

House Bill 1539
North Dakota Retirement and Investment Office (RIO) on behalf of the
Teachers' Fund for Retirement Board of Trustees
Opposition Testimony related to HB 1539 before the House Industry, Business
& Labor Committee
Representative Scott Louser, Chair
Representative Mitch Ostlie, Vice Chair

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I. Introduction

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

TFFR is a qualified defined benefit public pension plan. The program is managed by a seven-member board of trustees which consists of the State Treasurer, State Superintendent, two active teachers, two retired teachers and one school administrator all appointed by the Governor.

The plan covers North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions (43%) and investment earnings (57%). During the past decade, active membership has increased 16.4% from 10,138 to over 11,800 participants, while retirees and beneficiaries have increased 26.0% from 7,489 to over 9,400.

Our 2022 actuarial valuation projects the TFFR plan to reach 100% fully funded status by 2044. The successful funding path is largely attributable to the statutory changes to the plan, including the creation of a tiered benefit structure and increase in contributions passed by the Legislature in 2011.¹

II. Opposition Testimony relating to HB 1539

Opposition to HB 1539 should, in no way be misconstrued as a lack of support or a failure to acknowledge, the autonomy of the legislature in determining how best to carry out its important work on behalf of the people of North Dakota. The TFFR Board respects and appreciates the fact that the legislature has created the Employee Benefits Programs Committee (EBPC) as a mechanism of self-governance to ensure that legislation having significant impact to employee benefit programs receive appropriate advance consideration, including the receipt and presentation of actuarial impact statements, prior to such legislation being acted upon. The opposition to HB

¹ H.B. 1134, 62nd N.D. Legislative Assembly (2011-2013).

1539 relates only to the concern that eliminating the EBPC also eliminates this mechanism for advance review and analysis of such legislation.

We note that while most of the language proposed in HB 1539 merely replaces references to the EBPC with “legislative management”; significantly the bill also repeals in its entirety section 54-35-02.4 of the North Dakota Century Code which states in part:

“The employee benefits programs committee shall consider and report on those legislative measures and proposals over which it takes jurisdiction and which affect, actuarially or otherwise, the retirement programs of state employees or employees of any political subdivision, and health and retiree health plans of state employees or employees of any political subdivision. The committee shall make a thorough review of any measure or proposal which it takes under its jurisdiction, including an actuarial review. The committee shall take jurisdiction over any measure or proposal that authorizes an automatic increase or other change in benefits beyond the ensuing biennium which would not require legislative approval. The committee must include in the report of the committee a statement that the proposal would allow future changes without legislative involvement. The committee shall report its findings and recommendations, along with any necessary legislation, to the legislative management and to the legislative assembly.”

(Emphasis added.)

The requirement for conducting a thorough review, including an actuarial review of any measures impacting employee benefits has not been specifically added for legislative management. Reinstating this advance review requirement by the legislature would address this concern.

III. Summary

Opposition to HB 1539 should, in no way be misconstrued as a lack of support or a failure to acknowledge, the autonomy of the legislature in determining how best to carry out its important work on behalf of the people of North Dakota. The opposition to HB 1539 relates only to the concern that eliminating the EBPC also eliminates a valuable mechanism for advance review and analysis of legislation impacting employee benefits. The requirement for conducting a thorough review, including an actuarial review of any measures impacting employee benefits has not been specifically added for legislative management. Reinstating this advance review requirement by the legislature would address this concern. For these reasons the TFFR Board of Trustee’s opposes H.B. 1539.