

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Wednesday, January 30, 2013
Missouri River Room, State Capitol
Bismarck, North Dakota

Senator Dick Dever, Chairman, called the meeting to order at 4:00 p.m.

Members present: Senators Dick Dever, Ray Holmberg, Ralph Kilzer, Karen K. Krebsbach, Carolyn C. Nelson, Ronald Sorvaag; Representatives Tracy Boe, Randy Boehning, Roger Brabandt, Bette Grande, Ron Guggisberg, Scott Louser

Member absent: Representative John Wall

Others present: Josh Askvig, AARP, Bismarck Sparb Collins, Public Employees Retirement System, Bismarck

Bill Kalanek, APT, Inc., Bismarck

Fay Kopp, Teachers' Fund for Retirement, Bismarck

Kayla Pulvermacher, North Dakota Education Association, Jamestown

Brad Ramirez, Consulting Actuary, The Segal Company, Denver, Colorado

Stuart Savelkoul, Executive Director, North Dakota Public Employees Association

Jim Kasper, State Representative, Fargo

Representative David Drovdal and Senator Joan Heckaman, members of the Legislative Management, were also in attendance.

Senator Dever announced that three bills concerning state retirement programs that had not earlier been reviewed by the committee had been introduced in the 63rd Legislative Assembly. He said these were House Bill Nos. 1203 and 1452 and Senate Bill No. 2331.

It was moved by Senator Nelson, seconded by Representative Grande, and carried on a voice vote that the committee accept jurisdiction over the three bills.

HOUSE BILL NO. 1203

Chairman Dever recognized Representative Drovdal. Representative Drovdal said House Bill No. 1203 relates to discontinuance of member contributions for retired teachers returning to active service under the Teachers' Fund for Retirement (TFFR). Prior to July 1, 2012, he said, reemployed retirees under TFFR were not required to pay TFFR member contributions or have member contributions paid on their behalf as a condition of their reemployment. However, he said, with the enactment of House Bill No. 1134 in 2011, effective July 1, 2012, member contributions are required on salary earned by reemployed retirees and reemployed

retirees continue to receive their retirement benefits while employed. He said his proposal would reverse this requirement to as it existed under prior law and eliminate the requirement that TFFR member contributions be paid on behalf of reemployed retirees who stay under the general rule annual hour limit or return to full-time teaching in critical shortage areas. He said participating employers would still be required to pay employer contributions for these reemployed retirees.

Chairman Dever recognized Ms. Fay Kopp, Interim Executive Director, Retirement and Investment Office. Ms. Kopp reviewed the actuarial analysis and technical comments ([Appendix A](#)) for House Bill No. 1203. She said the Teachers' Fund for Retirement Board is opposed to the measure. Using an estimated salary of \$8 million for the 2012-13 fiscal year for approximately 310 reemployed retirees that fall under the general rule and critical shortage area rule, she said, the impact of eliminating member contributions would be a reduction of approximately \$780,000 in contributions to the system based on the current 9.75 percent contribution rate for members, or .15 percent of total estimated fiscal 2013 payroll of \$535,900,000. Beginning in fiscal year 2015 and each year thereafter, she said, the impact would be a reduction of approximately .18 percent of total pay and contributions to the system, based on the 11.75 percent member rate that will be effective July 1, 2014. For fiscal year 2015, she said, this equates to \$1,002,000 based on estimated reemployed retiree salary of \$8,528,800. She said the impact for each year will depend on the number of reemployed retirees that fall under the general rule and critical shortage area rule and their payroll. In addition, she said, the impact on TFFR's unfunded liability would be the amount of contributions that would no longer be collected and there would be a small negative impact on the funding ratio of the plan going forward. A copy of her written comments is attached as [Appendix B](#).

Chairman Dever recognized Ms. Kayla Pulvermacher, North Dakota Education Association, Jamestown. Ms. Pulvermacher said the North Dakota Education Association is opposed to House Bill No. 1203. She said the bill would have a negative actuarial impact on the fund and would result in more time needed for the fund to reach full actuarial funding.

SENATE BILL NO. 2331

Chairman Dever recognized Senator Heckaman, who reviewed Senate Bill No. 2331. Senator Heckaman said the bill concerns an adjustment of the service benefit upon subsequent retirement of retired teachers who return to active duty. Prior to July 1, 2012, she said, reemployed retirees were not required to pay TFFR member contributions or have member contributions paid on their behalf as a condition of their reemployment. However, she said, with the enactment of 2011 House Bill No. 1134, effective July 1, 2012, member contributions are required on salary earned by reemployed retirees and reemployed retirees continue to receive their retirement benefits while employed. She said the proposed legislation would provide for an actuarial increase in benefit upon a reemployed retiree's subsequent retirement based upon the member contributions received during a reemployed retiree's period of reemployment. Under current law, she said, TFFR member contributions are paid on behalf of reemployed retirees who stay under the general rule annual hour limit or return full time in critical shortage areas and are used to improve the funded status of TFFR. She said participating employers would continue to be required to pay employer contributions for these reemployed retirees.

Chairman Dever recognized Ms. Kopp. Ms. Kopp reviewed the actuarial analysis and technical comments ([Appendix C](#)) for Senate Bill No. 2331. A copy of her written comments is attached as [Appendix D](#). Using an estimated salary of \$8 million for the 2012-13 fiscal year for approximately 310 reemployed retirees that fall under the general rule and critical shortage area rule, she said, the impact of actuarially adjusting the service benefits for reemployed retirees would result in an increase in actuarial accrued liability of approximately \$780,000 based on the current 9.75 percent member contribution rate. In fiscal year 2015, she said, the impact would be an increase in actuarial accrued liability of approximately \$1,002,000 based on the 11.75 percent member contribution rate that will be effective July 1, 2014, based on an estimated reemployed retiree salary of \$8,528,000. She said the impact for each year will depend on the number of reemployed retirees that fall under the general rule and the critical shortage area rule and their payroll. To the extent that reemployed retirees live longer or shorter than expected, she said, the actual impact to the fund will be more or less than the additional actuarial liability and will be recognized as a gain or loss. If Senate Bill No. 2331 is enacted, she said, there would be a small negative impact on the funding ratio of the plan going forward. In summary, she said, the TFFR Board opposes the proposal.

In response to a question from Representative Boe, Ms. Kopp said approximately 50 percent of school districts pay both the employer and employee contributions. She said this is subject to negotiation and could change. For example, she said, when the new contribution increases went into effect,

approximately 12 school districts opted not to pick up the increase in the employee contribution.

Chairman Dever recognized Ms. Pulvermacher. Ms. Pulvermacher said the North Dakota Education Association is opposed to the proposal, because the bill would have a negative impact on TFFR and result in TFFR taking longer to reach its funding goals.

HOUSE BILL NO. 1452

Chairman Dever recognized Representative Kasper, sponsor of House Bill No. 1452. Representative Kasper said the proposed legislation would provide state employees, including judges, Bureau of Criminal Investigation law enforcement officers, and National Guard employees, the opportunity to irrevocably elect to participate in the defined contribution plan pursuant to rules adopted by the Public Employees Retirement System (PERS) Board.

Chairman Dever recognized Mr. Brad Ramirez, Consulting Actuary, The Segal Company, Denver, Colorado. Mr Ramirez reviewed the technical comments ([Appendix E](#)) for the bill. He said the bill would have a material actuarial impact on the assets and liabilities of PERS. He said the actual impact would vary depending upon the number of employees who transfer from the PERS defined benefit plan to the defined contribution plan. He said if 15 percent of current employees and 10 percent of new employees elect the defined contribution plan, the employer cost rate would increase from the 12.24 percent rate calculated under the 2012 actuarial valuation to 13.90 percent. He said the statutory employer cost rate for 2013 is 6.12 percent.

Chairman Dever recognized Mr. Stuart Savelkoul, Executive Director, North Dakota Public Employees Association, Bismarck. A copy of Mr. Savelkoul's testimony is attached as [Appendix F](#). He said the association opposes the proposal.

Chairman Dever recognized Mr. Josh Askvig, AARP, Bismarck. Mr. Askvig said the association is also opposed to the measure.

Chairman Dever recognized Ms. Pulvermacher. Ms. Pulvermacher said the North Dakota Education Association is also opposed to the proposal.

Chairman Dever recognized Mr. Bill Kalanek, APT, Inc., Bismarck. Mr. Kalanek said the association is also opposed to the measure.

It was moved by Representative Grande, seconded by Senator Holmberg, and carried on a roll call vote that the committee give House Bill No. 1203 an unfavorable recommendation. Senators Dever, Holmberg, Kilzer, Krebsbach, Nelson, and Sorvaag and Representatives Boe, Boehning, Brabandt, Grande, Guggisberg, and Louser voted "aye." No negative votes were cast.

It was moved by Representative Grande, seconded by Senator Holmberg, and carried on a roll call vote that the committee give Senate Bill No. 2331 an unfavorable recommendation. Senators Dever, Holmberg, Kilzer, Krebsbach,

Nelson, and Sorvaag and Representatives Boe, Boehning, Brabandt, Grande, Guggisberg, and Louser voted "aye." No negative votes were cast.

It was moved by Representative Boehning, seconded by Representative Grande, and defeated on a roll call vote that the committee give House Bill No. 1452 a favorable recommendation. Senator Sorvaag and Representatives Boehning, Brabandt, Grande, and Louser voted "aye." Senators Dever, Holmberg, Kilzer, Krebsbach, and Nelson and Representatives Boe and Guggisberg voted "nay."

It was moved by Senator Nelson, seconded by Representative Guggisberg, and carried on a roll call vote that the committee give House Bill No. 1452 an unfavorable recommendation. Senators Dever, Holmberg, Kilzer, Krebsbach, and Nelson and Representatives Boe, Brabandt, and Guggisberg voted "aye." Senator Sorvaag and Representatives Boehning, Grande, and Louser voted "nay."

No further business appearing, Chairman Dever adjourned the meeting at 5:22 p.m.

Jeffrey N. Nelson
Committee Counsel

ATTACH:6