

TESTIMONY EMPLOYEE BENEFITS PROGRAMS COMMITTEE Bill #54

9/21/10

North Dakota Education Association

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The North Dakota Education Association (NDEA) wishes to go on record urging the Employee Benefits Programs Committee to support Bill #54. This proposed legislation is the result of a very inclusive and exhaustive process facilitated by the TFFR Board and its staff, for which the board and its staff should be highly commended. The way that TFFR conducted this activity should be a model for all agencies in state government.

As the NDEA studied the problem that emerged with the TFFR funding shortfall, we judged all efforts to fix this problem on four criteria: 1) we want to preserve the defined benefit for current and future teachers; 2) we want to avoid drastic benefit changes; 3) we wanted to minimize teacher contribution increases; and 4) we want to maintain the 2 percent multiplier. Bill #54 meets with all of these objectives.

The Representative Assembly of the NDEA voted in overwhelming support of the TFFR approach to fixing the funding problem at its Representative Assembly in April of this year. Members accept the contribution increase contemplated in this bill as their part of a solution to this problem. They further accepted that a decrease in the benefit, which is manifested in the raising of the unreduced retirement age, is also necessary for them to be a part of the solution to this problem. Our members support the "grandfathering" language as the only fair means of giving vested members of TFFR within ten years of the current unreduced retirement age an opportunity to prepare for a change in their retirement plans.

NDEA members could have taken the easy road and voted for no change for currently vested members, passing the solution to this problem on to future generations of teachers who would never know the benefits that current members are prepared to sacrifice to keep for them. However, they realize that in spite of significant efforts in recent years by the Legislative Assembly, the North Dakota teacher salaries are likely to remain in the bottom 10 percent of the nation for years to come. They believe that one of the ways to compensate for those low salaries is to have a viable, sustainable defined benefit retirement plan. Bill #54 helps to assure that benefit will be there for future generations of North Dakota teachers.

This defined benefit plan is good not only for teachers, but it is good economic development for North Dakotans as well. The National Institute on Retirement Security (NIRS) estimates that in 2006, for every dollar that was invested in PERS and TFFR, the state got back \$9.33 in economic activity. That's because our teachers tend to stay in this state when they retire. And when they stay here they continue to own houses, purchase automobiles, refrigerators and other consumer goods that stimulate business growth, especially in our smaller communities. NIRS also estimates that each dollar paid out in the state pension plans generated \$1.24 of economic activity in the state. A solid defined benefit retirement plan enables our retired teachers to be six times less likely than those who do not have a defined benefit retirement to require public assistance in their retirement, according to NIRS.

The members of the NDEA voted overwhelmingly to support the solution to the TFFR funding problem as found in Bill #54. Their willingness to accept a contribution increase, which results in a reduction in take-home pay, as well as a willingness to accept a benefit reduction in the form of increasing the age for an unreduced retirement is indicative of their desire to preserve the current TFFR defined benefit retirement program. We urge the Employee Benefits Programs Committee to support Bill #54.