

1999 SENATE APPROPRIATIONS

SB 2025

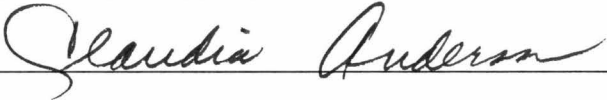
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2025

Senate Appropriations Committee

Conference Committee

Hearing Date 1/22/99

Tape Number	Side A	Side B	Meter #
1	x		1500-end
		x	0-155
2/3/99	x		--4550
Committee Clerk Signature 			

Minutes:

SENATOR NETHING: Opened the hearing on SB 2025; A BILL for an Act to provide an appropriation for defraying the expenses of various state retirement and investment agencies.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

SPARB COLLINS: ND Public Employees Retirement System (PERS), Executive Director, to testify in support of SB 2025 (testimony attached) (tape 1500-2495)

SENATOR NAADEN: Are the additions you mentioned already in the budget?

SPARB COLLINS: Yes.

SENATOR SOLBERG: Do you invest any of your funds or are they all done through the investment office?

SPARB COLLINS: The retirement funds are all invested through the State Investment Office since 1989. That way we can work together with the Teacher's Fund, hence the fund is more cost effective.

SENATOR ANDRIST: Have you ever considered offering employees who have health insurance available elsewhere cash payment in lieu of health and hospitalization insurance?

SPARB COLLINS: I don't recall that has been considered by the Legislature while I've been at PERS. One of the considerations in such a proposal is recognizing how our premium dollars are expended. Roughly 80 percent of our health insurance payments go to payments for 30 percent of our health insurance contracts; 70 percent of the health insurance contracts incur only 20 percent of the cost. One the problems associated with offering payment to those who have other alternatives is that many who could accept such an alternative might be among the 70 percent

that incur 20 percent of the cost. Then that premium income is lost and when you determine the premium based on number of employees. If you incent certain people to leave and they aren't the ones that are incurring your cost, your costs may go up. Those are some considerations, but I'm not sure it has been formally addressed in the past.

SENATOR ANDRIST: Would it require legislation to provide a cash incentive to those individuals who could offer proof they do have health insurance coverage?

SPARB COLLINS: It would require legislation.

SENATOR TOMAC: On pages 6 and 7 of your testimony regarding salary equity adjustment. Yesterday we heard from Central Personnel and they have developed a matrix for equity adjustments. I'm wondering if you are aware of and/or have considered that and how it affects the people under your supervision? And, on page 5, I see the average cost per member of all programs dropped significantly in '98. What is the reason for that drop?

SPARB COLLINS: Regarding salary equity adjustment, the Central Personnel adjustment is to try to move employees from the average in the classification to the market average. What we are suggesting is to move our employees from where they are in their classification to the average in the classification. Secondly, the average cost per individual has to do with the addition of the employee assistance program. That added \$12,000 to the calculation. (tape 3189)

RETIREMENT AND INVESTMENT OFFICE

SCOTT ENGMANN: Executive Director, North Dakota Retirement and Investment Office (testimony attached) (tape3250-3590).

SENATOR SOLBERG: It concerns your basis points - your 32 percent in your investment basis points. What does your office plan on doing in order to comply with the Billy vs. North Dakota Stockmen's Associations decision of the Supreme Court.

SCOTT ENGMANN: We are currently working with our attorney and the attorney general's office to resolve that. We are very aware of it and in the teacher's statute there is language that conforms to the constitution. Our practices are being reviewed right now by our attorney and we will comply with that.

SENATOR SOLBERG: We are trying to bring one measure together that will encompass all of these and encourage you stay in contact with the AG's office.

SCOTT ENGMANN: We directly deposit all our contributions to the teacher's retirement fund to the Bank of North Dakota. We were giving a journal voucher to the treasurer so there was an accounting trail. Under advice of OMB we stopped that because investments are not entered on status. We are reinstating the journal voucher based on Billy.

SENATOR SOLBERG: Do you feel this will suffice because this will take another 3 - 4 years before this is resolved. Do you feel you will be able to get by on this type of situation?

SCOTT ENGMANN: I personally feel this does satisfy to go through the treasurer's office with a voucher.

SENATOR ST. AUBYN: Are you saying that \$60,000 of the current budget will not be expended?

SCOTT ENGMANN: By our estimates, yes.

SENATOR ST. AUBYN: Have you checked into using micro fiche or is it rolls? Have you ever checked the possibility of having a company convert that to your images?

SCOTT ENGMANN: When we started with the image processing, we were the pilot agency for ISD. We felt the costs were prohibitive to convert.

SENATOR ST. AUBYN: Do you know how my images you have on micro fiche? It seems like to buy a new machine that may not be accessed that much whereas you can convert records and still have it and not maintain the cost and maintenance.

SCOTT ENGMANN: It is used by internal and external auditors.

SENATOR BOWMAN: Are you asking us to take the \$60,000 from a budgeted item that you didn't use and roll it into the next biennium and use them towards the Y2K problem?

SCOTT ENGMANN: There is money in the budget for programming for the teacher retirement program. It is in the IT plan and was intended to be done by the end of this biennium. But ISD said because of Y2K problem and because of the shortage of programmers they will not get this work done. Sixty thousand will remain unspent. We're asking you to move money into next biennium.

SENATOR BOWMAN: Do you have the programmers currently on staff that could utilize this \$60,000 to finish the project that you couldn't get done?

SCOTT ENGMANN: The programming is done by ISD and we pay them. That is why the letter from ISD is included in the testimony.

SENATOR TALLACKSON: What has happened with long time retired teachers who were so underfunded a few years ago?

SCOTT ENGMANN: Average benefit is \$821, and SB 2069 which includes an increase for retirees. The increase is based on a formula that they would get \$2 for every year of service credit and \$1 for every year they have been retired. Average retiree has 30 years of service.

SENATOR KRAUTER: In the pension pool and insurance pool, what kind of rates or returns are we having compared to previous biennium?

SCOTT ENGMANN: Per Connie Flanagan, our pension trust is up 2.5 percent for the fiscal year and insurance trust is up similar.

SENATOR KRAUTER: Can you provide information showing us what the rate or return is?

SCOTT ENGMANN: Yes.

SENATOR NAADEN: What is the size of the fund?

SCOTT ENGMANN: Both retirement plans are over a billion dollars each.

SENATOR NAADEN: The state employees?

SCOTT ENGMANN: The state employees is a little over a billion and teachers about a billion..

SENATOR NAADEN: Closed the hearing on SB 2025.

2/3/99

tape 1, side A

SENATOR NETHING: Reopened the hearing on SB 2025 and called for the motion on the amendment to SB 2025.

SENATOR GRINDBERG : Moved do pass the amendment to SB 2025

SENATOR KRINGSTAD: Seconded the motion

ROLL CALL: 13 YEAS; 1 ABSENT & NOT VOTING

MOTION CARRIED ON THE AMENDMENT TO SB 2025

Yeas: Nething; Naaden; Solberg; Lindaas; Tallackson; Tomac; Robinson; Krauter; St. Aubyn;
Grindberg; Holmberg; Kringstad; Bowman
Absent & Not Voting: Andrist

SENATOR NETHING: Called for the motion on SB 2025 as amended

SENATOR NAADEN: Moved do pass SB 2025 as amended

SENATOR KRINGSTAD: Seconded the motion

ROLL CALL: YEAS 13; ABSENT & NOT VOTING 1

MOTION CARRIED ON SB 2025 AS AMENDED

Yeas: Nething; Naaden; Solberg; Lindaas; Tallackson; Tomac; Robinson; Krauter; St. Aubyn;
Grindberg; Holmberg; Kringstad; Bowman
Absent & Not Voting: Andrist

CARRIER: SENATOR KRINGSTAD

SENATOR NETHING: Closed the hearing on SB 2025 (2/3/99 tape 1, side A)

Date: 2/3/99
 Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2025-

Senate APPROPRIATIONS Committee

- Subcommittee on _____
 or
 Conference Committee

✓ Legislative Council Amendment Number 98047.0101

Action Taken NO PASS

Motion Made By SENATOR GRINDBERG Seconded By SENATOR KRINGSTAD

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist					

Total (Yes) 13 No 0

Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2/3/99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2025

Senate APPROPRIATIONS Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS AS AMENDED

Motion Made By SENATOR NAADEN Seconded By SENATOR KRINGSTAD

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist					

Total (Yes) 13 No 0

Absent 1

Floor Assignment SENATOR KRINGSTAD

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2025: Appropriations Committee (Sen. Nething, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2025 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "1,475,280" with "1,447,708"

Page 1, line 12, replace "883,021" with "943,021"

Page 1, line 15, replace "2,489,501" with "2,521,929"

Page 1, line 18, replace "1,823,047" with "1,811,667"

Page 1, line 22, replace "3,063,515" with "3,052,135"

Page 1, line 23, replace "5,553,016" with "5,574,064"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 190 - RETIREMENT AND INVESTMENT OFFICE

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$1,475,280	(\$27,572)	\$1,447,708
Operating expenses	883,021	60,000	943,021
Equipment	49,200		49,200
Contingency	<u>82,000</u>		<u>82,000</u>
Total all funds	\$2,489,501	\$32,428	\$2,521,929
Less special funds	<u>2,489,501</u>	<u>32,428</u>	<u>2,521,929</u>
General fund	\$0	\$0	\$0
FTE	17.00	0.00	17.00

Detail of Senate changes to the executive budget include:

	DELAY MARKET SALARY INCREASE TO JANUARY 1, 2001	REDUCE COMPENSATION PACKAGE TO 2/2	INCREASE HEALTH INSURANCE COST	INCREASE OPERATING EXPENSES	TOTAL SENATE CHANGES
Salaries and wages	(\$13,381)	(\$19,038)	\$4,847		(\$27,572)
Operating expenses				\$60,000	60,000
Equipment					
Contingency					
Total all funds	(\$13,381)	(\$19,038)	\$4,847	\$60,000	\$32,428
Less special funds	<u>(13,381)</u>	<u>(19,038)</u>	<u>4,847</u>	<u>60,000</u>	<u>32,428</u>
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

Senate changes narrative:

This amendment makes the following changes:

Delays until January 1, 2001, implementation of a market salary increase for the investment director. The salary adjustment will provide an increase of approximately \$612 per month for the last six months of the biennium.

Reduces salary increases to 2 percent in July 1999 and 2 percent in July 2000.

Increases salaries and wages for increased health insurance costs.

Increases operating expenses to reflect programming expenses budgeted for the 1997-99 biennium, but which will not be incurred until the 1999-2001 biennium.

DEPARTMENT 192 - PUBLIC EMPLOYEES RETIREMENT SYSTEM

SENATE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$1,823,047	(\$11,380)	\$1,811,667
Operating expenses	1,208,468		1,208,468
Equipment	7,000		7,000
Contingency	<u>25,000</u>		<u>25,000</u>
Total all funds	\$3,063,515	(\$11,380)	\$3,052,135
Less special funds	<u>3,063,515</u>	<u>(11,380)</u>	<u>3,052,135</u>
General fund	\$0	\$0	\$0
FTE	24.00	0.00	24.00

Detail of Senate changes to the executive budget include:

	DELAY EXECUTIVE DIRECTOR MARKET SALARY INCREASE TO JANUARY 1, 2001	REDUCE COMPENSATION PACKAGE TO 2/2	INCREASE HEALTH INSURANCE COST	TOTAL SENATE CHANGES
Salaries and wages	(\$1,201)	(\$17,021)	\$6,842	(\$11,380)
Operating expenses				
Equipment				
Contingency				
Total all funds	(\$1,201)	(\$17,021)	\$6,842	(\$11,380)
Less special funds	<u>(1,201)</u>	<u>(17,021)</u>	<u>6,842</u>	<u>(11,380)</u>
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

Senate changes narrative:

This amendment makes the following changes:

Delays until January 1, 2001, implementation of a market salary increase for the executive director. This salary adjustment will provide an increase of approximately \$55 per month for the last six months of the biennium.

Reduces salary increases to two percent in July 1999 and two percent in July 2000.

Increases salaries and wages to reflect increased health insurance costs.

1999 HOUSE APPROPRIATIONS

HB 2025

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2025

House Appropriations Committee
Education and Environment Division

Conference Committee

Hearing Date March 3, 1999

Tape Number	Side A	Side B	Meter #
1	x		21.5-52.0
Committee Clerk Signature <i>Casey Davis</i>			

Minutes:

SB 2025 - A bill for an act to provide an appropriation for defraying the expenses of various state retirement and investment agencies.

CHAIRMAN WENTZ opened the hearing on SB 2025.

1A: 21.8 SPARB COLLINS, Executive Director of ND Public Employees Retirement System (PERS), testified in support of the bill. He gave an overview of PERS and their budget request. (See testimony.)

1A: 38.8 SCOTT ENGMANN, Executive Director of ND Retirement and Investment Office, testified in support of the bill. He gave an overview of the budget. (See testimony.)

1A: 48.5 REP. CARLSON asked if the budget is funded out of retirement funds. Mr. Engmann said that it is part retirement funds and part investment funds.

CHAIRMAN WENTZ closed the hearing on SB 2025.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 19, 1999			
Tape Number	Side A	B Side	Meter #
1	x		15.0-30.0
Committee Clerk Signature <i>Casen Davis</i>			

Minutes:

SB 2025

CHAIRMAN WENTZ opened discussion on SB 2025.

1A: 15.0 REP. LLOYD presented the recommendation for the bill, along with the proposed amendments. He made a motion to accept the amendment which would remove one FTE. The motion was seconded by Rep. Carlson.

1A: 22.7 JOE MORRISSETTE, Legislative Council, asked if they wanted to remove a certain FTE, such as the one in the executive budget for \$44,000. Rep. Lloyd responded that they did not target a certain FTE in discussing the budget cut. Joe said that a certain dollar amount must be assigned to the cut. The committee briefly discussed the FTE issue, and Rep. Lloyd then stated he thought it was appropriate to remove the new FTE. Joe asked if he should be specific about what job was being eliminated or the amendment should just state a dollar amount. Rep. Carlson and Rep. Lloyd stated that it would be the new FTE position specifically.

1A: 25.5 A voice vote was taken and the motion carried.

1A: 25.8 REP. LLOYD made a motion for a Do Pass as amended. The motion was seconded by Rep. Monson.

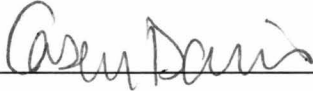
1A: 26.9 REP. NICHOLS noted that the position targeted to eliminate is one that was needed due to the work load.

1A: 29.4 REP. CARLSON noted that the budget is extremely technology oriented. The exception would be the counseling side of the retirement agency. He and Rep. Lloyd were convinced that this was money well spent due to the choices that retirees have to make and need help with.

1A: 29.4 A roll call vote was taken and the motion carried with 6 yeas, 0 nays, and 1 absent and not voting. Rep. Lloyd will carry the bill to the full committee.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 24, 1999			
Tape Number	Side A	B Side	Meter #
2	x		0-6.0
Committee Clerk Signature 			

Minutes:

SB 2025 Second reconsideration

CHAIRMAN WENTZ opened discussion on SB 2025 for additional information brought to the committee by Rep. Lloyd.

2A: 0.6 REP. LLOYD said that OMB had identified the exact cost of one Member Services FTE. The salary for the biennium is \$50,800. The operating, equipment costs, and other expenses appeared to be too much for one individual. The expenses totaled \$97,765. Rep. Lloyd requested discussion on this issue.

2A: 3.2 REP. CARLSON questioned basic phone service and long distance costs. These costs were going to increase \$7200 for one person.

2A: 3.9 REP. CARLSON asked the chair if it would be out of line to give the agency one basic number for this individual's expenses. Chairman Wentz replied that it would not be out of line.

2A: 4.2 REP. CARLSON made a motion that in addition to the salary of \$50,800, they be allowed another \$24,200 in expenses. This would bring the total to \$75,000. The motion was seconded by Rep. Boehm.

2A: 4.5 JOE MORRISSETTE, Legislative Council, said that for the amendment the \$24,200 must be broken down and designated. He said that \$2500 could be allocated for the desktop computer and the balance could go to operating.

2A: 5.6 A voice vote was taken on the amendment as was clarified by Joe. The motion carried and the amendment was adopted.

CHAIRMAN WENTZ adjourned the meeting.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 24, 1999			
Tape Number	Side A	B Side	Meter #
1	x		0-15.0
Committee Clerk Signature <i>Casey Davis</i>			

Minutes:

SB 2025 Reconsideration

CHAIRMAN WENTZ opened discussion on SB 2025 for reconsideration.

1A: 0.7 REP. BOEHM made a motion to reconsider subcommittee action on the bill. The motion was seconded by Rep. Carlson. A roll call vote was taken and the motion carried with 7 yeas and 0 nays.

1A: 4.4 REP. LLOYD recommended an amendment to add on FTE as a Member Services position.

1A: 13.0 REP. LLOYD made a motion to amend. The motion was seconded by Rep. Carlson. A voice vote was taken and carried.

1A: 14.4 REP. LLOYD made a motion for a Do Pass as amended. The motion was seconded by Rep. Carlson. A roll call vote was taken and the motion carried with 7 yeas and 0 nays. Rep. Carlson will carry the bill to full committee.

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 25, 1999			
Tape Number	Side A	B Side	Meter #
2	x		44.0-51.0
Committee Clerk Signature <i>Casey Davis</i>			

Minutes:

SB 2025

CHAIRMAN DALRYMPLE opened discussion on SB 2025.

2A: 44.0 REP. CARLSON presented the EE subcommittee's recommendation and proposed amendments 0202. He moved for the adoption of the amendments, and the motion was seconded by Rep. Wentz.

2A: 46.6 REP. AARSVOLD what the contingency line item in PERS represents. Joe Morrissette, Legislative Council, replied that it is for unanticipated expenses.

2A: 47.9 A voice vote was taken and the motion carried.

2A: 48.1 REP. CARLSON moved for a Do Pass as amended. The motion was seconded by Rep. Boehm. A roll call vote was taken and the motion carried with 19 yeas, 0 nays, and 1 absent and not voting. Rep. Carlson will carry the bill.

Waiting for amendments

Date: *3-19-99*

Roll Call Vote #: *1*

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. *2025*

House Appropriations Committee

Subcommittee on Education and Environment

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended

Motion Made By Lloyd Seconded By Monson

Representatives	Yes	No	Representatives	Yes	No
Chairperson Janet Wentz	✓				
Vice Chairman Ed Lloyd	✓				
Rep. Ole Aarsvold	✓				
Rep. James Boehm					
Rep. Al Carlson	✓				
Rep. David Monson	✓				
Rep. Ronald Nichols	✓				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Lloyd

If the vote is on an amendment, briefly indicate intent:

Date: 3-24-99

Roll Call Vote #: 1

Reconsidered

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025

House Appropriations Committee

Subcommittee on Education and Environment

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended

Motion Made By Uloyd Seconded By Carlson

Representatives	Yes	No	Representatives	Yes	No
Chairperson Janet Wentz	✓				
Vice Chairman Ed Lloyd	✓				
Rep. Ole Aarsvold	✓				
Rep. James Boehm	✓				
Rep. Al Carlson	✓				
Rep. David Monson	✓				
Rep. Ronald Nichols	✓				

Total (Yes) 7 No 0

Absent _____

Floor Assignment ~~Uloyd~~ Carlson

If the vote is on an amendment, briefly indicate intent:

Date: 3-24-96

Roll Call Vote #: /

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025

House Appropriations Committee

Subcommittee on Education and Environment

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Reconsider action

Motion Made By Boehm Seconded By Carlson

Representatives	Yes	No	Representatives	Yes	No
Chairperson Janet Wentz	✓				
Vice Chairman Ed Lloyd	✓				
Rep. Ole Aarsvold	✓				
Rep. James Boehm	✓				
Rep. Al Carlson	✓				
Rep. David Monson	✓				
Rep. Ronald Nichols	✓				

Total (Yes) 7 No 0

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3-25-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025

House Appropriations Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 6202

Action Taken Do Pass As Amended

Motion Made By Carlson Seconded By Boehm

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	X		Nichols	X	
Vice-Chairman Byerly	X		Poolman	X	
Aarsvold	X		Svedjan		
Bernstein	X		Timm	X	
Boehm	X		Tollefson	X	
Carlson	X		Wentz	X	
Carlisle	X				
Delzer	X				
Gulleson	X				
Hoffner	X				
Huether	X				
Kerzman	X				
Lloyd	X				
Monson	X				

Total (Yes) 19 No 0

Absent 1

Floor Assignment Carlson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2025, as engrossed: Appropriations Committee (Rep. Dalrymple, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2025 was placed on the Sixth order on the calendar.

Page 1, line 18, replace "1,811,667" with "1,818,176"

Page 1, line 19, replace "1,208,468" with "1,222,052"

Page 1, line 20, replace "7,000" with "7,500"

Page 1, line 22, replace "3,052,135" with "3,072,728"

Page 1, line 23, replace "5,574,064" with "5,594,657"

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 192 - PUBLIC EMPLOYEES RETIREMENT SYSTEM

HOUSE - This amendment makes the following changes:

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$1,823,047	\$1,811,667	\$6,509	\$1,818,176
Operating expenses	1,208,468	1,208,468	13,584	1,222,052
Equipment	7,000	7,000	500	7,500
Contingency	<u>25,000</u>	<u>25,000</u>		<u>25,000</u>
Total all funds	\$3,063,515	\$3,052,135	\$20,593	\$3,072,728
Less special funds	<u>3,063,515</u>	<u>3,052,135</u>	<u>20,593</u>	<u>3,072,728</u>
General fund	\$0	\$0	\$0	\$0
FTE	24.00	24.00	0.00	24.00

Detail of House changes to the Senate version:

	REMOVE NEW ADMIN. CLERK POSITION AND RELATED COSTS	ADD NEW POSITION AND RELATED COSTS FOR SB 2071	TOTAL HOUSE CHANGES
Salaries and wages	(\$44,291)	\$50,800	\$6,509
Operating expenses	(8,116)	21,700	13,584
Equipment	(2,000)	2,500	500
Contingency			
Total all funds	(\$54,407)	\$75,000	\$20,593
Less special funds	<u>(54,407)</u>	<u>75,000</u>	<u>20,593</u>
General fund	\$0	\$0	\$0
FTE	(1.00)	1.00	0.00

House changes narrative:

This amendment makes the following changes:

Removes one FTE administrative clerk position and related costs included in the executive budget.

REPORT OF STANDING COMMITTEE (410)
March 26, 1999 12:24 p.m.

Module No: HR-55-5699
Carrier: Carlson
Insert LC: 98047.0202 Title: .0300

Adds one FTE member services representative and related costs for implementing Senate Bill No. 2071.

1999 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2025

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2025

Senate Appropriations Committee

Conference Committee

Hearing Date April 5, 1999

Tape Number	Side A	Side B	Meter #
1	x		1 - 3551
4-6-99 1		x	650 - 2761
Committee Clerk Signature <i>Kathryn C. Kottenderock</i>			

Minutes:

SENATOR KRINGSTAD opened the Conference Committee hearing on SB2025.

Senator Kringstad, Senator Andrist, Senator Robinson, Representative Lloyd, Representative Carlson, and Representative Aarsvold were present.

REPRESENTATIVE LLOYD explained the House amendments. The one FTE that was removed was an administrative position that was a 54,400 that was added by the Governor's recommendation. That was a 1.0 FTE, the other .2 FTE was left in there. I guess basically when we discussed it with them, we felt that it really wasn't needed. They could do the job without that. With that in mind, we felt we could remove that.

SENATOR KRINGSTAD stated that you did add one FTE, a member service representative in related costs for implementing SB2071 at service representative at 75,000, am I correct.

REPRESENTATIVE LLOYD stated that is correct. That FTE actually from SB2071, there were 3 FTE's transferred out of SB2071 to SB2025 and we evaluated those, one is a benefit, the other is a membership and the other is the auditor. Evaluations of those particular 3 FTE's, we deemed it was necessary that they should have one per membership because that is the individual that they felt was the most important for the transition on the 457 program. At the time of discussion, the other two FTE's were deemed not to be as necessary. FTE's were deemed not to be as necessary in order to accomplish the program. So that one FTE is a membership committee specialist and that individual works out in the state mostly and is key to getting the individual's information and working with the partners in terms of helping them get connected with the members themselves. We felt that was a necessary position.

SENATOR KRINGSTAD asked on SB2071, I understand that a conference committee was supposed to put back in the accountant and the implementation money. The accountant was for 66,161 and the implementation money was 21,000 for a total of 87,181. Did that take place.

REPRESENTATIVE LLOYD stated that took place. There is confusion on our part as to number one, if the other committees are in the appropriations can they add full time equivalents and amendments and number two, just how many people have been funded now in regard to SB2071. If there is the amendment that they have that says hereby appropriated out of any money received by the public employees retirement system board not otherwise appropriated the sum of 87,181. That was the one that increased the multiplier and expanded that 457 or 487 and the board authorized one additional full time equivalent position to implement this act. Now we did add one member services rep in their appropriation bill at 2025 and I am confused whether this is the second position or if this is referring to the same position that we put in.

SENATOR KRINGSTAD asked if Sparb would speak to us. We need some clarification on this.

SPARB stated that the Executive Budget, the position that we had requested was a position for the group insurance program and that was the one that was not accepted by the House. SB2071 also was going through and that bill provides for additional portability for the defined benefit system and one of the efforts that is in there is the matching program or the incentive matching program where the employee can invest in the employer contribution and take that with them.

When that went through the Interim Committee process and had the actuarial evaluations, one of the things we had estimated was that implementation of that provision would require about 3 additional FTE's. One was a member service representative, two was an accountant, and three was a benefit specialist. When our budget went through the House, both of those provisions were looked, the House included a member service representative in the budget you see before you. Not included was the accountant or the benefit specialist. Last Friday, 2071 was discussed in conference committee and one of the things that was discussed that we had pointed out that we do feel that it is extremely important for us to have the accounting position. The accounting position is critical to us because it as part of that matching program there are two things that are going to have to be done by curves. One is an effort that we are already doing today but that effort will be significantly expanded and that is the contributions that members put into the 457 plan, we have 13 different active providers there and 250 investive products. That money we need to continue to track, we need to reconcile that on a regular basis. The other effort that is even more significant to us in the implementation of 2071 is that as you put money into the 457 plan, we will in the defined benefit plan, vest you in the employer contribution. That requires us to go into the defined benefit plan and establish individual liabilities against that employee

contribution. It is very critical that we monitor and implement that correctly. The conference committee did approve the accountant position as part of 2071. Funded at this point of the 4 positions that were between the two bills, 3 in 2071 and 1 in the Uniform Group Insurance Program. One of 2071 is funded in 2025 and one is funded in 2071. The Uniform Group Insurance position is not included in anything. The benefit specialist is not included.

SENATOR ANDRIST asked about the other conference committee, is this the conference committee on 2071. What did they put in.

SPARB stated yes. 2071 was the original bill that had that appropriation, they included the accounting position, restored that in 2071.

SENATOR ANDRIST asked that they did not restore the services rep.

SPARB stated that they didn't restore the benefit service rep. The benefit service rep has been transferred by the House into 2025.

SENATOR ROBINSON asked about the status of the 2071 conference committee.

SPARB stated that they passed the bill out of committee.

SENATOR WARDNER stated that SB2071, I was chairman of that conference committee.

SB2025 was first heard over in the Senate by the Appropriations, I believe they passed it out the way it was. When it got to the House, the House amended out the secretary position. They amended in the service representative out of 2071 and some implementation money. House bill 1257 is related to the public employees retirement system. It was not affected by these but it is still a part of the whole picture. SB2071 was heard by GVA Committee in the Senate, it was in the bill originally 250,000 for these three positions and the implementation. It was referred to the Senate Appropriations but they never took it up. It was kicked right back out and passed it

on the floor and went over to the House. The House amended all of that out. They coordinated it with 2025 and they only put one of those positions in being the service rep. Mr. Collins from the PURS system stated that they need the accountant. He came to the conference committee and explained why he needed the accountant. So we put the accountant back into 2071 with the rest of the implementation money. After the conference committee, a message was brought to me saying that this has got to be done in 2025. I am not sure if it has to be there or not. But to begin with 2071 had the appropriation in it and so we need to either coordinate. Both the House and Senate conferees voted to accept which put the accountant back in and all we did in the section on the appropriation in 2071 we took and left the 250,000 and replaced it with 87,181. If we leave it as is, you will have appropriation in 2025 for a position for PURS and you will have a position in 2071 for PURS.

SENATOR KRINGSTAD asked if there is a request to get the benefit specialist back in there.

SENATOR WARDNER stated no. The secretary position and the benefit specialist are out. The issue is if you want to put the accountant into your bill or else you know it's in 2071 and you take care of other issues.

SENATOR KRINGSTAD stated that the concern I have is that currently there is \$2040 difference between the House version and what you have.

SENATOR WARDNER stated my numbers could be off. I am sure the bill is right.

SPARB stated we can try this for two years.

REPRESENTATIVE LLOYD asked about the \$34,570 implementation money, it was requested for three positions.

SPARB stated no, the \$34,570 was requested for general implementation funds. The main things included in there are that we are going to have to modify our computer system and some general expenses.

REPRESENTATIVE LLOYD asked about the \$13,570 for the service representative appears to be a portion of the \$34,570 and I am wondering how that was arrived at.

SPARB stated that this was a portion that had asked for.

REPRESENTATIVE CARLSON stated I am not satisfied on where this is going. We looked at all the positions, we are taking the same people and offering them more options. It isn't like we are adding more people to the system, we are giving them more options. So we took the three and made it into a member services rep which is the person who handles all the questions over the phone. We already have accountants on staff. We had removed them in our appropriations bill and they put it back in. I would be willing to change the member services rep for an accountant but I don't believe they need to create another position for \$87,181. I would like us get all the people in one bill.

SENATOR ROBINSON stated that we need to keep the integrity of this whole operation.

REPRESENTATIVE CARLSON made a motion to move the FTE from 2071 to 2025 and that we replace the member services rep we added in the House with the accountant at \$66,161 and to include the implementation money of \$21,016. Representative Lloyd seconded. Discussion.

Motion failed. 3 - 3 - 0

SENATOR ANDRIST made a motion to move the accountant from 2071 to 2025 and the implementation money for a total \$87,181. Senator Robinson seconded. Discussion. Motion carried. 5 - 1 - 0

SENATOR ANDRIST stated the issue is do we need a service representative or an accountant, or both.

SENATOR KRINGSTAD stated that we have taken the accountant out of 2071 and put in 2025.

We need a motion to pass that.

REPRESENTATIVE CARLSON stated that they felt the most important was the member services rep.

REPRESENTATIVE LLOYD made a motion to delete the service representative and the implementation money from 2025. Representative Carlson seconded. Discussion. Motion failed. 4 - 2 - 0

SENATOR ROBINSON moved to recess. Representative Lloyd seconded.

APRIL 6, 1999 TAPE 1, SIDE B

SENATOR KRINGSTAD opened the Conference Committee hearing on SB2025.

All were present.

SENATOR KRINGSTAD entertained a motion to take out accountant that was put in yesterday and the implementation for a total of \$87,181 amended out of SB2025. This morning we passed SB2071 on the floor with the accountant and implementation of \$87,181 so we need to amend this out.

SENATOR ROBINSON so moved. Representative Lloyd seconded. Motion passed. 6 - 0 - 0

SENATOR KRINGSTAD passed out a summary of positions for SB2025. Attached. In 2071 there was a removal of the three positions and been asked to take and try to get those three

4-6-99

positions back in to replace the two positions, the benefit specialist and the service representative in 2025.

REPRESENTATIVE LLOYD made a motion to remove the service representative and the implementation money for that position, Representative Carlson seconded. Motion failed.

SENATOR ANDRIST asked if these employees are permanent or transitional.

SENATOR KRINGSTAD stated they are permanent employees.

REPRESENTATIVE CARLSON stated that I think this is a terrible way to do business as far as an agency of state government goes by putting employees in bills that are not run through appropriations but have an effect on the appropriation of their agency.

SENATOR KRINGSTAD stated that leadership called me in and OMB requested that these two positions be put back in.

SENATOR ANDRIST stated that I am rather excited about the prospect of getting a fine contributions plan going because everything I have read tells me this is a better, fairer, more productive type of system. It defines contributions for the older people. I can believe there is need for extra staff. Eventually we will probably need only one. I can see giving whatever they are requesting for a couple of years.

REPRESENTATIVE LLOYD stated my bigger problem is the fact that there is at least 150 to 180 providers out there and when you get that many providers there job is to work with people who want to understand programs. These are private providers. They are partners with PURS and PURS basically doesn't have to do as much as they are saying they have to because the partners provide this to them. When you get ready to sign them on, then that is when you need the individual to key in what part of the program they want. I can understand the auditor, there

4-6-99

are a lot of accounting transfers. The service representative is only going to be part time. I don't think the benefit specialist is necessary.

SENATOR ANDRIST stated the private providers have something to sell. Are these people going to give balanced advice.

JOE stated that you invest in employer contribution plan. These positions only relate to the 2071 and they are anticipating because of increase of participation they will need more help.

REPRESENTATIVE CARLSON stated I believe the information that we received was that the benefit special is already in 1257 and has been signed by the Governor. 2071 provided the accountant and the way 2025 sits today with the membership service representative. The information that I get from our leadership and from their discussion with OMB is that they are in agreement with those positions.

SENATOR KRINGSTAD stated they want two benefit specialists. The one that is currently in 1257 was passed. This is another one here. That is the one that they want extra. So out of the four positions, there were three. Benefit specialist for the defined contribution bill, they still want the defined one that is under 2071. So its actually two defined benefit specialists that they are requesting. In 2025, the secretary position was taken out. 1257 defined contribution bill had a benefit specialist in, that was passed. 2071 had the accountant, the benefit specialist and service rep for \$250,000. We have just passed this morning, 2071 with the accountant and the implementation money. What we want to do is move the benefit specialist and the service rep into 2025.

SENATOR ANDRIST asked that between the bills we have already provided one benefit specialist and one accountant.

4-6-99

SENATOR KRINGSTAD stated yes and one service representative in 2025.

SENATOR ANDRIST asked and they want yet another benefit specialist.

SENATOR KRINGSTAD stated yes. They want those replaced that were in 2071 that were taken out.

SENATOR ROBINSON moved to move the benefit specialist at \$86,079 into SB2025, Senator Andrist seconded. Motion failed.

SENATOR ANDRIST moved to recess.

APRIL 6, 1999 TAPE 1, SIDE B

SENATOR KRINGSTAD opened the hearing on SB2025. All were present.

REPRESENTATIVE CARLSON moved to have the Senate concur to the House amendments,

Representative Lloyd seconded. Motion passed. 6 - 0 - 0

REPRESENTATIVE LLOYD moved to adopt an amendment to SB2025, Representative

Carlson seconded. Motion passed. 6 - 0 - 0

SENATOR KRINGSTAD CLOSED the hearing on SB2025.

(Bill Number) SB 2025 (, as (re)engrossed):

Your Conference Committee

Attendance	SENATORS	Vote	Attendance	REPRESENTATIVES	Vote
P	Kringstad	N/Y/N	P	Lloyd	Y/Y/Y
P	Andrist	N/Y/Y	P	Carlson	Y/N/Y
P	Robinson	N/Y/N	P	Aarsvold	Y/Y/Y

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
723/724 725/726 5724/H726 5723/H723
 the (Senate/House) amendments on (SJ/HJ) page(s) 937 - 38

and place _____ on the Seventh order.
727

, adopt (further) amendments as follows, and place
 _____ on the Seventh order:

having been unable to agree, recommends that the committee be discharged
 and a new committee be appointed. 690/315

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: 4, 5, 99

CARRIER: Kringstad

LC NO. 98047 . 0202 of amendment

LC NO. 98047 . 0200 of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

(1) LC (2) LC (3) DESK (4) COMM.

(Bill Number) SB 2025 (, as (re)engrossed):

Your Conference Committee

Attendance	SENATORS	Vote	Attendance	REPRESENTATIVES	Vote
	Kringstad	Y/Y		Lloyd	Y/Y
	Andrist	Y/Y		Carlson	Y/Y
	Robinson	Y/Y		Aarsvold	Y/Y

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
(723/726) 725/726 8724/8726 8723/8723
 the (Senate/House) amendments on (SJ/HJ) page(s) _____ - _____

and place _____ on the Seventh order.
727

, adopt (further) amendments as follows, and place
 _____ on the Seventh order:

having been unable to agree, recommends that the committee be discharged
 and a new committee be appointed. 690/315

((Re)Engrossed) _____ was placed on the Seventh order of business on the
 calendar.

DATE: 4, 6, 99

CARRIER: _____

LC NO. 98047. 0203 of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

(1) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2025, as engrossed: Your conference committee (Sens. Kringstad, Andrist, Robinson and Reps. Lloyd, Carlson, Aarsvold) recommends that the **SENATE ACCEDE** to the House amendments on SJ pages 937-938, adopt further amendments as follows, and place SB 2025 on the Seventh order:

That the Senate accede to the House amendments as printed on pages 937 and 938 of the Senate Journal and pages 1030 and 1031 of the House Journal and that Engrossed Senate Bill No. 2025 be further amended as follows:

Page 1, line 2, after "agencies" insert "; and to provide for a legislative council study"

Page 1, after line 23, insert:

"SECTION 2. LEGISLATIVE COUNCIL STUDY OF DEFINED CONTRIBUTION RETIREMENT PLAN AND DEFERRED COMPENSATION PROGRAM VENDORS. The legislative council shall consider studying the number, qualifications, and selection criteria for vendors and providers selected by the public employees retirement system board for the defined contribution retirement plan established under House Bill No. 1257 and the deferred compensation program administered by the board under chapter 54-52.2. If the legislative council conducts the study, it shall report its findings and recommendations, together with any legislation required to implement its recommendations, to the fifty-seventh legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 192 - PUBLIC EMPLOYEES RETIREMENT SYSTEM

CONFERENCE COMMITTEE - This amendment provides that during the 1999-2001 biennium, the Legislative Council shall consider studying issues relating to the selection by the Public Employees Retirement System board of providers for the defined contribution retirement plan and deferred compensation program.

Engrossed SB 2025 was placed on the Seventh order of business on the calendar.

1999 TESTIMONY

SB 2025

SB 2025
1/22/99



TESTIMONY
OF
SPARB COLLINS
ON
SB 2025

Mr. Chairman, members of the Committee, good morning. My name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System, or PERS.

Before getting into our budget request, I would like to highlight for you the various programs administered by the Public Employees Retirement System. Our name is not fully reflective of our responsibilities. While PERS does administer a defined benefit retirement program (more accurately five) we also administer other programs. These include the retiree health credit program, the group health insurance plan, a group life insurance plan, the flexcomp program, a deferred compensation program, a dental plan, a long term care program and an employee assistance program. The brochure I am handing out to you provides an overview of all the programs, with the exception of the Employee Assistance Program (EAP), which is yet to be added to the brochure. Also, Attachment 1 lists the programs, including when they were assigned to PERS.

I would also like to highlight for you some of the accomplishments of the agency during the biennium:

- 1) We received, for the second time, the Public Pension Coordinating Council's *Achievement Award*, which is a prestigious national award recognizing conformance with the highest standards for retirement program administration.

- 2) We processed 375 new retirees in 1998 and 409 in 1997.
- 3) In 1997 and in 1998, we received the *Certificate of Excellence in Financial Reporting* from the Government Finance Officers Association.
- 4) We conducted approximately 18 pre-retirement seminars for employees.
- 5) We implemented an Employee Assistance Program for all state employees pursuant to the bill passed by the last Legislative Assembly.
- 6) We brought the deferred compensation plan into compliance with federal law changes by renegotiating contracts with all the deferred compensation providers.
- 7) We supplemented the range of investment options in the deferred compensation plan by adding an additional mutual fund product line, which we refer to as the PERS Companion Plan.
- 8) We produced comprehensive annual reports for the agency for both 1997 and 1998.
- 9) We developed a comprehensive product profile for the membership regarding the range of deferred compensation products that are offered. That product profile shows not only each of the investment options available, but also the annual administrative expenses and the net historical performance for the last 1, 3, 5 and 10 years.
- 10) We offered a flu shot program held at the Capitol in each of the last years.
- 11) We processed over 16,000 claims in the FlexComp program in 1998.

- 12) We sent annual statements to all PERS members and annual statements to our retirees concerning their retirement benefits.
- 13) We conducted over 380 individual retirement counseling sessions in 1997, and over 370 in 1998.
- 14) We responded to over 51,000 calls from the membership in 1997 and 45,000 in 1998.
- 15) We expanded the State's managed care program to include not only Minot, Grand Forks, Fargo, Jamestown and Williston but also added Bismarck and Dickinson. We also added a second provider in the Fargo and Jamestown areas.
- 16) We developed our *Information Technology Plan* in compliance with the direction of the last Legislature.
- 17) The agency has been working on year 2000 solutions since early 1997. To date, we estimate we have completed over 80% of our year 2000 testing.

The above highlights some of the information and activities of PERS during the last two years. While the agency has concentrated on providing the above services to the members, we are also very cognizant that the overall level of service needs to be provided in a method that is satisfactory to our membership. To this end, in a biennial survey we ask our membership to rate the level of satisfaction they have with the services provided by our agency. In our 1995 survey the level of satisfaction was 83%. In the last survey, in 1997, the level of satisfaction was 94%.

We have only been able to accomplish the above and maintain member satisfaction because of your support and help. The Board wanted me to extend to you their thanks and appreciation. With the above background, let me highlight the proposed budget before you today.

As discussed above, the scope of services within the agency has expanded during the last several years. However, not only has the scope of services expanded, but also the membership in the programs. Therefore a good measure of the overall cost of our services is to determine the average cost per member for all programs. We determine this by taking the total membership in each program, totaling it and dividing it into the administrative budget. For example, we would add the membership in the health plan, retirement plan, deferred comp plan and the other programs together. We would then take that total and divide it into our administrative budget. This gives us an indication of how our overall administrative costs have increased or decreased in relationship to the number of programs we administer and the number of individuals who are enrolled in each of those programs. The following information is our overall average cost for the last several years:

Average Costs Per Member for all programs

<u>Year Ended</u>	<u>Per Member</u>
6/30/86	\$13.39
6/30/87	\$14.93
6/30/88	\$18.12
6/30/89	\$15.94
6/30/90	\$13.45
6/30/91	\$14.27
6/30/92	\$16.37
6/30/93	\$16.86
6/30/94	\$16.36
6/30/95	\$15.88
6/30/96	\$15.54

6/30/97	\$16.28
6/30/98	\$13.99
06/1999*	\$15.40
06/2000*	\$15.75
06/2001*	\$15.49

* Estimated

Specifically, concerning the budget before you today, the Executive Recommendation shows an approximate 9.9% increase. This increase can be broken down into several components. Five percent (5%) is associated with the Governor's proposed compensation package for 1999-2001, and funding the 1998 salary package for two years. Two percent (2%) is associated with the requested increase of one FTE for the group insurance program. One percent (1%) relates to a proposal by PERS to provide salary equity adjustments for our classified employees. Twenty-five hundredths percent (.25%) is for the increase in moving the .8 FTE to 1 FTE. The remainder is inflationary adjustments in operating expenses (rent, data processing, telephone, etc.).

Another way of viewing our proposed budget is in terms of the various line items.

Salaries and Wages: 59% of total budget is for salaries. Also approximately 7.5% of the 9.9% increase in the budget is to support this line item.

Operating Expenses: Almost 40% of our budget is for operating expenses. Also, approximately 3.7% of the 9.9% increase is associated with this line item. Of the total operating expenses, almost 40% is pass through costs to support our data management and telecommunications systems for our various programs.

Approximately 30% of the operating line item is for direct member services and approximately 10% is for our office lease. These three components comprise about 80% of the operating line item.

Equipment: Approximately one quarter of one percent (.25%) of our total budget is for equipment. You will note that this is decreased from the biennium before. We are upgrading the majority of our hardware during the current biennium and do not anticipate replacing this equipment during the 1999-2001 biennium, pursuant to the agency's IT strategic plan.

Contingency: 1% of the total budget is the contingency line item. This line item is included in case unexpected expenses arise during the biennium and provides the opportunity for those to be funded without having to utilize general funds.

Another way to look at our budget is by major program area. That is:

Program Area	Budget	% of Budget	# FTE
Retirement	\$1,454,507	48	10.61
Group Insurance	1,265,154	41	10.54
Deferred Comp	222,564	7	1.85
FlexComp	121,290	4	1.0

Last, I would like to discuss three of the initiatives contained in this budget. The first is the proposed salary equity adjustment that amounts to approximately \$33,000. PERS is a small agency which means it is very difficult for us to address salary issues. We have conducted an analysis which shows that 64% of our staff are behind other state employees in their pay grades. This analysis merged the Central Personnel records with the PERS records. This allowed us to

determine the average salary for each pay grade, and the average years of service for the pay grade. Using this number we were able to determine where our employees should be in their pay range. As noted, we used not only the average salary for the pay grade, but also the average years of service. By utilizing these two variables, we were able to determine what our employees' salaries should be based upon their years of service as compared to other classified employees in that pay grade at the same level of years of service. If the employee was behind, we determined the difference and included half of the amount that would be necessary to bring them to the average in the proposed salary adjustment. PERS, as an agency, would like to move our employees to the same level as the other classified services and, therefore, we are proposing this initiative in the budget.

Second, as mentioned earlier, we are proposing an additional FTE in the group insurance division. This division is responsible for the dental, long term care, employee assistance and group insurance programs. This division has absorbed several new programs. The increase in the number of programs, and the number of participants these programs include, has resulted in increased enrollment and billing efforts in this area. The effect has been that the clerical staff person for this division has increasingly been devoted to billing and enrollment functions over the past several years. Consequently, the general support capability for this division has been declining. The addition of this FTE would help to restore that previous level of support. Also, this FTE would provide support to our deferred comp program and our flexcomp program, which have no back up at this time.

Third, we are proposing to increase one of our staff from an 80% FTE to a 100% FTE. This is our Records Center Clerk position. The Records Center Clerk is an important position for us to maintain our group insurance, retirement, deferred comp and flexcomp records. As a result of the increase in volume, this increase would help absorb that effort. We also believe this addition is cost effective for the agency since the benefits package for the position is already in place.

As indicated in the Executive Recommendation, the funding source for our proposed budget is special funds. This means the administrative costs are paid directly from the various programs the agency administers, such as the Retirement Fund, Health Fund and the FICA tax savings generated through the FlexComp program.

Mr. Chairman, members of the committee, thank you for allowing us this opportunity to present our proposed budget. This concludes my testimony.

Attachment

PERS PROGRAMS

ATTACHMENT 1

RETIREMENT

Fully Administered

Main System	
- Defined Contribution Benefit	- 1966-1977
- Defined Benefit	- 1977-Present
Judges System	- 1983
National Guard	- 1991
Highway Patrol	- 1983
Prior Service System	- 1977

Administrative Services Only

Judges 27-17	- 1988
Job Service	- 1993

PREFUNDED HEALTH

PERS	- 1989
27-17 Judges	- 1991
Job Service	- 1991

HEALTH INSURANCE - 1977

LIFE INSURANCE - 1977

FLEXCOMP PROGRAM - 1989

DEFERRED COMPENSATION - 1987

DENTAL PLAN - 1996

LONG TERM CARE PLAN - 1996

EMPLOYEE ASSISTANCE PROGRAM - 1997

DUTIES OF PROPOSED BENEFITS SPECIALIST

- Developing educational materials highlighting and explaining the new portability features.
- Coordinating and presenting educational seminars
- Explaining new portability features to new and existing members
- Related administrative tasks including but not limited to facilitating enrollments, including increases, decreases in contribution amounts, beneficiary designations, etc.
- Coordinating and processing death claims between the defined benefit plan and the deferred compensation program.
- Counseling deferred compensation participants regarding eligibility requirements, contribution limits, transfer options, eligible provider companies and their products, distribution options and any other aspect of the program the individual wishes to be counseled on.
- Counseling members of the defined benefit program about any aspects of that program and explaining the relationship between the two programs and how participation will benefit the participant.
- Assist deferred compensation participants in applying for financial hardship distributions and catch-up provisions.
- Work with the approximately 200 provider representatives of the existing 13 active provider companies.

Pursuant to recommendations from the US Department of Labor, educational seminars should include, at a minimum, the following components:

- ❖ Relationship of risk/rate of return
- ❖ Diversification
- ❖ Dollar cost averaging
- ❖ Compounded return
- ❖ Explanation of tax-deferred investments
- ❖ Historic differences in rates of return on asset categories and the effects of inflation
- ❖ Estimation of future retirement income needs
- ❖ Determination of time horizons
- ❖ Assessment of risk tolerance

DUTIES OF PROPOSED MEMBER SERVICE REPRESENTATIVE

- Respond to telephone inquiries relating to the program benefits and the portability features.
- Facilitate enrollment of existing employees into the Deferred Compensation plan.
- Assist new members with enrollment procedures.
- Assist members in making changes to their current elections.

- Respond to inquiries of how the new program may be beneficial for that member.
- Provide explanations regarding various aspects of the new program, such as contribution limits, eligibility requirements, transfer options, eligible provider companies, distribution options and any other details that would assist that member in their elections or participation.
- Assist provider representatives in the completion of enrollment forms for members participating with their company.

State Employees FlexComp Plan

11/22/99

Administered By
North Dakota Public Employees Retirement System

Eligibility: Eligible employees are those who are at least 18 years of age, work at least 17½ hours per week for at least 5 months of the year, and whose positions are regularly funded and not of limited duration (i.e., permanent).

Enrollment: You may enroll at the date of hire and your entry date will be the first of the month following the date you meet the eligibility requirements. If you do not enroll before your entry date, your election period will be extended 60 calendar days after the entry date. An election during the extended period will not be effective until the first effective date or the date of receipt of your election form by the administrator. Participation is limited to expenses incurred for the balance of the plan year. The annual enrollment period is October 1 through November 15. During the annual enrollment you may enroll in or discontinue participation in the plan.

HOW THE FLEXCOMP PLAN WORKS:

The FlexComp Plan was established and is administered in accordance with Internal Revenue Code Section 125. The plan allows you to set aside a portion of your salary, before taxes are deducted, into accounts from which you may draw tax free reimbursements to pay for eligible health care, premium, and dependent care expenses. Since the dollars you contribute to the plan are deducted before income and Social Security taxes are deducted, you will pay less taxes, which means you may have more money to spend or save.

- **Health Care Reimbursement Account:** Allows you to be reimbursed for out-of-pocket medical, prescriptions, dental and vision expenses not covered by insurance. The most you may contribute to this account in a plan year is \$6,000.
- **Premium Expense Account:** Allows you to pay for certain premiums under various insurance programs available for payroll deduction through your employer. These premium expenses include health, dental, vision or cancer insurance policies. It also includes the employee group term life insurance premiums up to \$50,000 of coverage less the basic coverage provided by your employer.
- **Dependent Care Assistance Account:** Allows you to pay for out-of-pocket dependent day-care expenses. The dependent care must be for the purpose of enabling you or you and your spouse to be employed. An eligible dependent is any member of your household for whom you claim expenses on your Federal Income Tax return and includes children under 13 years of age or dependents who are physically or mentally unable to care for themselves. You may elect up to a maximum limit of \$5,000 per year for a single parent or married couple filing a joint tax return, or \$2,500 for a married person filing separately.

WHY SHOULD YOU CONSIDER THE FLEXCOMP PLAN?

Under current tax law, you receive **NO** tax savings from itemized medical expenses equaling the first 7.5% of your adjusted gross income. The FlexComp Plan, however, provides tax savings on **ALL** eligible expenses.

IMPORTANT CONSIDERATIONS:

There are three important points which you should take into consideration when participating in the FlexComp Plan...

- You have three months after the end of the plan year on December 31, or until March 31, to be reimbursed for eligible medical or dependent care expenses incurred during the plan year. However, any balances remaining in your account after the three months will be forfeited to the employer.
- Because you reduce your FICA wage base by reducing your salary, your future Social Security benefits may be reduced.
- Eligible expenses must be incurred during the plan year for which reimbursement is being requested.

	WITHOUT FLEX	WITH FLEX
Gross Monthly Salary:	\$1,500.00	\$1,500.00
Spending Accounts:		
Medical	0.00	35.00
Dependent Care	0.00	200.00
Pre-tax Premium*	0.00	5.36
Taxable Salary:	\$1,500.00	\$1,259.64
Estimated Taxes:		
Federal**	78.00	42.00
State	10.92	5.88
FICA	114.75	96.36
Income After Taxes:	\$1,296.33	\$1,115.40
After Tax Expenses:		
Medical	35.00	0.00
Dependent Care	200.00	0.00
Life Ins. Premium	5.36	0.00
Net Disposable Income	\$1,055.97	\$1,115.40
Net Monthly Savings:		\$ 59.43
Net Annual Savings:		\$ 713.16

* \$50,000 of employee supplemental life insurance for age 35-39

** Married; claiming two exemptions, monthly payroll period

Retirement & Retiree Health Insurance Credit

Eligibility: Eligible employees are those who are at least 18 years of age, work at least 20 hours per week for 5 or more months per year, and whose positions are regularly funded and not of limited duration (i.e., permanent). Employees who do not meet these requirements may participate in the retirement plan, however, they are responsible for their total retirement contribution.

Enrollment: Eligible employees must enroll at the date of hire, retirement contributions must begin with the employee's first paycheck. Employees who do not meet the eligibility requirements can participate at their own cost, but must elect to enroll within the first six months of beginning employment or a change in status.

Public Employees Retirement Plan: Chapter 54-52, NDCC

Employer Contribution:	4.12% of covered payroll
Employee Contribution:	<u>4.00%</u> of salary
Total Retirement Contributions:	8.12%
Waiting in Disability Benefit:	180 days
Waiting in Retirement Benefit:	60 months
Retirement Formula:	Final Average Salary x 1.77% x Years of Credited Service (Final Average Salary = Average of highest 36 of last 120 months of salaries)

Retiree Health Insurance Credit: Chapter 54-52.1, NDCC

Employer Contribution:	1.00% of covered payroll
Plus Retirement Contributions:	<u>8.12%</u>
Total Contribution Required:	9.12%
Benefit Formula:	\$4.50 x Years of Credited Service

BENEFITS BEFORE RETIREMENT

Disability Benefits:

25% of the member's Final Average Salary, with minimum payment of \$100/month. Member is eligible for credit towards health insurance - see Retiree Health Insurance Credit, below.

Surviving Spouse Benefits:

If a member dies after completing 60 months of credited service, the member's spouse may elect to receive:

- (a) refund of member's account; or
- (b) 100% of member's unreduced retirement benefit for 5 years; or
- (c) 50% of member's unreduced retirement benefit for life; or
- (d) equivalent of 100% joint & survivor option if member had reached normal retirement age.

BENEFITS AT RETIREMENT

Normal Retirement Age:

65

Rule of 85:

Age + Years of Service = 85

No reduction in benefits for early retirement (no minimum age requirement) in either the retirement plan or the retiree health insurance credit program.

Retirement Options:

Single Life
Joint & Survivor 50% & 100%
Term Certain 5 & 10 Year
Level Social Security Income

Retiree Health Credit Options:

Standard Option
Joint & Survivor 50% & 100%

Retiree Health Insurance Credits:

Members receiving retirement benefits from PERS are eligible to receive a credit towards their monthly health insurance premium under the state health plan equal to \$4.50 for each of the member's years of credited service, subject to early retirement reductions. For example, a member with 20 years of service at normal retirement age would receive a monthly credit of \$90, which is a tax-free benefit. A receiving member is eligible for coverage under the state health plan even if the employer is not participating in the state health plan prior to the member's retirement if the member is enrolled during eligible "qualifying events". Retiree Health Insurance Credit is also reduced for early retirement purposes.

Group Health Insurance - "Dakota Plan"

Underwritten by Blue Cross Blue Shield of North Dakota

Eligibility: Eligible employees are those who are at least 18 years of age, work at least 17½ hours per week for 5 or more months per year, and whose positions are regularly funded and not of limited duration (i.e., permanent).

Enrollment Period: You have an initial enrollment period of 31 days from your date of employment. Applications received within the enrollment period will be accepted with no restrictions or limitations for you and any eligible dependents.

If you do not enroll during the initial 31 day eligibility period when hired or do not enroll within 31 days of a qualifying event, you may apply for coverage during the annual enrollment in May with coverage effective the following July 1, however, you may be subject to a 12 month pre-existing condition period.

Preferred Provider Organization (PPO): The Preferred Provider Organization (PPO) is a group of hospitals, clinics and physicians who have agreed to discount their services to members of NDPERS. You have "freedom of choice" in selecting which physician or medical facility to use for services. No referral is needed. If you choose a provider who participates in the PPO program, you will have lower out-of-pocket expenses. PPO benefits are only available in the State of North Dakota, unless the medical facility provides services at a satellite location in another State.

Exclusive Provider Organization (EPO): The Exclusive Provider Organization (EPO) is a managed care program and encourages the use of a Primary Care Physician. You and each of your eligible family members may use any Primary Care Physician affiliated with your designated EPO provider. You may change your Primary Care Physicians at any time. The medical practices included under primary care are: General/Family Practice, Obstetrics/Gynecology, Pediatrics and Internal Medicine. If you enroll in the EPO you will have lower out-of-pocket expenses for annual deductibles and reduced copayments for office visits and diagnostic services. Your affiliation is for one year. The plan year runs from July 1 through June 30 of the following year.

Plan Features:

	Basic	PPO	EPO***
Deductible for Non-Physician* Services			
-Per Person	\$150	\$150	\$100
-Per Family	\$450	\$450	\$300
Copayment for Physician Office Visits (no limit)	\$ 20	\$ 10	\$ 5
Copayment for Emergency Room	\$ 25	\$ 25	\$ 25
Copayment for Diagnostic X-ray/Lab (per service)	\$ 20	\$ 10	\$ 5
Annual Diagnostic Copayment Maximum			
-Individual	\$200	\$100	\$ 50
-Family	\$400	\$200	\$100
Coinsurance on all covered services EXCEPT Physician Office Visits	80/20	90/10	90/10

Annual Coinsurance Maximum			
-Individual	\$1000	\$500	\$500
-Family	\$2000	\$1000	\$1000
Prescription Formulary Generic Drug			
-Copayment	\$3	\$3	\$3
-Coinsurance	10%	10%	10%
Prescription Formulary Brand-Name Drug**			
-Copayment	\$7	\$7	\$7
-Coinsurance	20%	20%	20%
Prescription Non-Formulary Drug			
-Copayment	\$10	\$10	\$10
-Coinsurance	20%	20%	20%
* Services billed for in/out patient hospital, ambulance/emergency room, chiropractor, optometrist, psychologist, physical therapist and durable medical equipment.			
** For each 30-day supply or 100 units of an authorized maintenance drug.			
*** Out-of-network coverage is at the Basic level.			

Deductible and Coinsurance: Deductible, diagnostic x-ray/lab copayments and coinsurance maximums accrue on a "Calendar-Year" basis, January 1 - December 31.

The following services are paid at 100% of allowed charge. The deductible amount is waived.

PREVENTIVE SCREENING SERVICES

Planned Screening includes these tests:	Frequency
Blood Sugar Testing (blood test used to screen for diabetes and other conditions)	Under age 40: Once every five years.
Total Serum Cholesterol Testing (identifies risk factors for coronary artery disease)	Ages 40 - 64: Once every two years.
Fecal Occult Blood Testing (test used to screen for colon cancer)	Ages 65 and over: Once a year.
Mammography Screening (test for breast tumors)	Ages 35 - 40: One service for members between the ages of 35 - 40. Ages 40 - 50: Once every 24 months. Ages 50 and over: Once a year.
Routine Pap Smear (test for cervical cancer)	Once a year.

Deferred Compensation Supplemental Retirement Program

Eligibility: Eligible employees are those employees who are at least 18 years of age, work at least 20 hours per week for 5 or more months per year, and whose positions are regularly funded and not of limited duration (i.e., permanent).

Enrollment: Eligible employees may enroll in the plan at any time. The election to begin a deferral, or to make any changes in your deferral amount, must be made in the month prior to the month in which the salary is earned.

The Deferred Compensation Plan is a voluntary supplemental retirement savings program offered to state employees and employees of participating political subdivisions.

This program allows you to put a portion of your salary in "savings" before state and federal tax is deducted. The annual minimum deferral is \$300 (\$25 a month). The annual maximum deferral is the lesser of \$8,000 (indexed) or 25% of gross compensation in a taxable year. If an employee currently has any other pretax deductions through a Section 125 FlexComp plan, Section 403 (b) Tax Sheltered Annuity (TSA), or Section (414(h)) retirement contributions, these amounts must be subtracted from the gross salary and the 25% must be taken times the balance to determine the annual maximum deferral. The money is invested by a provider which you must select from the investment providers listed below.

Section 457 of the Internal Revenue Code requires that, in order to retain the tax deferred status of your investments in the deferred compensation program, the funds are available only when you separate from employment for any reason (i.e., retirement or leaving covered employment) or experience a severe unforeseeable financial hardship. A financial hardship is defined as an unforeseeable emergency resulting from a sudden and unexpected illness or accident occurring to you or one of your dependents, loss of your property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control. Examples of what are not considered to be unforeseeable emergencies include the need to send a child to college or the desire to purchase a home. The funds are taxed when they are received by the employee. If the employee dies before beginning distribution or receiving the total amount in the deferred compensation account, the account will be paid to the designated beneficiary.

Providers of investment services for the Deferred Compensation Plan are as follows:

Aetna Life & Casualty	Nationwide Life
Bank of North Dakota	NDPERS Companion Plan
The Equitable Companies	Safeco Life
Great West Life	Sunset Life
Hartford Life	VALIC
Jackson International	Waddell & Reed, Inc.
Kemper	

For a more complete description of the program or a listing of investment service providers, please contact NDPERS at (701) 328-3900.

Voluntary Dental Insurance

Underwritten by ReliaStar Life Insurance Company

Eligibility: Eligible employees are those employees who are at least 18 years of age, work at least 17½ hours per week for 5 or more months per year, and whose positions are regularly funded and not of limited duration (i.e., permanent).

Enrollment: You may enroll in the plan within 31 days of your original hire date, or during the annual enrollment period each year during the month of October with coverage effective the following January 1. Contact your payroll department to obtain premium information and an application form.

Covered dental services fall into four main categories as shown below:

Annual maximum per member benefit - \$1,000. All coverage is subject to reasonable and customary guidelines.

Service	Deductible*	Coinsurance	Waiting Period	Office Visit Deductible**
Preventive and diagnostic treatment (Cleaning & X-rays, every 6 months)	None	100%	None	\$10.00
Basic treatment (Fillings, oral surgery, periodontics)	\$50 per person	80%	6 months	none
Major treatment (Crowns, bridges, dentures)	\$50 per person	50%	1 year	none
Orthodontic treatment***	None	50%	2 years	none

* The deductible includes total expenditures per person for basic and major treatment combined.

** The deductible for preventive and diagnostic expenses is the amount payable by you or your insured dependent each time you visit a dentist's office.

*** Available to eligible dependent children; lifetime maximum benefit is \$1,500.

The premium is eligible for pre-tax treatment through the IRC Section 125 FlexComp program.

Voluntary Long Term Care Insurance

Underwritten by UNUM Life Insurance Company of America

Long Term Care (LTC) insurance pays benefits based on your ability to function independently as defined by six Activities of Daily Living (ADLs). The ADLs used to measure your ability to function independently are bathing, dressing, toileting, transferring, continence, and eating. If you lose the functional capacity or require standby assistance to perform any two of the six ADLs, UNUM considers you to have lost the ability. The plan also pays benefits for long term care needs that result from cognitive impairment which results from advanced age, Alzheimer's disease, or similar forms of irreversible dementia.

The plan offers additional optional features which give you the freedom to design your LTC plan. The "Paid-Up" feature provides protection should you stop paying premiums for any reason. The "Inflation Protection" feature protects your LTC benefit from the impact of inflation. Your premium amount will be based on your age at the time you apply for coverage, the level of coverage you select, and your lifetime maximum benefit amount. You and/or your spouse may enroll at any time and must be medically underwritten. Coverage is effective the first day of the month following approval by UNUM. Contact your Payroll/Human Resource Department for a Long Term Care enrollment kit.

Group Life Insurance Plan

Underwritten by ReliaStar Life Insurance Company

Eligibility: Eligible employees are those employees who are at least 18 years of age, work at least 17½ hours per week for 5 or more months per year, and whose positions are regularly funded and not of limited duration (i.e., permanent).

Enrollment: You may enroll in the plan within 31 days of your original hire date and coverage will be effective the first day of the month following date of hire.

Increase in Coverage: You may increase your supplemental, dependent or supplemental spouse life insurance coverage during the months of May and November. Evidence of Insurability must be approved by ReliaStar for coverage to be increased on either you or your dependents. Contact your payroll department to obtain the proper application forms.

Basic Life:

If your employer is participating in the NDPERS Life Insurance Program, you will receive basic life insurance coverage in the amount of \$1,300. The premium is \$0.28 a month and is paid by the employer.

Employee Supplemental Life:

You may elect to have supplemental coverage in addition to the basic life coverage of \$1,300. The first increment is \$3,700 (\$3,700 + basic of \$1,300 = \$5,000); thereafter, the supplemental increments are \$5,000 up to a maximum of \$200,000.

Dependent Life:

If you elect supplemental coverage, you are eligible to purchase dependent life insurance. This coverage is available at either a \$2,000 or \$5,000 level for your spouse and each eligible dependent. The premium is based on the employee's age and is a flat rate regardless of the number of dependents covered.

Spouse Supplemental Life:

If you elect dependent life insurance coverage, you are eligible to purchase supplemental spouse life insurance. This coverage is available in \$5,000 increments and may not exceed 50% of the total employee supplemental coverage or \$100,000, whichever is less. Evidence of Insurability is required on all spouse supplemental life over \$50,000.

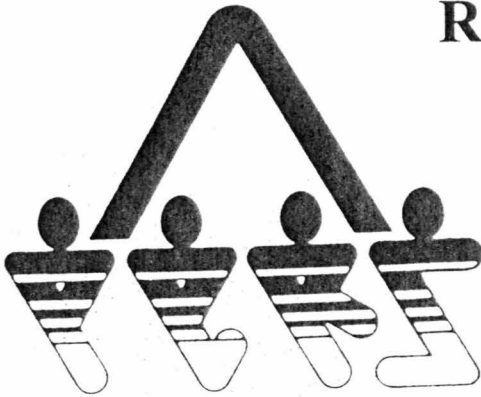
Accidental Death and Dismemberment (AD&D):

The NDPERS Group Life Insurance contains an AD&D insurance benefit which will pay benefits if you lose your life, limb or sight due to accidental injury.

Accelerated Life Benefit:

The benefit is available only to active employees. It allows employees who have a terminal illness or condition to receive a portion of their life insurance benefit while they are living. A terminal condition is defined as having a life expectancy of six months or less with no reasonable expectation of recovery. The provision pays 50% of the total face amount of the life insurance with a minimum benefit of \$5,000 and a maximum benefit of \$50,000. At the present time, the accelerated life benefit proceeds are taxable income. After the accelerated life benefit is paid, the premium for the life coverage is reduced and based on the remaining amount of coverage which is payable to the beneficiary upon the employee's death.

North Dakota Public Employees Retirement System



400 East Broadway
Suite 505
P O Box 1214
Bismarck, ND 58502
Phone (701) 328-3900
Toll Free (800) 803-7377

Benefits for Public Employees

Dependent Life:

If you elect supplemental coverage, you are eligible to purchase dependent life insurance. This coverage is available at either a \$2,000 or \$5,000 level for your spouse and each eligible dependent. The premium is based on the employee's age and is a flat rate regardless of the number of dependents covered.

Spouse Supplemental Life:

If you elect dependent life insurance coverage, you are eligible to purchase supplemental spouse life insurance. This coverage is available in \$5,000 increments and may not exceed 50% of the total employee supplemental coverage or \$100,000, whichever is less. Evidence of Insurability is required on all spouse supplemental life over \$50,000.

Accidental Death and Dismemberment (AD&D):

The NDPERS Group Life Insurance contains an AD&D insurance benefit which will pay benefits if you lose your life, limb or sight due to accidental injury.

Accelerated Life Benefit:

The benefit is available only to active employees. It allows employees who have a terminal illness or condition to receive a portion of their life insurance benefit while they are living. A terminal condition is defined as having a life expectancy of six months or less with no reasonable expectation of recovery. The provision pays 50% of the total face amount of the life insurance with a minimum benefit of \$5,000 and a maximum benefit of \$50,000. At the present time, the accelerated life benefit proceeds are taxable income. After the accelerated life benefit is paid, the premium for the life coverage is reduced and based on the remaining amount of coverage which is payable to the beneficiary upon the employee's death.

**TESTIMONY
OF
SPARB COLLINS
ON
SB 2025**

Madame Chair, members of the Committee, good morning. My name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System, or PERS.

Before getting into our budget request, I would like to highlight for you the various programs administered by the Public Employees Retirement System. Our name is not fully reflective of our responsibilities. While PERS does administer a defined benefit retirement program (more accurately five) we also administer other programs. These include the retiree health credit program, the group health insurance plan, a group life insurance plan, the flexcomp program, a deferred compensation program, a dental plan, a long term care program and an employee assistance program. The brochure I am handing out to you provides an overview of all the programs, with the exception of the Employee Assistance Program (EAP), which is yet to be added to the brochure. Also, Attachment 1 lists the programs, including when they were assigned to PERS.

I would also like to highlight for you some of the accomplishments of the agency during the biennium:

- 1) We received, for the second time, the Public Pension Coordinating Council's *Achievement Award*, which is a prestigious national award recognizing conformance with the highest standards for retirement program administration.

- 2) We processed 375 new retirees in 1998 and 409 in 1997.
- 3) In 1997 and in 1998, we received the *Certificate of Excellence in Financial Reporting* from the Government Finance Officers Association.
- 4) We conducted approximately 18 pre-retirement seminars for employees.
- 5) We implemented an Employee Assistance Program for all state employees pursuant to the bill passed by the last Legislative Assembly.
- 6) We brought the deferred compensation plan into compliance with federal law changes by renegotiating contracts with all the deferred compensation providers.
- 7) We supplemented the range of investment options in the deferred compensation plan by adding an additional mutual fund product line, which we refer to as the PERS Companion Plan.
- 8) We produced comprehensive annual reports for the agency for both 1997 and 1998.
- 9) We developed a comprehensive product profile for the membership regarding the range of deferred compensation products that are offered. That product profile shows not only each of the investment options available, but also the annual administrative expenses and the net historical performance for the last 1, 3, 5 and 10 years.
- 10) We offered a flu shot program held at the Capitol in each of the last years.
- 11) We processed over 16,000 claims in the FlexComp program in 1998.

- 12) We sent annual statements to all PERS members and annual statements to our retirees concerning their retirement benefits.
- 13) We conducted over 380 individual retirement counseling sessions in 1997, and over 370 in 1998.
- 14) We responded to over 51,000 calls from the membership in 1997 and 46,000 in 1998.
- 15) We expanded the State's managed care program to include not only Minot, Grand Forks, Fargo, Jamestown and Williston but also added Bismarck and Dickinson. We also added a second provider in the Fargo and Jamestown areas.
- 16) We developed our *Information Technology Plan* in compliance with the direction of the last Legislature.
- 17) The agency has been working on year 2000 solutions since early 1997. To date, we estimate we have completed over 80% of our year 2000 testing.

The above highlights some of the information and activities of PERS during the last two years. While the agency has concentrated on providing the above services to the members, we are also very cognizant that the overall level of service needs to be provided in a method that is satisfactory to our membership. To this end, in a biennial survey we ask our membership to rate the level of satisfaction they have with the services provided by our agency. In our 1995 survey the level of satisfaction was 83%. In the last survey, in 1997, the level of satisfaction was 94%.

We have only been able to accomplish the above and maintain member satisfaction because of your support and help. The Board wanted me to extend to you their thanks and appreciation. With the above background, let me highlight the proposed budget before you today.

As discussed above, the scope of services within the agency has expanded during the last several years. However, not only has the scope of services expanded, but also the membership in the programs. Therefore a good measure of the overall cost of our services is to determine the average cost per member for all programs. We determine this by taking the total membership in each program, totaling it and dividing it into the administrative budget. For example, we would add the membership in the health plan, retirement plan, deferred comp plan and the other programs together. We would then take that total and divide it into our administrative budget. This gives us an indication of how our overall administrative costs have increased or decreased in relationship to the number of programs we administer and the number of individuals who are enrolled in each of those programs. The following information is our overall average cost for the last several years:

Average Costs Per Member for all programs

<u>Year Ended</u>	<u>Per Member</u>
6/30/86	\$13.39
6/30/87	\$14.93
6/30/88	\$18.12
6/30/89	\$15.94
6/30/90	\$13.45
6/30/91	\$14.27
6/30/92	\$16.37
6/30/93	\$16.86
6/30/94	\$16.36
6/30/95	\$15.88

6/30/96	\$15.54
6/30/97	\$16.28
6/30/98	\$13.99
06/1999*	\$15.40
06/2000*	\$15.75
06/2001*	\$15.49

* Estimated

Specifically, concerning the budget before you today, the Executive Recommendation, as amended by the Senate, shows an approximate 9.5% increase. This increase can be broken down into several components. Four percent (4%) is associated with the Governor's proposed compensation package for 1999-2001, and funding the 1998 salary package for two years. Two percent (2%) is associated with the requested increase of one FTE for the group insurance program. One percent (1%) relates to a proposal by PERS to provide salary equity adjustments for our classified employees. Twenty-five hundredths percent (.25%) is for the increase in moving the .8 FTE to 1 FTE. The remainder is inflationary adjustments in operating expenses (rent, data processing, telephone, etc.).

Another way of viewing our proposed budget is in terms of the various line items.

Salaries and Wages: 59% of total budget is for salaries. Also approximately 7% of the 9.5% increase in the budget is to support this line item.

Operating Expenses: Almost 40% of our budget is for operating expenses. Also, approximately 3% of the 9.5% increase is associated with this line item. Of the total operating expenses, almost 40% is pass through costs to support our data management and telecommunications

systems for our various programs. Approximately 30% of the operating line item is for direct member services and approximately 10% is for our office lease. These three components comprise about 80% of the operating line item.

Equipment: Approximately one quarter of one percent (.25%) of our total budget is for equipment. You will note that this is decreased from the biennium before. We are upgrading the majority of our hardware during the current biennium and do not anticipate replacing this equipment during the 1999-2001 biennium, pursuant to the agency's IT strategic plan.

Contingency: 1% of the total budget is the contingency line item. This line item is included in case unexpected expenses arise during the biennium and provides the opportunity for those to be funded without having to utilize general funds.

Another way to look at our budget is by major program area. That is:

Program Area	Budget	% of Budget	# FTE
Retirement	\$1,449,045	48	10.61
Group Insurance	1,260,488	41	10.54
Deferred Comp	221,767	7	1.85
FlexComp	120,835	4	1.0

Last, I would like to discuss three of the initiatives contained in this budget. The first is the proposed salary equity adjustment that amounts to approximately \$33,000. PERS is a small agency which means it is very difficult for us to address salary issues. We have conducted an analysis

which shows that 64% of our staff are behind other state employees in their pay grades. This analysis merged the Central Personnel records with the PERS records. This allowed us to determine the average salary for each pay grade, and the average years of service for the pay grade. Using this number we were able to determine where our employees should be in their pay range. As noted, we used not only the average salary for the pay grade, but also the average years of service. By utilizing these two variables, we were able to determine what our employees' salaries should be based upon their years of service as compared to other classified employees in that pay grade at the same level of years of service. If the employee was behind, we determined the difference and included half of the amount that would be necessary to bring them to the average in the proposed salary adjustment. PERS, as an agency, would like to move our employees to the same level as other classified state employees and, therefore, we are proposing this initiative in the budget.

Second, as mentioned earlier, we are proposing an additional FTE in the group insurance division. This division is responsible for the dental, long term care, employee assistance and group insurance programs. This division has absorbed several new programs. The increase in the number of programs, and the number of participants these programs include, has resulted in increased enrollment and billing efforts in this area. The effect has been that the clerical staff person for this division has increasingly been devoted to billing and enrollment functions over the past several years. Consequently, the general support capability for this division has been declining. The addition of this FTE would help to restore that previous level of support. Also, this FTE would provide support to our deferred comp program and our flexcomp program, which have no back up

at this time.

Third, we are proposing to increase one of our staff from an 80% FTE to a 100% FTE. This is our Records Center Clerk position. The Records Center Clerk is an important position for us to maintain our group insurance, retirement, deferred comp and flexcomp records. As a result of the increase in volume, this increase would help absorb that effort. We also believe this addition is cost effective for the agency since the benefits package for the position is already in place.

As indicated in the Executive Recommendation, the funding source for our proposed budget is special funds. This means the administrative costs are paid directly from the various programs the agency administers, such as the Retirement Fund, Health Fund and the FICA tax savings generated through the FlexComp program.

Madame Chair, members of the committee, thank you for allowing us this opportunity to present our proposed budget. This concludes my testimony.

Attachment

ND Retirement and Investment Office

*Teachers' Fund for Retirement
State Investment Board*

Scott Engmann
Executive Director

SB 2025
1/22/99
1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
Telephone 701-328-9885
ND Toll Free 800-952-2970
Relay ND 800-366-6888
FAX 701-328-9897



NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

TESTIMONY ON SB 2025

SCOTT ENGMANN, EXECUTIVE DIRECTOR

The North Dakota Retirement and Investment Office was created by the 1989 Legislative Assembly. The office was created to be the administrative agency for the North Dakota Teachers' Fund for Retirement Board and the North Dakota State Investment Board. The agency was created to bring about savings in administrative costs in the operation of the two programs.

In response to Governor Schafer's appropriation development guidelines, a base budget has been submitted to OMB that is 95% of our 1997-99 budget request. Additionally, we requested certain other "optional" items, some of which were added to our budget in the Executive Recommendation. The Executive Recommendation is still 99.6% of our 1997-99 budget. The majority of our original 5% decrease came from the elimination of a vacant position and a reduction in temporary salaries. This resulted in a total dollar reduction of \$69,000 or 61% of the total \$112,276 decrease for the biennium. The position was a Publication's Specialist and has been vacant for some time. No positions currently occupied will be eliminated.

Following are the highlights of our appropriation request that we are asking you to approve. You will note the following:

- Salaries and wages are 59.2% of the budget.

A majority of this line item is dedicated to the TFFR retirement program (69%). Of the 16 FTE's, 10.7 are in the TFFR program. The TFFR staff are necessary to carry out the extensive Outreach Program for members of the retirement plan. Attachment "A" outlines the activity for this past fiscal year. The TFFR Board is convinced that these outreach services will be more in demand as our schools close and consolidate.

ND
Retirement
&
Investment
Office

- Operating expenses are 35.5% of the budget.
 - The costs for Information Services from OMB are 37% of the operating costs (data processing and telecommunications).
 - Office rent is 15% of the operating costs.
 - Expenses related to direct services to customers (postage, travel, and printing) represent approximately 20% of the operating costs.
- Equipment (from the Information Technology Plan) represents 2% of the request. The equipment needed are listed below:
 - LAN Server for upgrading the local network.
 - Nine personal computers to replace older computers and two computers that are not Y2K compatible. A three-year replacement schedule will then be in place.
 - Two notebook computers for the Membership Specialists, that will be compatible with the new LAN Server and personal computers. Also replaces one notebook that is not Y2K compatible.
 - Microfiche Reader/Printer. Our current microfiche reader/printer was purchased in 1981 and the quality of the display and print is very poor. Prior to 1993, all member records were microfiched and many have not been converted to our current image system. Therefore, any claims for benefits or refunds or any other account inquiries for members who have service prior to 1993 must be researched using the microfiche reader

Our current reader does not print on plain paper, so if the printout is to be used, it must be photocopied first. This leads to an even poorer quality. Attachment "B" contains examples of this.

Other areas reduced in this appropriation request, aside from salaries, include data processing, telecommunications, rent, and office/professional supplies. I would like to ask the Committee to amend the bill and increase our Operating Line by \$60,000. This request is based on the following:

Data processing programming contained in the FY 1999 IT Plan will not be completed. This is due to the shortage of programmers at ISD and the attention placed on the Y2K Plan. Therefore, the work schedule must be moved into the next biennium and our IT Plan amended. Attachment "C" is a letter from ISD explaining the situation.

Telecommunications is decreasing due to ISD's estimate of lower rates for the next biennium and based on a study of actual usage. It appears we will not be using the entire amount we budgeted for the current biennium.

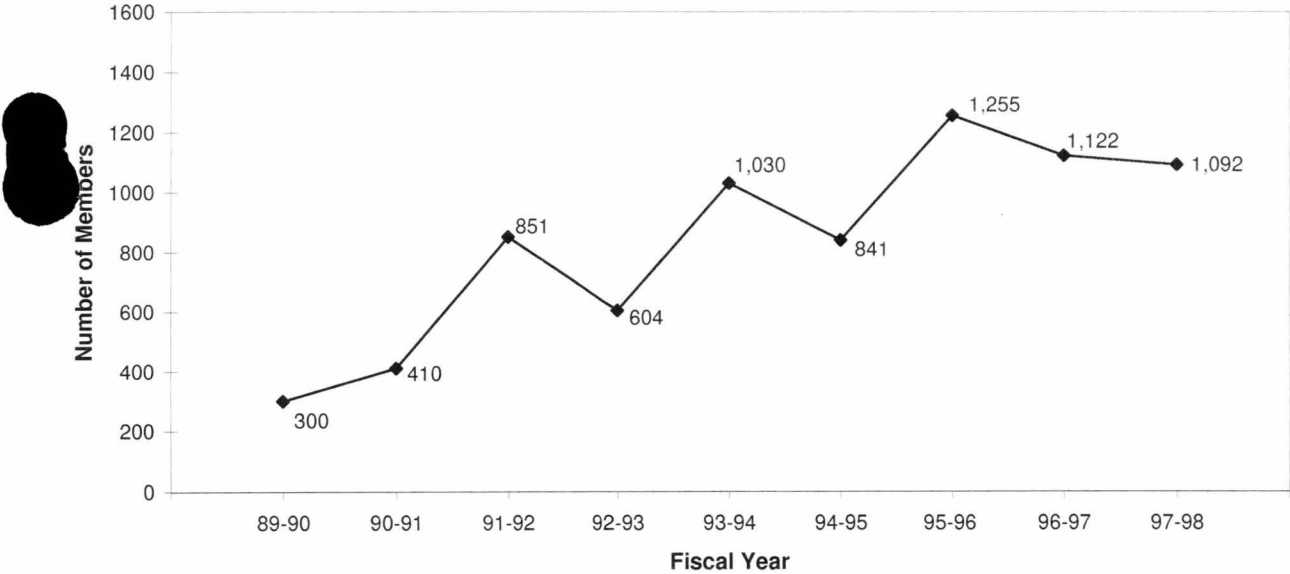
Rent is decreasing due to the fact that our landlords had anticipated increasing the rent on July 1, 1998, but when the new tenants in the upper level negotiated their rent, the landlords agreed not to implement the increase. There will be an increase over the current rate beginning on July 1, 1999.

The decrease in office supplies and professional supplies and materials are based on an extensive study of current and past purchases. It was determined that our actual spending has been less than anticipated and should continue at the same rate for the next three years.

SUMMARY OF MEMBERS PARTICIPATING IN TFFR PROGRAMS

	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
Benefits Counseling (Statewide)	—	110	251	254	338	367	298	259	259
Benefits Counseling (Local)	* 200	* 200	* 200	* 200	240	250	292	270	347
Financial Planning Seminars	—	—	200	—	200	31	468	47	131
Preretirement Seminars	—	—	—	—	65	128	70	198	102
Group Presentations	100	100	200	150	187	65	127	348	253
Totals	300	410	851	604	1,030	841	1,255	1,122	1,092

Growth in Members Participating in TFFR Programs



* Estimates may be over/under stated. No statistics kept on number of local benefits counseling sessions from 1990-1993.

127-1)

TEACHERS LEDGER

NAME

DATE OF BIRTH 3-30-1946

ADDRESS Box #43

ARTHUR

CONTRIBUTIONS
AS OF JULY 1, 1947

ENROLLMENT DATE 1944

POSTING DATE	MEMO	SCHOOL DISTRICT NUMBER	COUNTY NUMBER	STATE	YEAR OR FRACTION OF YEAR	TOTAL YEARS TAUGHT	SALARY	PREVIOUS CONTRIBUTION	CURRENT CONTRIBUTION	TOTAL CONTRIBUTION TO DATE
BALANCE FORWARDED →										
JUL 1945		68		90.33	1.00	1.00	2,400.00		60.00	60.00
AUG 1945		88		90.33		1.00	2,400.00	60.00	60.00	120.00
SEP 1945		88		90.33	1.00	2.00	5,000.00	120.00	120.00	240.00



600 E Boulevard Ave Dept 112

Bismarck ND 58505-0100

(701) 328-3190

01/19/99

Gary H. Vetter
ND Retirement and Investment Office
1930 Burnt Boat Drive
P.O. Box 7100
Bismarck ND 58507-7100

Dear Gary,

ISD has been remediating mainframe applications to fix Y2K problems for the state agencies we serve. In focusing on Y2K remediation, we have shifted resources that would have been used to complete work that agencies budgeted for in the 1997-1999 biennium. We understand that the Retirement and Investment Office has quite a large amount of work at ISD waiting to be completed before the end of the biennium, a budgeted amount of \$60,000. This amount would cover the Level Income and Employer History work requests, that we have not started.

At our current workload we should be able to accommodate your department in getting this work done. However, with the end of the biennium approaching, our work load sometimes peaks and we are forced to diversify our work force to help all state agencies with legislative changes and this year we expect unforeseen Y2K issues. To assure that your projects can be completed, it may be in the Retirement and Investment Office's best interest to request \$60,000 be rolled over to the 1999-2001 biennium. We will be able to complete that work next biennium.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Vernon J. Welder".

Vernon J. Welder
Associate Director of Software Development
Information Services Division

ND Retirement and Investment Office

*Teachers' Fund for Retirement
State Investment Board*

Scott Engmann
Executive Director

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
Telephone 701-328-9885
ND Toll Free 800-952-2970
Relay ND 800-366-6888
FAX 701-328-9897



NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

TESTIMONY ON SB 2025

SCOTT ENGMANN, EXECUTIVE DIRECTOR

The North Dakota Retirement and Investment Office was created by the 1989 Legislative Assembly. The office was created to be the administrative agency for the North Dakota Teachers' Fund for Retirement Board and the North Dakota State Investment Board. The agency was created to bring about savings in administrative costs in the operation of the two programs.

In response to Governor Schafer's appropriation development guidelines, a base budget has been submitted to OMB that is 95% of our 1997-99 budget request. Additionally, we requested certain other "optional" items, some of which were added to our budget in the Executive Recommendation. The Executive Recommendation is still 99.6% of our 1997-99 budget. The majority of our original 5% decrease came from the elimination of a vacant position and a reduction in temporary salaries. This resulted in a total dollar reduction of \$69,000 or 61% of the total \$112,276 decrease for the biennium. The position was a Publication's Specialist and has been vacant for some time. No positions currently occupied will be eliminated.

Following are the highlights of our appropriation request that we are asking you to approve. You will note the following:

- Salaries and wages are 57.4% of the budget.

A majority of this line item is dedicated to the TFFR retirement program (69%). Of the 17 FTE's, 10.7 are in the TFFR program. The TFFR staff are necessary to carry out the extensive Outreach Program for members of the retirement plan. Attachment "A" outlines the activity for this past fiscal year. The TFFR Board is convinced that these outreach services will be more in demand as our schools close and consolidate.

- Operating expenses are 37.4% of the budget.
 - The costs for Information Services from OMB are 38.2% of the operating costs (data processing and telecommunications).
 - Office rent is 14.2% of the operating costs.
 - Expenses related to direct services to customers (postage, travel, and printing) represent approximately 20% of the operating costs.
- Equipment (from the Information Technology Plan) represents 2% of the request. The equipment needed are listed below:
 - LAN Server for upgrading the local network.
 - Nine personal computers to replace older computers and two computers that are not Y2K compatible. A three-year replacement schedule will then be in place.
 - Two notebook computers for the Membership Specialists, that will be compatible with the new LAN Server and personal computers. Also replaces one notebook that is not Y2K compatible.
 - Microfiche Reader/Printer. Our current microfiche reader/printer was purchased in 1981 and the quality of the display and print is very poor. Prior to 1993, all member records were microfiched and many have not been converted to our current image system. Therefore, any claims for benefits or refunds or any other account inquiries for members who have service prior to 1993 must be researched using the microfiche reader

Our current reader does not print on plain paper, so if the printout is to be used, it must be photocopied first. This leads to an even poorer quality. Attachment "B" contains examples of this.

Other areas reduced in this appropriation request, aside from salaries, include data processing, telecommunications, rent, and office/professional supplies. At our request, the Senate amended this bill and increased our Operating Line by \$60,000. This request is based on the following:

Data processing programming contained in the FY 1999 IT Plan will not be completed. This is due to the shortage of programmers at ISD and the attention placed on the Y2K Plan. Therefore, the work schedule must be moved into the next biennium and our IT Plan

amended. Attachment "C" is a letter from ISD explaining the situation.

Telecommunications is decreasing due to ISD's estimate of lower rates for the next biennium and based on a study of actual usage. It appears we will not be using the entire amount we budgeted for the current biennium.

Rent is decreasing due to the fact that our landlords had anticipated increasing the rent on July 1, 1998, but when the new tenants in the upper level negotiated their rent, the landlords agreed not to implement the increase. There will be an increase over the current rate beginning on July 1, 1999.

The decrease in office supplies and professional supplies and materials are based on an extensive study of current and past purchases. It was determined that our actual spending has been less than anticipated and should continue at the same rate for the next three years.

We are a special fund agency, therefore no general fund dollars are being requested in this appropriation authorization.