

# NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

### EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Tuesday, September 25, 2012  
Harvest Room, State Capitol  
Bismarck, North Dakota

Senator Dick Dever, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Senators Dick Dever, Ralph L. Kilzer, Carolyn C. Nelson, Ronald Sorvaag; Representatives Randy Boehning, Roger Brabandt, Bette Grande, Ron Guggisberg, Scott Louser, Ralph Metcalf, John D. Wall

**Members absent:** Senators Ray Holmberg, Karen K. Krebsbach

**Others present:** See [Appendix A](#) for additional persons present.

**It was moved by Representative Boehning, seconded by Senator Nelson, and carried on a voice vote that the minutes of the June 7, 2012, meeting be approved as distributed.**

At the request of Chairman Dever, Committee Counsel distributed a copy of the July 2012 *Report Card* newsletter and a copy of the July 2012 *Retirement Today* newsletter published by the Teachers' Fund for Retirement (TFFR) (on file in the Legislative Council office).

#### STATE INVESTMENT BOARD

Chairman Dever recognized Mr. Darren Schulz, Interim Chief Investment Officer, Retirement and Investment Office, who reviewed investment returns of the TFFR and North Dakota Public Employees Retirement System (PERS) retirement funds and the current investment climate ([Appendix B](#)). Mr. Schulz reviewed the highlights of the current fiscal year, the current recovery versus past cycles, historical market returns by asset class, total fund investment performance for the fiscal year ended June 30, 2012, allocation of the pension trust assets, and current fiscal year State Investment Board activity. For the period ending June 30, 2012, he said, the return for the TFFR fund, net of fees, was negative .96 percent and the return for the PERS fund, net of fees, was .06 percent.

In response to a question from Representative Grande, Ms. Fay Kopp, Interim Executive Director, Retirement and Investment Office, said the unfunded actuarial accrued liability of \$927 million will grow as the 2012 actuarial valuation is completed. Ms. Kopp noted that increased employer and employee contributions did not go into effect until July 1, 2012, and thus will not be included in the 2012 valuation.

#### TEACHERS' FUND FOR RETIREMENT Employee Benefits Programs Committee Bill No. 99

Chairman Dever recognized Ms. Kopp. Ms. Kopp reviewed Employee Benefits Programs Committee Bill No. 99 [[13.0099.02000](#)] and the technical comments ([Appendix C](#)) prepared by the Segal Company for the bill draft. She said the bill draft makes a number of technical and administrative changes to the TFFR program. She said the TFFR Board of Trustees is also proposing an amendment ([Appendix D](#)) to the bill draft.

#### Employee Benefits Programs Committee Bill No. 43

Chairman Dever recognized Ms. Kopp. Ms. Kopp reviewed Employee Benefits Programs Committee Bill No. 43 [[13.0043.02000](#)] and the technical comments ([Appendix E](#)) prepared by the Segal Company. She said the bill draft modifies the expiration of the increase in required contributions for both employers and members of the TFFR from reverting to 7.75 percent on the July 1 following the first valuation showing the funded ratio, as measured by the ratio of the actuarial value of assets to the actuarial accrued liability, equals or exceeds 90 percent to July 1 following the first valuation showing the funded ratio, as measure by ratio of the actuarial value of assets to the actuarial accrued liability, equals or exceeds 100 percent. She said the bill draft would not have an actuarial impact on the funds' liability immediately, but would increase the funded status of the plan starting in 2033 by deferring the contribution reversion to 7.75 percent from 2032 until 2038.

#### NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM Employee Benefits Programs Committee Bill No. 100

Chairman Dever recognized Mr. Brad Ramirez, FSA, MAAA, FCA, EA, Consulting Actuary, the Segal Company, Greenwood Village, Colorado, who reviewed the technical comments ([Appendix F](#)) for Employee Benefits Programs Committee Bill No. 100 [[13.0100.01000](#)]. Mr. Ramirez said the bill draft makes a number of administrative changes to the PERS hybrid plan, defined contribution plan, and Highway Patrolman's retirement system. He said the

bill draft would not have a significant actuarial cost impact on these plans.

In response to a question from Representative Grande, Mr. Sparb Collins, Executive Director, Public Employees Retirement System, said the system will prepare a spreadsheet comparing the defined benefit and defined contribution plans for the committee.

### **Employee Benefits Programs Committee Bill No. 103**

Mr. Ramirez reviewed the technical comments ([Appendix G](#)) for Employee Benefits Programs Committee Bill No. 103 [[13.0103.01000](#)]. He said the bill draft increases both the employer contribution rates and member contribution rates that are mandated by statute in the Highway Patrolmen's retirement system, the hybrid plan, and defined contribution plan by 1 percent of the member's monthly salary beginning January 2014, plus an additional increase in both employer and member contribution rates of 1 percent of the member's monthly salary beginning January 2015. He said the bill draft also increases member contribution rates for the peace officers and correctional officers in the hybrid plan employed by political subdivisions, peace officers in the hybrid plan employed by the State Bureau of Criminal Investigation, and temporary employees in the hybrid plan and defined contribution plan. He said the bill draft would not have an actuarial impact on the liabilities of either the hybrid plan or the Highway Patrolmen's retirement plan but would positively affect the current funding levels of both systems.

Chairman Dever recognized Mr. Collins. Mr. Collins said PERS is proposing an amendment ([Appendix H](#)) to the bill draft. He said the amendment would amend North Dakota Century Code Section 54-52-06.2 to provide that National Guard security officer's or firefighter's contributions increase annually by one-half of 1 percent of the member's monthly salary beginning with the monthly reporting period of January 2014 and January 2015.

Mr. Collins also distributed a schedule ([Appendix I](#)) showing employee and employer costs of the bill draft for the 2013-15 and 2015-17 bienniums.

### **Employee Benefits Programs Committee Bill No. 101**

Chairman Dever recognized Mr. Pat Pechack, Deloitte Consulting, Minneapolis, Minnesota, who reviewed the technical comments ([Appendix J](#)) to Employee Benefits Programs Committee Bill No. 101 [[13.0101.01000](#)]. Mr. Pechack said the bill draft modifies the uniform group insurance program's eligibility rule for temporary employees first employed after December 31, 2013, and limits the amount a temporary employee can be required to contribute towards the cost of coverage. The purpose of the proposed changes, he said, is to prevent the state from being subjected to employer shared

responsibility penalties with respect to its temporary employees.

Chairman Dever recognized Mr. Collins. Mr. Collins said the retirement board is proposing an amendment ([Appendix K](#)) to the bill draft recommended by Deloitte Consulting LLP.

### **Employee Benefits Programs Committee Bill No. 102**

Chairman Dever recognized Mr. Ramirez who reviewed the technical comments ([Appendix L](#)) prepared by the Segal Company for Employee Benefits Programs Committee Bill No. 102 [[13.0102.01000](#)]. Mr. Ramirez said the proposed legislation would eliminate coverage under the uniform group insurance program for employees who first retire after January 1, 2014, and are not eligible for Medicare upon retirement; expand the permissible types of benefit payments from retiree health insurance credits to include contributions towards hospital and medical benefits and prescription drug coverage under any health insurance program; and expand permissible types of benefit payments from retiree health insurance credits to include contributions towards dental, vision, and long-term care benefits coverage under the uniform group insurance program.

Mr. Collins said because the bill draft also affects the uniform group insurance program, he requested Deloitte Consulting LLP also review the bill draft.

Chairman Dever recognized Mr. Pechack. Mr. Pechack presented Deloitte Consulting's comments ([Appendix M](#)) concerning the bill draft.

Chairman Dever recognized Mr. Collins. Mr. Collins said the retirement board is proposing an amendment ([Appendix N](#)) to the bill draft. The amendment, he said, would change the effective date of the bill draft from January 1, 2014, to July 1, 2015.

## **RECRUITMENT AND RETENTION BONUS REPORT**

Chairman Dever recognized Ms. Leanne Schmidt, Human Resources Officer, Human Resource Management Services, Office of Management and Budget. Ms. Schmidt reviewed a report ([Appendix O](#)) and provided comments ([Appendix P](#)) on the implementation, progress, and bonuses provided by state agency programs to provide bonuses to recruit or retain employees in hard-to-fill positions.

Chairman Dever recognized Mr. Ken Purdy, Manager, Human Resource Management Services, Office of Management and Budget, who reviewed ([Appendix Q](#)) the status of the compensation system (Hay Group) implementation. Mr. Purdy said Human Resource Management Services and budget staff are working on options and plans for distributions of salary appropriations in the 2013-15 executive budget. Strategic priorities being analyzed, he said, include maintaining salary ranges in a competitive position with market, identifying the most significant situations

of compression, and developing distribution plans and models based on Hay Group "market policy/performance pay matrix" from the study recommendations.

No further business appearing, Chairman Dever adjourned the meeting at 12:10 p.m.

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Jeffrey N. Nelson  
Committee Counsel

ATTACH:16