

2025 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1285

2025 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1285
1/30/2025

A BILL for an Act to provide for state employee compensation adjustments and to provide for an appropriation and transfer to the teachers' fund for retirement for cost-of-living adjustments.

8:33 a.m. Chairman Schauer opened the hearing.

Members present: Chairman Schauer, Vice Chairman Satrom, Representatives Bahl, Brown, Grindberg, Karls, McLeod, Schneider, Steiner, VanWinkle, Vetter, Wolff
Members absent: Representatives Christy, Rohr

Discussion Topics:

- Teacher's retirement

8:33 a.m. Representative Schatz introduced the bill.

8:41 a.m. Patrick Pins, Retired School Teacher, testified in favor.

8:46 a.m. Chad Roberts, Deputy Executive Director of the North Dakota Retirement and Investment Office, testified neutrally and submitted testimony, #32556, #32557.

Additional written testimony:

Timothy Thueson, Private Citizen, submitted testimony in favor, #32711.

8:54 a.m. Chairman Schauer closed the hearing.

Jackson Toman, Committee Clerk

**House Bill 1285
North Dakota Retirement and Investment Office (RIO)
Testimony before House Government and Veterans Affairs
Representative Austen Schauer, Chair**

**Jodi Smith – Interim Executive Director
Chad Roberts, MAc – Deputy Executive Director/Chief Retirement Officer**

I. RIO Statutory Authority and Responsibilities

The 1989 Legislative Assembly created the Retirement and Investment Office (hereinafter “RIO”) 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).

II. North Dakota Teachers’ Fund for Retirement

The Teachers' Fund for Retirement (TFFR) is a defined benefit pension plan that provides lifetime retirement, disability, and survivor benefits to North Dakota's public school educators. TFFR is governed by a seven-member Board of Trustees, which includes active and retired teachers, a school administrator, and other representatives. As of June 30, 2024, TFFR serves over 11,945 active members and 8,603 retirees/beneficiaries, managing assets exceeding \$3.4 billion.

According to the 2024 Actuarial Valuation Report, TFFR's funded ratio on an actuarial value of assets basis has increased to 71.63%, while its fair value funded ratio stands at 70.42%. The plan is projected to reach full funding by 2043 under the current contribution structure, which includes member and employer rates of 11.75% and 12.75%, respectively.

Additionally, the average annual benefit currently received by TFFR retirees is approximately \$27,500, with many retirees depending on their pension as a primary source of income.

III. Neutral Testimony relating to H.B. 1285

The Retirement and Investment Office and the TFFR Board of Trustees strongly support efforts to provide supplemental payments to retirees in recognition of the rising cost of living. Many TFFR retirees have dedicated their careers to serving North Dakota's students, and providing financial relief in the form of a supplemental payment is a necessary and commendable step to support their financial well-being.

However, we provide neutral testimony on HB 1285 as currently drafted due to concerns about the lack of clarity on key implementation details. Specifically:

Authority to Distribute Funds: The bill does not specify which entity has the authority to administer and distribute the supplemental payment to eligible retirees. While the Office of Management and Budget (OMB) is directed to transfer funds to TFFR, it is unclear whether RIO and the TFFR Board of Trustees have discretion over the disbursement or if additional legislative or administrative oversight is required.

Allocation Methodology: There is no defined methodology for allocating the \$49.2 million among TFFR retirees. Past legislative actions included a specific allocation formula, such as the 2009 legislation (SB 2277) that authorized a supplemental payment to TFFR retirees. That legislation provided payments based on years of service and years since retirement, ensuring equitable distribution. A similarly structured methodology in HB 1285 would help prevent ambiguity and ensure fair disbursement.

Timeline for Distribution: The bill does not establish a clear timeframe for when supplemental payments should be processed and distributed to eligible retirees. In contrast, SB 2277 (2009) explicitly stated that the payment would be made in December of that year, providing certainty for retirees and allowing for effective administrative planning. Including a definitive distribution timeline in HB 1285 would enhance clarity and efficiency.

For reference, SB 2277 (2009) provided:

- A supplemental payment formula based on years of service and years since retirement.
- A cap on payments to ensure budgetary control.
- A clear deadline for payment distribution (December 2009).

Including similar clarifications in HB 1285 would enhance the bill's effectiveness and prevent potential administrative challenges. The TFFR Board remains fully committed to advocating for policies that benefit our retirees and urges the Legislature to refine the language in HB 1285 to ensure timely and equitable implementation of the supplemental payment.

An actuarial impact analysis of the bill was performed by the actuaries contracted by TFFR to monitor the fund and legislation impacting the fund. The proposed transfer of funds and payment of a one-time supplement to TFFR pensioners will not impact the TFFR Fund actuarially. Because the funds are a transfer in and an equal total payment out it does not change the value of the fund.

We respectfully recommend that the Legislature consider adding specific language to clarify these issues to ensure that the intended benefits reach retirees efficiently and transparently. We appreciate the intent of this bill and look forward to working collaboratively to refine the details for effective implementation.

Thank you for your time and consideration. We are happy to answer any questions the committee may have.



January 27, 2025

Ms. Jodi Smith
Interim Executive Director – North Dakota Teachers' Fund for Retirement
ND Retirement & Investment Office
3442 E. Century Avenue
Bismarck, ND 58507-7100

**Re: Actuarial Impact to the North Dakota Teachers' Fund for Retirement from House Bill 1285
Supplemental Payment**

Dear Jodi:

As requested, we have prepared an actuarial impact analysis for the North Dakota Teachers' Fund for Retirement (TFFR or Fund) of House Bill 1285. The proposed Bill would make a transfer of \$49.2 million into the Fund to be used for a one-time supplemental payment to eligible retirees .

Because it is anticipated that the money transferred in and paid out would be equivalent, it is not anticipated that the Bill will have any actuarial impact to the TFFR.

Dana Woolfrey and Paul Wood are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The undersigned actuaries are independent of the plan sponsor.

Sincerely,
Gabriel, Roeder, Smith & Company

A handwritten signature in black ink, appearing to read "Dana Woolfrey".

Dana Woolfrey, FSA, EA, FCA, MAAA
Senior Consultant

A handwritten signature in black ink, appearing to read "Paul Wood".

Paul Wood, ASA, FCA, MAAA
Senior Consultant and Team Leader

cc: Chad Roberts, Deputy Executive Director/Chief Retirement Officer, TFFR

January 29, 2025

Dear Committee Members:

I am writing a letter to you in support of HB 1285.

If I am reading and interpreting this HB 1285 bill correctly, it would provide for cost-of- living adjustment for individuals receiving either PERs or TFFR pensions. Retired individuals, such as myself with the TFFR pension, and my spouse with PERs pension plan never get a cost-of-living adjustment to keep up with rising demands of inflation.

Social security provides a cost-of-living adjustment to recipients, allowing them to keep up with the rising costs of inflation. I feel that the retired recipients of TFFR as well as PERs should also be given some kind of cost-of-living adjustment to keep up the rising inflation demands.

Thank you for your consideration.

Timothy Thueson

TFFR recipient

Bismarck, ND 58503

2025 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1285
2/6/2025

A BILL for an Act to provide for state employee compensation adjustments and to provide for an appropriation and transfer to the teachers' fund for retirement for cost-of-living adjustments.

11:58 a.m. Chairman Schauer opened the meeting.

Members present: Chairman Schauer, Vice Chairman Satrom, Representatives Brown, Grindberg, Karls, McLeod, Rohr, Schneider, Steiner, VanWinkle, Vetter, Wolff

Members absent: Representatives Bahl and Christy

Discussion Topics:

- Committee work

11:59 a.m. Vice-Chairman Satrom moved a Do Not Pass.

11:59 a.m. Representative Wolff seconded the motion.

Representatives	Vote
Representative Austen Schauer	Y
Representative Bernie Satrom	Y
Representative Landon Bahl	AB
Representative Collette Brown	Y
Representative Josh Christy	AB
Representative Karen Grindberg	Y
Representative Karen Karls	Y
Representative Carrie McLeod	N
Representative Karen Rohr	Y
Representative Mary Schneider	Y
Representative Vicky Steiner	Y
Representative Lori VanWinkle	N
Representative Steve Vetter	Y
Representative Christina Wolff	Y

12:01 p.m. Motion passed 10-2-2.

Representative Karls will carry the bill.

12:01 p.m. Chairman Schauer closed the meeting.

Jackson Toman, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1285 ([25.0143.01000](#))

Government and Veterans Affairs Committee (Rep. Schauer, Chairman) recommends **DO NOT PASS** (10 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). HB 1285 was placed on the Eleventh order on the calendar.