

TESTIMONY EMPLOYEE BENEFITS PROGRAMS COMMITTEE

BILL #40

9/21/10

North Dakota Education Association

Greg Burns, Executive Director

The North Dakota Education Association (NDEA) wishes to go on record in opposition to Bill #40. The NDEA uses the following four criteria to judge efforts to fix the TFFR funding shortfall: 1) we want to preserve the defined benefit for current and future teachers; 2) we want to avoid drastic benefit changes; 3) we want to minimize contribution increases; and 4) we want to maintain the 2 percent multiplier.

This bill creates a third tier of benefits, aimed at future teachers and it clearly works to their detriment. It reduces the retirement benefit from the current 2 percent of the Final Average Salary (FAS) to 1.88 percent of the FAS for future teachers. This may seem like a minimal benefit change, but it will have a dramatic effect on future educators.

Let's assume that 30 years into the future typical FAS will be \$60,000.00. We hope that it's much higher, but this makes the math a little easier. If the multiplier is 2 percent for a thirty-year career that would result in an annual pension of \$36,000. Using the 1.88 percent multiplier in Bill #40, that same pension is only \$33,840 annually. That is a reduction of \$2,160 per year or \$21,600 over a ten-year retirement. And, we all know that everything will be more expensive 30 years from now. It is a disincentive for the future teachers of North Dakota to tell them they will have a diminished pension benefit to deal with the higher cost of living in the future comparison with their predecessors.

Bill #40 will not attract and retain the quality of teachers we need in the future. In comparison with Bill #54, it is an unbalanced approach to resolving the funding deficiency of TFFR. It places the entire burden on a future generation of teachers.

The NDEA urges opposition to Bill #40.