

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2024

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Lacosta Rickford
Operator's Signature

10/15/03
Date

2003 SENATE APPROPRIATIONS

SB 2024

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La Costa Rickford 10/15/03
Operator's Signature Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2024

Senate Appropriations Committee

Conference Committee

Hearing Date January 23, 2003

Tape Number	Side A	Side B	Meter #
1	X		1710-end
1		X	0-3104
Committee Clerk Signature <i>Sandra Davison</i>			

Minutes:

Senator Holmberg opened the hearing on SB2024. All committee members are present.

This bill relates to an appropriation for defraying the expenses of various state retirement and investment agencies.

Sparb Collins (mtr #1750) - Reviewed various programs covered by his agency along with the proposed budget. Written testimony attached (exhibit 1).

Senator Holmberg (mtr #3015) - Requested explanation of changes of FTE's on green sheet.

Sharon Schmeister, (mtr #3121) - Reflects additional funding for 1/2 time FTE.

Senator Holmberg (mtr #3197) - Referred question to Laurie, OMB Fiscal Staff.

Senator Holmberg (mtr #3226) - Through reading media information, state after state is having a difficult time balancing budget. One item they use to draw down cost of government, is early retirement of state employees.

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Operator's Signature _____ Date 10/15/03

Page 2

Senate Appropriations Committee

Bill/Resolution Number SB2024

Hearing Date January 23, 2003

Mr. Collins (mtr #3305) - General observations, have not had the opportunity to review any particular states actions. These are the issues, first needs to be funded through retirement system, second, is it a good incentive, will you save dollars?

Senator Lindaas (mtr #3600) - Page 4, Defined Contribution Plan taking effect?

Mr. Collins (mtr #3632) - That is the first year of implementing programs, more expenses incurred during the first year.

Senator Tallackson (mtr #3700) - With everyone losing money, how do you stay afloat?

Mr. Collins (mtr #3715) - We do our investing through the retirement investment office. This has been a challenging time for the retirement system. Our loses have not been as dramatic as others, the main thing is diversification. We have kept the funds diversified.

Senator Mathern (mtr #3863) - Is this correct, we have major legislation, are any of these costs in your budget or are they in addition to?

Mr. Collins (mtr #3935) - For many benefits provisions, we will be able to absorb within the budget we have before you.

Senator Kringstad (mtr #4118) - Does a freeze on cost of living increases effect all retirement programs?

Mr. Collins (mtr #4158) - This is the first session when we have not had a bill for ad hoc adjustments for retirements. Huge increase in rate if current health care plan is maintained for retirees.

Senator Kilzer (mtr #4394) - How many beneficiaries are there still left in the OASIS?

Mr. Collins (mtr #4426) - Four, average age is 90.

Senator Lindaas (mtr #4495) - What is there average benefit at this point?

Page 3

Senate Appropriations Committee

Bill/Resolution Number SB2024

Hearing Date January 23, 2003

Mr. Collins (mtr #4500) - I don't know at this point.

Senator Holmberg closed the hearing on the PERS portion of SB2024.

Reconvened hearing on SB2024 the RIO portion.

Steve Cochrane, Executive Director/CIO of ND Retirement and Investment Office, (mtr #4848) -

Reviewed budget and purpose of agency. Written testimony attached (exhibit 2 and 3).

Tape 1 Side B

Steve Cochrane, RIO testimony continued.

Senator Lindaas (mtr #639) - Two million, is that a complete package and is it necessary to link with the state IT Department.

Mr. Cochrane (mtr #671) - Yes, this is a comprehensive package. There ongoing licensing fees and maintenance costs.

Senator Kilzer (mtr #818) - How is the two million paid? How is the calculation done?

Mr. Cochrane (mtr #879) - Funded from the Teachers Fund for Retirement.

Senator Andrist (mtr #1054) - What is the cost benefit of two million dollars? With the thousands of pension systems out there, there must others that would work.

Mr. Cochrane (mtr #1124) - We have thought about accessing an shared program? We looked closely at the cost. We share your same concern for cost control.

Senator Grindberg (mtr #1408) - Bill coming to stimulate growth. A portion of fund managed with equities outside of ND.

Mr. Cochrane (mtr #1691) - Gave an outline of the state investment board program.

Senator Mathern (mtr #2916) - On the negotiations for software, do you include other agency needs, is there other software that would work.

Page 4
Senate Appropriations Committee
Bill/Resolution Number SB2024
Hearing Date January 23, 2003

Mr. Cochrane, (mtr #2983) - This is very specialized software. PERS monitors our process very closely. We also look at leveraging current relationships with vendors.

Senator Holmberg closed the hearing on SB2024.

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LaCosta Rickford
Operator's Signature

10/15/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2024 Votes

Senate Appropriations Committee

Conference Committee

Hearing Date February 11, 2003

Tape Number	Side A	Side B	Meter #
#1	x		0-280
Committee Clerk Signature <i>Jan Kendrickson</i>			

Minutes:

Senator Holmberg, chair opened the meeting, with roll call attendance taken.

Senator Grindberg presented some amendments to SB 2024 (attached to roll call votes sheet).

Senator Grindberg, moved to accept the amendments, seconded by Senator Tallackson.

Only changes in the amendments is the salary adjustments. Voice vote on acceptance of amendment was held, motion carried. Motion by Senator Grindberg, seconded by Senator

Bowman to do pass as amended. No discussion. Roll call vote was held. (Attached) 12 yes, 0 noes and 2 absent. Senator Grindberg will be the carrier.

38047.0101
Title.0200
Fiscal No. 1

Prepared by the Legislative Council staff for
Senate Appropriations
February 7, 2003

JCS
2-11-03
1 of 2

PROPOSED AMENDMENTS TO SENATE BILL NO. 2024

- Page 1, line 11, replace "1,795,929" with "1,776,639"
 - Page 1, line 15, replace "4,864,373" with "4,845,083"
 - Page 1, line 18, replace "2,666,186" with "2,638,823"
 - Page 1, line 21, replace "4,400,690" with "4,373,327"
 - Page 1, line 22, replace "H.B." with "S.B." and replace "9,265,063" with "9,218,410"
- Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2024 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Retirement and Investment Office			
Total all funds	\$4,864,373	(\$19,290)	\$4,845,083
Less estimated income	<u>4,864,373</u>	<u>(19,290)</u>	<u>4,845,083</u>
General fund	\$0	\$0	\$0
Public Employees Retirement System			
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	<u>4,400,690</u>	<u>(27,363)</u>	<u>4,373,327</u>
General fund	\$0	\$0	\$0
Bill Total			
Total all funds	\$9,265,063	(\$46,653)	\$9,218,410
Less estimated income	<u>9,265,063</u>	<u>(46,653)</u>	<u>9,218,410</u>
General fund	\$0	\$0	\$0

Senate Bill No. 2024 - Retirement and Investment Office - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$1,795,929	(\$19,290)	\$1,776,639
Operating expenses	966,444		966,444
Contingencies	82,000		82,000
Contracted services	<u>2,000,000</u>		<u>2,000,000</u>
Total all funds	\$4,864,373	(\$19,290)	\$4,845,083
Less estimated income	<u>4,864,373</u>	<u>(19,290)</u>	<u>4,845,083</u>
General fund	\$0	\$0	\$0
FTE	17.00	0.00	17.00

Dept. 190 - Retirement and Investment Office - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE	TOTAL SENATE CHANGES
Salaries and wages	(\$19,290)	(\$19,290)
Operating expenses		
Contingencies		
Contracted services		
Total all funds	(\$19,290)	(\$19,290)
Less estimated income	<u>(19,290)</u>	<u>(19,290)</u>
General fund	\$0	\$0

2 of 2

FTE 0.00 0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

Senate Bill No. 2024 - Public Employees Retirement System - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$2,666,186	(\$27,363)	\$2,638,823
Operating expenses	1,484,504		1,484,504
Contingencies	<u>250,000</u>		<u>250,000</u>
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	<u>4,400,690</u>	<u>(27,363)</u>	<u>4,373,327</u>
General fund	\$0	\$0	\$0
FTE	29.00	0.00	29.00

Dept. 192 - Public Employees Retirement System - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	TOTAL SENATE CHANGES
Salaries and wages	(\$27,363)	(\$27,363)
Operating expenses		
Contingencies		
Total all funds	(\$27,363)	(\$27,363)
Less estimated income	<u>(27,363)</u>	<u>(27,363)</u>
General fund	\$0	\$0
FTE	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

Lacosta Rickford
Operator's Signature

10/15/03
Date

Date:
Roll Call Vote #:

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2024

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken do pass as am'n

Motion Made By Grundberg Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓				
Senator Bowman, Vice Chair	✓				
Senator Grundberg, Vice Chair	✓				
Senator Andrist	✓				
Senator Christmann					
Senator Kilzer	✓				
Senator Krauter	✓				
Senator Kringstad	✓				
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson					
Senator Schobinger	✓				
Senator Tallackson	✓				
Senator Thane	✓				

Total (Yes) 12 No 0

Absent 2

Floor Assignment Grundberg

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

⁴ This amendment increases the grants line item to reflect the transfer of federal funds from the capital projects and Lewis and Clark line items to the grants line item.

⁵ This amendment changes funding for the following capital projects:

CAPITAL PROJECTS LINE	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	REVENUE BONDS	TOTAL
Administrative office - Turtle River		(\$350,000)		(\$350,000)	(\$700,000)
Relocated Loop A comfort station - Devils Lake			\$45,000	(45,000)	
Renovate comfort station - Beaver Lake			37,500	(37,500)	
Rural water connection - Lake Sakakawea			125,000	(125,000)	
Road repair - Lake Sakakawea			60,000	(60,000)	
Road repair - Fort Abraham Lincoln			30,000	(30,000)	
Chip and seal - Beaver Lake and Devils Lake			55,000	(55,000)	
Maintenance shop construction - Icelandio		(65,000)		(65,000)	(130,000)
Bodbusler exhibit building - Fort Ransom			15,000	(15,000)	
Seasonal housing - Lake Sakakawea, Devils Lake, Fort Ransom, and Beaver Lake				(210,000)	(210,000)
Rear screen amphitheater - Icelandio, Lake Metigoshe, and Devils Lake		(45,000)		(45,000)	(90,000)
FEMA construction projects		(\$500,000)			(\$500,000)
Total	\$0	(\$960,000)	\$387,500	(\$1,037,500)	(\$1,630,000)

⁶ This amendment changes funding for the following capital asset projects:

LEWIS AND CLARK LINE	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	REVENUE BONDS	TOTAL
Interpretive Center - Cross Ranch		(\$110,000)		(\$110,000)	(\$220,000)
Campground reworking and regrading - Lake Sakakawea		25,000	\$125,000	(150,000)	
Campground expansion - Fort Stevenson			140,000	(140,000)	
Contingency for various Lewis and Clark projects				(40,000)	(40,000)
Total	\$0	(\$85,000)	\$265,000	(\$440,000)	(\$260,000)

A new section is added increasing the agency's 2001-03 appropriation by \$500,000 of federal funds for grants.

REPORT OF STANDING COMMITTEE

SB 2024: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2024 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "1,795,929" with "1,776,639"

Page 1, line 15, replace "4,864,373" with "4,845,083"

Page 1, line 18, replace "2,666,186" with "2,638,823"

Page 1, line 21, replace "4,400,690" with "4,373,327"

Page 1, line 22, replace "H.B." with "S.B." and replace "9,265,063" with "9,218,410"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2024 - Summary of Senate Action

Jacosta Rickford
Operator's Signature

10/15/03
Date

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Retirement and Investment Office			
Total all funds	\$4,864,373	(\$19,290)	\$4,845,083
Less estimated income	<u>4,864,373</u>	<u>(19,290)</u>	<u>4,845,083</u>
General fund	\$0	\$0	\$0
Public Employees Retirement System			
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	<u>4,400,690</u>	<u>(27,363)</u>	<u>4,373,327</u>
General fund	\$0	\$0	\$0
Bill Total			
Total all funds	\$9,265,063	(\$46,653)	\$9,218,410
Less estimated income	<u>9,265,063</u>	<u>(46,653)</u>	<u>9,218,410</u>
General fund	\$0	\$0	\$0

Senate Bill No. 2024 - Retirement and Investment Office - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$1,795,929	(\$10,290)	\$1,779,639
Operating expenses	986,444		986,444
Contingencies	82,000		82,000
Contracted services	<u>2,000,000</u>		<u>2,000,000</u>
Total all funds	\$4,864,373	(\$19,290)	\$4,845,083
Less estimated income	<u>4,864,373</u>	<u>(19,290)</u>	<u>4,845,083</u>
General fund	\$0	\$0	\$0
FTE	17.00	0.00	17.00

Dept. 190 - Retirement and Investment Office - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	TOTAL SENATE CHANGES
Salaries and wages	(\$19,290)	(\$19,290)
Operating expenses		
Contingencies		
Contracted services		
Total all funds	(\$19,290)	(\$19,290)
Less estimated income	<u>(19,290)</u>	<u>(19,290)</u>
General fund	\$0	\$0
FTE	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

Senate Bill No. 2024 - Public Employees Retirement System - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$2,686,180	(\$27,363)	\$2,638,823
Operating expenses	1,484,504		1,484,504
Contingencies	<u>250,000</u>		<u>250,000</u>
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	<u>4,400,690</u>	<u>(27,363)</u>	<u>4,373,327</u>
General fund	\$0	\$0	\$0
FTE	29.00	0.00	29.00

Dept. 192 - Public Employees Retirement System - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	TOTAL SENATE CHANGES
Salaries and wages	(\$27,363)	(\$27,363)
Operating expenses		
Contingencies		
Total all funds	(\$27,363)	(\$27,363)

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Operator's Signature

10/15/03
Date

Less estimated income	(27,363)	(27,363)
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

REPORT OF STANDING COMMITTEE

SB 2031: Education Committee (Sen. Freborg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2031 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 15.1-21-02 of the North Dakota Century Code, relating to required units for approved high schools.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 15.1-21-02 of the North Dakota Century Code is amended and reenacted as follows:

15.1-21-02. High schools - Required units.

1. In order to be approved by the superintendent of public instruction, ~~each a public and high school or a nonpublic high school shall make available to each student each year~~ allow students to make selections from a list that includes:
 1. ~~a.~~ a. Four units of English.
 2. ~~b.~~ b. ~~Three~~ Four units of mathematics, which must include at least one unit of algebra I, one unit of algebra II, one unit of geometry-trigonometry, and one unit of calculus.
 3. ~~c.~~ c. Four units of science, which must include at least one unit of biology, one unit of chemistry, and one unit of physics.
 4. ~~d.~~ d. ~~Three~~ Four units of social studies, including which must include at least one unit of world history and one unit of United States history, both of which must emphasize geography.
 5. ~~e.~~ e. ~~One~~ One-half unit of health and physical education.
 6. ~~One unit at each grade level from nine through twelve.~~
 - f. One-half unit of physical education at each grade level from nine through twelve.
 - g. Two units of music.
 7. ~~Any six units selected from business education, economics and the free enterprise system, foreign language, American sign language, and vocational courses including family and consumer sciences, agriculture, business and office technology, marketing diversified occupations, trade and industrial education, technology education, and health careers. The vocational courses may be offered through cooperative arrangements approved by the state board for vocational and technical education.~~
 - h. Two units of the same foreign language.
 - i. Three units of vocational education.
 - j. Twelve units of electives.
2. If any student selects a unit from the requirements provided in subdivisions a through d of subsection 1, the public high school or nonpublic high school shall provide the unit to the student.

2003 HOUSE APPROPRIATIONS

SB 2024

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In Costa Rickford 10/15/03
Operator's Signature Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2024

House Appropriations Committee
Government Operations Division

Conference Committee

Hearing Date March 4, 2003

Tape Number	Side A	Side B	Meter #
3	xx	xx	
Committee Clerk Signature <i>Kelly Schmidt</i>			

Minutes:

Sparb Collins, Executive Director of ND PERS shared written testimony in support of SB 2024. There are currently 24,000 contracts, the State of ND is approximately half of the client base.

Rep. Carlson asked if the status of the pending bills currently in the session would his department increase its FTE's.

Sparb Collins advised the committee, he felt the department would be fine at their current level.

Steve Cochran, Executive Director, ND RIO shared written testimony in support of SB 2024.

In response to a question from Rep. Skarphol he advised the committee, his department has 2 ITD people on staff, we have creative staff members that also contribute to patch work fixes. We operate at 74% effectiveness, we would like to increase our effectiveness and services to our clients. **Hearing no further testimony the hearing was closed.**

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2024

House Appropriations Committee
Government Operations Division

Conference Committee

Hearing Date March 18, 2003

Tape Number	Side A	Side B	Meter #
1	xx		

Committee Clerk Signature *Kelly Schmidt*

Minutes: Chairman Carlisle called the meeting to order, Roll was taken, all members were present with the exception of Rep. Skarphol, (he arrived later).

Lori, OMB explained amendment .0102.

Rep. Thoreson moved a DO PASS on Amendment 38047.0201, Second by Rep. Timm.

ROLL CALL 8 yea 0 nay.....Skaphol, absent and not voting.

Rep. Thoreson Moved a DO PASS as Amended on SB 2024, second by Rep. Timm

ROLL CALL VOTE 8 yes 0 no 1 absent (Skarphol) Motion carries.

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LaCosta Rickford
Operator's signature

10/15/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2024

House Appropriations Committee

Conference Committee

Hearing Date 03-27-03

Tape Number	Side A	Side B	Meter #
1		X	6.0 - end
Committee Clerk Signature <i>Chris S. Svedjan</i>			

Minutes:

Chairman Svedjan Opens SB 2024 for discussion. A quorum was present.

Rep. Thoreson Introduced the Public Employee's Retirement System, Retirement and Investment Office budget. I move to adopt amendment .0201. 2nd by Rep. Carlisle. Motion

Carries. I move a Do Pass As Amended. 2nd by Rep. Carlson. Motion Carries 20-0-3.

Rep. Thoreson will carry this bill on the floor.

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La Costa Rickford
Operator's Signature

10/15/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2024

House Appropriations Committee

Conference Committee

Hearing Date 03-31-03

Tape Number	Side A	Side B	Meter #
2		X	4.0 - 5.0
Committee Clerk Signature <i>Chris S. Nylund</i>			

Minutes:

Rep. Thoreson I move to reconsider our actions on SB 2024. 2nd by Rep. Kempenich.

Motion Carries.

I move amendment .02502 to SB 2024. 2nd by Rep. Carlisle.

Motion Carries

I move a Do Pass As Amended to SB 2024. 2nd by Rep. Skarphol.

Motion Carries 22-0-1. Rep. Thoreson will carry this bill on the floor.

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LaCosta Rickford 10/15/03
Operator's Signature Date

38047.0201
 Title.0300
 Fiscal No. 1

Prepared by the Legislative Council staff for
 Representative Thoreson
 March 18, 2003

VR
 3/27/03

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2024

Page 1, line 18, replace "2,638,823" with "2,656,647"

Page 1, line 21, replace "4,373,327" with "4,391,151"

Page 1, line 22, replace "9,218,410" with "9,236,234"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2024 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Retirement and Investment Office				
Total all funds	\$4,864,373	\$4,845,083	\$0	\$4,845,083
Less estimated income	4,864,373	4,845,083		4,845,083
General fund	\$0	\$0	\$0	\$0
Public Employees Retirement System				
Total all funds	\$4,400,690	\$4,373,327	\$17,824	\$4,391,151
Less estimated income	4,400,690	4,373,327	17,824	4,391,151
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$9,265,063	\$9,218,410	\$17,824	\$9,236,234
Less estimated income	9,265,063	9,218,410	17,824	9,236,234
General fund	\$0	\$0	\$0	\$0

Senate Bill No. 2024 - Public Employees Retirement System - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$2,666,166	\$2,638,823	\$17,824	\$2,656,647
Operating expenses	1,484,604	1,484,604		1,484,604
Contingencies	250,000	250,000		250,000
Total all funds	\$4,400,690	\$4,373,327	\$17,824	\$4,391,151
Less estimated income	4,400,690	4,373,327	17,824	4,391,151
General fund	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00

Dept. 192 - Public Employees Retirement System - Detail of House Changes

	ADDS FUNDING OMITTED IN EXECUTIVE BUDGET FOR NEW EMPLOYEE 1	TOTAL HOUSE CHANGES
Salaries and wages	\$17,824	\$17,824
Operating expenses		
Contingencies		
Total all funds	\$17,824	\$17,824
Less estimated income	17,824	17,824
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment adds funding of \$11,832 for health benefits and \$5,992 for a classification change for a new FTE position added to the Public Employees Retirement System, which were omitted in the executive budget recommendation.

Date:03-18-03
Roll Call Vote # 2

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2024

House Appropriations: Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number 38047.0201

Action Taken Do Pass As Amended

Motion Made By Rep. Thoreson Seconded By Rep. Timm

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep. Koppelman	x				
Rep. Skarphol					
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim	x				
Rep. Kroeber	x				
Rep. Warner	x				

Total (Yes) 8 No 0

Absent 1

Floor Assignment Thoreson

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

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Lacosta Rickford 10/15/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
 April 1, 2003 1:27 p.m.

Module No: HR-58-6335
 Carrier: Thoreson
 Insert LC: 38047.0202 Title: .0400

REPORT OF STANDING COMMITTEE
SB 2024, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)
 recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (22 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2024
 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "1,776,639" with "1,774,885"

Page 1, line 15, replace "4,845,083" with "4,843,329"

Page 1, line 18, replace "2,638,823" with "2,653,654"

Page 1, line 21, replace "4,373,327" with "4,388,158"

Page 1, line 22, replace "9,218,410" with "9,231,487"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2024 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Retirement and Investment Office				
Total all funds	\$4,864,373	\$4,845,083	(\$1,754)	\$4,843,329
Less estimated income	<u>4,864,373</u>	<u>4,845,083</u>	<u>(1,754)</u>	<u>4,843,329</u>
General fund	\$0	\$0	\$0	\$0
Public Employees Retirement System				
Total all funds	\$4,400,890	\$4,373,327	\$14,831	\$4,388,158
Less estimated income	<u>4,400,890</u>	<u>4,373,327</u>	<u>14,831</u>	<u>4,388,158</u>
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$9,265,063	\$9,218,410	\$13,077	\$9,231,487
Less estimated income	<u>9,265,063</u>	<u>9,218,410</u>	<u>13,077</u>	<u>9,231,487</u>
General fund	\$0	\$0	\$0	\$0

Senate Bill No. 2024 - Retirement and Investment Office - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$1,795,829	\$1,778,839	(\$1,754)	\$1,774,885
Operating expenses	986,444	986,444		986,444
Contingencies	82,000	82,000		82,000
Contracted services	<u>2,000,000</u>	<u>2,000,000</u>		<u>2,000,000</u>
Total all funds	\$4,864,373	\$4,845,083	(\$1,754)	\$4,843,329
Less estimated income	<u>4,864,373</u>	<u>4,845,083</u>	<u>(1,754)</u>	<u>4,843,329</u>
General fund	\$0	\$0	\$0	\$0
FTE	17.00	17.00	0.00	17.00

Dept. 190 - Retirement and Investment Office - Detail of House Changes

REDUCES
 RECOMMENDED
 FUNDING FOR
 HEALTH
 INSURANCE 1

TOTAL
 HOUSE
 CHANGES

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Lacosta Rickford
 Operator's Signature

10/15/03
 Date

REPORT OF STANDING COMMITTEE (410)
April 1, 2003 1:27 p.m.

Module No: HR-58-6335
Carrier: Thoreson
Insert LC: 38047.0202 Title: .0400

Salaries and wages	(\$1,754)	(\$1,754)
Operating expenses		
Contingencies		
Contracted services		
Total all funds	(\$1,754)	(\$1,754)
Less estimated income	<u>(1,754)</u>	<u>(1,754)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment reduces the funding for state employee health insurance premiums from \$493 per month to \$488.70 per month.

Senate Bill No. 2024 - Public Employees Retirement System - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$2,666,186	\$2,638,823	\$14,831	\$2,653,654
Operating expenses	1,484,504	1,484,504		1,484,504
Contingencies	<u>250,000</u>	<u>250,000</u>		<u>250,000</u>
Total all funds	\$4,400,690	\$4,373,327	\$14,831	\$4,388,158
Less estimated income	<u>4,400,690</u>	<u>4,373,327</u>	<u>14,831</u>	<u>4,388,158</u>
General fund	\$0	\$0	\$0	\$0
FTE	29.00	29.00	0.00	29.00

Dept. 192 - Public Employees Retirement System - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 1	ADDS FUNDING OMITTED IN EXECUTIVE BUDGET FOR NEW EMPLOYEE 2	TOTAL HOUSE CHANGES
Salaries and wages	(\$2,993)	\$17,824	\$14,831
Operating expenses			
Contingencies			
Total all funds	(\$2,993)	\$17,824	\$14,831
Less estimated income	<u>(2,993)</u>	<u>17,824</u>	<u>14,831</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment reduces the funding for state employee health insurance premiums from \$493 per month to \$488.70 per month.

² This amendment adds funding of \$11,832 for health benefits and \$5,992 for a classification change for a new FTE position added to the Public Employees Retirement System, which were omitted in the executive budget recommendation.

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LaCosta Rickford 10/15/03
 Operator's Signature Date

2003 TESTIMONY

SB 2024

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Operator's Signature

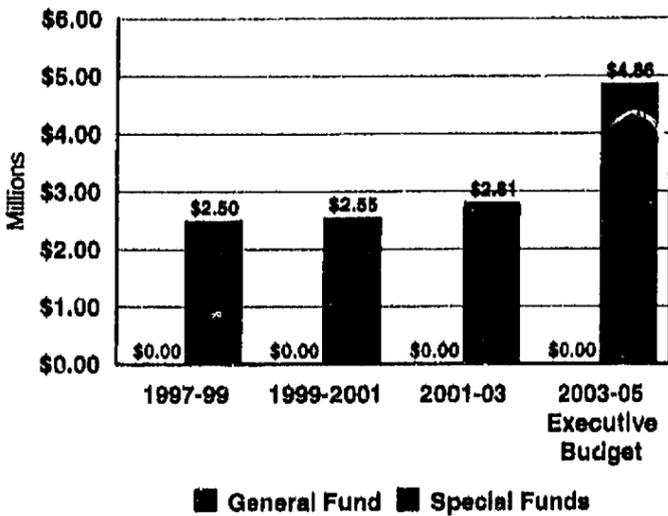
10/15/03
Date

Department 190 - Retirement and Investment Office
Senate Bill No. 2024

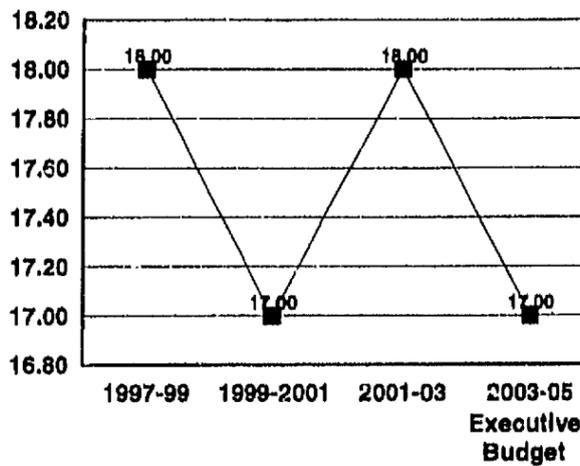
	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	17.00	\$0	\$4,864,373	\$4,864,373
2001-03 Legislative Appropriations	18.00	0	2,810,847	2,810,847 ¹
Increase (Decrease)	(1.00)	\$0	\$2,053,526	\$2,053,526

¹ The 2001-03 appropriation amounts include \$20,714 from other funds for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Agency Funding



FTE Positions



First House Action

Attached is a summary of the first house changes.

**Executive Budget Highlights
 (With First House Changes Noted)**

	General Fund	Other Funds	Total
1. Removes 1 FTE for vacant administrative assistant I		(\$28,809)	(\$28,809)
2. Provides funding for retirement administration system upgrade to replace current mainframe system		\$2,000,000	\$2,000,000

Major Related Legislation

As of the date of this report, no major legislation has been introduced which affects this agency.

02/24/03

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2024 - Funding Summary

	Executive Budget	Senate Changes	Senate Version
Retirement and Investment Office			
Salaries and wages	\$1,795,229	(\$19,290)	\$1,776,639
Operating expenses	986,444		986,444
Contingencies	82,000		82,000
Contracted services	2,000,000		2,000,000
Total all funds	\$4,864,373	(\$19,290)	\$4,845,083
Less estimated income	4,864,373	(19,290)	4,845,083
General fund	\$0	\$0	\$0
FTE	17.00	0.00	17.00
Public Employees Retirement System			
Salaries and wages	\$2,666,186	(\$27,363)	\$2,638,823
Operating expenses	1,484,504		1,484,504
Contingencies	250,000		250,000
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	4,400,690	(27,363)	4,373,327
General fund	\$0	\$0	\$0
FTE	29.00	0.00	29.00
Bill Total			
Total all funds	\$9,265,063	(\$46,653)	\$9,218,410
Less estimated income	9,265,063	(46,653)	9,218,410
General fund	\$0	\$0	\$0
FTE	46.00	0.00	46.00

Senate Bill No. 2024 - Retirement and Investment Office - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$1,795,929	(\$19,290)	\$1,776,639
Operating expenses	986,444		986,444
Contingencies	82,000		82,000
Contracted services	2,000,000		2,000,000
Total all funds	\$4,864,373	(\$19,290)	\$4,845,083
Less estimated income	4,864,373	(19,290)	4,845,083
General fund	\$0	\$0	\$0
FTE	17.00	0.00	17.00

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Zacosta Rickford
Operator's Signature 10/15/03
Date

02/24/03

Department No. 190 - Retirement and Investment Office - Detail of Senate Changes

	Removes Recommended Salary Increase ¹	Total Senate Changes
Salaries and wages	(\$19,290)	(\$19,290)
Operating expenses		
Contingencies		
Contracted services		
Total all funds	(\$19,290)	(\$19,290)
Less estimated income	(19,290)	(19,290)
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

Senate Bill No. 2024 - Public Employees Retirement System - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$2,666,186	(\$27,363)	\$2,638,823
Operating expenses	1,484,504		1,484,504
Contingencies	250,000		250,000
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	4,400,690	(27,363)	4,373,327
General fund	\$0	\$0	\$0
FYE	29.00	0.00	29.00

Department No. 192 - Public Employees Retirement System - Detail of Senate Changes

	Removes Recommended Salary Increase ¹	Total Senate Changes
Salaries and wages	(\$27,363)	(\$27,363)
Operating expenses		
Contingencies		
Total all funds	(\$27,363)	(\$27,363)
Less estimated income	(27,363)	(27,363)
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

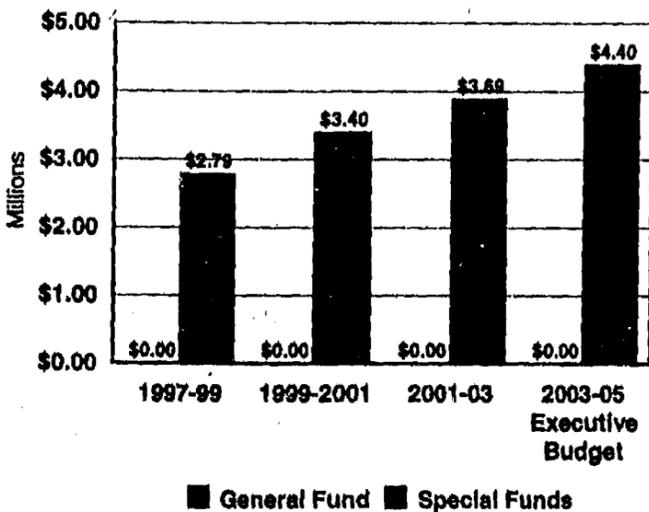
Prepared by the North Dakota Legislative Council
 staff for House Appropriations
 February 28, 2003

**Department 192 - Public Employees Retirement System
 Senate Bill No. 2024**

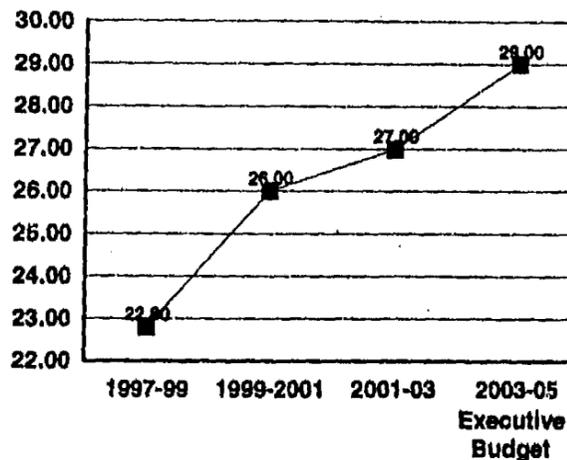
	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	29.00	\$0	\$4,400,690	\$4,400,690
2001-03 Legislative Appropriations	27.00	0	3,892,490	3,892,490 ¹
Increase (Decrease)	2.00	\$0	\$508,200	\$508,200

¹ The 2001-03 appropriation amounts include \$33,010 from special funds for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Agency Funding



FTE Positions



First House Action

Attached is a summary of the first house changes.

**Executive Budget Highlights
 (With First House Changes Noted)**

	General Fund	Other Funds	Total
1. Adds 1 FTE data processing coordinator III		\$37,650	\$37,650
2. Adds 1 FTE auditor II		\$82,775	\$82,775
3. Provides additional funding to the contingency line for Health Insurance Portability and Accountability Act (HIPAA) compliance		\$225,000	\$225,000
4. Provides additional funding for salary equity increases for Public Employees Retirement System employees		\$80,362	\$80,362

Major Related Legislation

House Bill No. 1064 - This bill transfers the administrative responsibility for the Job Service retirement plan from Job Service North Dakota to the Public Employees Retirement System Board.

Senate Bill No. 2029 - This bill provides that any health insurance coverage mandate approved by the Legislative Assembly only applies to the public employees group health insurance program for a period of two years during which time the Public Employees Retirement System is to evaluate the mandate's costs and benefits and prepare a report for consideration by the next Legislative Assembly in determining if the mandate should be allowed to expire or be expanded to all insurers.

Senate Bill No. 2033 - This bill provides for state peace and correctional officers to participate in the National Guard retirement plan.

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 Operator's signature

10/15/03
 Date

Senate Bill No. 2060 - This bill provides that the Public Employees Retirement System establishes a self-insurance plan for hospital and medical benefits coverage to group health insurance bidding requirements and establishes employer-based wellness programs.

Senate Bill No. 2176 - This bill provides that a retiree who accepts a retirement allowance from a participating political subdivision's retirement plan may elect to participate in the uniform group insurance program without meeting minimum requirements at age 65, when the employee's spouse reaches age 65, upon the receipt of a benefit, when the political subdivision joins the uniform group insurance plan if the retiree was a member of the former plan, or when the spouse terminates employment.

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Operator's Signature

10/15/03
Date

02/24/03

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2024 - Funding Summary

	Executive Budget	Senate Changes	Senate Version
Retirement and Investment Office			
Salaries and wages	\$1,795,929	(\$19,290)	\$1,776,639
Operating expenses	986,444		986,444
Contingencies	82,000		82,000
Contracted services	2,000,000		2,000,000
Total all funds	\$4,864,373	(\$19,290)	\$4,845,083
Less estimated income	4,864,373	(19,290)	4,845,083
General fund	\$0	\$0	\$0
FTE	17.00	0.00	17.00
Public Employees Retirement System			
Salaries and wages	\$2,666,186	(\$27,363)	\$2,638,823
Operating expenses	1,484,504		1,484,504
Contingencies	250,000		250,000
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	4,400,690	(27,363)	4,373,327
General fund	\$0	\$0	\$0
FTE	29.00	0.00	29.00
Bill Total			
Total all funds	\$9,265,063	(\$46,653)	\$9,218,410
Less estimated income	9,265,063	(46,653)	9,218,410
General fund	\$0	\$0	\$0
FTE	46.00	0.00	46.00

Senate Bill No. 2024 - Retirement and Investment Office - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$1,795,929	(\$19,290)	\$1,776,639
Operating expenses	986,444		986,444
Contingencies	82,000		82,000
Contracted services	2,000,000		2,000,000
Total all funds	\$4,864,373	(\$19,290)	\$4,845,083
Less estimated income	4,864,373	(19,290)	4,845,083
General fund	\$0	\$0	\$0
FTE	17.00	0.00	17.00

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Lacosta Rickford
Operator's Signature

10/15/03
Date

02/24/03

Department No. 190 - Retirement and Investment Office - Detail of Senate Changes

	Removes Recommended Salary Increase ¹	Total Senate Changes
Salaries and wages	(\$19,290)	(\$19,290)
Operating expenses		
Contingencies		
Contracted services		
Total all funds	(\$19,290)	(\$19,290)
Less estimated income	(19,290)	(19,290)
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

Senate Bill No. 2024 - Public Employees Retirement System - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$2,666,186	(\$27,363)	\$2,638,823
Operating expenses	1,484,504		1,484,504
Contingencies	250,000		250,000
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	4,400,690	(27,363)	4,373,327
General fund	\$0	\$0	\$0
FTE	29.00	0.00	29.00

Department No. 192 - Public Employees Retirement System - Detail of Senate Changes

	Removes Recommended Salary Increase ¹	Total Senate Changes
Salaries and wages	(\$27,363)	(\$27,363)
Operating expenses		
Contingencies		
Total all funds	(\$27,363)	(\$27,363)
Less estimated income	(27,363)	(27,363)
General fund	\$0	\$0
FTE	0.00	0.00

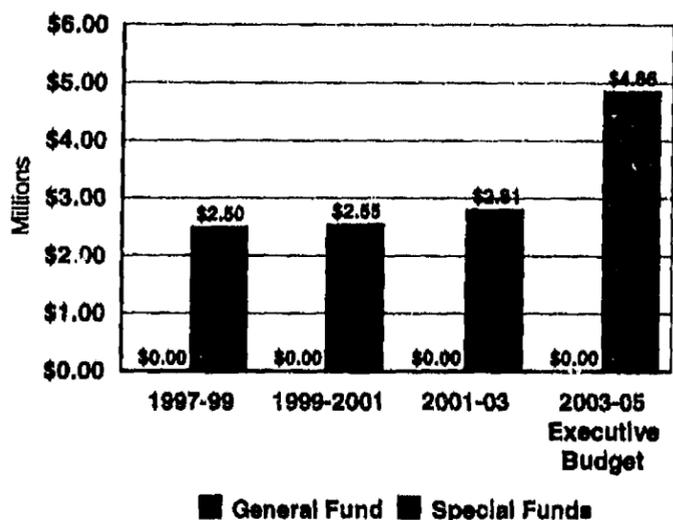
¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

Department 190 - Retirement and Investment Office
Senate Bill No. 2024

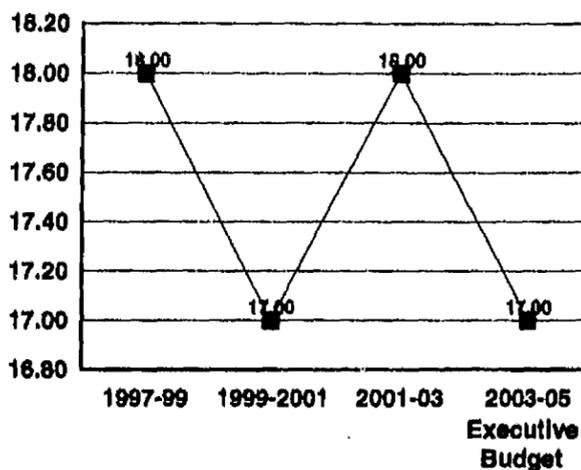
	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	17.00	\$0	\$4,864,373	\$4,864,373
2001-03 Legislative Appropriations	18.00	0	2,810,847	2,810,847 ¹
Increase (Decrease)	(1.00)	\$0	\$2,053,526	\$2,053,526

¹ The 2001-03 appropriation amounts include \$20,714 from other funds for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

Agency Funding



FTE Positions



First House Action

Attached is a summary of the first house changes.

**Executive Budget Highlights
 (With First House Changes Noted)**

	General Fund	Other Funds	Total
1. Removes 1 FTE for vacant administrative assistant I		(\$57,618)	(\$57,618)
2. Provides funding for retirement administration system upgrade to replace current mainframe system		\$2,000,000	\$2,000,000

Major Related Legislation

As of the date of this report, no major legislation has been introduced which affects this agency.

02/24/03

Department No. 190 - Retirement and Investment Office - Detail of Senate Changes

	Removes Recommended Salary Increase ¹	Total Senate Changes
Salaries and wages	(\$19,290)	(\$19,290)
Operating expenses		
Contingencies		
Contracted services		
Total all funds	(\$19,290)	(\$19,290)
Less estimated income	(19,290)	(19,290)
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

Senate Bill No. 2024 - Public Employees Retirement System - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$2,666,186	(\$27,363)	\$2,638,823
Operating expenses	1,484,504		1,484,504
Contingencies	250,000		250,000
Total all funds	\$4,400,690	(\$27,363)	\$4,373,327
Less estimated income	4,400,690	(27,363)	4,373,327
General fund	\$0	\$0	\$0
FTE	29.00	0.00	29.00

Department No. 192 - Public Employees Retirement System - Detail of Senate Changes

	Removes Recommended Salary Increase ¹	Total Senate Changes
Salaries and wages	(\$27,363)	(\$27,363)
Operating expenses		
Contingencies		
Total all funds	(\$27,363)	(\$27,363)
Less estimated income	(27,363)	(27,363)
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

~~North Dakota Retirement and Investment Office~~

1. *What is the main purpose of your agency?*

The North Dakota Retirement and Investment Office (RIO) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of two important long-standing state programs—the retirement program of the Teacher's Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB).

2. *How do you measure the achievement of your purpose?*

The North Dakota Retirement and Investment Office (RIO) exists in order that:

- SIB clients receive cost-effective investment services directed at meeting their written financial goals under the Prudent Investor Rule.
- SIB clients receive investment returns consistent with their written investment policies and market variables.
- Potential SIB clients have access to information regarding the investment services provided by the SIB.
- TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner.
- TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.
- SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.

All operations of the Retirement and Investment Office are overseen by the State Investment Board and the Teachers' Fund for Retirement Board. For many years, these boards have set performance based objectives for their respective programs. The objectives are presented as "ends" to be achieved. The achievement of these ends is reviewed quarterly through monitoring reports and annually through more in-depth reporting to the boards.

The mission statement in the box above identifies the broad ends for RIO as set forth in the agency Governance Manual, as established by the administrative board for the agency, the SIB.

State Investment Board

Investment expenses are tracked and compared to other similar measures to determine cost effectiveness. Investment expenses include investment office expenses, consultant fees, money manager fees, and master custodian fees. Due to wide variances in investment program

structures across the comparable Institutional Investment pool universe, the comparison is made in the context of relative investment exposures. Absolute and relative performance are also closely monitored as well as dispersion from designated asset allocation frameworks.

Teachers' Fund for Retirement

There are a number of ways to measure achievement of TFFR's purpose. The most obvious is plan benefits. Undoubtedly, the benefits available under the retirement plan must be considered in context with the demographics of the system, Social Security coverage, actuarial and financial soundness of the plan, and investment structure. Another measure is retirement program cost per member. This measurement is most pertinent in relationship to historical costs and plan specific services since comparisons with other systems are inherently indirect and may be misleading. Staff size in relation to the number of members served is also considered. Although staff sizes vary by type size, and complexity of the system, they appear to exhibit certain economies of scale. Finally, TFFR measures how well they serve their clients—the active and retired teachers of this state. Evaluations indicate that member satisfaction with TFFR programs, services, and information is very high.

3. What can the legislature do, financially and otherwise, to help you achieve your purpose?

Historically, RIO has enjoyed a positive working relationship with the legislature. RIO has been fiscally responsible in meeting budget guidelines and in streamlining operations while maintaining and improving a high quality level of services to its clients. The legislature has done a fine job in understanding the mission of the agency and providing budget approval to meet reasonable objectives. The legislature has also worked closely with the staff and actuarial consultants of RIO to review and occasionally improve benefits granted to participants in the TFFR. The legislature has also taken the opportunity to understand the SIB program and enable legislation that allows the SIB to maintain a successful investment program while meeting fiduciary responsibilities to its clients and beneficiaries. As a special fund agency, RIO has not, and will not, seek general fund dollars to achieve its objectives.

4. How can you report (measure) your results so the public can easily understand your purpose and evaluate your effectiveness?

The programs administered by RIO are somewhat complex and are subject to quantitative and qualitative measurement. In general, we have found that the public and participants measure the success of the TFFR program by the level of benefits provided relative to similar systems in this country. Observers also focus on the financial stature of the fund by examining the "funded ratio", a measure that identifies the assets present in the fund relative to liabilities.

The mission of the SIB is essentially to put its clients' asset allocations to work in the securities markets and to add value to the return available in the marketplace as measured by recognized indices. Therefore, while absolute performance is of interest and important in the long run, relative performance is a key focal point for observers of the SIB program.

These measures are relevant to the concerns of legislators, state officials, plan participants and the general public. They are also easily measured and understood.

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La Costa Rickford
Operator's Signature

10/15/03
Date

TESTIMONY
OF
SPARB COLLINS
ON SENATE BILL 2024

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 North Dakota Public Employees Retirement System. Our name is not fully reflective of our responsibilities. While PERS does administer a Retirement Program, that is five Defined Benefit Plans and two Defined Contribution Plans, we also administer other types of employee benefit programs. These include the Retiree Health Insurance Credit Program, the Group Health Insurance Plan, the Group Life Insurance Plan, the FlexComp Program, a Dental Plan, a Long-Term Care Program, a Vision Plan and an Employee Assistance Program. In addition we administer on an "administrative service only" basis the Job Service Retirement Plan and the 27-17 Judges Plan.

In fact one of the biggest challenges PERS has faced is the growth in program responsibilities. The following table chronologically shows the additional responsibilities assigned to the agency.

Page 1 of 12

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10/15/03
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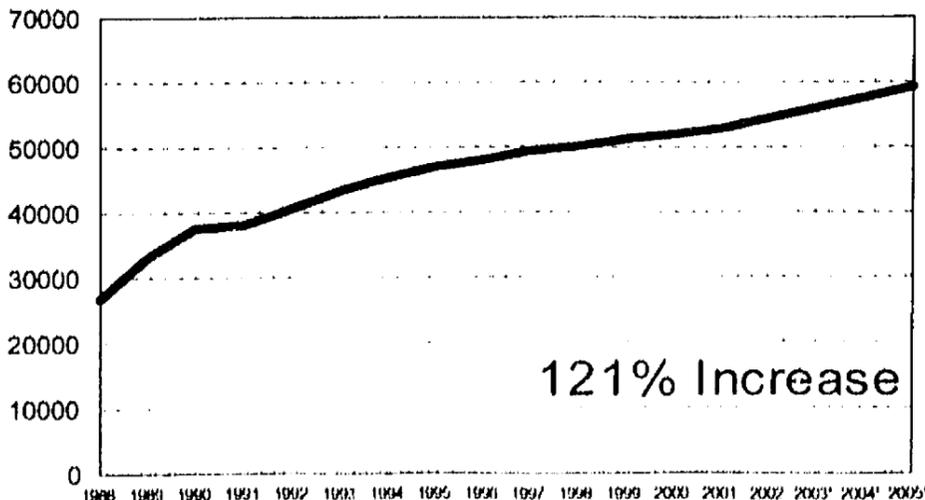
Plans Administered by NDPERS

Year	1977	1983	1987	1988	1989	1991	1993	1996	1997	1999	2001	2003
Health Plan												
Retirement Plan												
Other Plans												

You will note in the above that additions are proposed into this biennium with the transfer of the Job Service Retirement plan, OASIS and the proposed new Law Enforcement plan. In addition other legislation assigns to us Mandate analysis responsibilities relating to the health plan. We have appreciated the confidence you and others have shown in us in considering and assigning these responsibilities to PERS.

In addition to new responsibilities another challenge we have encountered is the growth in membership in our programs. The following tables show how our retirement, health plans and voluntary plans have grown over the past decade. Since much of this is voluntary participation we know we must provide sound programs in order to maintain the satisfaction of those joining PERS for the services and products we offer.

NDPERS
Health Plan Membership



* - Estimated

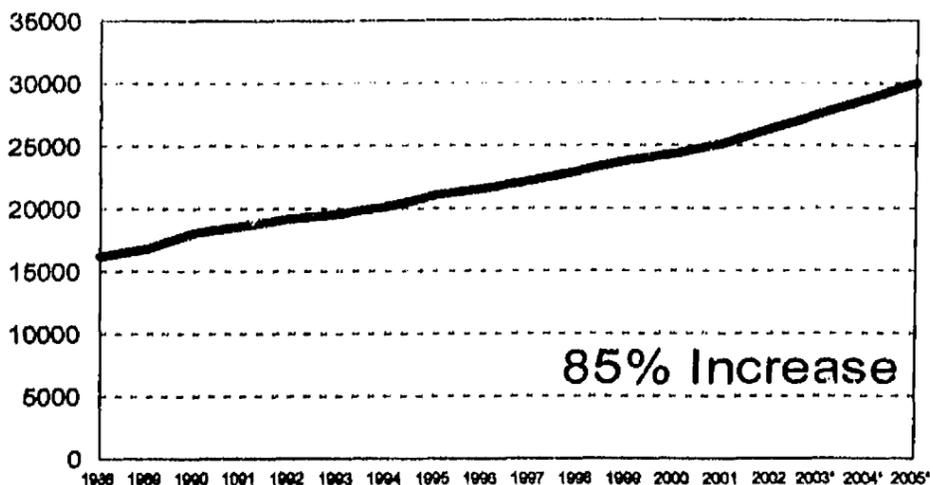
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NDPERS

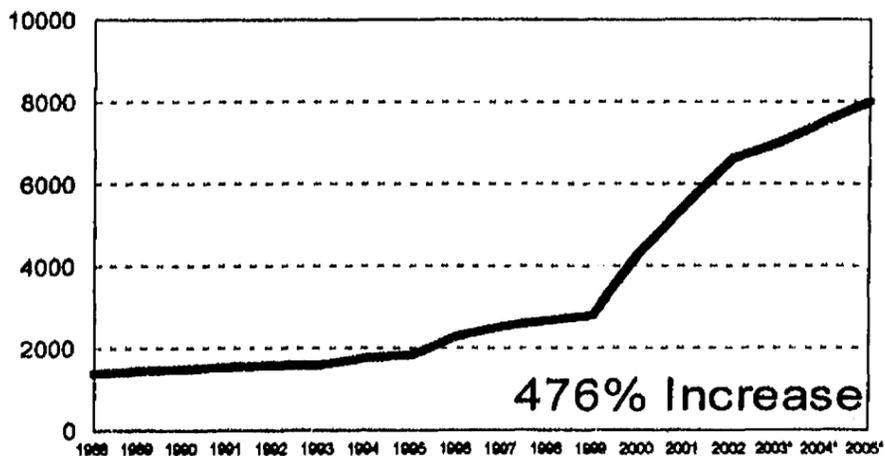
Retirement Plan Membership



* - Estimated

NDPERS

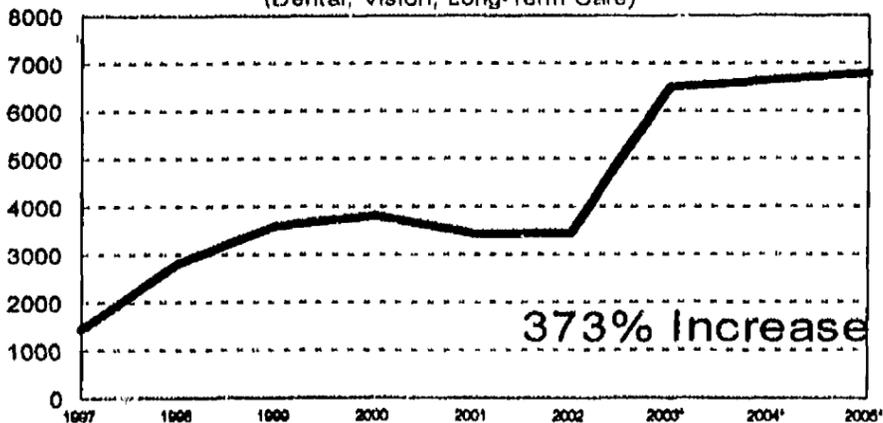
Deferred Compensation Plan Membership



* - Estimated

NDPERS

Voluntary Insurance Plans Membership (Dental, Vision, Long-Term Care)



* - Estimated

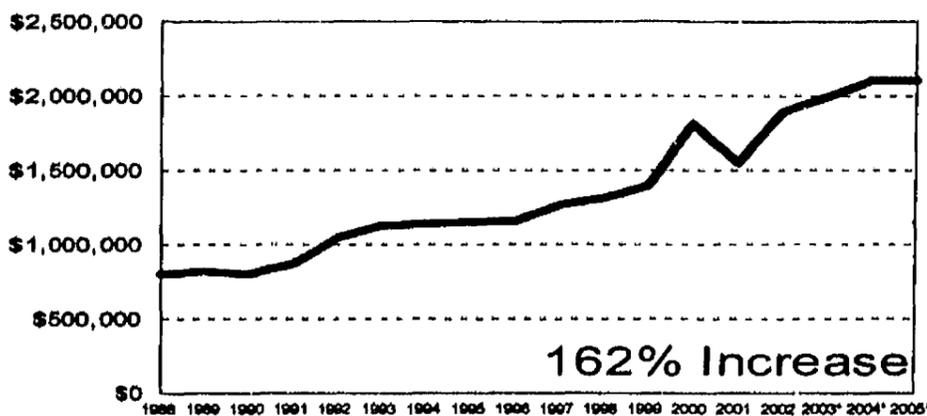
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L. Costa Rickford
Operator's Signature

10/15/03
Date

The addition of these programs and members has also allowed us to diversify our staff over greater membership and programs. One way we measure how we are doing is to determine our cost per member. We determine this by taking the total membership in each program, totaling it and dividing it into the administrative budget. This tells us how we are doing administratively in terms of the level of effort for what we do and allows us to compare with others. It shows us that while the budget you have approved for us has increased over time like all state budgets:

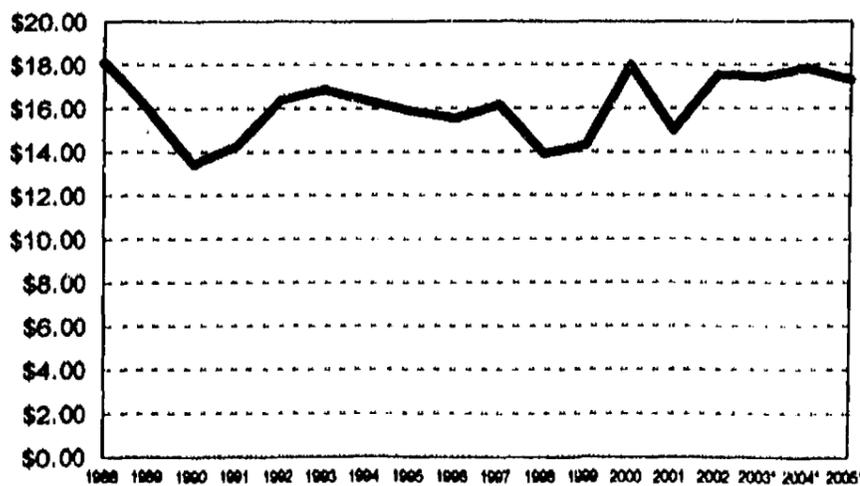
NDPERS
Appropriated Expenditures



* - Estimated

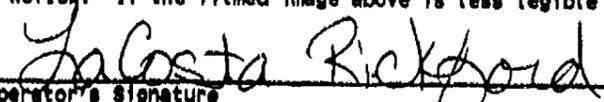
The result is that our average cost per member or level of effort has remained fairly stable:

NDPERS
Appropriated Per Member



* - Estimated

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Consequently, while our administrative budget has grown over the years the expansion in program responsibilities and membership has allowed us to maintain a fairly even level of effort or cost per member as shown in the above table. Another measure is how we compare to others in the retirement area; the following is how we compare:

PERS	.54 Staff/ 1000 members
PPCC	2.35 Staff/ 1000 members (.66 for small plans)

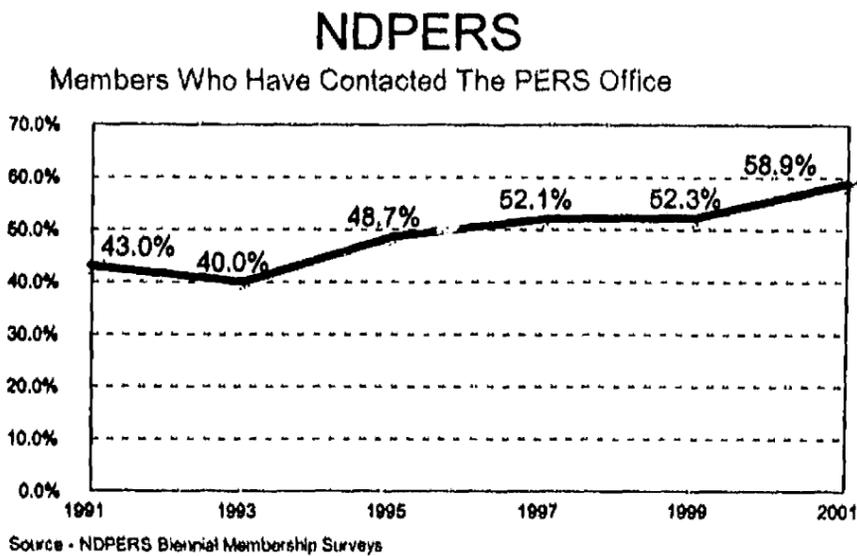
However our true cost to the state is not in our appropriated budget, since it is funded out of our programs, but rather is in the total cost of those programs. Our two major programs are retirement and health.

In the retirement area PERS has never increased the cost of that program to our participating employers since inception. Today our required employer contribution is 4.12% and employee contribution is 4%. An additional 1% goes to the retiree health program. As we compare to other public plans we find that according to the Public Pension Coordinating Council the average employer contribution is 10.6% and the average employee contribution is 5.4%. Our employer contribution is less than half the average. Concerning the benefit provided that same survey indicates the average multiplier is 2.11 for public plans and for general systems such as PERS it is 1.85. Our multiplier is 2. Thus our cost is lower than average and our benefit is on par with others.

Relating to the health plan we have not increased our administrative charges to the plan in over 6 years and in fact the rate is lower now than in the early 90's. We are again

not increasing it for the next biennium. Concerning the total premium we note a central personnel survey that finds our plan costs to be among the lowest in the region.

While we have been able to achieve our objective of providing sound benefits at a low cost to our participating employers we have also been concerned with meeting the needs of our members. The following information is taken from our biennial survey of our members and shows that more members are using our services more which we feel is very positive:



To us this means that we are responding to a need. In responding to our members the following is some statistics about what we do to provide this assistance:

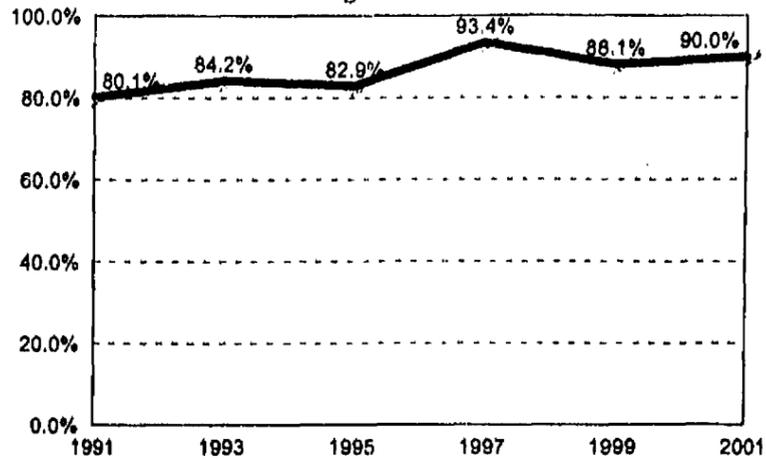
PERS SERVICE STATISTICS

- 100,000 CALLS
- 1,200 APPOINTMENT
- 5,200 NEW GRP INS APPS.
- 24,000 IBS CHKS
- 4,200 RET. ENRLMTS.
- 1,500 PURCHASE EST.
- 900 NEW RETIREES
- 10,000 ADDRESS CHG.
- 140,000 RET. PYMTS.
- 3,000 DEF. COMP. AGMTS.
- 36,000 FLEX CLAIMS
- 70,000 CORRESPONDENCE
- 5,100 BENEFIT EST.
- 186,000 DOC FILED

We also find that the members are satisfied with the services they receive:

NDPERS

Members Pleased With Services Received
From Contacting The NDPERS Office.



Source - NDPERS Biennial Membership Surveys

This is especially satisfying to us in recent years since the benefit levels have had to be reduced in the health plan and dental premiums had been going up.

Lastly, we are concerned with maintaining the quality of what we do. To that extent we have sought national review of our systems and other reviews as noted in the following:

PERS CERTIFICATIONS

- 1996, 1998 & 2000 PUBLIC PENSION ACHIEVEMENT AWARD
- CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING 1996 - 2001
- 1999 & 2003 CERTIFICATE OF APPRECIATION FROM THE ASSOCIATION OF FORMER PUBLIC EMPLOYEES
- UNQUALIFIED AUDIT OPINIONS FOR OVER 15 YEARS

Consequently, with your support we have been able to keep our administrative costs low, provide a competitive level of benefits, take on additional responsibilities and provide a service to our members that are valued. We have truly appreciated your help and support.

With that background in mind I would now like to get into the specifics of our budget.

Our base budget request was for \$4,117,490 as shown in the following:

03-05 Base Budget Request, by Line Item		
Salary & Wages	\$2,382,986	58%
Operating Expenses	\$1,484,504	36%
Capital Improvements	\$0	0%
Contingency	\$250,000	6%
Total	\$4,117,490	100%

- 58% of the budget is salaries
- 36 % of the budget is operating; (IT is 43%)
- Contingency is 6% (INCREASED DUE TO HIPAA)

This base budget is broken down into our programs as follows:

03-05 Budget Request, by Line Item		
Retirement	\$2,225,663	54%
Group Insurance	\$1,616,277	39%
FlexComp	\$275,550	7%
Total	\$4,117,490	100%

- Half the agency's efforts are for retirement
- 40% of our efforts are for group insurance
- 7% is for flex

We appreciated the Governor's consideration and support of several additions to our budget that are before you today and we also would request your support. These additions relate to the challenges we see before us today as we look ahead to continuing to meet the needs of our members, our expanding programmatic responsibilities and needs of our employers while maintaining a cost effective program. Specifically as we look to the future we see challenges to the agency in several areas and as a result we have developed proposals to respond. The challenges we see are as follows:

PERS CHALLENGES

- CHALLENGES
 - COMPETITIVENESS
 - WORKLOAD
 - TECHNOLOGY
 - FIDUCIARY RESPONSIBILITY
 - MEMBER & EMPLOYER SERVICES

Concerning **competitiveness** we are concerned with retaining our existing employees and their expertise. It is only as a result of this retention that we have been able to continue to do more. Therefore:

COMPETITIVENESS

- | | |
|--|--|
| <ul style="list-style-type: none">■ REQUEST<ul style="list-style-type: none">■ Equity Adjustments | <ul style="list-style-type: none">■ REASON<ul style="list-style-type: none">■ PERS Staff continue to lag behind other state employees in salary■ Statewide comp ratio is .96, PERS is .84■ Internal study shows PERS behind other employees in comparable grades & with similar YOS |
|--|--|

Two biennium's ago we requested half the amount we needed to catch up and you approved it. That was very helpful. This biennium we are requesting funding to continue that effort.

The second initiative approved by the Governor related to maintaining a position that we were not able to include in our base budget and making it permanent. This relates our **workload challenge**.

WORKLOAD

- | | |
|--|---|
| <ul style="list-style-type: none">■ REQUEST<ul style="list-style-type: none">■ Maintain Temporary position and make permanent | <ul style="list-style-type: none">■ REASON<ul style="list-style-type: none">■ Part of agency staff since 1998■ Workload has not decreased■ Enrollments continue to go higher■ New programs■ Program changes■ Client diversity |
|--|---|

As discussed above since 1998 the number of plans administered by PERS has increased. Specifically the new defined contribution plan and PEP programs were added in 1999 and in 2001 the new legislative flex program. In this year we are talking about adding the OASIS plan (HB 1063), the Job Service Plan (HB 1064) and new Law enforcement Plan (SB 2033). In addition this year we added a vision plan to our voluntary programs. You will also note that our total membership has increased over 15% since 1999. Thus to lose this position at this point would affect us dramatically.

The third initiative in the Governors budget is for an additional internal auditor and relates to our **fiduciary challenge**.

FIDUCIARY RESPONSIBILITY

- | | |
|---|--|
| <ul style="list-style-type: none">▪ REQUEST▪ FULL TIME INTERNAL AUDITOR | <ul style="list-style-type: none">▪ REASON▪ SCOPE OF AGENCY RESPONSIBILITIES▪ RISK MANAGEMENT▪ BCBS CONTRACT |
|---|--|

As we have learned in the last several years in the corporate world it is important to have a strong internal audit function. Our internal auditor reports to our board and provides necessary oversight of our programs. With the amount of outsourcing that PERS does of its program functions we need to be able to oversee those funds with a greater deal of attention. In the insurance plan we will now be paying BCBS over \$100 million a year on behalf of our participating employers and retirees. We should be applying more attention to this area as well as others. The addition of this position will get us to a better level of oversight.

Not funded in the executive budget was our initiatives relating to technology and member services. Concerning **member services challenge** we had requested:

MEMBER SERVICES

- | | |
|---|---|
| <ul style="list-style-type: none">■ REQUEST<ul style="list-style-type: none">▪ MEMBER COMMUNICATIONS (newsletter & travel)
■ REQUEST<ul style="list-style-type: none">▪ VIDEO CONFERENCING | <ul style="list-style-type: none">■ REASON<ul style="list-style-type: none">▪ COMMUNICATION & EDUCATION▪ RISK MANAGEMENT▪ NATIONAL EXPECTATIONS
■ REASON<ul style="list-style-type: none">▪ ENROLLMENT & OUTREACH PROGRAMS▪ REDUCE CONSULTANT TRIPS |
|---|---|

We think that by applying more technology to the way we do things, with increasing the use of email instead of mail and maybe web casting instead of travel we may be able to continue these functions even without the budget increase. Concerning video conferencing we have worked out an arrangement to use the BCBS system for the next several years and this will help to offset this effort. In fact we have been using it for our board meetings with the result that our consultants have not had to travel to us and our board chair has not had to travel from Fargo. We see this technology as only growing in use and application in the future with important implications for us.

Lastly, was our proposal relating to our **technology challenge**. This was not funded in the executive budget and if possible we would appreciate your consideration and possible inclusion of this initiative. Specifically we requested the following:

TECHNOLOGY

- REQUEST
 - EXPAND ELECTRONIC DOCUMENT MGMT. SYSTEM
 - INCREASE FTE TO FULL TIME
- REASON
 - WORKFLOW & ELECTRONIC FORMS
 - TO ACCOMPLISH TECHNOLOGY PROJECTS

The cost of this request is \$ 76,284 which \$37,184 is salaries and \$39,100 operating. As mentioned earlier we believe that investments in technology will help us to become more efficient, accurate and allow us to do more in the future. It is only through the investment in technology to date that has allowed us to do what we are doing today.

Mr. Chairman and members of the committee I would again like to thank you for your past support. All of what we have been able to do would not have been done without that support. We would appreciate your positive consideration of the Governors recommendation and if you could the technology initiative as well. Again our thanks and thank you for providing us this opportunity to appear before you today.

ND RETIREMENT AND INVESTMENT OFFICE

TESTIMONY ON
Senate Bill 2024

January 23, 2003

STEVE COCHRANE, EXECUTIVE DIRECTOR/CIO

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Operator's Signature

10/15/03
Date

BASE BUDGET

The Retirement and Investment Office (RIO) Base Budget was submitted at 100% of the previous biennium's budget. Our base budget request is \$2,864,373. We have also requested a certain line item beyond the 100% that we would like to have included in our budget and that OMB and the Governor have recommended for inclusion. This item relates to money being set aside to enable RIO to obtain and implement a commercially available pension benefits administration software package. The total dollar impact of this additional item is \$2,000,000.

TFFR PENSION SYSTEM UPGRADE PROJECT

Chronology and Context of Optional Budget Request

1999 - 2001

RIO staff identified the need for an outside study of pension software solutions to replace or upgrade the existing TFFR mainframe computer system. The current system was originally designed and built almost 20 years ago (1984-85) using technologies that, although currently supported by ITD, are no longer commonly used in modern computer systems, and may not be supported by ITD after 2012.

Concerns with the current outdated mainframe system include the increasing high costs for program updates, slow response time for program updates, poor reporting and access to data, need for software to be table-driven to address frequent changes, and need to web-enable information for members and employers.

The goal of a new or rebuilt system is to improve service to TFFR members, increase reliability, provide tools for improving staff productivity, and enhance system integration capabilities.

RIO staff included feasibility study in the 2001-03 IT Plan submitted to State ITD.

July 2001 - February 2002

RIO staff began exploring various alternatives for consulting services to conduct a feasibility study. Identified a consultant who was experienced in pension system issues and who had been involved in IT projects with other ND state agencies.

March 2002

RIO staff discussed IT plan and current mainframe system issues with TFFR Board. Board approved consulting contract with MSI to conduct a feasibility study (Phase 1).

April - May 2002

MSI compiled a list of 30 pension product vendors. Based on factors such as experience with public pension software implementation, length of time in the industry, and a preliminary checklist screening, MSI reduced the contenders to a field of nine.

MSI sent a Request for Information (RFI) to each of the 9 vendors. The RFI contained a detailed list of TFFR requirements; the vendors compared their software to the requirements list and

marked each as included in the base product, available with custom programming, or not available. The vendors' responses also included estimated costs for budget purposes and a plan for implementation and conversion.

June 2002

MSI presented the results of the business needs analysis and market survey to the TFFR Board. MSI estimated that replacing RIO's current mainframe pension management system with either commercial off-the-shelf software or building a custom replacement system would cost about \$2 million.

The Board approved \$2 million in 2003-05 optional budget request. RIO staff included \$2 million pension replacement project in the 2003-05 IT Plan submitted to State ITD.

July - December 2002

TFFR Board reviewed and approved a proposal for a detailed vendor and product evaluation conducted by MSI and RIO staff (Phase 2).

MSI offered the best qualified vendors the opportunity to visit RIO to examine TFFR business processes and demonstrate their pension software. Vendors selected were C-PAS, LRS/PensionGold, Peoplesoft/Maximus, and Covansys.

The vendors demonstrated their software in an interactive, question-and-answer setting. Staff members from ITD, OMB, and PERS were invited to participate. The vendors also interviewed RIO staff members to build an understanding of existing business processes. Finally, the vendors met with state ITD to discuss issues such as (1) compliance of vendor software with ITD architectural direction, programming methodology, and internet accessibility; (2) hardware and software requirements; (3) security; (4) conversion of current data.

To ensure that RIO's selection process would comply with the state procurement guidelines for IT purchases, MSI Consultants and RIO staff had a series of discussions with state ITD and Procurement Office personnel.

January - April 2003

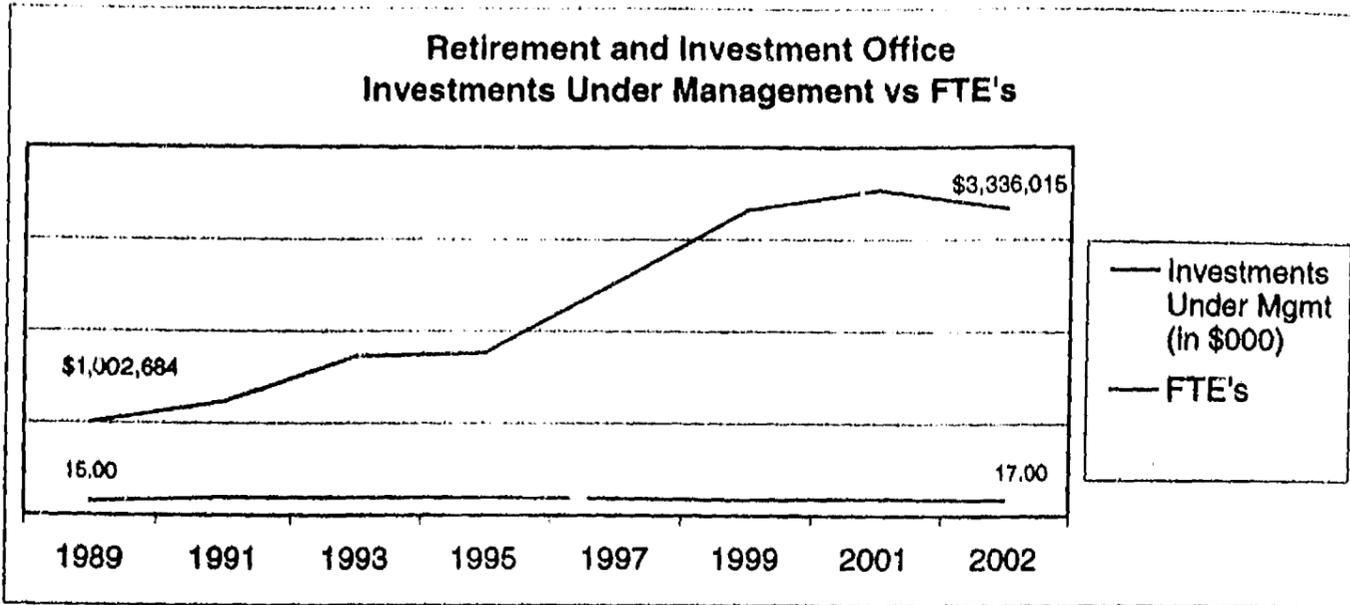
Two vendors are returning to RIO to complete demonstration of employer reporting components and specific pension software solutions.

MSI consultants will present their analysis to the TFFR Board outlining the functionality of the various pension products.

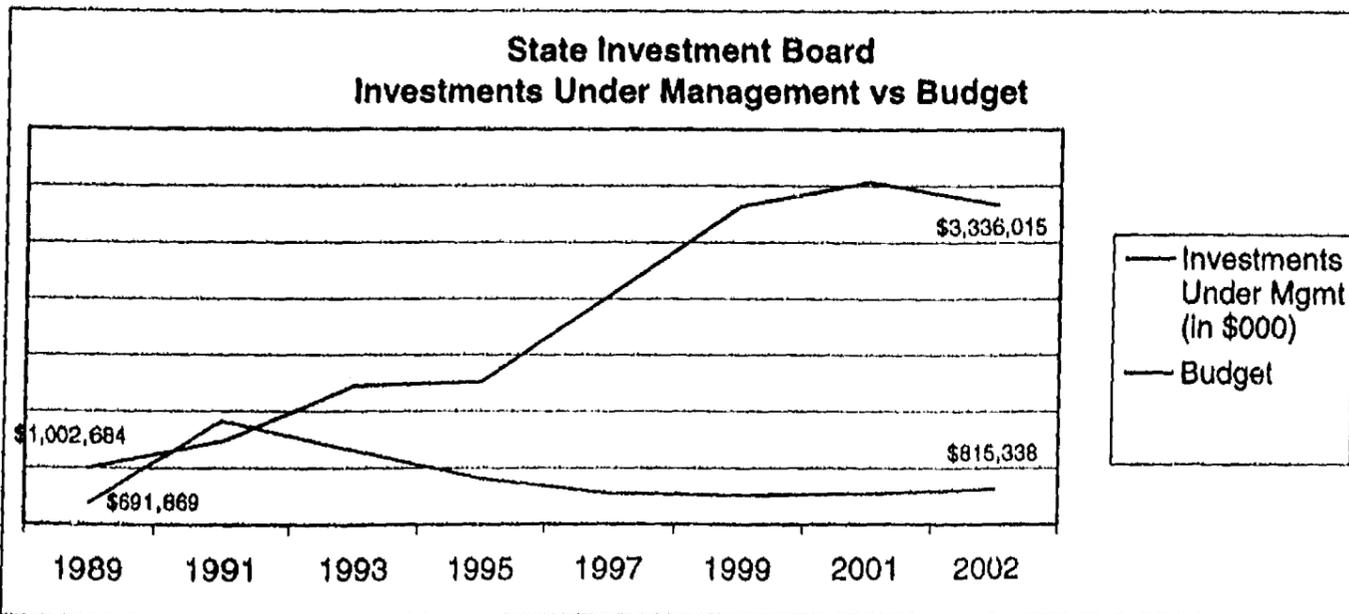
Awaiting legislative action on RIO optional budget which contains authority to spend up to \$2 million to replace existing pension administration system.

CURRENT OPERATING EFFICIENCIES

The Legislature allowed for an additional FTE during the 2001-2003 session to assist in the area of accounting for the State Investment Board. Since that time, an FTE serving on the administrative staff has resigned to pursue employment opportunities. Following an internal analysis of job functions and work process procedures, RIO opted not to fill this vacant position. Total FTE's requested has declined from 18 to 17 with the submission of this biennial budget.



1989-1991 Biennium	\$ 66,846,000 Investment Dollars per FTE
2003-2005 Requested	\$196,236,000 Investment Dollars per FTE

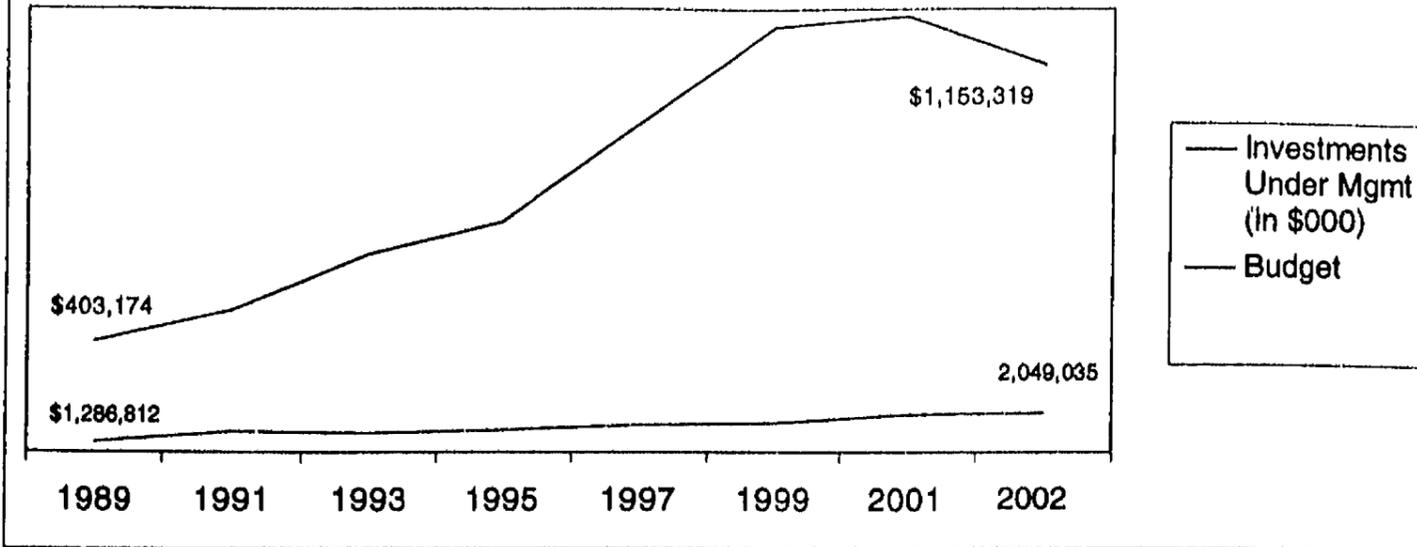


1989-1991 Biennium	\$1449 Investment Dollars per Budget Dollar
2003-2005 Requested	\$4092 Investment Dollars per Budget Dollar

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Zacosta Rickford
Operator's Signature 10/15/03
Date

**ND Teachers' Fund for Retirement
Investments Under Management vs Budget**



1989-1991 Biennium	\$313 Investment Dollars per Budget Dollar
2003-2005 Requested Base	\$563 Investment Dollars per Budget Dollar
2003-2005 Requested Base + Optional	\$285 Investment Dollars per Budget Dollar

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Lacosta Rickford
Operator's Signature

10/15/03
Date

SUPPLEMENTAL INFORMATION



Retirement and Investment Office

North Dakota Teachers' Fund for Retirement ND State Investment Board

CHAPTER 54-52.5 STATE RETIREMENT AND INVESTMENT OFFICE

54-52.5-01. North Dakota state retirement and investment office. The state retirement and investment office is created to coordinate the activities of the state investment board and teachers' fund for retirement.

54-52.5-02. Governing authority. The state investment board shall govern the state retirement and investment office. The state investment board is responsible for overseeing and operating the agency and may do all things necessary to coordinate the activities of the state investment board and the teachers' fund for retirement. The board of trustees of the teachers' fund for retirement and the state investment board shall maintain their legal identities and authority as otherwise provided by law.

54-52.5-03. State retirement and investment fund - Cost of operation of agency. A special fund known as the "state retirement and investment fund" is established for the purpose of defraying administrative expenses of the state retirement and investment office. The actual amount of administrative expenses incurred by the state retirement and investment office must be paid from the respective funds listed under section 21-10-06 and are hereby appropriated to the state retirement and investment fund in proportion to the services rendered for each fund as estimated by the state investment board. The amount necessary to pay all administrative expenses of the state retirement and investment office must be paid from the state retirement and investment fund in accordance with the agency's appropriation authority. Any interest income earned on the state retirement and investment fund must be credited to the fund.

RETIREMENT AND INVESTMENT OFFICE MISSION STATEMENT

The North Dakota Retirement and Investment Office (RIO) exists in order that:

- SIB clients receive cost-effective investment services directed at meeting their written financial goals under the Prudent Investor Rule.
- SIB clients receive investment returns consistent with their written investment policies and market variables.
- Potential SIB clients have access to information regarding the investment services provided by the SIB.
- TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner.
- TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.
- SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.

Jacosta Rickford
Operator's Signature

10/15/03
Date

Who is the
State Investment Board?



Ex Officio Members

Lt. Governor Dalrymple
Kathi Gilmore
Jim Poolman
Brent Edison
Gary Preszler



TFFR Board

Dr. Mark Sanford
Paul Lofthus
Norm Stuhlmiller



PERS Board

Howard Sage
Weldee Baetsch
David Gunkel

11 Members

State Investment Board

As of June 30, 2002

- ★ \$3.34 bb in total assets
- ★ 20 accounts including PERS, TFFR, WCF
- ★ \$2.3bb Pension Trust
- ★ \$985 mm Insurance Trust
- ★ 11 asset classes
- ★ 25 external investment managers

STATE INVESTMENT BOARD MEETINGS

Regularly scheduled SIB meetings are held eleven times per year (monthly except December).

The SIB has one standing committee, the Audit Committee, which meets quarterly (August, November, February, and May).

Statutory Authority of the State Investment Board

North Dakota Century Code 21-10-06

Relates to the Responsibilities and Function of the State Investment Board

North Dakota Century Code 21-10-06. Funds under management of board - Accounts. The board is charged with the investment of the following funds:

1. State bonding fund.
2. Teachers' fund for retirement.
3. State fire and tornado fund.
4. Workers' compensation fund.
5. National guard tuition trust fund.
6. Public employees retirement system.
7. Insurance regulatory trust fund.
8. State risk management fund.
9. Veterans' cemetery trust fund
10. Health care trust fund

Separate accounting must be maintained for each of the above funds. When it is deemed advantageous the moneys of the individual funds may be commingled for investment purposes.

The state investment board may provide investment services to, and, manage the money of, any agency, institution, or political subdivision of the state, subject to agreement with the industrial commission. The scope of services to be provided by the state investment board to the agency, institution, or political subdivision must be specified in a written contract. The state investment board is authorized to charge a fee for providing investment services and any revenue collected must be deposited in the state retirement and investment fund.

Ten contracted funds:

1. City of Bismarck employees pension plan
2. City of Bismarck police pension plan
3. Job Service North Dakota pension plan
4. PERS retiree health fund
5. Veterans post war trust fund
6. ND association of counties fund
7. ND association of counties program savings fund
8. City of Bismarck deferred sick leave fund
9. PERS group insurance fund
10. Fargodome permanent fund

Running the Machine



**Custodian Bank
The Northern Trust**

- Safe-keep assets
- Settle trades
- Record-keeper
- Securities Lending



RIO Staff

Investment Program (4.65 FTE's)

- **MANAGER OF MANAGERS**
- Devise and administer overall investment strategy
- Maximize risk/return opportunities within each asset class
- Liaison between SIB and Managers, Consultant and Custodian
- Monitor individual funds' investment guidelines and asset allocations
- Maintain separate accounting for 21 individual funds



**Investment Consultant
Callan Associates**

- Performance measurement
- Manager searches
- Provide education
- Special projects



**Investment Managers
25 managers**

- Implement specific mandates or "investment missions"
- Make buy/sell decisions based on investment guidelines
- Report to RIO staff on a regular basis
- Provide education

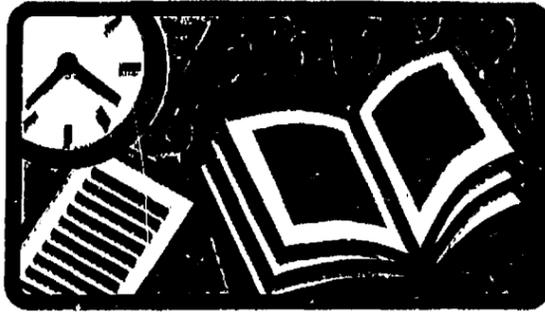
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Lacosta Rickford
Operator's Signature

10/15/03
Date

INVESTMENT ADMINISTRATION

The staff of RIO deals directly with the 21 SIB client funds. This includes daily correspondence regarding funds transfers, monthly reporting of financial and investment information and annual reviews of investment guidelines and performance.



On a monthly basis, the Fiscal Management staff at RIO reviews the activities of 46 individual manager accounts from the custodian bank's reporting system. This information is then allocated to all of the participating funds and financial statements are created. In addition to this, each month the asset allocation of each fund is monitored to ensure that each fund is within a target range of its policy allocation.

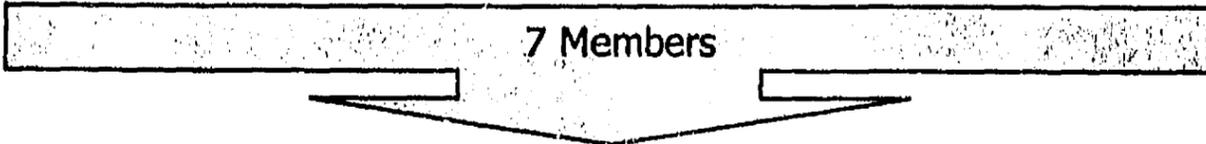


Ex Officio Members

Wayne Sanstead
Kathi Gilmore

Governor Appointed

Dr. Mark Sanford (represents administrators)
Paul Lofthus & Barb EVANSON (represent active teachers)
Norm Stuhlmiller & Clarence Cornell (represent retired teachers)



Teachers' Fund for Retirement

As of June 30, 2002

- ★ \$1.165 billion in investment assets
- ★ 11,379 active/inactive members
- ★ 5,054 retired members/beneficiaries
- ★ \$1,152 average monthly benefit
- ★ \$5.6 million in benefits paid monthly

WHAT IS TFFR?

TFFR Mission Statement

The mission of TFFR, a trust fund, is to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available.

TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code (IRC). In simpler terms, TFFR is a tax-exempt pension plan where benefits are defined by state law.

TFFR Goals

- To provide a replacement income equal to 60 percent of the final average salary of a career employee who has 30 or more years of credited service.
- To provide ad hoc biennial benefit increases and 2% annual benefit increases for retired members and beneficiaries to provide income protection and assist retirees in accessing affordable health insurance.
- To continue providing statewide pre-retirement planning services and benefits counseling to members.

North Dakota Century Code (NDCC) Chapter 15-39.1 and Title 82 of the North Dakota Administrative Code (NDAC) contain the actual language governing the Fund.

The TFFR plan is funded on an actuarial reserve basis. That is, money is invested for future retirement benefits while members are actively teaching. Benefit funding comes from three sources:

- Member assessments
- Employer contributions
- Investment earnings

The plan must remain in actuarial balance which guarantees availability of funds to pay benefits as prescribed by law.

TFFR serves nearly 10,000 active teachers from 274 employer groups and pays benefits to more than 5,000 retirees and beneficiaries.

TFFR BOARD OF TRUSTEES

The TFFR Board of Trustees is responsible for administering the TFFR retirement program. The Board has the authority to establish investment policy; arrange for actuarial and medical consultants; pay benefits and consultant fees, submit proposed legislative changes; and determine appropriate levels of service to TFFR members. The TFFR program is administered by the Retirement and Investment Office (RIO).

Regularly Scheduled TFFR Board meetings are held six times per year (July, September, November, January, March, and May). Special meetings are held as needed.

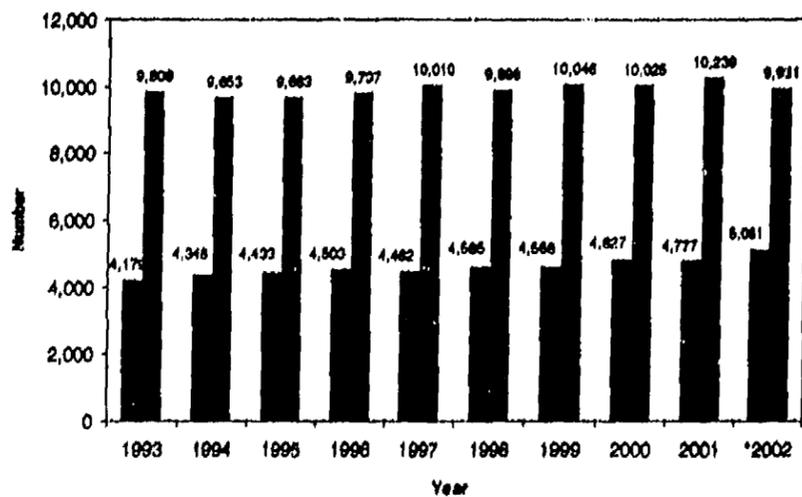
The TFFR Board works with many teacher and employer interest groups in formulating legislation and administrative rules. These interest groups include:

- North Dakota Education Association (NDEA and NDEA Retired)
- North Dakota Retired Teachers Association (NDRTA)
- North Dakota Council of Educational Leaders (NDCEL)
- North Dakota School Boards Association (NDSBA)

Program Statistics

- Distributed annuities to 5,061 retired members in June 2002.
- Average monthly benefit was \$1,152.
- \$67.5 million paid in pension benefits during year.
- 91% of payments deposited via electronic funds transfer.
- 82% of payments sent to ND addresses.

Active Members vs. Retired Members



* Preliminary 2002 data

■ Retired Members ■ Active Members

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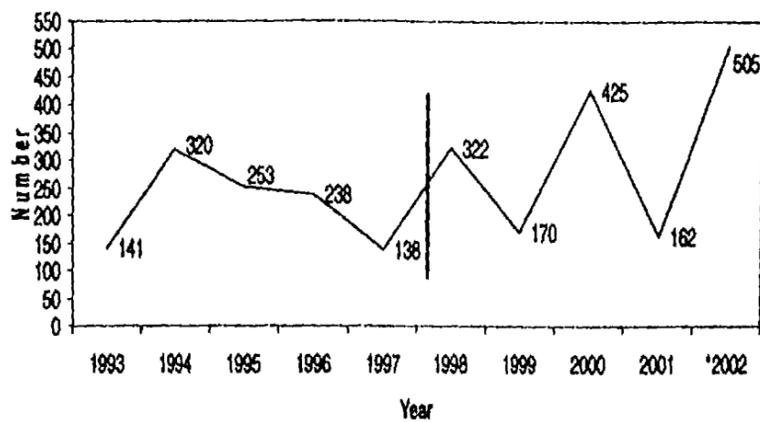
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La Costa Rickford

10/15/03

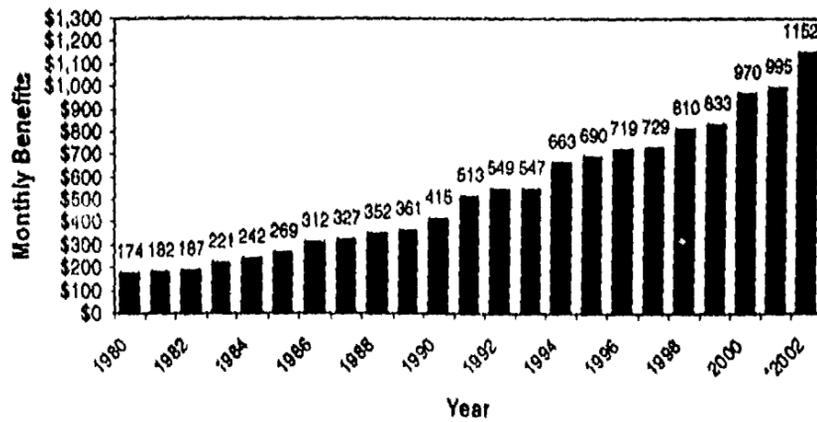
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New Retirees and Beneficiaries



* Preliminary 2002 data

Summary of Increases in Average Monthly TFFR Retirement Benefits



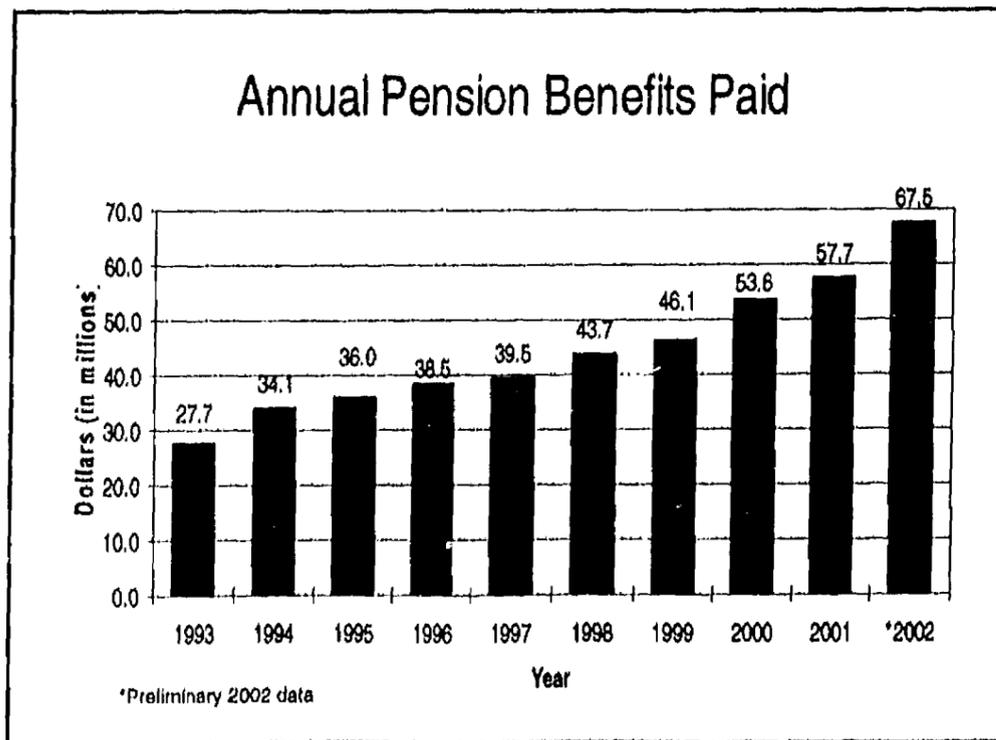
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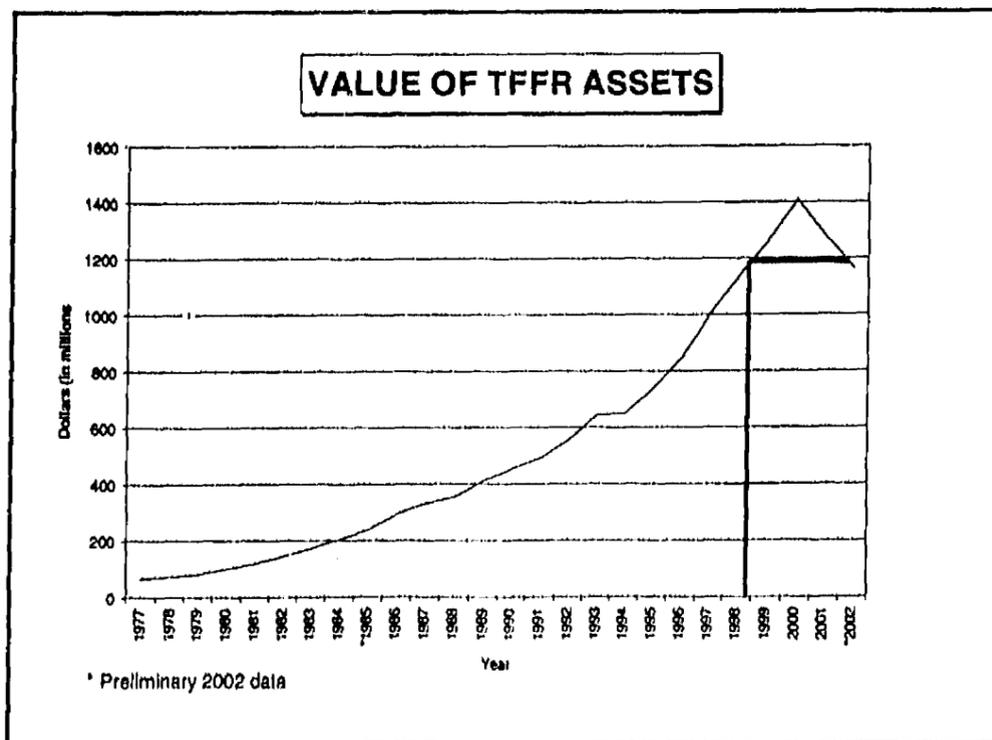
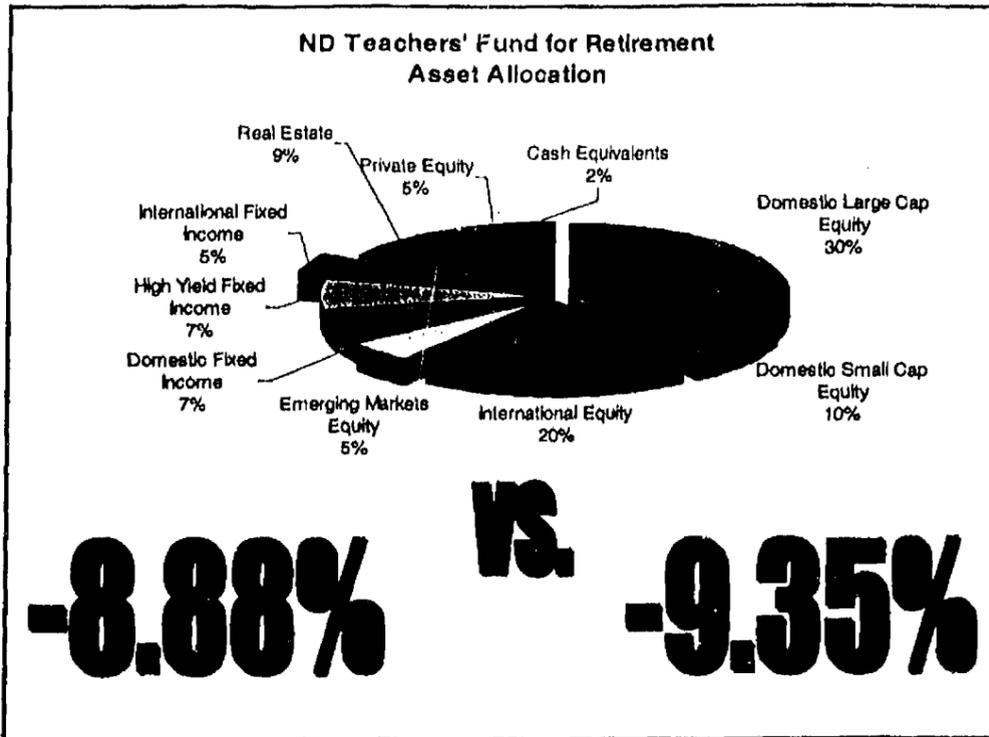
Year	Plan Improvements	Benefit Formula Increase	Retired Member Increase	And Avg Increase	% Avg Increase	Avg Mo Benefit
1979	New benefit formula using multiplier, years of service and final average salary (high 5 of last 10 years) Normal retirement @ 55 w/10 yr or age 60 w/25 yrs service Employee and employer contribution rate increased from 0% to 2.25% each	Established multiplier of 1.0% FAS X 1.0% X years of service	NO INCREASE	-	-	1979 - \$165 1979 - \$171
1981	Early retirement age reduced to age 55 Eligibility for disability benefits reduced from 15 to 10 years	NO CHANGE	NO INCREASE	-	-	1980 - \$174 1981 - \$182
1983	"Rule of 80" (Age + service = 80) approved Employer payment of member contributions allowed School day for TFR purposes set at 8 duty hours FAS changed to high 5 years of career	Multiplier increased to 1.05% FAS X 1.05% X years of service	15% increase in current benefit to all retirees (Maximum of \$45/month)	\$29.76	18.02%	1982 - \$187 1983 - \$221
1986	Partial retirement possible at age 52 Dual membership for vesting of benefits for members under TFR, FEPC, and Highway Patrol Retirement System	Multiplier increased to 1.15% FAS X 1.15% X years of service	1% increase in benefits for every year since member's retirement (Maximum of 10% of \$45)	\$17.80	7.30%	1984 - \$242 1985 - \$286
1987	Eligibility for disability benefits changed to one year of service and final 50% benefit improved Vesting for retirement benefits reduced from 10 to 5 years	Multiplier increased to 1.25% FAS X 1.25% X years of service	\$1.50/mo increase for every year since member's retirement. Members receiving benefits under 1987 & 1988 formulas rec'd \$15/mo bonus (Max \$72/mo)	\$27.36	8.1%	1986 - \$212 1987 - \$287
1988	"Prop-Up" is single life annuity for joint & survivor options Level income with fixed liability approved "Rule of 80" replaced the "Rule of 85" Employer and employee contributions increased to 8.75%	Multiplier increased to 1.275% FAS X 1.275% X years of service	Increase equal to 8.08 X years of service X number of years since member's retirement	\$18.30	5.2%	1988 - \$283 1989 - \$281
1991	Provision for military service credit under Veterans' Readjustment Benefits Act (VRBA) added	Multiplier increased to 1.30% FAS X 1.30% X years of service	10% of current benefit OR leading benefit increase based on retirement date and years of service (Maximum of \$75/mo)	\$61.34	14.60%	1990 - \$418 1991 - \$412
1993	Disability retirement formula changed to coincide with retirement formula	Multiplier increased to 1.35% FAS X 1.35% X years of service	10% of current benefit OR leading benefit increase based on retirement date & yrs of service (Maximum of \$100/month)	\$75.00	18.00%	1990 - \$646 1993 - \$647
1995	Allow members to rollover refunds from TFR to IRA or qualified plan	NO CHANGE	NO INCREASE	-	-	1994 - \$663 1995 - \$666
1997	Employer and employee contributions increased to 7.75% Allow members to purchase service credit Expand TFR Board to 7 members	Multiplier increased to 1.75% FAS X 1.75% X years of service	\$20 month increase	\$50.00	4.1%	1996 - \$719 1997 - \$726
1999	Vesting and eligibility for benefits reduced from 5 to 3 years Early retirement reduction changed from age 55 to earlier of age 55 or Rule of 80 Purchase of service credit provisions modified, all time and base of retirement added Member's spouse required to be beneficiary and optional beneficiary in choice of benefit type	Multiplier increased to 1.85% FAS X 1.85% X years of service	Increase equal to \$2 month X member's years of service credit + \$1 month X number of years since member's retirement	\$76.00	6.2%	1998 - \$610 1999 - \$632
2001	Modified rollover employment provisions by adding provisions for other savings plans and additional contribution elections, and improved calculation of retiree benefits also referring to work	Multiplier increased to 2.00% FAS X 2.00% X years of service	Increase equal to \$2 month X member's years of service + \$1 month X number of years since member's retirement plus 0.75% annual adjustment for 1-1-01 and 1-1-02	\$78.00	7.2%	2000 - \$676 2001 - \$686 2002 - \$1182



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Salvatore Rickford
Operator's Signature

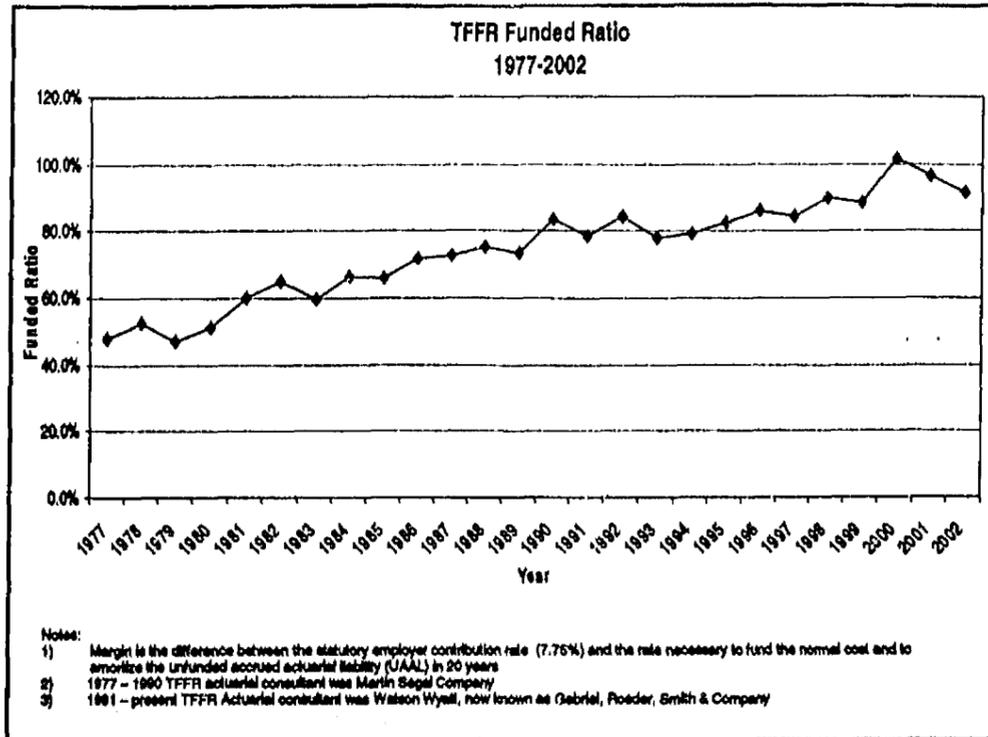
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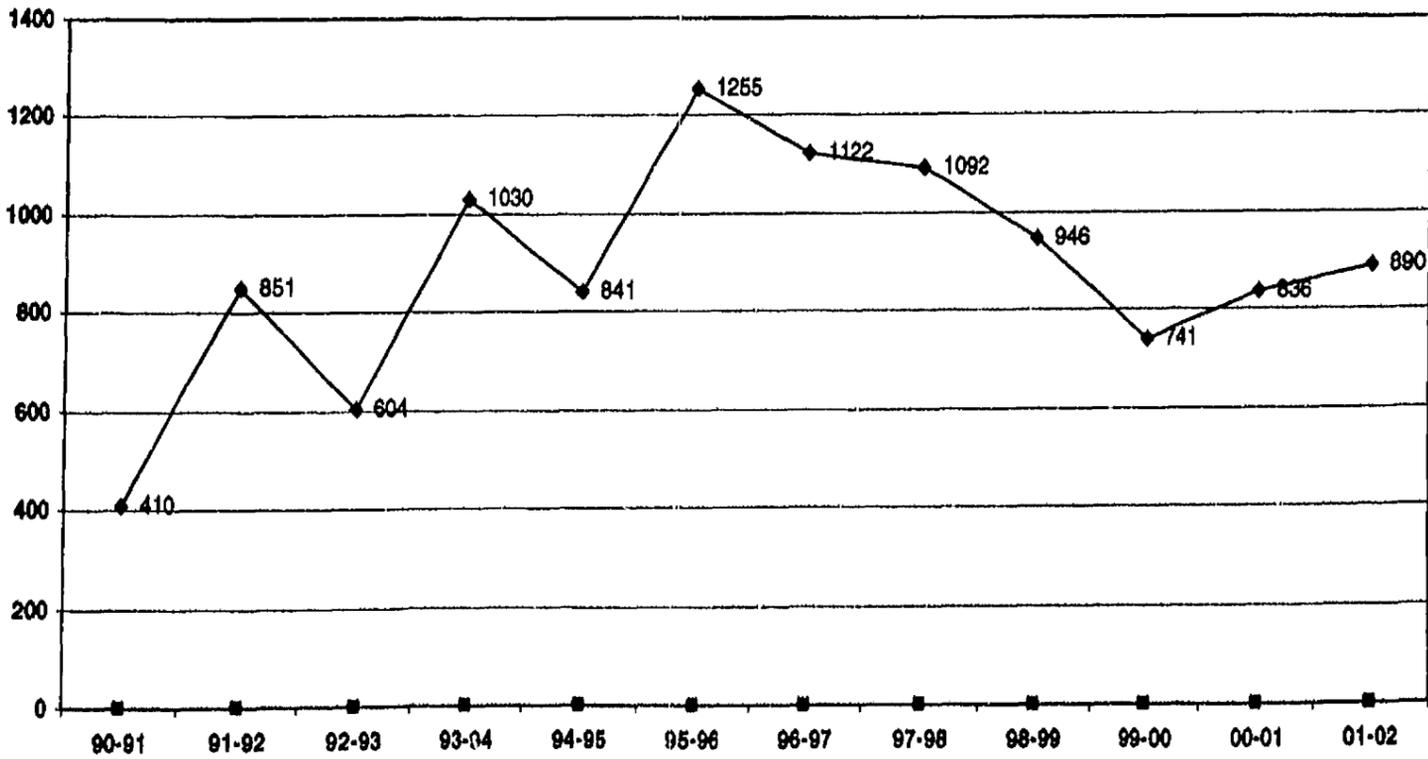
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SCHEDULE OF BENEFIT EXPENSES BY TYPE

Year	Annuity Payments			Refunds *			Total Benefit Expenses	
	Service Retirements	Disability Retirements	Beneficiaries	Total Annuity Payments	Separation	Death		Total Refunds
1993	\$ 25,591,231	\$ 161,161	\$ 1,957,839	\$ 27,710,231			\$ 2,614,160	\$ 30,324,391
1994	31,544,019	177,974	2,371,082	34,093,075			2,293,299	36,386,374
1995	33,339,811	208,957	2,452,949	36,001,717			2,186,791	38,188,508
1996	35,638,025	296,857	2,611,216	38,546,098			2,844,413	41,390,511
1997	36,436,197	328,214	2,758,524	39,522,935	\$ 2,581,545	\$ 9,221	2,590,766	42,113,701
1998	40,428,510	427,861	2,850,121	43,706,492	2,581,489	90,444	2,671,933	46,378,425
1999	42,529,225	487,987	3,103,105	46,120,317	2,877,178	245	2,877,423	48,997,740
2000	49,624,550	559,211	3,399,510	53,583,271	2,605,340	182,679	2,788,019	56,371,290
2001	52,946,453	781,619	4,012,842	57,740,914	2,820,222	307,619	3,127,841	60,868,755
2002	62,037,432	841,690	4,603,360	67,482,482	2,522,300	221,108	2,743,408	70,225,890

* Detail not available for refunds for 1993-1996.

Active Members Participating in Outreach Programs



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TESTIMONY
OF
SPARB COLLINS
ON ENGROSSED SENATE BILL 2024

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 North Dakota Public Employees Retirement System. Our name is not fully reflective of our responsibilities. While PERS does administer a Retirement Program, that is five Defined Benefit Plans and two Defined Contribution Plans, we also administer other types of employee benefit programs. These include the Retiree Health Insurance Credit Program, the Group Health Insurance Plan, the Group Life Insurance Plan, the FlexComp Program, a Dental Plan, a Long-Term Care Program, a Vision Plan and an Employee Assistance Program. In addition we administer on an "administrative service only" basis the Job Service Retirement Plan and the 27-17 Judges Plan.

In fact one of the biggest challenges PERS has faced is the growth in program responsibilities. The following table chronologically shows the additional responsibilities assigned to the agency.

With exception of follow my pages same testimony given to House as to Senate

Page 1 of 13

Consequently, while our administrative budget has grown over the years the expansion in program responsibilities and membership has allowed us to maintain a fairly even level of effort or cost per member as shown in the above table. Another measure is how we compare to others in the retirement area; the following is how we compare:

PERS	.54 Staff/ 1000 members
PPCC	2.35 Staff/ 1000 members (.66 for small plans)

However our true cost to the state is not in our appropriated budget, since it is funded out of our programs, but rather is in the total cost of those programs. Our two major programs are retirement and health.

In the retirement area PERS has never increased the cost of that program to our participating employers since inception. Today our required employer contribution is 4.12% and employee contribution is 4%. An additional 1% goes to the retiree health program. As we compare to other public plans we find that according to the Public Pension Coordinating Council the average employer contribution is 10.6% and the average employee contribution is 5.4%. Our employer contribution is less than half the average. Concerning the benefit provided that same survey indicates the average multiplier is 2.11 for public plans and for general systems such as PERS it is 1.85. Our multiplier is 2. Thus our cost is lower than average and our benefit is on par with others. In addition to our low cost PERS now pays out more in benefits and refunds in North Dakota than we collect in contributions. In addition we project that our retirees pay over 1.5 million a year in taxes (sales and income) to the state. Also PERS, together with TFFR is one of the largest investors in economic development in North Dakota.

Page 5 of 13

Together with TFFR and other funds we have committed over 100 million to North Dakota economic development projects. Consequently, not only does PERS have a low contribution rate but also we provide a positive economic effect in North Dakota.

Relating to the health plan we have not increased our administrative charges to the plan in over 6 years and in fact the rate is lower now than in the early 90's. We are again not increasing it for the next biennium. Concerning the total premium we note a central personnel survey that finds our plan costs to be among the lowest in the region. We are also returning 6 million in premiums to our participating employers and retirees this next biennium by reducing the required premium by an average of \$10 per contract per month. This is about a 10% reduction in the premium amount. Therefore we have been able to maintain a stable administrative fee for our plans, a competitive plan design and we have been able to conserve our resources where possible to provide a return of premiums to our participating employers.

While we have been able to achieve our objective of providing sound benefits at a low cost to our participating employers we have also been concerned with meeting the needs of our members. The following information is taken from our biennial survey of our members and shows that are members are using our services more which we feel is very positive:

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Operator's Signature

10/15/03
Date

Not funded in the executive budget was our initiatives relating to technology and member services. Concerning member services challenge we had requested:

MEMBER SERVICES

- | | |
|---|---|
| <ul style="list-style-type: none">■ REQUEST<ul style="list-style-type: none">■ MEMBER COMMUNICATIONS (newsletter & travel)
■ REQUEST<ul style="list-style-type: none">■ VIDEO CONFERENCING | <ul style="list-style-type: none">■ REASON<ul style="list-style-type: none">■ COMMUNICATION & EDUCATION■ RISK MANAGEMENT■ NATIONAL EXPECTATIONS
■ REASON<ul style="list-style-type: none">■ ENROLLMENT & OUTREACH PROGRAMS■ REDUCE CONSULTANT TRIPS |
|---|---|

We think that by applying more technology to the way we do things, with increasing the use of email instead of mail and maybe web casting instead of travel we may be able to continue these functions even without the budget increase. Concerning video conferencing we have worked out an arrangement to use the BCBS system for the next several years and this will help to offset this effort. In fact we have been using it for our board meetings with the result that our consultants have not had to travel to us and our board chair has not had to travel from Fargo. We see this technology as only growing in use and application in the future with important implications for us.

Lastly, was our proposal relating to our **technology challenge**. This was not funded in the executive budget. Specifically this request included the following:

TECHNOLOGY

- | | |
|---|--|
| <ul style="list-style-type: none">■ REQUEST<ul style="list-style-type: none">■ EXPAND ELECTRONIC DOCUMENT MGMT. SYSTEM■ INCREASE FTE TO FULL TIME | <ul style="list-style-type: none">■ REASON<ul style="list-style-type: none">■ WORKFLOW & ELECTRONIC FORMS■ TO ACCOMPLISH TECHNOLOGY PROJECTS |
|---|--|

LaCosta Rickford
Operator's Signature

10/15/03
Date

The cost of this request was \$76,284 which included \$37,184 is salaries and \$39,100 operating. As mentioned earlier we believe that investments in technology will help us to become more efficient, accurate and allow us to do more in the future. It is only through the investment in technology to date that has allowed us to do what we are doing today.

Mr. Chairman and members of the committee I would again like to thank you for your past support. All of what we have been able to do would not have been done without that support. We would appreciate your positive consideration of the Governor's and Senate's recommendation and if you could the technology initiative as well. Again our thanks and thank you for providing us this opportunity to appear before you today.

Page 13 of 13

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ND RETIREMENT AND INVESTMENT OFFICE

TESTIMONY ON
SB 2024

March 4, 2003

STEVE COCHRANE, EXECUTIVE DIRECTOR/CIO

*with exception of 10/15/03 pages
Same testimony given
to House as to Senate*

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Regularly Scheduled TFFR Board meetings are held six times per year (July, September, November, January, March, and May).

Special meetings are held as needed.

The TFFR Board has one standing committee, the Benefits Services Committee, which meets quarterly as needed.

The TFFR Board works with many teacher interest groups in formulating legislation and administrative rules. These interest groups include:

- North Dakota Education Association (NDEA)
- North Dakota Retired Teachers Association (NDRTA)
- North Dakota Council of Educational Leaders (NDCEL)
- North Dakota School Boards Association (NDSBA)

TFFR ADMINISTRATION

TFFR ENDS

ANNUAL REVIEW YEAR ENDED JUNE 30, 2002

The information provided below indicates that the TFFR ends policies formally adopted by the TFFR Board and accepted by the SIB are being implemented.

ENDS POLICY: MEMBERSHIP DATA AND CONTRIBUTIONS

ENDS: *Ensure the security and accuracy of the members' permanent records and the collection of assessments and contributions from every governmental body employing a teacher.*

- **Member and Employer Information**

Continued monitoring mainframe and image computer systems for proper safeguarding of TFFR member and employer database and document files. Modified computer programs and procedures as needed.

- **Collections and Payments**

Collected member and employer contributions totaling \$54 million from 274 employers and \$1.9 million from members for the purchase of service credit.

Paid out \$67.5 million in pension benefits and \$2.7 million in refund payments totaling \$70.2 million for the year.

About 55% of employers electronically report contributions to TFFR. This comprises about 86% of the active membership.

Internet reporting was also made available in 2001-02. As of June 30, 2002, 36 employers are reporting via the internet, 22 are in the testing phase and 20 more are on a waiting list.

Assessed one employer with late reporting penalties.

- **Employer Communications**

Met with school board members, business managers, and software vendors at 2001 School Boards and School Business Managers Association Annual Conference. Also presented seminar for new business managers on the TFFR Employer Guide.

Made four presentations to school district business managers at regional workshops on TFFR reporting requirements and proposed 2003 legislation.

Conducted a return to teach survey with employers to determine if all retirees who returned to covered employment have notified TFFR. A large percent of employers responded, therefore making our return to teach data more reliable.

Internet reporting instructions were created and provided to employers.

- **Other**

The Retirement and Investment Office has nearly completed a comprehensive disaster recovery plan. This plan is intended to protect resources and employees, safeguard RIO's vital records, and guarantee the continuation of essential services.

ENDS POLICY: INVESTMENTS

ENDS: *See Investment Ends Report.*

ENDS POLICY: MEMBER SERVICES

ENDS: *Provide direct services and public information to members of TFFR.*

- **Outreach Program Statistics**

1,012 members attended outreach programs (plus member convention participants)
Member Services staff traveled 8,044 miles
Member satisfaction of the outreach programs continues to be high.

- **Pre-Retirement Seminars**

147 members attended
4 locations – Williston, Minot, Fargo, Grand Forks
Ninth year of program; began in 1993-94

- **Benefits Counseling Sessions**

Statewide - 256 members
18 locations – Grand Forks, Williston, Tioga, Oakes, Fargo, Bismarck, Minot,
Jamestown, Langdon, Elgin, Park River, Rolette, West Fargo, Dickinson,
Bowman, Linton, Washburn, Steele
Twelfth year of program; began in 1990-91

Local Office – 281 members

- **Group Presentations**

328 members attended

Barnes County Inservice
Jamestown Inservice
DPI Education Conference
Invest ND
NDRTA Convention

- **Conferences and Conventions**

ND Vocational Education Convention - Bismarck
ND Retired Teachers Convention – Fargo
NDEA Instructional Conference – Bismarck
NDCEL Annual Conference – Bismarck
NDEA Representative Assembly – Bismarck
Elementary Principals Conference – Bismarck
Math Teachers Conference – Fargo
Special Education Conference – Bismarck

Member/Employer Communications

Updated Administrative Rules
Added TFFR retirement benefit calculator to website

Published new layout for website
 Updated ND state tax withholding election and form
 Updated refund application and tax information with EGTRRA changes
 Updated TFFR presentation to include employer models, QDRO, and website information
 Updated employer guide
 Created detailed retirement profile for employers
 Completed retiree benefits study and shared information with membership

• **Member Statements**

Mailed annual benefits statements to 9,997 active and 1,297 inactive members
 Mailed annual statements to 5,061 retired members

ENDS POLICY: ACCOUNT CLAIMS

ENDS: *Ensure the payment of claims to members of TFFR.*

• **Annuity Payments**

Distributed annuities to 5,061 retired members and beneficiaries as of June 30, 2002. For the year, pension benefits totaled \$67.5 million. Of the total, about 91% of the payments were deposited via electronic funds transfer.

• **Payroll Deductions**

NEA retired dues	9 members	(>1%)
NDRTA annual dues	1,699 members	(34%)
Federal tax withholding	2,811 members	(56%)
ND state tax withholding	2,223 members	(44%)
PERS health insurance	609 members	(12%)
PERS dental insurance	367 members	(8%)
PERS life insurance	90 members	(2%)

• **Refund Payments**

Distributed refund and rollover payments of \$2.7 million to 332 participants during the fiscal year. Approximately 37% of the refunding members rolled over their refund payment to an IRA or another qualified plan.

• **Processed Claims for Benefits**

Refunds	208
Rollovers	124
Retirements	456
Disabilities	10
Survivor annuitants	8
Continuing annuitants	30

- **Member Account Activity**

New members	615
Deaths	224
Pop ups	16
Purchase requests	316

- **Mainframe Program Changes**

Completed IT study of mainframe system
Programmed ND state tax withholding change
Added benefit increase calculation to estimated retirement program
Updated installment purchase program to allow multiple purchases of the same type
Programmed to allow printing of enrollment forms directly from mainframe

ENDS POLICY: TRUST FUND EVALUATION/MONITORING

ENDS: *Ensure actuarial consulting and accounting services are provided to the retirement program. The TFFR Board of Trustees will select the independent actuary for consulting and actuarial purposes and direct a contract to be executed.*

- **Actuarial Services**

Gabriel, Roeder, Smith and Company (GRS) completed the annual actuarial valuation for July 1, 2001 and delivered it to the TFFR Board in November 2001. The report indicated that TFFR had a 3.76% margin. The unfunded actuarial accrued liability (UAAL) increased from (\$20.6 million) to 53 million, and the funding period increased 0 years to 3.2 years. The funded ratio decreased from 101.6% to 96.4%. The report stated that TFFR remains in a strong actuarial position.

The annual actuarial valuation has not yet been completed for July 1, 2002. The 2002 report will be delivered to the TFFR Board by GRS on November 21, 2002.

- **External Audit**

An unqualified opinion was issued by independent auditors, Brady Martz, regarding RIO's financial statements for the year ending June 30, 2001. The annual external audit has not yet been completed for June 30, 2002. Brady Martz will present the report to the SIB Audit Committee in November 2002.

According to the preliminary financial statements for the year ending June 30, 2002, members and employers paid \$54 million to fund the plan; investments lost \$110 million for the year. Total benefits paid to members were \$70.2 million --\$67.5 million in monthly annuity benefits and \$2.7 million in refunds; administrative expenses were \$1.1 million. As a result, TFFR net assets decreased by \$125.3 million during the year to \$1.2 billion.

- **Internal Audit**

The Internal Audit Unit conducted 35 school district audits of which 23 were completed by June 30, 2002. The Internal Audit Unit uses ACL software to assist in detecting inconsistencies and exceptions in the member records. They conducted audits of benefit payments, membership account data, and changes to the member records.

The results of these audits indicate that member and employer contributions paid to TFFR and benefits paid to participants and beneficiaries are generally in accordance with TFFR Board policy, state law, state administrative code, and applicable federal laws and regulations. No significant deficiencies were noted for this fiscal year.

- **Other**

Received Certificate of Achievement in Financial Reporting from GFOA for June 30, 2001 Annual Financial Report.