10% of $7,200 is $720), or $750. In this case, Retired Teacher A supplemental payment would be $750.

Example: Retired Teacher B, has 20 years of service credit and has been retired for 3 years. Retired Teacher B's retirement annuity from TFFR is $1800 a month.

$24 X 20 (years of service credit) = $480	$480.00
plus	
$18 X 3 (years retired) = $54	<u>$54.00</u>
Total Calculated Supplemental Payment	$534.00

Now apply the limit test: Annual annuity may not exceed the greater of 10% of Retired Teacher B's annual annuity (10% of $21,600 is $2160), or $750. In this case, Retired Teacher B supplemental payment would be $534.

Attachment #2

House Government and Veterans Affairs Committee
March 12, 2009
Ruth Stefonowicz, President NDEA-Retired
Testimony on SB 2277

Chairwoman Grande and members of the committee, I am Ruth Stefonowicz, President of the North Dakota Education Association-Retired and a member of the North Dakota Retired Teachers Association. I'm here to support SB 2277. Sen. O'Connell was asked to introduce this bill by NDRTA with the support of NDEA-Retired and I'm sure I can say for all North Dakota's retired teachers.

You have received a handout which gives you a schedule of retired members by monthly benefit. I would like you to look at the total at the bottom of the first column (6,317). Not a huge number but these are the dedicated people who taught you, your children or your grandchildren. Many of the reasons have been given to you as to why this bill has been introduced. I hope to add a couple more.

The retired group that I belong to in Fargo has five of my former teachers who regularly attend. All five are women. Two are high school teachers and three are elementary teachers. I knew them as Miss Nelson, Miss Fox etc... They still go by the same last name so it's quite possible they were never married. This is important because there is no second income to rely on except social security and because North Dakota teacher salaries have been low, savings were not always possible. However, prices for housing, food healthcare, gas and many other areas keep going up. These teachers have not had an increase in their teacher's retirement income since 2002.

Please also think about how many others have received increases in the past few years. Who in the public sector has not received some type of increase? Yet these teachers last increase was on average $7.50 per month in 2002. These teachers believe in their retirement system and want what is best for all the teachers in North Dakota. Hopefully the economy will straighten out and eventually increases will again come from the fund but for now these 6000+ retired teachers need your help.

When this bill was first being considered during the Interim Session it provided a payout for each year of the biennium and the dollar amount was $11 Million. This is still needed and it would be welcomed by the current retired teachers. We were glad the Governor put $5 Million in his budget but that will not cover a one year payout with the current formula in the bill. The amount needed for one payment is $5 million 4 hundred thousand plus whatever costs are needed by TFFR to administer the payout. The dollars per individual will give a note of thanks to many dedicated people.

I'd like you to take a good look at the handout I mentioned earlier. The numbers are from TFFR so I am sure they are accurate. These teachers who have given so much need your help. Please vote in favor of this bill and put the funding needed in it and if you think they are worth it add an amendment to make it a two year payment.

Thank you for your time. I am willing to answer questions if you wish.

Attachment #3

TESTIMONY ON SB 2277

House Government and Veterans Affairs Committee
March 12, 2009

Fay Kopp - Deputy Director, ND Retirement and Investment Office (RIO)
Chief Retirement Officer, ND Teachers' Fund for Retirement (TFFR)

SB 2277 affects more than 6,300 retired teachers and administrators receiving monthly benefits from TFFR. While SB 2277 was not submitted by the TFFR Board, we recognize how important this bill is to retired teachers who are greatly impacted by the ever increasing costs of health care, groceries, fuel, and other basic necessities.

Formula for Supplemental Retiree Payment

As explained by the bill's sponsor, SB 2277 provides for a one-time supplemental retiree benefit payment to TFFR retirees and beneficiaries who retired before January 1, 2009 and are receiving annuity benefits on December 1, 2009. The payment is equal to an amount determined by taking $24 per year of service credit, plus $18 per number of years since the member's retirement. The supplemental payment (determined by using the $24/$18 formula) cannot exceed the greater of 10% of the member's annual annuity or $750. If approved, the supplemental payment would be made in December 2009. The bill is structured to provide the greatest benefit to those teachers and administrators who taught the longest and who have been retired the longest.

Example 1 (Not capped): *Retiree with 30 years of service credit who retired in 1994 (15 years retired). Current annuity is $1,500 per month.*

$24 X 30 years (service credit)	*720*
$18 X 15 years (retired)	*+270*
Supplemental Payment Amount	***$990 paid December 2009***

The supplemental payment cannot exceed the greater of $750 or 10% of annual annuity benefit ($1,500 X 12 months X 10% = 1,800). Since the supplemental payment does not exceed $1,800, the payment will not be capped in Example 1.

Example 2 (Not capped): *Retiree with 5 years of service credit who retired in 1994 (15 years retired). Current annuity is $ 300 per month.*

$24 X 5 years (service credit)	*120*
$18 X 15 years (retired)	*+270*
Supplemental Payment Amount	***$390 paid December 2009***

The supplemental payment cannot exceed the greater of $750 or 10% of annual annuity benefit ($300 X 12 months X 10% = 360). Since the supplemental payment does not exceed $750, the payment will not be capped in Example 2.

Example 3 ($750 cap): *Retiree with 15 years of service credit who retired in 1979 (30 years retired). Current annuity is $600 per month.*

$24 X 15 years (service credit)	*360*
$18 X 30 years (retired)	*+540*
Supplemental Payment Amount	*$900 capped at $750, so*
	$750 paid in December 2009

The supplemental payment cannot exceed the greater of $750 or 10% of annual annuity benefit ($600 X 12 months X 10% = $720). Since the supplemental payment exceeds $750, the payment will be capped in Example 3.

Example 4 (10% annual annuity cap): *Retiree with 25 years of service credit who retired in 1979 (30 years retired). Current annuity is $700 per month.*

$24 X 25 years (service credit)	*600*
$18 X 30 years (retired)	*+540*
Supplemental Payment Amount	*$1140 capped at $840, so*
	$840 paid in December 2009

The supplemental payment cannot exceed the greater of $750 or 10% of annual annuity benefit ($700 X 12 months X 10% = $840). Since the supplemental payment exceeds $840, the payment will be capped in Example 4.

Average Supplemental Retiree Payment

According to TFFR's 2008 actuarial valuation report, as of June 30, 2008, there were 6,317 annuitants in TFFR. The average annuitant's benefit was $1,477 per month, and the average annuitant had 27.6 years of service. As of 2009, these annuitants will have been retired an average of 12.9 years, and average age will be 72.2 years.

Based on the formula outlined in SB 2277, TFFR's actuary has determined that retirees would receive an average supplemental payment of about $846 in December 2009. Payment would be limited to the maximum (greater of 10% of the retiree's annual annuity or $750 to comply with IRS requirements) for about 1,000 – 1,100 annuitants. In general, this means for retirees with less than a $625 monthly benefit, the supplemental payment (calculated using the $24/$18 formula) is capped at $750 since $750 is more than 10% of their annual annuity. For retirees with greater than a $625 monthly benefit, the supplemental payment (calculated using the $24/$18 formula) is capped at 10% of their annual annuity.

Exhibit 1 includes a breakdown of TFFR retirees by Monthly Benefit.
Exhibit 2 includes a breakdown of TFFR retirees by One time Supplemental Retiree Payment.

Cost of Supplemental Retiree Payment – Fiscal Note

According to TFFR's actuarial consultant, total cost of the supplemental retiree payment is estimated to be nearly $5.4 million. The cost of administering the bill (computer programming and member communications) is estimated to be about $25,000 which we would ask to be added to RIO's appropriation. Therefore, the fiscal note for SB 2277 totals $5.425 million.

Please note that Governor Hoeven included $5 million for the supplemental retiree payment in his budget recommendation which was originally included in RIO's budget bill, HB 1022. However, the House amended HB 1022 and removed the $5 million General Fund appropriation for the supplemental retiree payment.

If SB 2277 is approved, it will require a General Fund transfer of $5.425 million to TFFR. Any dollars not used would be returned to the General Fund. As long as the payments are covered by the General Fund transfer, there would be no financial impact on TFFR .

Exhibit 1

TFFR RETIRED MEMBERS
BY MONTHLY BENEFIT

Monthly Benefit	Count	Avg Service	Avg Years Retired	Avg Age
<$200	185	6.8	11.4	69.6
$ 200 - 399	470	13.3	18.8	77.9
$ 400 - 599	539	19.8	23.0	81.3
$ 600 - 799	506	25.2	21.3	80.8
$ 800 - 999	419	26.5	17.1	77.9
$1,000 - 1,199	538	28.5	15.4	75.7
$1,200 - 1,399	498	29.8	14.0	74.1
$1,400 - 1,599	534	31.0	12.1	72.0
$1,600 - 1,799	510	31.2	9.8	69.5
$1,800 -1,999	499	31.8	8.0	66.5
$2,000 -2,199	377	31.8	6.6	65.2
$2,200 - 2,399	329	32.9	6.6	65.5
$2,400 - 2,599	250	33.6	5.6	64.2
$2,600 - 2,799	185	34.1	5.6	64.4
$2,800 - 2,999	144	33.9	5.1	63.8
$3,000 - 3,199	102	34.5	4.7	64.0
$3,200 - 3,399	50	34.4	4.4	62.6
$3,400 - 3,599	60	34.7	4.8	64.0
$3,600 - 3,799	35	33.6	5.6	64.0
$3,800 - 3,999	15	34.6	4.5	64.3
>$4,000	72	37.5	4.8	66.5
Grand Total	**6,317**	**27.6**	**12.9**	**72.2**

Exhibit 2

TFFR RETIRED MEMBERS
BY ONE TIME PAYMENT IN SB 2277

SB 2277 One Time Supp. Payment	Count	Avg Service	Avg Years Retired	Avg Age
<$200	52	4.1	3.5	60.1
$200-$399	272	8.3	6.7	66.5
$400-$599	478	14.8	8.4	68.8
$600-$799	1,907	23.9	14.9	73.8
$800-$999	2,099	31.2	10.0	68.3
$1000-$1199	1,051	34.4	15.5	75.8
$1200-$1399	388	38.5	20.3	82.5
$1400-$1599	70	42.3	24.6	89.2
Grand Total	**6,317**	**27.6**	**12.9**	**72.2**

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
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April 24, 2009

Rep. Bette Grande, Chairman
Employee Benefit Programs Committee
c/o Jeff Nelson
ND Legislative Council
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

Re: Actuarial Analysis: Amendments to SB 2277 – 13th Check

Dear Rep. Grande:

On March 12, 2009 we provided you with our analysis of version 90109.0400 of SB 2277, a bill that would provide for a special one-time payment to annuitants of the Teachers' Fund for Retirement (TFFR). Yesterday, Fay Kopp, Deputy Executive Director, North Dakota Retirement & Investment Office, asked us to analyze the actuarial impact of four possible amendments related to this bill. Since the legislative session is nearing adjournment, we understand that you need a very quick response, so we have combined our comments on the four amendments into a single letter.

Proposed Amendments

In our March 12th letter, we observed that bill 90109.0400 did not specify a funding source for the one-time payment, but it was our understanding that funding was to come from the State's general fund, and that it was to be included in a separate piece of legislation. We now understand that this is unlikely to occur, and our analysis should assume that there will not be any transfer to TFFR from the State.

None of the amendments change how the one-time supplemental payment is determined, so the amount of the payment for any individual is calculated as described in our March 12th letter. None of the amendments change the December 2009 payment date.

We have discussed the amendments in terms of how they compare to 90109.0400.

90109.0404: This proposed amendment makes no changes to 90109.0400 except to clarify that the payment will be made from TFFR, with no additional funding. The group of annuitants eligible to receive the supplemental payment is unchanged from 90109.0400, and would include all annuitants retired before January 1, 2009. Therefore, the total payment will be about $5.4 million, as shown in the March 12th letter.

90109.0405: Like 90109.0404, this amendment would have the one-time payment made from TFFR assets, with no additional funding from general revenue. However, this amendment restricts the class of annuitants eligible to receive the payment to members who retired before July 1, 2001, i.e., before the 2.00% multiplier was enacted. This reduces the amount of the one-time payment to $3.4 million.

90109.0407: This amendment, like the others, says that TFFR will make the supplemental payments to annuitants from its own assets. It does not make the change in eligibility proposed in 90109.0405, so it provides for supplemental payments to all annuitants who retired before January 1, 2009, and the amount of the payments would be $5.4 million. It also increases the employer contribution rate for TFFR from 8.25% to 8.35%, effective July 1, 2010. The 0.10% increase in the employer contribution rate would only apply until TFFR reached a 90% funded ratio based on the actuarial value of assets. That is, this contribution rate increase would automatically expire ("sunset") in the same way that the 0.50% increase that became effective on July 1, 2008 is scheduled to sunset.

98022.0204: Note that this is actually an amendment to HB 1022, rather than SB 2277, but it touches on the same issues as 90109.0407. Our discussion assumes that this amendment is enacted in conjunction with 90109.0404, providing the supplemental payments to all annuitants who retired before January 1, 2009, and so providing for a total of $5.4 million in payments. This amendment is identical to 90109.0407, except that it provides for an 8.75% employer contribution rate, i.e., a 0.50% increase. Like 90109.0407, this amendment would be effective July 1, 2010, and the 0.50% increase would be subject to the same sunset provisions.

Analysis

The attached table shows the actuarial results for each of the four amendments. The results assume only that amendment and none of the others is adopted, except that we have assumed that if 98022.0204 is adopted, it will be in conjunction with 90109.0404.

With no funding coming from the general fund, the unfunded actuarial accrued liability (UAAL) will increase by the amount of the payments. The annual required contribution (ARC) shown as item 4. is the target contribution rate (employer normal cost plus a 30-year amortization of the UAAL). This is disclosed in the fund's Comprehensive Annual Financial Report. The dollar amount of the increased contribution that is required by statute, shown in item 5.c., is based on our projection of a $454.0 payroll for FY 2011. The funding period is the calculated number of years needed to amortize the UAAL based on the current contribution rate in the absence of future gains or losses or other changes.

The information shown on the attached table does not reflect the investment losses that have occurred so far during the current fiscal year. As you are aware, the financial markets have seen very large drops in value over the last seven or eight months, and it is likely that TFFR's funded ratio, computed using the market value of assets rather than the actuarial value, will fall to close to 50% as of July 1, 2009. Legislators considering these amendments should be mindful that, barring a large and fast recovery, which most observers consider very unlikely, passage of an unfunded benefit increase, albeit a relatively small one, would be coming at a time of great stress for TFFR. It is virtually certain that TFFR will be asking the legislature to approve some combination of benefit changes and/or contribution increases during the 2011 session, even if 98022.0204 is enacted.

Based on recent projections taking into account losses for the current fiscal year, we believe it is unlikely that the increased contribution rates under 90109.0407 or 98022.0204 would sunset anytime within the next 20-30 years. These projections reflect current contribution and benefit provisions, so do not reflect other actions that future legislatures may take in response to the recent market losses.

Other Comments

Our analyses were prepared using the same member and financial data and the same actuarial methods and assumptions that were used in preparing the July 1, 2008 actuarial valuation and the March 12th letter. The technical comments and the comments about the rollover issue made in the March 12th letter continue to apply.

We are not attorneys, and nothing in this letter should be construed as providing legal, tax, or investment advice. No statement in this letter is intended to be interpreted as a recommendation in favor of the change or in opposition to them. Please feel free to call if you have any questions about this information.

Sincerely,

J. Christian Conradi

J. Christian Conradi
Senior Consultant

Enclosure

cc: Ms. Fay Kopp, Deputy Executive Director, North Dakota Retirement & Investment Office

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Krebsbach, Karen K.

From:	Kopp, Fay L.
Sent:	Saturday, April 25, 2009 3:33 PM
To:	Krebsbach, Karen K.
Subject:	SB 2277

Senator Krebsbach:

When we visited on late Friday afternoon, I forgot to provide you with updated information for possible "formula modifications" to SB 2277, the supplemental retiree payment for retired teachers. While all costs, of course, must be determined by the actuary, they did provide me with some general estimates that are probably better than what I had given to Ken Tupa last week.

In general, decreasing the "Years of Service" component ($24) decreases the cost by about $150,000 per year decreased. Decreasing the "Years Retired" component ($18) decreases the cost by about $50,000 per year decreased. These are more conservative estimates, and leave some room for good news if several years are decreased for both components. Because it is not a "one for one" reduction, and there are the minimums to consider, this is still not a perfect estimate, and the actuary needs to run the actual formula across all the retirees.

Example: if the $24/$18 formula is changed to $20/$15 as you mentioned (and includes same caps):

$20 years service X $150,000 =	$3,000,000	
$15 years retired X $ 50,000 =	+ 750,000	
Adjusted cost of supp pay		$3,750,000
Original cost of supp pay	$5,400,000	
Adjusted cost of supp pay	- 3,750,000	
Est. Savings		$1,650,000

Please contact me if you have additional questions or need additional information.

As always, thanks for your thoughtful consideration of all changes that affect the TFFR plan and TFFR retirees. Your support truly is appreciated.

Fay Kopp
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April 29, 2009

Rep. Bette Grande, Chairman
Employee Benefit Programs Committee
c/o Jeff Nelson
ND Legislative Council
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

Re: Actuarial Analysis: Amendments to SB 2277 – 13th Check

Dear Rep. Grande:

This is a follow up to our earlier letters dated March 12, 2009 and April 24, 2009.

This morning, Fay Kopp, Deputy Executive Director, North Dakota Retirement & Investment Office, asked us to prepare analyses of three possible amendments to SB 2277. SB 2277 is a bill that would provide for a special one-time payment to annuitants of the Teachers' Fund for Retirement (TFFR). We understand that the amendments are currently being drafted, so we have not reviewed them; we have relied on Ms. Kopp's description of the proposals.

Proposed Amendments

Under each of these three proposals, each annuitant—retiree, disabled retiree, or beneficiary receiving a benefit—who retired before January 1, 2009 and who is still receiving benefits as of December 1, 2009, would receive a special one-time payment. (Some prior proposed amendments would have limited the class of eligible annuitants to just those retired before July 1, 2001, but that is not true of any of these amendments.) In each case, the payment would be structured as:

- $m times the member's years of service, and
- $n times the number of years the member has been retired

The amount of the one-time payment is limited to no more than 10% of the member's annual retirement benefit or $750.00, whichever is larger. This payment would be made in December 2009.

When SB 2277 was introduced, $m was $24.00 and $n was $18.00. The three possible amendments change $m and $n, respectively, to (a) $20.00 and $15.00, (b) $18.00 and $14.00, and $16.00 and $12.00. Call these, respectively, Proposal $20/$15, Proposal $18/$14, and Proposal $16/$12.

TFFR would not receive any money from the State's general fund to pay for the one-time payment. However, each of the proposed amendments would incorporate the language in 98022.0204, an amendment to HB 1022, which would increase the employer contribution rate by 0.50%, from 8.25% to 8.75%, effective July 1, 2010. The 0.50% increase in the employer contribution rate would only apply until TFFR reaches 90% funded ratio bases on the actuarial value of assets. That is, this contribution rate increase would automatically expire ("sunset") in the same way that the 0.50% increase that became effective on July 1, 2008 is scheduled to sunset.

Analysis

Proposal $20/$15 reduces the amount of the one-time payment from $5.4 million (under 90109.0400) to $4.6 million. The average one-time payment under this version of the bill decreases from $846 to $723. Of the annuitants eligible, 704 would have their benefit limited by the maximum ($750.00 or 10% of the annual annuity).

Proposal $18/$14 reduces the amount of the one-time payment to $4.2 million. The average one-time payment under this version is $663, and 553 members would have their payment limited.

Proposal $16/$12 reduces the amount of the one-time payment to $3.7 million. The average one-time payment under this version is $591, and 327 members would have their payment limited.

With regard to Proposal $18/$14, we should note that this did not come directly from Ms. Kopp. She asked us to find a formula which would produce a payment total of about $4.2 million keeping $m and $n as whole dollar amounts and keeping $m and $n in roughly a 4:3 ratio. $18.00 and $14.00 were our solution. She also asked us to determine a formula that would produce a payment total of about $3.75 million with the same constraints on $m and $n, but $16.00 and $12.00 fit the requirements.

The attached exhibit shows the impact of the one-time payment on TFFR when coupled with the 0.50% increase in the employer contribution rate. (In addition to the three amendments, we have also shown for reference the results from our April 24th letter combining the provisions in 90109.0404 related to the formula and 98022.0204 related to the employer contribution rate. With no funding coming from the general fund, the unfunded actuarial accrued liability (UAAL) will increase by the amount of the payments. The annual required contribution (ARC) shown as item 4. is the target contribution rate (employer normal cost plus a 30-year amortization of the UAAL). This is disclosed in the fund's Comprehensive Annual Financial Report. The dollar amount of the increased contribution that is required by statute, shown in item 5.c., is based on our projection of a $454.0 million payroll for FY 2011. The funding period is the calculated number of years needed to amortize the UAAL based on the current contribution rate in the absence of future gains or losses or other changes.

The information shown on the attached table does not reflect the investment losses that have occurred so far during the current fiscal year. As you are aware, the financial markets have seen very large drops in value over the last seven or eight months, and it is likely that TFFR's funded ratio, computed using the market value of assets rather than the actuarial value, will fall to close to 50% as of July 1, 2009. Legislators considering these amendments should be mindful that, barring a large and fast recovery, which most observers consider very unlikely, passage of an unfunded benefit increase, albeit a relatively small one, would be coming at a time of great stress for TFFR. It is virtually certain that TFFR will be asking the legislature to approve some combination of benefit changes and/or contribution increases during the 2011 session, even if the additional .50% increase in the employer contribution rate is enacted.

Based on recent projections taking into account losses for the current fiscal year, we believe it is unlikely that the increased 0.50% contribution rate would sunset anytime within the next 20-30 years. These projections reflect current contribution and benefit provisions, so do not reflect other actions that future legislatures may take in response to the recent market losses.

Other Comments

Our analyses were prepared using the same member and financial data and the same actuarial methods and assumptions that were used in preparing the July 1, 2008 actuarial valuation and the March 12th and April 24th letter. The technical comments and the comments about the rollover issue made in the March 12th letter continue to apply.

We are not attorneys, and nothing in this letter should be construed as providing legal, tax, or investment advice. No statement in this letter is intended to be interpreted as a recommendation in favor of the change or in opposition to them. Please feel free to call if you have any questions about this information.

Sincerely,

J. Christian Conradi

J. Christian Conradi
Senior Consultant

Enclosure

cc: Ms. Fay Kopp, Deputy Executive Director, North Dakota Retirement & Investment Office

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North Dakota Teachers' Fund for Retirement

Actuarial Impact: Additional Amendments Related to SB 2277

Item	July 1, 2008 Valuation	90109.0404 + 98022.0204	Proposal $20/$15	Proposal $18/$14	Proposal $16/$12
Multiplier per Years of Service	-	$24	$20	$18	$16
Multiplier per Years Retired	-	$18	$15	$14	$12
1. Total of one-time supplemental payments (millions)	$ -	$ 5.4	$ 4.6	$ 4.2	$ 3.7
2. UAAL (millions)	$ 421.2	$ 426.6	$ 425.8	$ 425.4	$ 424.9
3. Funded ratio (using actuarial assets)	81.9%	81.7%	81.8%	81.8%	81.8%
4. Annual required contribution (ARC)					
a. Contribution rate	9.24%	9.33%	9.31%	9.31%	9.30%
b. Increase	0.00%	0.09%	0.07%	0.07%	0.06%
5. Statutory contribution rate					
a. Contribution rate	8.25%	8.75%	8.75%	8.75%	8.75%
b. Increase in rate	0.00%	0.50%	0.50%	0.50%	0.50%
c. Estimated FY 2011 contributions	$ 37.5	$ 39.7	$ 39.7	$ 39.7	$ 39.7
d. Increase in FY 2011 contributions	$ -	$ 2.2	$ 2.2	$ 2.2	$ 2.2
6. Margin					
a. Margin (5.a. - 4.a.)	-0.99%	-0.58%	-0.56%	-0.56%	-0.55%
b. Increase/(decrease)	0.00%	0.41%	0.43%	0.43%	0.44%
7. Funding period					
a. Period in years	57.0	39.6	39.3	39.1	39.0
b. Increase/(decrease)	-	(17.4)	(17.7)	(17.9)	(18.0)

EMPLOYEE BENEFITS PROGRAMS COMMITTEE REPORT TO THE 61ST LEGISLATIVE ASSEMBLY REGARDING PROPOSED AMENDMENTS TO SENATE BILL NO. 2277 (90109.0413)

Date: April 30, 2009

Sponsor: Representative Bette B. Grande

Proposal: Provides that the supplemental retiree benefit payment contained in Senate Bill No. 2277 is to be made from the Teachers' Fund for Retirement and changes the formula for determining the supplemental retiree benefit payment from an amount determined by taking $24 multiplied by the member's number of years of service credit plus $18 multiplied by the number of years since the member's retirement to an amount determined by taking $20 multiplied by the member's number of years of service credit plus $15 multiplied by the number of years since the member's retirement

System Affected: Teachers' Fund for Retirement

Actuarial Analysis: Reduces the amount of the one-time payment from $5.4 million to $4.6 million. The average one-time payment under this version decreases from $846 to $723. Of the eligible annuitants, 704 would have their benefit limited by the maximum, $750, or 10 percent of the annual annuity. Assuming the contribution increase contained in the proposed amendments to House Bill No. 1022 is enacted, the proposal increases the available margin in the Teachers' Fund for Retirement from -.99 percent to -.56 percent or .43 percent.

Committee Report: Favorable recommendation