

Testimony in support of SB 2239
Senate State and Local Government

Presented by Pam Sharp, Coalition for Retirement Stability
January 27, 2023

Good morning Senator Roers and members of the State and Local Government Committee. My name is Pam Sharp and I represent the Coalition for Retirement Stability, which is comprised of AARP, ND United and many retired state employees.

I appear before you in support of Senate Bill 2239.

The defined benefit plan is the best recruiting and retention tool the state has. Individuals in the public sector make less money than the equivalent of their position in the private sector. Public employees know this and accept that it will always be that way, but they are willing to accept a lesser salary because they know there is a pension plan attached to that job. They knowingly accept that trade off, and many of them are willing to stay in their employment for many years because of that pension plan. This bill keeps that defined benefit plan in place, thus keeping the retention and recruiting tool in place.

The second reason I support this bill is because it is fiscally responsible.

After the 2008 financial crisis, both PERS and TFFR required a recovery plan to get back on track. The legislature completed the recovery plan for TFFR, and they are now on track, but did not complete the recovery plan for the state. Instead of the last step of the recovery plan for PERS, the multiplier was reduced from 2.0 to 1.75, among other adjustments - all to the detriment of the employee. It still wasn't enough and now we find ourselves in a crisis situation where something has to be done.

The other proposals, HB1040 and HB1486, are both fiscally irresponsible. The cost of those plans is \$5.5 billion to close the plan over 20 years. Even if we use the most generous return assumption of 6.5% for a closed plan, the cost is still \$2.8 billion. This bill costs less than that, and doesn't use any legacy fund earnings. I firmly believe that using legacy fund earnings to close the plan is also irresponsible.

If any of you on this committee would like to see the number comparisons between the two bills, I am happy to share them with you.

This bill is a good, solid plan. It also allows new employees to join the defined contribution plan, if that is their preference. Most of all, it is fiscally responsible and fully funds the plan in a reasonable time period.

I ask that you support this bill and give it a Do Pass.