

S.B. 2239
North Dakota Retirement and Investment Office (RIO) on behalf of the
Teachers' Fund for Retirement Board of Trustees
Supporting Testimony related to S.B. 2239 before the House Government and
Veterans Affairs Committee
Representative Austen Schauer, Chair
Representative Bernie Satrom, Vice Chair

Janilyn Murtha, JD, MPAP – Executive Director

I. Introduction

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).

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. Supporting Testimony relating to S.B. 2239

The TFFR Board of Trustees believes that defined benefit plans provide a valuable recruitment and retention tool for government entities when managed correctly and funded appropriately. TFFR employers are largely school districts which employ both TFFR and Public Employee Retirement System (PERS) members.

The TFFR Board notes that the PERS Main Defined Benefit Plan and the TFFR plan are currently on distinctly different funding paths. While the TFFR plan is projected to reach fully funded status

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

by 2044,² the PERS Main Defined Benefit Plan is not projected to reach 100% fully funded status.³ The TFFR Board recognizes that TFFR's funding success is largely attributable to the plan design and contribution changes adopted by the Legislature through H.B. 1134 in 2011; whereas the version of S.B. 2108, the PERS funding bill, which was ultimately approved in 2011, removed the final contribution increase needed for the PERS Main Defined Benefit plan.

The TFFR Board observes that the legislature must pursue some type of change to address the PERS Main Defined Benefit Plan funding shortfall. From a public policy perspective, the TFFR Board is concerned that closing the PERS Main Defined Benefit plan as proposed in H.B. 1040 will have a negative impact on the recruitment and retention efforts for the non-teaching employees of its school district employers. The TFFR Board supports the changes proposed in S.B. 2239 to address the funding shortfall of the PERS Main Defined Plan while continuing to provide a valuable recruitment and retention tool for government entities in North Dakota, especially for our school district employers.

III. Summary

The changes proposed by SB 2239 reflect an attempt to correct a funding shortfall for the PERS Main Defined Benefit Plan while maintaining a valuable recruitment and retention tool for North Dakota government entities. Therefore, the TFFR Board of Trustees supports SB 2239 and respectfully requests a Do Pass recommendation on this bill.

² 10-26-22 ND Legislature Employee Benefits Programs Committee meeting, Presentation by the Segal Group, Inc. regarding the July 1, 2022, actuarial valuation of TFFR, p. 28, 29.

³ 10-26-22 ND Legislature Employee Benefits Programs Committee meeting, Presentation by GRS regarding the July 1, 2022, actuarial valuation of PERS Main System, p. 33.