

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Monday, February 11, 2002
Harvest Room, State Capitol
Bismarck, North Dakota

Representative Bette Grande, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Bette Grande, Joe Kroeber, Wayne W. Tieman, Francis J. Wald; Senators Ralph L. Kilzer, Karen K. Krebsbach, Stanley W. Lyson, Tim Mathern

Member absent: Representative Glen Froseth

Others present: See Appendix A

It was moved by Senator Mathern, seconded by Senator Lyson, and carried that the minutes of the December 17, 2001, meeting be approved as distributed.

At the request of Chairman Grande, committee counsel distributed the *2001 Comprehensive Annual Financial Report for the North Dakota Retirement and Investment Office*. A copy of the report is on file in the Legislative Council office.

Chairman Grande called on Mr. Steve Cochrane, Executive Director, Retirement and Investment Office, for an update on the investment results during the last two fiscal quarters for the pension trusts managed by the State Investment Board. A copy of the material used by Mr. Cochrane in his presentation is attached as Appendix B. The update includes information on the investment results for the Teachers' Fund for Retirement, Public Employees Retirement System, the pension trust, and the insurance trust for fiscal year 2002 through January 31, 2002. He said the return for the Teachers' Fund for Retirement was approximately -1.33 percent during this period, -.54 percent for the Public Employees Retirement System, -.99 percent for the pension trusts, and 2.22 percent for the insurance trusts. The update also includes information concerning the Enron situation. Mr. Cochrane said the most exposure the State Investment Board had to Enron stock during this period was less than one-tenth of 1 percent of the total portfolio value.

LAW ENFORCEMENT AND CORRECTIONAL OFFICER RETIREMENT PROGRAM STUDY

At the request of Chairman Grande, committee counsel reviewed a bill draft relating to a law enforcement and correctional officer retirement program.

In response to a question from Representative Wald, committee counsel said the retirement board has established an employer contribution of 8.33 percent for the National Guard retirement program and members of the National Guard retirement program contribute 4.00 percent of compensation.

In response to a question from Representative Kroeber, committee counsel said members of the National Guard retirement plan are nonclassified employees and thus are eligible to participate in the defined compensation retirement plan.

In response to a question from Senator Kilzer, Mr. Pat Heinert, Burleigh County Sheriff's Department, Bismarck, said a law enforcement and correctional officer retirement plan should be restricted to full-time employees and temporary employees should not be eligible to participate.

Chairman Grande recognized Mr. Scott Busching, Sheriff, Williams County, Williston. Mr. Busching agreed with Mr. Heinert that any law enforcement and correctional officer's retirement plan should be limited to full-time employees.

Chairman Grande recognized Mr. Paul W. Hendrickson, Sheriff, Griggs County, Cooperstown. Mr. Hendrickson said many local law enforcement agencies in North Dakota are competing with and losing employees to law enforcement agencies in Minnesota because of that state's superior retirement benefits, and thus a law enforcement and correctional officer retirement plan would be beneficial for the state.

Representative Grande noted that the employer contribution for the National Guard retirement plan is set by the Public Employees Retirement System Board. She said this rate is currently 8.33 percent of compensation and may fluctuate depending upon the actuarial experience of allowing law enforcement and correctional officers to participate in that plan.

In response to Representative Grande's comments, Mr. Sparb Collins, Executive Director, Public Employees Retirement System, said the contribution rate would most likely fluctuate, at least over the first several years, until the plan stabilizes.

In response to a question from Senator Mathern, committee counsel said the proposed plan would be mandatory for peace officers and correctional officers

employed by state agencies and optional for peace officers and correctional officers employed by political subdivisions. However, he said, the determining factor for whether political subdivision employees participate would be whether the political subdivision wishes to participate on behalf of its peace and correctional officers, not whether individual peace or correctional officers would like to participate in the new plan.

COMMITTEE REQUESTS

Representative Wald requested that the Public Employees Retirement System Board direct its actuarial consultants to consider alternative retirement ages and alternative multipliers when performing the technical comments and actuarial analysis on the bill draft.

In response to Representative Wald's comments, Mr. Collins cautioned that the bill as drafted allows peace officers and correctional officers to participate in the National Guard retirement program. However, he said, if a different retirement age or different multiplier is to be used, then the committee should consider establishing a separate retirement system for these officers as it would necessarily impact the retirement age and multiplier for current National Guard plan members.

Representative Kroeber requested that the actuarial review include different years of service for calculating benefits under the proposed plan.

In response to a question from Senator Mathern, Mr. Collins said the bill draft contains all the necessary information to allow the actuarial consultants to begin formulating technical comments. He said as the actuarial consultants review the bill draft and develop technical comments, the committee may wish to refine the bill in light of the technical comments. In response to a further question from Senator Mathern, Mr. Collins said the actuarial consulting fees are paid by the retirement system affected by a proposal. In this case, he said, the proposal affects the National Guard retirement plan and the actuarial consulting fees will be paid by that plan.

No further business appearing, Chairman Grande adjourned the meeting at 11:30 a.m.

Jeffrey N. Nelson
Committee Counsel

ATTACH:2