

2013 HOUSE APPROPRIATIONS

HB 1022

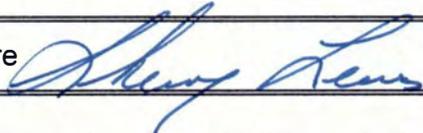
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1022
January 16, 2013
Recorder Job# 17281

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill for an ACT to provide an appropriation for defraying the expenses of various state retirement and investment agencies; and to provide various transfers.

Minutes:

Chairman Thoreson: Opened the hearing on HB1022.

Sparb Collins, Executive Director, ND Public Employees Retirement System: See testimony attachment 1.

5:31

Chairman Thoreson: Who has the law enforcement plan been expanded too; which state employees were added to that?

Sparb Collins: It was the members of BCI in the Attorney General's office.

08:15

Chairman Thoreson: How've we been able to do that when other funds in other places haven't done as well?

Sparb Collins: It's a straight account look at it. You'll hear from us soon on our recovery plan for the retirement system.

11:13

Chairman Thoreson: What is that subsidiary?

Sparb Collins: They call it EERP Program and it was part of the bill. It provided that an employer could apply to the federal government to receive a subsidy if they continue to maintain their pre-Medicare retiree plan for the first couple of years.

Chairman Thoreson: Does that have to be reapplied for in the future?

Sparb Collins: It's one time; it's expired. That money will be used as part of the buy down this next biennium. It will reduce the premiums from a 12.9% increase to about a 10% increase.

Representative Glassheim: In the required plan design changes that were required by federal law, has that been extensive? Can you put a dollar figure to what it cost? What kind of things need to be done to change the design?

Sparb Collins: Referenced testimony.

Representative Guggisberg: So if we were to add birth control or preventative measures to the plan, we would lose the grandfathered status?

Sparb Collins: If you lose your grandfathered status, you have to have those benefits as part of your base benefit. You can lose your grandfathered status if you make plan design changes that go beyond certain corridors. So, if you increase your deductible by more than a certain amount, you can lose your grandfathered status; and we have to add those other benefits.

Representative Sanford: If you did enhance and then you reduce, would you lose the grandfathered status?

Sparb Collins: If you enhanced it, you would still have the same basic limitations in a grandfathered status in these corridors as to how much you can change your deductible, co-payments, co-insurance, etc. You can make some minor changes; but, you can't go beyond a wide degree. Even if you enhance, you still have those limitations.

Chairman Thoreson: If you went back to where you were; is that what you were looking at Representative Sanford? If you reduced back to the original level on the grandfathered plan, would you still be considered grandfathered?

Sparb Collins: If you enhanced then went back?

Chairman Thoreson: If you enhanced then removed any of those at a future date.

Sparb Collins: Once you lose it, it's gone forever.

Representative Hawken: So if we added birth control pills in this year on our current plan, two years from now when we're back here, we didn't want to have birth control pills on there; so we took them off, do we lose the grandfather?

Sparb Collins: Unfortunately, I don't know the answer. I will certainly follow up.

Chairman Thoreson: If there's something you could put together in writing giving some examples of that or what the federal government requires us to do; that would be something that would be helpful for the committee.

Representative Glassheim: Could you ask that question?

Sparb Collins: Yes. I'll follow up on that.

25:31

Chairman Thoreson: Has that bill had a hearing yet?

Sparb Collins: No.

26:14

Representative Kempenich: What do you figure your membership would be by doing what you're talking about here?

Sparb Collins: There are about 2,592 people in the medical spending account. If we could increase that number back up, then we can take the \$3.9 million in total amounts up by \$1.2 million to \$1.4 million. That will generate enough savings to pay the \$190,000.00. Actually, the amounts we have right now through this program are generating enough that we will be able to pay for the amount. This program is a self-sustaining program based upon the usage of it.

Representative Kempenich: Do you have minimums?

Sparb Collins: No.

28:26

Representative Kempenich: Have you been tracking what percentage of local political subdivision that we're active in across the state.

Sparb Collins: Referenced page 3 of testimony.

Representative Kempenich: The reason I ask is that as we see this affordable care act starting; if there was going to be any more activity from other participants.

Sparb Collins: We look to the health insurance side in political subdivisions. I think we could go down in employers. There are some small employers that may find going out onto the exchanges; that they may be able to find more effective costing out there.

Sharon Schiermeister, Chief Operating Officer, ND Public Employees Retirement System: See testimony attachment 1.

34:38

Chairman Thoreson: When does the 2013 annual enrollment period begin?

Sharon Schiermeister: October 2013.

Chairman Thoreson: Will that be communicated to the active members that they can use this at that point? What's your plan to get them to use the project that's been put in place?

Sharon Schiermeister: We are currently working on our deployment plan. With our pilot we had selected 10 employer groups; representing from state agencies and political subdivisions to see how it worked. What we've learned from that is that first we need to train the employers so they understand what their employees will be doing; because they're

going to be moving to more of a paperless environment. We also need to do a communication effort with the employees as well. We plan to deploy our plan in a rolling phase to a certain number of employers at time.

Chairman Thoreson: Once that date comes hits; you're going to have a large influx of users at that time.

Sharon Schiermeister: We found that using our pilot this year for that helped us learn what worked and didn't work. We've solicited these employers to help us guide how we can roll this out to the rest of employers. It does require a lot of support and we call upon our employers to help us with their employees as well.

Chairman Thoreson: Did you use an outside vendor for this project or was it designed within the state structure with ITD?

Sharon Schiermeister: We used an outside vendor. We're hosting the application on ITD servers; so they are providing that service. We had an outside vendor who did the development and who's helping us support the system.

Representative Kempenich: You were on time and target when the benchmarks were being set?

Sharon Schiermeister: They were. We had set a number of benchmarks and we had payments tied to that as well. We had intended to deploy our member self-service at October 2010 as well; but that was a decision that PERS made as a business decision. The vendor had delivered the functionality; but, we didn't have the time to test it.

39:34

Chairman Thoreson: Anything you want to add? Does it seem to work okay?

Joe Morrisette, ND Office of Management and Budget: It worked well and was well received by the employees.

Chairman Thoreson: For those who are less inclined to use something like this, what kind of back support will still be available?

Sharon Schiermeister: As much as we want to push everyone to use this application, we realize that there are going to be limitations; and we will still maintain paper. We did with one of our pilot groups, the DOT; they have a very diverse workforce; where they're not all office workers, there are field workers and for the majority of them they were able to use the online system. It's not just open enrollment; but, for people who are newly hired and making their initial benefit enrollment. All the new hires for the DOT have been coming through the employee self-service as well as the other pilot agencies we had.

42:12

Chairman Thoreson: What is OPEB?

Sharon Schiermeister: It is a Gatsby requirement. It's for Other Post-Employment Benefits.

43:05

Chairman Thoreson: This is a bill that you submitted HB1058? Is that correct?

Sharon Schiermeister: Yes.

Chairman Thoreson: Has it been heard yet?

Sharon Schiermeister: No.

43:57

Representative Hawken: Almost no one in Fargo accepts Delta Dental. So we're not real happy with the plan change.

Sparb Collins: One of the things that Delta Dental brought to the table was a network; but, the network is optional. Like our previous plan that didn't have a network, you can go to any provider still with this plan.

Chairman Thoreson: So the situation is that your provider doesn't accept Delta Dental?

Representative Hawken: Most don't.

Chairman Thoreson: If you could bring a list of providers, I'd like to see it just for informational purposes.

Sparb Collins: Yes, I will.

Sharon Schiermeister continued with her testimony.

47:24

Chairman Thoreson: With the change in how get their information fed to them; is a mobile application something you're looking at even for the other things we were talking earlier?

Sharon Schiermeister: At this point we haven't looked to that; but, we know we need to. We're just trying to get the functionality rolled out and deployed.

54:11

Chairman Thoreson: Have you calculated what it would look like if those changes are made?

Sharon Schiermeister: We haven't, but, I believe there's a schedule that we received from HRMS that shows.

Chairman Thoreson: Joe, do you have any information on that?

Joe Morrisette: I know that Ken Purdy has that data available. So we can provide that quartile distribution for you and we are working on a schedule by employee as you asked.

Sharon Schiermeister continued with her testimony.

55:34

Chairman Thoreson: Have you seen significant turnover; or do you have any openings in your agencies right now for these positions?

Sharon Schiermeister: We have seen turnover. We have about 11% turnover rate. It's been across the agencies; in our internal audit areas. We do not have any vacancies.

Chairman Thoreson: Those who have left, are they going outside of state government? Are they moving into a different agency?

Sharon Schiermeister: We had one of each; one moved to the state auditor's office and another one moved out of state.

Representative Kempenich: We would like an organizational chart also.

Chairman Thoreson: What would you like to see in there?

Representative Kempenich: To see where they're at within the agency.

Representative Sanford: The implementation of a performance system comes with some delineation amongst fine employees. So agency to agency, how are you thinking about implementing that?

Sharon Schiermeister: At this point, we do not have a system in place for pay for performance. It's something that we're starting to work on now. We intend to also work with HRMS; because we know they have a new evaluation tool that we're hoping to partner with them as well.

1:00

Chairman Thoreson: We've been watching any IT costs; so, if you have any additional breakdown of those licensing fees or replacement of hardware, we'd like to get a more detailed breakdown if possible.

Sharon Schiermeister: That won't be a problem.

Representative Kempenich: Do you have anyone that's going to retire in the next biennium?

Sharon Schiermeister: At this point, we're not aware of any retirements in the upcoming biennium.

1:02

Chairman Thoreson: You're not adding any rental space?

Sharon Schiermeister: That's correct.

1:03

Representative Kempenich: Do you just roll it over into the plan?

Sharon Schiermeister: That's correct. Because we're special funds, that money that we don't expend.

1:03

Representative Glassheim: Back to the long term projections, what percent return on investment is this blue line?

Sharon Schiermeister: It's on our actuarial assumed rate of return which is 8%.

Representative Glassheim: That's been historically correct?

Sparb Collins: Some years we made it some years we missed it. One of the big years we missed it, we had a 24.5% loss. It was truly an atypical event that we went through. We have to have a spirit study done every 5 years on the plan. An outside consultant comes in and examines our underlying assumptions; both economic and demographic. The rate of return is one of our economic assumptions; and the last one was completed a couple of years ago. They still believe that 8% is a reasonable return.

Representative Glassheim: Have we been hitting that the last year? The market has come back?

Sparb Collins: Last year we got a zero percent return, the year before that we got a 21% return.

Chairman Thoreson: Recessed the hearing.

Chairman Thoreson: Reopened the hearing on HB1022.

Fay Kopp, Interim Executive Director, ND Retirement and Investment Office and Chief Retirement Officer, ND Teacher's Fund for Retirement: See testimony attachment 2.

1:12

Chairman Thoreson: What are the three closed groups?

Fay Kopp: The three closed groups are those that under old laws; they had employees who were members of the plan, but, no new members of those groups will ever join the plan again. There is one individual left at Bismarck State College; that back in the 1970's was offered an election to either be a regular member of TFFR or to join TAI Craft; so one was grandfathered in. There's one teacher from Fargo Catholic School that back in 1960's or 1970's was allowed to pay in; that individual is paying both member and employer

contributions. There are one or two employees with the NDEA who are still members of the plan. No new members have been able to join there since the early 1990's.

Representative Kempenich: Are we closed out of all old plans? There was one plan around here that we kept funding. Is that closed out now?

Fay Kopp: I believe that was a plan that was administered by the PERS entity.

1:17

Chairman Thoreson: That chart is not included?

Fay Kopp: It is not. I'll be happy to provide that information.

Connie Flanagan, Fiscal Investment Officer, ND Retirement and Investment Office:
See testimony attachment 2.

1:21

Representative Sanford: With the blended investment approach; if someone was in one asset class and nobody else was invested in that, they would be responsible for all the costs related to that particular asset class?

Connie Flanagan: That is correct. We allocate the expenses to those funds that participate in each asset class or with each manager. So the fees associated with that are allocated on a pro rata basis.

Representative Sanford: Relative to the legacy fund; the advisory board then operates similarly to the TFFR board or the PERS board; in that they are determining asset allocation and forwarding that to the state investment board?

Connie Flanagan: There is a slight difference in the relationship with the state investment board; based on the way constitutionally the fund was set up. The constitution states that the state investment board is responsible for the investment. The advisory board provides the advice on the asset allocation; they are currently in association with staff at RIO and the state investment board having an asset liability study completed. The advisory board will receive the report.

Representative Sanford: So what would be the current allocation for the legacy fund?

Connie Flanagan: Currently the asset allocation is 100%; it's short term bonds.

Representative Glassheim: Do you have to follow the advisory board or can you diverge from their recommendation?

Representative Kempenich: I'll answer that question. Last when this first started out; there was an aversion to any risk. We had a meeting with the investment board and advisory board and consultants will give some allocation recommendations of what we need to do with it.

Darren Schulz, Interim CIO, ND Retirement and Investment Office: The returns that have been achieved in the legacy fund have been driven primarily due to the fact that it is a short term fixed income portfolio. Given the current rate environment, which is very low, the returns have been fairly low. Given the long term nature of these funds, perhaps, we should be looking at other asset classes. The state investment board made a decision in November to retain consultants to conduct an asset allocation in spending study; staff has been working with them to identify the parameters of the study. Hopefully, we'll have a final work product and presentation to the advisory board in February.

Connie Flanagan continued with her testimony.

1:29

Chairman Thoreson: What indicates that you would need it in the new biennium?

Connie Flanagan: It relates to an employee self-service function within our pension software that allows the members to access information on their accounts online. Because of all of the changes that needed to be made, there wasn't adequate time to do both projects. That one was put aside to implement all the changes.

Chairman Thoreson: So you prioritized and determined the other one was more important?

Connie Flanagan: That's correct.

1:31

Representative Kempenich: Where are we at in the process of a deputy?

Connie Flanagan: We are in the process of advertising for the executive director chief investment officer position. Darren is acting as the interim right now; but, once the position is filled then he will go back to being the deputy.

Representative Kempenich: What are your plans then?

Darren Schulz: I intend to return to my deputy position.

Representative Kempenich: Is there a time frame?

Darren Schulz: The state investment board search committee has set a deadline of May 1 to extend an offer.

Connie Flanagan continued with her testimony.

1:34

Chairman Thoreson: That increase in the reimbursement for the board members; does that affect the people like the state treasurer, lieutenant governor also? They're not reimbursed for the board service along with their salaries for their agencies are they?

Connie Flanagan: That's correct. Its non-elected officials.

Chairman Thoreson: It's for the TRFF board members?

Connie Flanagan: That's correct.

1:40

Representative Kempenich: Do you have any ITD projects? Are you on a four year cycle? Do you follow ITD's schedule?

Connie Flanagan: Yes we do. We have a four year cycle. We should have asked for funding for 2013; however, we felt our computers were adequate for the biennium. So we are going a little longer this time. We're going to be doing half replacement with our request for 2013-2015 bienniums; then the other half in the 2015-2017 bienniums. We do not have any ITD projects.

Chairman Thoreson: Your basic functionality will be okay for the next biennium?

Connie Flanagan: Yes.

Chairman Thoreson: Closed the hearing on HB1022.

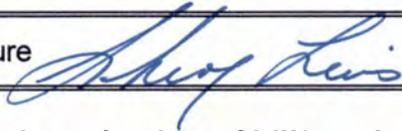
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1022
January 23, 2013
Recording Job# 17634

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill for an ACT to provide an appropriation for defraying the expenses of various state retirement and investment agencies; and to provide various transfers.

Minutes:

Chairman Thoreson: Opened the hearing on HB1022.

Sparb Collins, Executive Director, ND Public Employees Retirement System: Explained attachments 1 and 2.

4:11

Representative Kempenich: Can you explain why?

Sparb Collins: I'm not exactly sure why we've ended up there. The overall compression that happens to us creates an environment where it's hard for us to move anybody anywhere without creating an inequity with somebody else.

6:48

Representative Kempenich: Are a lot of those hires usually fresh out of college?

Sparb Collins: We've been fortunate for some that we've been able to fill them with people who have had some experience.

Sparb Collins: Explained attachment 3.

Sharon Schiermeister, Chief Operating Officer, ND Public Employees Retirement System: Explained page 13 of attachment 3.

12:52

Representative Kempenich: Are they located in your office?

Sharon Schiermeister: These servers are located at ITD. We've put in place, from a disaster recovery standpoint that some of the servers are here in Bismarck and some are at their data center in Mandan.

14:50

Representative Kempenich: Are the IT staff from ITD that you pay or are they on your staff?

Sharon Schiermeister: They're on our staff. In addition to supporting our business system, we do have our local in house network servers and they're responsible for the desktop applications and the network.

15:58

Chairman Thoreson: When you're saying desktop, is this a full desktop pc that you're looking at?

Sharon Schiermeister: What we're looking at replacing is a full desktop.

17:08

Representative Glassheim: With the contractual services, were they competitively bid or were they developed for you?

Sharon Schiermeister: When we retained this vendor to do the initial development of our project, they were competitively bid and then we've just retained them because it's their software.

17:41

Representative Sanford: Is this agency on the state system?

Sharon Schiermeister: We are not currently on that system; but, we're looking at getting on to that.

18:30

Representative Glassheim: On the green sheets you have \$281,000.00 for IT Strategic Plan is that covered in these numbers?

Sharon Schiermeister: That's correct; that would be the increase.

Representative Glassheim: \$281,000.00 is included in this.

Sharon Schiermeister: It is; that is not in addition to this.

Representative Sanford: When I look at this, you say 18 out of 33 are in the first quartile; and it looks to me like 14 out of those 18 are at the bottom.

Sparb Collins: So you can see the problem we have in hiring anybody.

Representative Sanford: My question related to that is with your proposal, what happens to your C ratio if your proposal goes through; and will create any separation in this group of 14-18 at the bottom?

Sparb Collins: It moves those people off the bottom.

Representative Sanford: Does it create separation amongst that group? Does delineate amongst that group?

Sparb Collins: It will help to delineate a little bit in the performance adjustments.

Ken Purdy, Compensation Manager, Human Resource Management Services, ND Office of Management and Budget: Explained attachments 1 and 2.

Representative Kempenich: Is that the goal not to have someone at one of the higher levels within that range?

Ken Purdy: Naturally in the makeup of our workforce we don't have a lot at the very bottom in the lowest grades. We don't have a lot beyond the R. The bulk of the workers are from F-R; there's a bubble curve in the middle which is natural.

Representative Glassheim: You can shift contingencies in both the budgets. Has that always been?

Sparb Collins: That's been there for a long time.

Representative Glassheim: I was wondering if you could provide a few bullet points on the possible impact of the health care implementation.

Sparb Collins: On the agency itself, our bill didn't add in any particular money for implementation. For the health plan that we administer, there's some different things there. Referenced testimony.

Representative Glassheim: I see there's a 13% increase in the cost of the health insurance premium?

Sparb Collins: The bid came in at 12.9% for the active employees; what's been approved in the executive budget is about 10%. So the 2.9% will be bought down this time through reserves in the plan.

Representative Glassheim: So in the executive budget it's at 10%?

Sparb Collins: The premium increase to Blue Cross Blue Shield that will be paid is 12.9%; but we had some reserves, so those reserves will pick up the difference between the 10% increase in premium and the 12.9%. Keep in mind the 10% increase is two years.

Representative Glassheim: So the extra 3% will be from existing reserves without causing a problem.

Sparb Collins: Yes.

Representative Kempenich: Have there been any other companies showing any interest besides Blue Cross Blue Shield?

Sparb Collins: This time we had two companies. Generally, when we go to bid; if we bid it out on a fully insured self-insured basis, we'll only get one fully insured company. On a self-insured basis, you're just bidding out to have someone pay claims; you assume all the risk otherwise. This time we got two fully insured bids in; one was from Blue Cross Blue Shield who was successful; there's was on average 12.9% on the active group and 0% for the retiree group. The bid from Sanford came in at 24.5% increase.

Representative Sanford: Do you have any way of knowing the cost of the healthcare compares with other states?

39:30

Ken Purdy: In the past, what we've found in looking at the premium amounts is that our 100% was less than the 10 states that we use as a market. Their average percent of employer contribution is 70%; those states provide 70% of their premium, the employees pay 30%. Our premium in dollars was less than their 70% premium.

Representative Sanford: So when the Hay Group compares us with these other states, is it on the basis of the premium cost or is it on the basis of the coverage?

Ken Purdy: When they initially gathered all the information, they observed that our health premium is above market. We made sure that they were aware and looked at some numbers in terms of deductibles, copays, type of coverage, and so on; they didn't go into an extremely detailed analysis of the coverage. They said even though it's a 100% premium, the deductibles and copays the employees are ending up paying is 20% of the cost of health coverage through deductibles, copays, and so on; so they found it very close to market.

Representative Sanford: For self-funded, have you looked at your history and analyzed if you had been self-funded after your bad experience. Now that you're getting some funds back with the contract that you have. I'm wondering if you looked at self-funding.

Sparb Collins: This last time we bid, we didn't bid self-funding because we're in the middle of the affordable care act. We didn't want to switch from our regular plan to another plan. Normally we will bid out both and make a decision at that time as to which one is the best. Now that we have this arrangement with Blue Cross Blue Shield where we get most of the money back, we have a lot of the advantage of a self-funded plan without the risk of a self-funded plan. Our claims run \$10 million or more a month. If we were self-funded, we should have a reserve of 3 or 4 months in the bank all the time.

Representative Kempenich: Are your loss ratios readily available?

Sparb Collins: That's in Blue Cross Blue Shield's. This last biennium, we got back \$35 million; and \$12 million of that is being used on the buy down.

Fay Kopp, Interim Executive Director, ND Retirement and Investment Office and Chief Retirement Officer, ND Teacher's Fund for Retirement: See attachments 4, 5 and 6.

56:46

Representative Glassheim: You go from 85 to 90?

Fay Kopp: Along with that rule of 90 is that they have to be a minimum age 60. Even if an individual reaches the rule of 90 before they reach age 60, they can't retire.

58:54

Representative Glassheim: Suppose we founder at about 75% or 80% of what we're supposed to get, there's still money to pay people retirement right?

Fay Kopp: TFFR has the funds needed to pay current benefits projected well into the future.

Representative Glassheim: Do you have a graph or printout about market returns to indicate that 8% is not an unreasonable amount?

Fay Kopp: We can certainly provide information regarding our own plan. We can show that over the last 30 years we've made in excess of 8%.

Representative Kempenich: Are there other bills out there right now that would affect your funds?

Fay Kopp: There are three bills that relate directly to the pension plan. One of the bills is SB2061; which is the TFFR board bill. The next bill was studied during the interim Representative Louser had put in the bill that would have required that contribution rates remain in effect until the plan reaches 100% funded level. The bill that relates to the TFFR plan is regarding re-employed retirees.

Representative Kempenich: Closed the hearing.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1022
February 15, 2013
Recording Job# 19041

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill for an ACT to provide an appropriation for defraying the expenses of various state retirement and investment agencies; and to provide various transfers.

Minutes:

Chairman Thoreson: Opened the discussion on HB1022.

Representative Sanford: Last night we voted on a divestiture bill and there was a fiscal note on that; so will that fiscal note come to this to be considered today?

Representative Kempenich: When council matches everything up and those fiscal notes are all potential costs to the agency. This one is a special funded agency so what would happen is they'd tack on the fund but it's how they would like to work that.

Representative Sanford: We didn't hear what the additional fiscal note was for specifically.

Representative Kempenich: It comes down to what money managers are using.

Representative Sanford: I asked the question in the committee meeting last night about the 15 months. Would it make sense to have these people give us an opinion about those costs?

Chairman Thoreson: There was that hearing in the government and veteran's affairs committee.

Connie Flanagan, Fiscal Investment Officer, ND Retirement and Investment Office: HB1304 would require as part of the state investment board that we would identify, analyze, engage, monitor and divest in companies that are liable to sanctions under the Iran Sanctions of 1996. The cost to implement this bill would begin with not having staff in house that would be able to identify these companies. We would anticipate that we would need hire an outside consultant to provide the services to us to help the state investment board to identify the companies that would reach beyond the list. We estimate about \$10,000.00 per year for that consulting service. Every company that's on the list needs to be contacted and told that if they continue to have activities associated with Iran; that the

state investment board would divest in the company. It would take about ¼ of an FTE to perform the duties. We didn't request an FTE in our original budget request; but, because of HB1304, we would need to request an FTE. The estimated salary and benefits for the position for the 2013-2015 biennium would be \$265,000.00 and \$292,000.00 for the following biennium. There would be additional operating expenses to get the position set up for equipment \$18,200.00 for the 2013-2015 biennium and \$9,300.00 for the following biennium with ongoing costs. There are some additional costs that would be covered under continuing appropriation but it's very difficult to estimate those costs right now. We're estimating that it could be about \$1.9 million in costs to divest in companies that would be on this list and required to be divested under this bill.

Representative Kempenich: Would that be penalties?

Connie Flanagan: Every time there is a purchase or sale of a security there are costs associated with it; so, it would be the cost for that.

Darren Schulz, Interim CIO, ND Retirement and Investment Office: That number is based on the cost to exit offending securities and purchase replacements. That's based on not only commission costs but there are some trading impact costs to go into these markets. Many of these securities are international securities and international markets where you tend to have higher trading costs.

Representative Glassheim: The \$1.9 million seems to be high. It was my understanding that there are lists of companies from other states that would point you in the right direction. If you were to divest something and you would lose \$4 trillion you would be held harmless from divesting.

Representative Kempenich: The FTE was brought up and I think that should be put in.

Representative Kempenich: Made a motion to pass the amendment.

Representative Sanford: Seconded the amendment.

A voice vote was made and passed.

Representative Kempenich: Made a motion for a "Do Pass as Amended".

Representative Glassheim: Seconded the motion.

A roll call vote was made. 7 Yeas 0 Nays 0 Absent.

Chairman Thoreson: Closed the discussion.

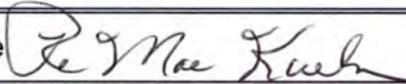
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1022
2/20/13
Job # 19233

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

To provide an appropriation for defraying the expenses of various state retirement and investment agencies; and to provide various transfers.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: We'll talk about HB 1022, RIO and PERS.

Rep. Glassheim moved amendment .01001, seconded by **Rep. Hawken**.

Rep. Glassheim went over the amendment. RIO on the second page adds an investment analyst position. That was requested because of an increase of about 50% in assets under management primarily the Legacy Fund and the Budget Stabilization Fund. The other is an adjustment to the compensation package and to lower the compensation and benefit package and the accrued leave payment.

Chairman Delzer: (2:04) Don't they just hire money managers? They don't actually manage the money, do they?

Rep. Glassheim: Correct, they have a rather small staff. They have increased monitoring duties, but they don't manage the investments, per se. They are apparently overworked now, there is increased workload.

Chairman Delzer: Did you ask how that develops into the increased workload, and how many out of the 18 are administrative and how many are money managers?

Rep. Glassheim: I don't have that.

Rep. Grande: Did they talk about their plan for hiring the new CEI?

Rep. Kempenich: They had a teleconference last week, they are narrowing the list. They have a meeting planned to discuss that.

Rep. Grande: Did they indicate how many people applied?

Rep. Kempenich: I think it was 36 applicants, a fair number.

Rep. Grande: Has there been discussion of salary increase?

Rep. Kempenich: I haven't sat in on the meeting. With that many applicants, I don't know what they are looking for.

Chairman Delzer: Lori, when you put the budget together, did you make any adjustments on that end? How many like positions are there to the new person they are hiring?

Lori Laschkewitsch, OMB: This new person came up in the budget process, it wasn't a request.

Rep. Grande: It shows on the green sheet. So it should have been in before the budget process. Or are we talking about a separate person? So this new person, are they temporary until we hire a new CEI?

Rep. Thoreson: In their testimony, with the Legacy Fund, while they originally did not request it, they indicated there was a probable need for additional staff. After the Executive Director/CIO is hired, the need for additional staff will be evaluated.

Chairman Delzer: Did you discuss doing this as a contingent one with approval later on? Did you put the funding in for all 24 months?

Rep. Kempenich: This money stays in the funds, they use them as needed. It was indicated they saw the need for an additional analyst. Looking at their employee sheet I think they have four of these positions.

Chairman Delzer: How much of each of these funds goes to fund these positions?

Rep. Kempenich: It's percentaged out.

Rep. Skarphol: There is a line item for each of these agencies called a contingency line. In section 2 of the bill, on the back side of the budget, provides for a transfer from the contingency line to either the salaries and wages line item or the operating expense. Can you remind me why this agency has that contingency line and what is unique about it?

Rep. Kempenich: They are operating out of funds that they manage. We're appropriating money out of these funds, but they pretty much manage their own agency. They follow state HR rules but they really operate their own agency.

Chairman Delzer: Are these classified employees?

Lori Laschkewitsch: The directors are non-classified, the others are classified.

Rep. Skarphol: I suspect every agency would like a contingency fund. Why is this agency unique in needing one? It kind of undoes what we're trying to do with the rollup of the salary percentage.

Rep. Kempenich: They are managing it very conservatively, and their turnover rate is very high. They are responsible to the stakeholders of these funds of how they spend the money, so it probably gets looked at very closely. The money comes out of whatever funds they are managing.

Lori Laschkewitsch: The contingency fund is rarely ever used. I don't believe there was any in this current biennium. There may have been one in a previous biennium. Historically those contingency funds don't get used at all.

Rep. Skarphol: Is there any other agency that has a similar line?

Lori Laschkewitsch: PERS, RIO have contingency lines.

Rep. Skarphol: To your recollection, they exist only in special funded entities?

Lori Laschkewitsch: Correct

Rep. Glassheim: The State Investment Board, for every \$1300 of assets under management, they spend \$1 in administrative costs. That is a pretty good percentage

(12:25)

Chairman Delzer: Is that number going up or down?

Rep. Glassheim: It goes down as we add \$3 billion more in Legacy Funds. They now have \$6 billion under management.

Chairman Delzer: They also manage the Common Schools Trust Fund.

Rep. Skarphol: What is the total amount of the corrections to the executive compensation package?

Chairman Delzer: About \$1.8 million

Lori Laschkewitsch: I'll get that. As far as those contingency lines, they can only spend those upon board approval.

Rep. Monson: Was there any question about funding the operation of this from the special funds instead of general funding? It's not a big deal with PERS and TFFR, but now I'm questioning the Legacy Fund? Are they using money from the Legacy Fund to help fund the operation of this?

Chairman Delzer: I'm sure it's paying its share out of interest.

Rep. Glassheim: There is no general fund money. It is all from the money that is invested.

Chairman Delzer: It's a pretty small amount.

Lori Laschkewitsch: This is all special funds. There are no general funds in these budgets. I can find out what kind of fees the Legacy fund might be charged for the management.

Rep. Streyle: Was it discussed on the return that has been garnered from the Legacy Fund being it is incredibly low?

Rep. Kempenich: That doesn't have anything...all these funds have allocation goals.

Chairman Delzer: Is the return enough to cover the cost of managing it?

Rep. Kempenich: It is millions even at 0.9%. This started in October 2011. The advisory board found a safe place to put it. Members of the advisory board did not want to take any chances of having that fund drop. It is in fixed income type investments. In November we hired a consulting outfit, RV Kuhn. They are coming up with advice on how we should allocate these funds. We gave them three goals. We were talking 4 ½ to 5%, 4%, and then 3 ½% depending how much risk we felt we wanted to take.

Chairman Delzer: (17:10) You might visit about that later on.

Lori Laschkewitsch: The Legacy Fund does get charged a pro rata share of the total market value for the RIO budget. The amount of the correction was \$1.9 million of which \$1.1 million was general funds for the salaries. All of the funds under their management are charged based on a pro rata share of the total market value.

Chairman Delzer: If one fund has \$2 million and another one has \$1 million. They are charged the same percentage?

Lori Laschkewitsch: Correct.

Chairman Delzer: Further discussion on RIO?

Rep. Glassheim: The second portion is on the third page of the amendments to the Public Employees Retirement system. The amendments are correcting the executive compensation package. Then the two changes are for accrued leave and the reduction in the benefit package.

Voice vote on amendment carries

Chairman Delzer: The operating fund on PERS is up a couple hundred thousand dollars. What is that all about?

Rep. Glassheim: Went through green sheet. #3--\$281,000 is an increase in PERS license fees and a rate increase for ITD data rates.

Chairman Delzer: The sum total of #1, 2, and 3 creates a \$204,000 increase.

Rep. Glassheim: That is correct.

Chairman Delzer: So your operating is up on the IT. Why would that be up so much on the IT side?

Rep. Glassheim: I understood it to be the PERS licensing fees were the main component of that. I think that is something they just completed.

Rep. Streyle: In the budget change narrative, the fee was only 13 months last biennium and this month it is 24 months.

Rep. Glassheim: Moved Do Pass as amended

Rep. Thoreson: Seconded the motion

A Roll Call vote was taken: Yes 19, No 3, Absent 0.

Do Pass carries.

Representative Glassheim will carry the bill.

YK
 2/20/13
 1073

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1022

Page 1, replace lines 13 and 14 with:

"Salaries and wages	\$3,203,114	\$503,040	\$3,706,154
Accrued leave payments	0	71,541	71,541
Operating expenses	947,840	25,484	973,324"

Page 1, replace lines 16 and 17 with:

"Total special funds	\$4,232,954	\$600,065	\$4,833,019
Full-time equivalent positions	18.00	1.00	19.00"

Page 1, replace line 22 with:

"Salaries and wages	\$4,563,507	\$351,515	\$4,915,022
Accrued leave payments	0	103,217	103,217"

Page 2, replace line 1 with:

"Total special funds	\$6,867,890	\$659,243	\$7,527,133"
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Page 2, replace lines 7 and 8 with:

"Grand total special funds	\$11,100,844	\$1,259,308	\$12,360,152
Full-time equivalent positions	51.00	1.00	52.00"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1022 - Summary of House Action

	Executive Budget	House Changes	House Version
Retirement and Investment Office			
Total all funds	\$4,648,730	\$184,289	\$4,833,019
Less estimated income	4,648,730	184,289	4,833,019
General fund	\$0	\$0	\$0
Public Employees Retirement System			
Total all funds	\$7,715,503	(\$188,370)	\$7,527,133
Less estimated income	7,715,503	(188,370)	7,527,133
General fund	\$0	\$0	\$0
Bill total			
Total all funds	\$12,364,233	(\$4,081)	\$12,360,152
Less estimated income	12,364,233	(4,081)	12,360,152
General fund	\$0	\$0	\$0

House Bill No. 1022 - Retirement and Investment Office - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$3,611,563	\$94,591	\$3,706,154
Operating expenses	955,167	18,157	973,324
Contingencies	82,000		82,000

Accrued leave payments		71,541	71,541
	\$4,648,730	\$184,289	\$4,833,019
Total all funds			
Less estimated income	4,648,730	184,289	4,833,019
	\$0	\$0	\$0
General fund			
FTE	18.00	1.00	19.00

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

	Adds Investment Analyst Position ¹	Corrects Executive Compensation Package ²	Adjusts State Employee Compensation and Benefits Package ³	Provides Separate Line Item for Accrued Leave Payments ⁴	Total House Changes
Salaries and wages	\$265,396	\$14,998	(\$114,262)	(\$71,541)	\$94,591
Operating expenses	18,157				18,157
Contingencies					
Accrued leave payments				71,541	71,541
Total all funds	\$283,553	\$14,998	(\$114,262)	\$0	\$184,289
Less estimated income	283,553	14,998	(114,262)	0	184,289
General fund	\$0	\$0	\$0	\$0	\$0
FTE	1.00	0.00	0.00	0.00	1.00

¹This amendment adds an investment analyst position and provides funding for salary, benefits, and applicable operating expenses.

²Funding is added due to a calculation error in the executive compensation package.

³This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

⁴A portion of funding for permanent employees compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

House Bill No. 1022 - Public Employees Retirement System - House Action

	Executive Budget	House Changes	House Version
Salaries and wages	\$5,206,609	(\$291,587)	\$4,915,022
Operating expenses	2,258,894		2,258,894
Contingencies	250,000		250,000
Accrued leave payments		103,217	103,217
Total all funds	\$7,715,503	(\$188,370)	\$7,527,133
Less estimated income	7,715,503	(188,370)	7,527,133
General fund	\$0	\$0	\$0
FTE	33.00	0.00	33.00

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

	Corrects Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Provides Separate Line Item for Accrued Leave Payments ³	Total House Changes
Salaries and wages	\$11,484	(\$199,854)	(\$103,217)	(\$291,587)

Operating expenses				
Contingencies				
Accrued leave payments			103,217	103,217
Total all funds	\$11,484	(\$199,854)	\$0	(\$188,370)
Less estimated income	11,484	(199,854)	0	(188,370)
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

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Date: 2/20/13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1022**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number -01001

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Glassheim Seconded By Rep. Hawken

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote carries

Date: 2/20/13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1022**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Glassheim Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch		X			
Rep. Grande		X	Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 19 No 3

Absent 0

Floor Assignment Rep. Glassheim

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

REPORT OF STANDING COMMITTEE

HB 1022: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1022 was placed on the Sixth order on the calendar.

Page 1, replace lines 13 and 14 with:

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2013 SENATE APPROPRIATIONS

HB 1022

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1022
03-14-2013
Job # 19899

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for the appropriation for PERS/ RIO.

Minutes:

See attached testimony.

Chairman Holmberg called the committee to order on Thursday, March 14, 2013 at 8:30 am in regards to HB 1022. Roll call was taken. All committee members were present. Sheila M. Sandness from Legislative Council and Lori Laschkewitsch from OMB were also present.

Sparb Collins, Executive Director of the North Dakota Public Employees Retirement System (PERS) testified in favor of HB 1022. See attachment #1 which is an overview of their agency, their work efforts and their budget request. (11:11)

Senator Gary Lee had questions regarding the health care plan on page 8 of the testimony and whether retirees can stay on the plan.

Mr. Collins: Yes, they can. For retirees over the age of 65 a plan is offered that works together with their Medicare plan. They can join that plan. Pre-Medicare employees can join the plan, but there is a bill now that will limit that in the future.

Senator Gary Lee had questions regarding the rates. He was told they are rated on their own. .

Senator Kilzer: On top of page 11, the change from 6000 down to 2500, does that include the old HSA or MSA or health savings account.

Mr. Collins: This just relates to the medical spending accounts (MSA's).

Senator Kilzer: Are there quite a few people who will be affected by this?

Mr. Collins: This is one where employees didn't pop up to \$6000 and stay there. If they knew they had major dental work, they would pop up to the \$6000 level for a year or two and then pop down. It is not going to be the same people.

Sharon Schiermeister, Chief Operating Officer ND PERS, (14:00) gave an overview regarding Overall Project Schedule (Attachment #1 starting on page 14). She began the overview of the PERS Budget on page 19. (19:32) She also pointed out that no change is being proposed to their contingency line item. (Testimony completed at 25:01)

Senator Mathern: On the one hand we are trying to maintain the grandfathered status of our plan and, on the other hand, we have expenditures to maintain our position in terms of health care reform. What kind of expenses do we have that relate to health care reform when we are maintaining a status outside of that?

Mr. Collins: We're still in the process of discovering what these things are. (25:50) The grandfathered status of the plan relates to the benefits provided by the plan. There are a lot of things about the health care reform bill that go beyond just the benefit portion of it which the grandfather status refers to. He gave some examples such as changing the definition of temporary employees and explained how it has a cost implication.

Senator Carlisle had questions concerning sick leave and annual leave, referred to on page 20 of testimony.

Ms. Schiermeister: We only have 33 employees. We don't experience turn over or vacancies. If we need to make a lump sum payment we need to hold that open to make the payment.

Senator Carlisle asked how tightening up FTE's affect them. He also asked for clarification of an accrued leave.

Ms. Schiermeister: My understanding of this is that our budget request is strictly based on having 33 FTE's employed for the full biennium. By moving that money out of our salary and wage line item, we would run out of money to pay our payroll through- out the biennium if there was no turnover and everything happened as budgeted.

Senator Krebsbach: There's always talk about the unfunded liability, included is the political subs. Do we have a breakdown?

Mr. Collins: No. Right now the PERS plan is one plan. SB 2059 provides for the contribution increase. The payment to pay that off is prorated against all the funding sources equally.

Senator Warner: Have you ever looked at if we had put more money in when the stock market was lower.

Mr. Collins: No, we haven't.

(Meter 33:00) Comparisons were made between the PERS and TFFR proposals for recovery.

TFFR (34.12)

Fay Kopp, Interim Executive Director of ND Retirement and Investment Office (RIO) and Chief Retirement Officer for the ND Teachers' Fund for Retirement (TFFR) testified in favor of HB 1022. Attached testimony # 2 is an overview of RIO and TFFR, their functions and the budget review and budget requests.

Connie Flanagan, Fiscal & Investment Officer for RIO: (38:40) discussed the investment program and budget requests starting on page 3 of written testimony #2.

Vice Chairman Grindberg: (50:30) We have had some debate about the Legacy Fund and whether or not we should be using some of that capitol for infrastructure financing. Is it permissible for the legislature to set a directive that the Legacy Fund and the bank of ND shall be a recipient of a portion of that as the base continues to grow? Can the bank borrow from the Legacy Fund, commit to a 1% return for 20 years, turn around and invest that money but guaranteeing the Legacy Fund of whatever they borrow?

Ms. Flanagan explained how the program works. (52:30)

Vice Chairman Grindberg: Then the legislature would have to do nothing to have that move forward - the advisory board could make the decision to do it at the right time? There is some clarity required because, if that could happen, do we need to do anything? Secondly, the voters put this money into the Legacy Fund and we can't touch it until 2017, but this isn't really doing anything other than financial management on rate of return.

Darren Schulz, Interim CIO of State Investment Board (SIB) said this is an issue they would probably have to check with Council on and get back to him whether this is something that can be done.

(56:46) Discussion continued on using that capital and the current rate of returns.

Senator Mathern: What is keeping status quo in place - the management policy to a return of less than 1%?

Mr. Schulz: On the spending part of the equation any discussion of the intended use of the funds has led to some conservatism by the advisory board. (59:00).

Senator Mathern: Isn't its actuarial value going down because of the rate of return?

Mr. Schulz: The rate of return and current rate of inflation isn't being maintained in real terms, so the real purchasing power of the funds is not quite keeping up with the inflation. That is also a catalyst for looking at longer term to earn a higher rate.

Vice Chairman Bowman: (1:02:07) As the fund grows and when you get consultants that deal with these funds, it's going to take some time to put that package together. We are growing fairly fast and talking about a lot of money. My concern is that with all the discussions with that fund they are looking at the long term goal of being able to generate a substantial return that would help everyone in the state.

Mr. Schulz: (1.03.30) That is the focus as far as looking at this pool of assets. We want this fund to be around for the long term.

Ms. Flanagan completed her testimony regarding the budget on page 7. (1.08.26)

Chairman Holmberg closed the hearing on HB 1022.

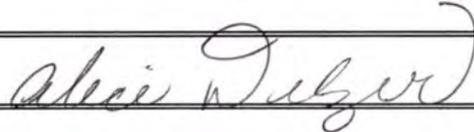
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1022
04-09-2013
Job # 21028

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL regarding Retirement & Investment Offices (PERS/RIO) (Do Pass as Amended)

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg called the committee to order on Tuesday, April 09, 2013 in regards to HB 1022. All committee members were present.

Becky J. Keller - Legislative Council
Lori Laschkewitsch - OMB

Senator Carlisle Now that 1452 passed, there is only a couple of changes the House added off the green sheet that FTE and the salary package. There are no other changes. Senator Robinson, do you see any other changes?

Senator Robinson I don't. We just dealt with 1452. On this one I didn't see anything. We can kick it out.

Chairman Holmberg: Do we have the standard amendments we have put on salaries and accrued leave payments? He was told no. This is what we will do. Because this is a standard one we have done, we can go ahead and approve the amendments and Senator Carlisle will carry the bill and if there is a problem with the amendments he will alert us.

Senator Carlisle moved the amendment that Council will prepare relative to the compensation package. 2nd by Senator Robinson . (Amendment # 13.8151.02001)

Chairman Holmberg: All in favor of the amendment say aye, motion carried.

Senator Carlisle Moved Do Pass as Amended on 1022. 2nd by Senator Kilzer.

A Roll Call vote was taken. Yea: 13; Nay: 0; Absent: 0. .

Chairman Holmberg: It can't be signed until the amendments are here. **Senator Carlisle will carry the bill.** The hearing was closed on HB 1022.

JB
 4-10-13
 1 of 3

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1022

Page 1, replace lines 13 through 18 with:

"Salaries and wages	\$3,203,114	\$688,843	\$3,891,957
Operating expenses	947,840	25,484	973,324
Contingencies	<u>82,000</u>	<u>0</u>	<u>82,000</u>
Total special funds	\$4,232,954	\$714,327	\$4,947,281
Full-time equivalent positions	18.00	1.00	19.00"

Page 1, remove lines 23 and 24

Page 2, replace lines 1 through 4 with:

"Salaries and wages	\$4,563,507	\$654,586	\$5,218,093
Operating expenses	2,054,383	204,511	2,258,894
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$6,867,890	\$859,097	\$7,726,987
Full-time equivalent positions	33.00	0.00	33.00"

Page 2, replace line 9 with:

"Grand total special funds	\$11,100,844	\$1,573,424	\$12,674,268"
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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1022 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Retirement and Investment Office				
Total all funds	\$4,648,730	\$4,833,019	\$114,262	\$4,947,281
Less estimated income	<u>4,648,730</u>	<u>4,833,019</u>	<u>114,262</u>	<u>4,947,281</u>
General fund	\$0	\$0	\$0	\$0
Public Employees Retirement System				
Total all funds	\$7,715,503	\$7,527,133	\$199,854	\$7,726,987
Less estimated income	<u>7,715,503</u>	<u>7,527,133</u>	<u>199,854</u>	<u>7,726,987</u>
General fund	\$0	\$0	\$0	\$0
Bill total				
Total all funds	\$12,364,233	\$12,360,152	\$314,116	\$12,674,268
Less estimated income	<u>12,364,233</u>	<u>12,360,152</u>	<u>314,116</u>	<u>12,674,268</u>
General fund	\$0	\$0	\$0	\$0

House Bill No. 1022 - Retirement and Investment Office - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$3,611,563	\$3,706,154	\$185,803	\$3,891,957
Operating expenses	955,167	973,324		973,324
Contingencies	82,000	82,000		82,000
Accrued leave payments		<u>71,541</u>	<u>(71,541)</u>	
Total all funds	\$4,648,730	\$4,833,019	\$114,262	\$4,947,281

2 of 3

Less estimated income	4,648,730	4,833,019	114,262	4,947,281
General fund	\$0	\$0	\$0	\$0
FTE	18.00	19.00	0.00	19.00

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Total Senate Changes
Salaries and wages	\$114,262	\$71,541	\$185,803
Operating expenses			
Contingencies			
Accrued leave payments		(71,541)	(71,541)
Total all funds	\$114,262	\$0	\$114,262
Less estimated income	114,262	0	114,262
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

² The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

House Bill No. 1022 - Public Employees Retirement System - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$5,206,609	\$4,915,022	\$303,071	\$5,218,093
Operating expenses	2,258,894	2,258,894		2,258,894
Contingencies	250,000	250,000		250,000
Accrued leave payments		103,217	(103,217)	
Total all funds	\$7,715,503	\$7,527,133	\$199,854	\$7,726,987
Less estimated income	7,715,503	7,527,133	199,854	7,726,987
General fund	\$0	\$0	\$0	\$0
FTE	33.00	33.00	0.00	33.00

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Total Senate Changes
Salaries and wages	\$199,854	\$103,217	\$303,071
Operating expenses			
Contingencies			
Accrued leave payments		(103,217)	(103,217)
Total all funds	\$199,854	\$0	\$199,854
Less estimated income	199,854	0	199,854
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

3 of 3

² The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

Date: 4-9-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1022

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number amendment for compensation package

Action Taken Adopt Amendment Do Pass
 Do Pass as Amended Do Not Pass

Motion Made By Carlisle Seconded By Robinson

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					

Total (Yes) _____ No _____

Absent _____

Floor Assignment Carlisle

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

*voice vote
Carried*

Date: 4-9-13

Roll Call Vote # 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1022

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Adopt Amendment
 Do Pass as Amended

Do Pass
 Do Not Pass

Motion Made By Carlisle Seconded By Kilzer

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Carlisle

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

REPORT OF STANDING COMMITTEE

HB 1022, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
 recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1022
 was placed on the Sixth order on the calendar.

Page 1, replace lines 13 through 18 with:

"Salaries and wages	\$3,203,114	\$688,843	\$3,891,957
Operating expenses	947,840	25,484	973,324
Contingencies	<u>82,000</u>	<u>0</u>	<u>82,000</u>
Total special funds	\$4,232,954	\$714,327	\$4,947,281
Full-time equivalent positions	18.00	1.00	19.00"

Page 1, remove lines 23 and 24

Page 2, replace lines 1 through 4 with:

"Salaries and wages	\$4,563,507	\$654,586	\$5,218,093
Operating expenses	2,054,383	204,511	2,258,894
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$6,867,890	\$859,097	\$7,726,987
Full-time equivalent positions	33.00	0.00	33.00"

Page 2, replace line 9 with:

"Grand total special funds	\$11,100,844	\$1,573,424	\$12,674,268"
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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1022 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Retirement and Investment Office				
Total all funds	\$4,648,730	\$4,833,019	\$114,262	\$4,947,281
Less estimated income	4,648,730	4,833,019	114,262	4,947,281
General fund	\$0	\$0	\$0	\$0
Public Employees Retirement System				
Total all funds	\$7,715,503	\$7,527,133	\$199,854	\$7,726,987
Less estimated income	7,715,503	7,527,133	199,854	7,726,987
General fund	\$0	\$0	\$0	\$0
Bill total				
Total all funds	\$12,364,233	\$12,360,152	\$314,116	\$12,674,268
Less estimated income	12,364,233	12,360,152	314,116	12,674,268
General fund	\$0	\$0	\$0	\$0

House Bill No. 1022 - Retirement and Investment Office - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$3,611,563	\$3,706,154	\$185,803	\$3,891,957
Operating expenses	955,167	973,324		973,324
Contingencies	82,000	82,000		82,000
Accrued leave payments		71,541	(71,541)	
Total all funds	\$4,648,730	\$4,833,019	\$114,262	\$4,947,281
Less estimated income	4,648,730	4,833,019	114,262	4,947,281
General fund	\$0	\$0	\$0	\$0
FTE	18.00	19.00	0.00	19.00

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Total Senate Changes
Salaries and wages	\$114,262	\$71,541	\$185,803
Operating expenses			
Contingencies			
Accrued leave payments		(71,541)	(71,541)
Total all funds	\$114,262	\$0	\$114,262
Less estimated income	114,262	0	114,262
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

² The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

House Bill No. 1022 - Public Employees Retirement System - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$5,206,609	\$4,915,022	\$303,071	\$5,218,093
Operating expenses	2,258,894	2,258,894		2,258,894
Contingencies	250,000	250,000		250,000
Accrued leave payments		103,217	(103,217)	
Total all funds	\$7,715,503	\$7,527,133	\$199,854	\$7,726,987
Less estimated income	7,715,503	7,527,133	199,854	7,726,987
General fund	\$0	\$0	\$0	\$0
FTE	33.00	33.00	0.00	33.00

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

	Restores Executive Compensation Package ¹	Removes Separate Line Item for Accrued Leave Payments ²	Total Senate Changes
Salaries and wages	\$199,854	\$103,217	\$303,071
Operating expenses			
Contingencies			
Accrued leave payments		(103,217)	(103,217)
Total all funds	\$199,854	\$0	\$199,854
Less estimated income	199,854	0	199,854
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Funding reductions made by the House to the state employee compensation and benefits package are restored to the Governor's recommended level.

² The accrued leave payments line item added by the House is removed and the associated funding returned to line items with salaries and wages funding.

2013 CONFERENCE COMMITTEE

HB 1022

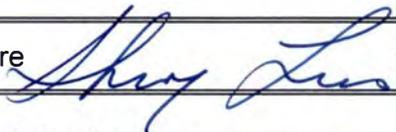
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

HB1022
April 22, 2013
Recording Job# 21393

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill for an ACT to provide an appropriation for defraying the expenses of various state retirement and investment agencies; and to provide various transfers.

Minutes:

Chairman Kempenich: Opened the conference committee on HB1022

Senator Carlisle: The pay package amendment went into the OMB budget of HB1015. It's our understanding that legislative council will automatically adjust the pay packages once this is accepted.

Representative Kempenich: So you think the House will concur?

Senator Lee: Made a motion to recede from the Senate's amendments and further amended to add the pay package.

Senator Robinson: Seconded the motion.

Roll call vote 6 Yeas 0 Nays 0 Absent

Chairman Kempenich and Senator Carlisle carried the bill.

Chairman Kempenich: Closed the conference committee.

VR
 4/23/13
 148-3

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1022

That the Senate recede from its amendments as printed on pages 1394-1396 of the House Journal and pages 1260-1262 of the Senate Journal and that Engrossed House Bill No. 1022 be amended as follows:

Page 1, replace lines 13 through 18 with:

"Salaries and wages	\$3,203,114	\$569,390	\$3,772,504
Accrued leave payments	0	71,541	71,541
Operating expenses	947,840	25,484	973,324
Contingencies	<u>82,000</u>	<u>0</u>	<u>82,000</u>
Total special funds	\$4,232,954	\$666,415	\$4,899,369
Full-time equivalent positions	18.00	1.00	19.00"

Page 1, remove lines 23 and 24

Page 2, replace lines 1 through 4 with:

"Salaries and wages	\$4,563,507	\$452,832	\$5,016,339
Accrued leave payments	0	103,217	103,217
Operating expenses	2,054,383	204,511	2,258,894
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$6,867,890	\$760,560	\$7,628,450
Full-time equivalent positions	33.00	0.00	33.00"

Page 2, replace line 9 with:

"Grand total special funds	\$11,100,844	\$1,426,975	\$12,527,819"
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Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1022 - Summary of Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Retirement and Investment Office						
Total all funds	\$4,648,730	\$4,833,019	\$66,350	\$4,899,369	\$4,947,281	(\$47,912)
Less estimated income	4,648,730	4,833,019	66,350	4,899,369	4,947,281	(47,912)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Public Employees Retirement System						
Total all funds	\$7,715,503	\$7,527,133	\$101,317	\$7,628,450	\$7,726,987	(\$98,537)
Less estimated income	<u>7,715,503</u>	<u>7,527,133</u>	<u>101,317</u>	<u>7,628,450</u>	<u>7,726,987</u>	<u>(98,537)</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Bill total						
Total all funds	\$12,364,233	\$12,360,152	\$167,667	\$12,527,819	\$12,674,268	(\$146,449)
Less estimated income	<u>12,364,233</u>	<u>12,360,152</u>	<u>167,667</u>	<u>12,527,819</u>	<u>12,674,268</u>	<u>(146,449)</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0

House Bill No. 1022 - Retirement and Investment Office - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$3,611,563	\$3,706,154	\$66,350	\$3,772,504	\$3,891,957	(\$119,453)
Operating expenses	955,167	973,324		973,324	973,324	
Contingencies	82,000	82,000		82,000	82,000	
Accrued leave payments		71,541		71,541		71,541
Total all funds	\$4,648,730	\$4,833,019	\$66,350	\$4,899,369	\$4,947,281	(\$47,912)
Less estimated income	4,648,730	4,833,019	66,350	4,899,369	4,947,281	(47,912)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	18.00	19.00	0.00	19.00	19.00	0.00

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

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Total Conference Committee Changes
Salaries and wages	\$114,262	(\$47,912)	\$66,350
Operating expenses			
Contingencies			
Accrued leave payments			
Total all funds	\$114,262	(\$47,912)	\$66,350
Less estimated income	114,262	(47,912)	66,350
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

- ² This amendment adjusts the state employee compensation and benefits package as follows:
- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
 - Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
 - Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

House Bill No. 1022 - Public Employees Retirement System - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$5,206,609	\$4,915,022	\$101,317	\$5,016,339	\$5,218,093	(\$201,754)
Operating expenses	2,258,894	2,258,894		2,258,894	2,258,894	
Contingencies	250,000	250,000		250,000	250,000	
Accrued leave payments		103,217		103,217		103,217
Total all funds	\$7,715,503	\$7,527,133	\$101,317	\$7,628,450	\$7,726,987	(\$98,537)
Less estimated income	7,715,503	7,527,133	101,317	7,628,450	7,726,987	(98,537)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	33.00	33.00	0.00	33.00	33.00	0.00

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

	Removes House Changes to Executive Compensation Package¹	Adjusts State Employee Compensation and Benefits Package²	Total Conference Committee Changes
Salaries and wages	\$199,854	(\$98,537)	\$101,317
Operating expenses			
Contingencies			
Accrued leave payments			
Total all funds	\$199,854	(\$98,537)	\$101,317
Less estimated income	199,854	(98,537)	101,317
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

² This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

2013 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: House Appropriations - Government Operations

Bill/Resolution No. HB1022 as (re) engrossed

Date: April 22, 2013

Roll Call Vote #: 1

- Action Taken**
- HOUSE accede to Senate amendments
 - HOUSE accede to Senate amendments and further amend
 - SENATE recede from Senate amendments
 - SENATE recede from Senate amendments and amend as follows

Senate Amendments on HJ page(s) 1394 -- 1396

- Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) HB 1022 was placed on the Seventh order of business on the calendar

Motion Made by: Senator Lee Seconded by: Senator Robinson

Representatives	4-22			Yes	No		Senators	4-22			Yes	No
Chairman Kempenich	x			x			Senator Carlisle	x			x	
Representative Sanford	x			x			Senator Lee	x			x	
Representative Glassheim	x			x			Senator Robinson	x			x	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Representative Kempenich Senate Carrier Senator Carlisle

LC Number _____ of amendment

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment
To amend the compensation package as in all other budget bills.

REPORT OF CONFERENCE COMMITTEE

HB 1022, as engrossed: Your conference committee (Sens. Carlisle, G. Lee, Robinson and Reps. Kempenich, Sanford, Glassheim) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1394-1396, adopt amendments as follows, and place HB 1022 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1394-1396 of the House Journal and pages 1260-1262 of the Senate Journal and that Engrossed House Bill No. 1022 be amended as follows:

Page 1, replace lines 13 through 18 with:

"Salaries and wages	\$3,203,114	\$569,390	\$3,772,504
Accrued leave payments	0	71,541	71,541
Operating expenses	947,840	25,484	973,324
Contingencies	<u>82,000</u>	<u>0</u>	<u>82,000</u>
Total special funds	\$4,232,954	\$666,415	\$4,899,369
Full-time equivalent positions	18.00	1.00	19.00"

Page 1, remove lines 23 and 24

Page 2, replace lines 1 through 4 with:

"Salaries and wages	\$4,563,507	\$452,832	\$5,016,339
Accrued leave payments	0	103,217	103,217
Operating expenses	2,054,383	204,511	2,258,894
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$6,867,890	\$760,560	\$7,628,450
Full-time equivalent positions	33.00	0.00	33.00"

Page 2, replace line 9 with:

"Grand total special funds	\$11,100,844	\$1,426,975	\$12,527,819"
----------------------------	--------------	-------------	---------------

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1022 - Summary of Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Retirement and Investment Office						
Total all funds	\$4,648,730	\$4,833,019	\$66,350	\$4,899,369	\$4,947,281	(\$47,912)
Less estimated income	4,648,730	4,833,019	66,350	4,899,369	4,947,281	(47,912)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Public Employees Retirement System						
Total all funds	\$7,715,503	\$7,527,133	\$101,317	\$7,628,450	\$7,726,987	(\$98,537)
Less estimated income	7,715,503	7,527,133	101,317	7,628,450	7,726,987	(98,537)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Bill total						
Total all funds	\$12,364,233	\$12,360,152	\$167,667	\$12,527,819	\$12,674,268	(\$146,449)
Less estimated income	12,364,233	12,360,152	167,667	12,527,819	12,674,268	(146,449)
General fund	\$0	\$0	\$0	\$0	\$0	\$0

House Bill No. 1022 - Retirement and Investment Office - Conference Committee Action

Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
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Salaries and wages	\$3,611,563	\$3,706,154	\$66,350	\$3,772,504	\$3,891,957	(\$119,453)
Operating expenses	955,167	973,324		973,324	973,324	
Contingencies	82,000	82,000		82,000	82,000	
Accrued leave payments		71,541		71,541		71,541
Total all funds	\$4,648,730	\$4,833,019	\$66,350	\$4,899,369	\$4,947,281	(\$47,912)
Less estimated income	4,648,730	4,833,019	66,350	4,899,369	4,947,281	(47,912)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	18.00	19.00	0.00	19.00	19.00	0.00

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

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Total Conference Committee Changes
Salaries and wages	\$114,262	(\$47,912)	\$66,350
Operating expenses			
Contingencies			
Accrued leave payments			
Total all funds	\$114,262	(\$47,912)	\$66,350
Less estimated income	114,262	(47,912)	66,350
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

² This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

House Bill No. 1022 - Public Employees Retirement System - Conference Committee Action

	Executive Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$5,206,609	\$4,915,022	\$101,317	\$5,016,339	\$5,218,093	(\$201,754)
Operating expenses	2,258,894	2,258,894		2,258,894	2,258,894	
Contingencies	250,000	250,000		250,000	250,000	
Accrued leave payments		103,217		103,217		103,217
Total all funds	\$7,715,503	\$7,527,133	\$101,317	\$7,628,450	\$7,726,987	(\$98,537)
Less estimated income	7,715,503	7,527,133	101,317	7,628,450	7,726,987	(98,537)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	33.00	33.00	0.00	33.00	33.00	0.00

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

	Removes House Changes to Executive Compensation Package ¹	Adjusts State Employee Compensation and Benefits Package ²	Total Conference Committee Changes
Salaries and wages	\$199,854	(\$98,537)	\$101,317
Operating expenses			
Contingencies			
Accrued leave payments			
Total all funds	\$199,854	(\$98,537)	\$101,317
Less estimated income	199,854	(98,537)	101,317
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Changes made by the House to the executive compensation package are removed.

² This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

Engrossed HB 1022 was placed on the Seventh order of business on the calendar.

2013 TESTIMONY

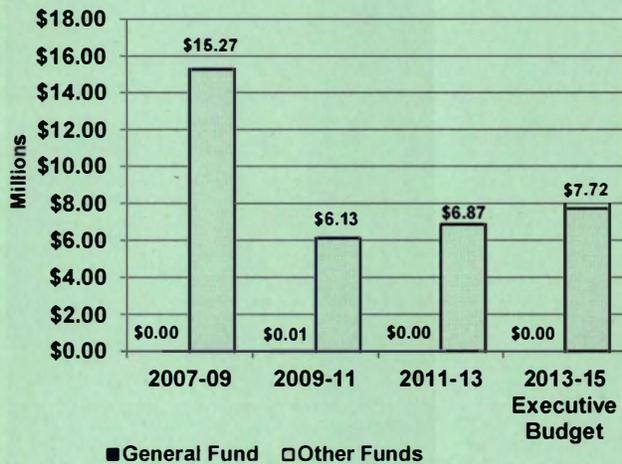
HB 1022

**Department 192 - Public Employees Retirement System
 House Bill No. 1022**

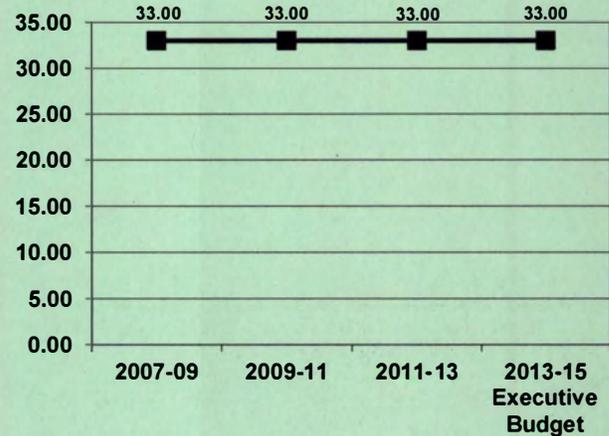
	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	33.00	\$0	\$7,715,503	\$7,715,503
2011-13 Legislative Appropriations	33.00	0	6,867,890	6,867,890
Increase (Decrease)	0.00	\$0	\$847,613	\$847,613

¹The 2011-13 appropriation amounts do not include \$597,338 of special funds continued from the 2009-11 biennium relating to the PERSLink IT project.

Agency Funding



FTE Positions



Executive Budget Highlights

	General Fund	Other Funds	Total
1. Removes funding for costs to implement a high deductible health plan and health savings account	\$0	(\$91,000)	(\$91,000)
2. Increases funding for general operating expenses due to inflation - postage, printing, and office rent	\$0	\$14,381	\$14,381
3. Increases funding for information technology activities that are included in the agency's IT Strategic Plan	\$0	\$281,130	\$281,130
4. Provides funding for state employee salary increases of which \$238,982 relates to performance increases and \$135,247 is for market equity adjustments	\$0	\$374,229	\$374,229

Other Sections in Bill

Section 2 - Provides upon approval of the respective boards, the Retirement and Investment Office and the Public Employee's Retirement System may transfer from their respective contingencies line items in subdivisions 1 and 2 of section 1 of the bill to all other line items

Continuing Appropriations

Public Employees Retirement System - Various sections of the North Dakota Century Code - For benefit payments, investments, and actuarial/technical consulting for each program area

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

Senate Bill No. 2059 - Increases employee and employer contribution requirements under the highway patrolmen's retirement fund and the Public Employee's Retirement System. Member contributions will increase by 1 percent of the member's monthly salary in January 2014 and with an additional 1 percent increase in January 2015.

House Bill No. 1058 - Makes changes to the Public Employees Retirement System and retiree health benefits.

House Bill No. 1059 - Redefines the benefits a temporary state employee is eligible to receive if employed after December 31, 2013

HB 1022
January 16, 201
Attachment 1

TESTIMONY OF NDPERS

HOUSE BILL 1022

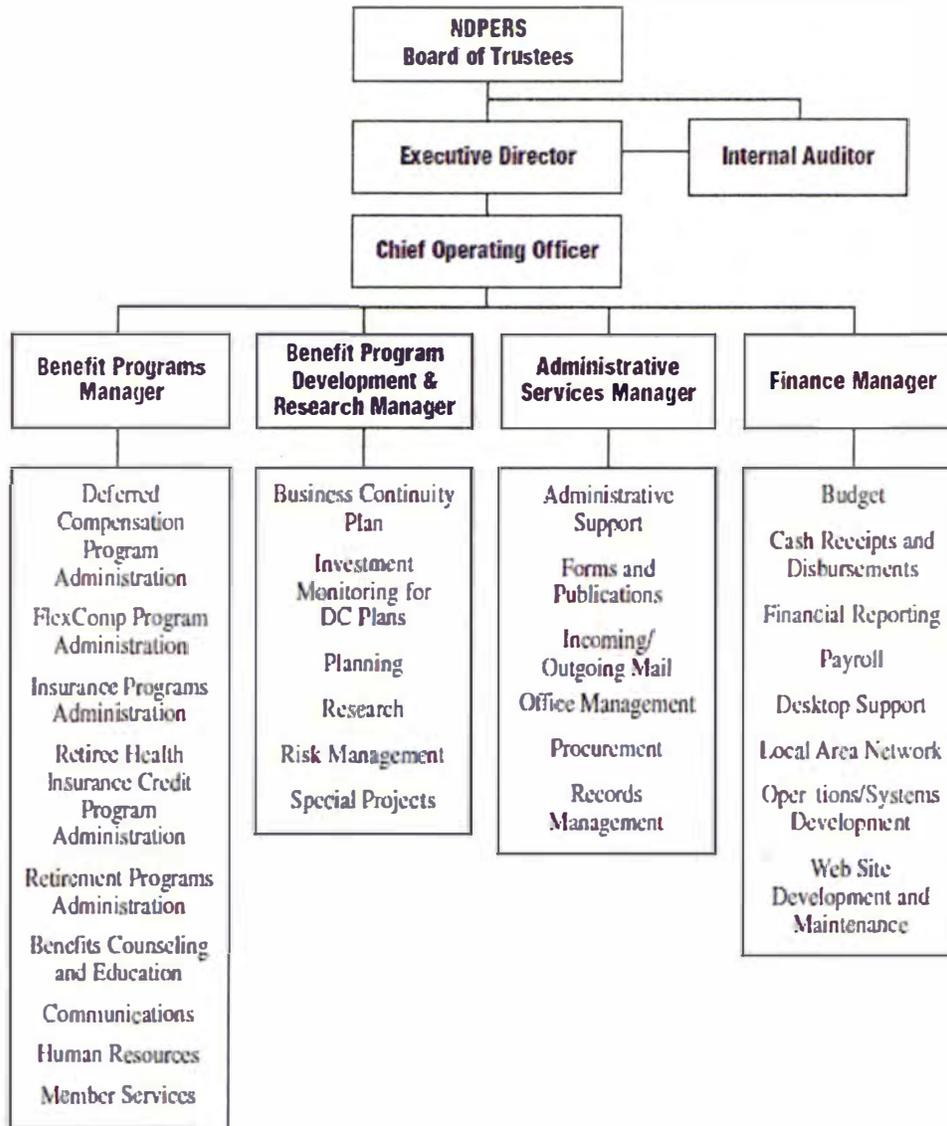
Mr. Chairman, members of the committee, good morning my name is Sparb Collins. I am the Executive Director of the North Dakota Public Employees Retirement System or PERS. With me is Sharon Schiermeister, our Chief Operating Officer. Today we appear before you to give you an overview of our agency, our work efforts and our budget request.

Agency Overview

First let me start by providing an overview of our agency. PERS is directed by a Board composed of the following members:

Chair (appointed by Governor)	Jon Strinden
Appointed by Attorney General	Tom Trenbeath
State Health Officer or Deputy	Arvy Smith
Elected	Levi Erdmann
Elected	Joan Ehrhardt
Elected	Mike Sandal
Elected	Howard Sage

Administratively PERS is organized as illustrated:



Please note that our organization chart has changed since last reviewed with you. We have added a COO (chief operating officer). Our Finance Manager fills both roles within our organization, so the addition does not represent a new position but rather a refinement of our organization.

The PERS program responsibilities fall under two broad categories – retirement and group insurance. Section 54-52-02 states the overall mission for the retirement program as: "...to provide for the payment of benefits to state and political subdivision

employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women”. Similarly, state statute establishes the overall mission for the group insurance plan as: “In order to promote the economy and efficiency of employment in the states service, reduce personnel turnover, and offer an incentive to high grade men and women to enter and remain in state service, there is hereby created a uniform group insurance program”.

Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

January 1, 2013

**RETIREMENT PROGRAMS
MANAGED AND ADMINISTERED BY NDPERS**

	TOTAL RETIREMENT	Main System	D.C. 401(a)	Highway Patrol	Judges	Guard	Law Enforcement	Job Service	DEFERRED COMP	HEALTH CREDIT
PARTICIPATION										
AGENCY										
State	95	95	32	1	1	1	1	1	89	95
Counties	49	48					11		35	49
School Dist	114	114							18	114
Cities	81	75					6		34	81
Others	73	73							29	73
	412								205	412
EMPLOYEES										
State	10,512	10,014	219	141	47	36	37	18	4,561	10,512
Counties	3,583	3,388					129		580	3,583
School Dist	4,988	4,988							75	4,988
Cities	1,475	1,431					44		225	1,475
Others	557	457							189	557
Retirees	7,816	7,214	49	109	22	12	11	120		4,442
	28,931	27,492	268	250	69	48	221	138	5,630	25,557

As you will note, our agency is responsible for the administration of approximately 10 different retirement plans. The Law Enforcement Plan is divided into two plans, those with past service and those without. Several of the above plans were assigned to our agency by the 2001 and 2003 legislative session. Those were the Job Service Retirement Plan and the Law Enforcement Plans for political subdivisions. The Law Enforcement Plan has since been expanded to certain state employees. The 401(a) plan or optional defined contribution plan for non-classified state employees was

assigned to our agency in 1999. The other retirement programs have been a part of PERS since the 1980's. You will note the largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the state, but also to political subdivisions. In this plan about 50% of the active members are state employees and 50% are political subdivision employees. School districts are our second largest group followed by counties and cities.

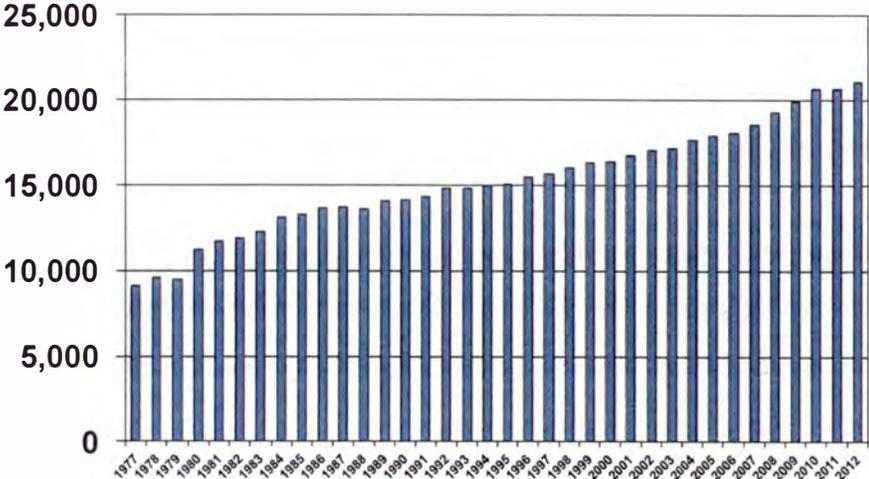
Some historical statistics about the retirement plan include membership:



Of this, the number of active members has grown:

NDPERS Retirement Actives

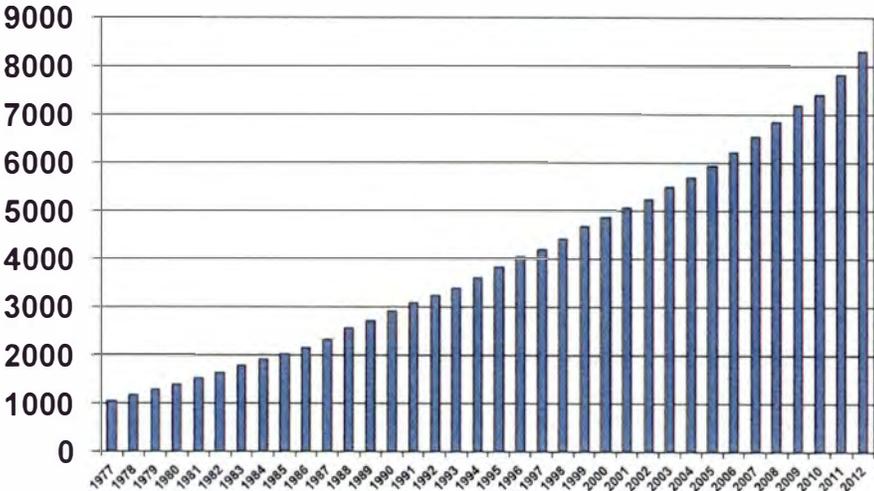
(Main System, Judges, Guard, Law Systems)



The number of retired members has grown as well and at an even greater rate than our active members:

NDPERS Retirement Retirees

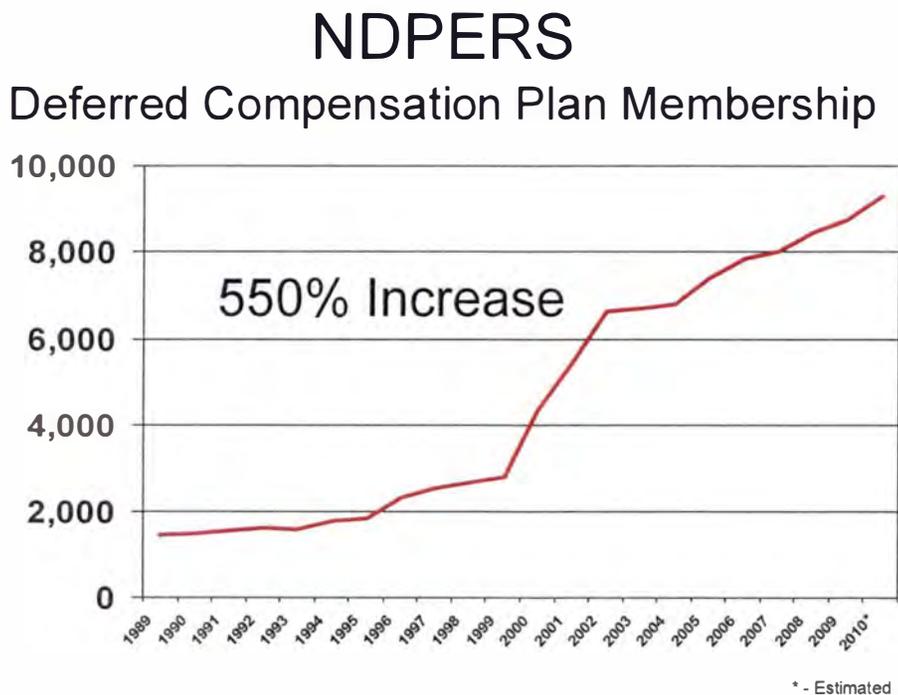
(Main System, Judges, Guard, Law Systems)



Another interesting statistic about the retirement plan is since 1977 the PERS plan has received approximately \$1.1 billion in contributions and as of the last fiscal year we had \$1.7 billion in assets. During that same period we paid out about \$1.1 billion in benefits.

As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. Servicing the present and future needs of the retired membership is going to be a growing challenge for NDPERS.

In addition to the administration of the traditional retirement plans, PERS administers the state's supplemental savings program as well. The membership in that program has also grown over the years (this shows both active and inactive accounts):



We are pleased by this growth since it is important that our members save for retirement. In 1999 the legislature started the PEP provision in our retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings. You can see that program has been successful.

Deferred Compensation offers our members approximately 8 different providers to choose from including the PERS Companion Plan (presently with TIAA-CREF) and:

American Trust Center	Jackson National
AXA Equitable	Nationwide Life
Bank of North Dakota	VALIC
Hartford Life	Waddell & Reed

Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

January 1, 2013

GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

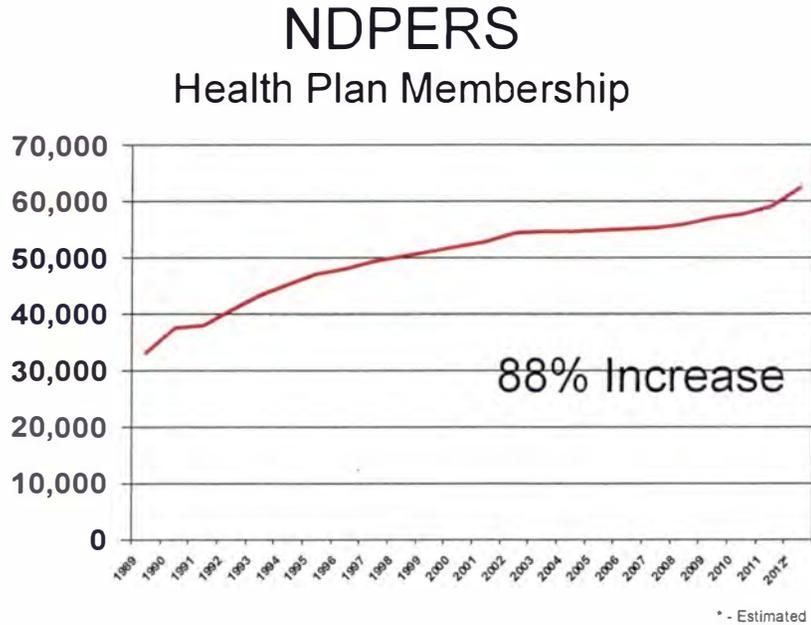
PARTICIPATION	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>	<i>LT Care</i>
AGENCY							
State	95	95	85	90	95	77	95
Counties	51	51					
School Dist	68	65					
Cities	65	55					
Others	70	34			20	3	
	379	335	85	90	115	80	95
EMPLOYEES							
State	14,774	15,137	5,636	6,696	16,067	2,755	55
Counties	2,270	2,569					
School Dist	1,273	327					
Cities	1,642	270					
Others	540	340					
Retirees	6,389	2,800	1,531	1140			
COBRA	354		41	44			
	27,242	21,443	7,208	7,880	16,067	2,755	55

As you will note, the largest responsibility in this area is the health plan. In this program about 54% of members are state employees and 46% are political subdivisions or other groups such as retirees. This biennium one of the challenges we faced with the health program was the enactment of federal health care reform. In response, we took the following actions:

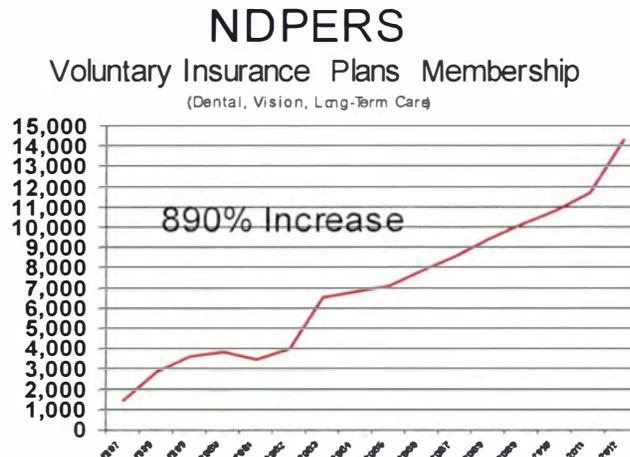
1. Maintained the plan as a grandfathered plan under the law which means we do not have to comply with all the provisions.

2. Applied for the subsidy for providing services to pre-Medicare retirees
3. Implemented the required plan design changes.

The following table shows the history of the membership in the health plan:

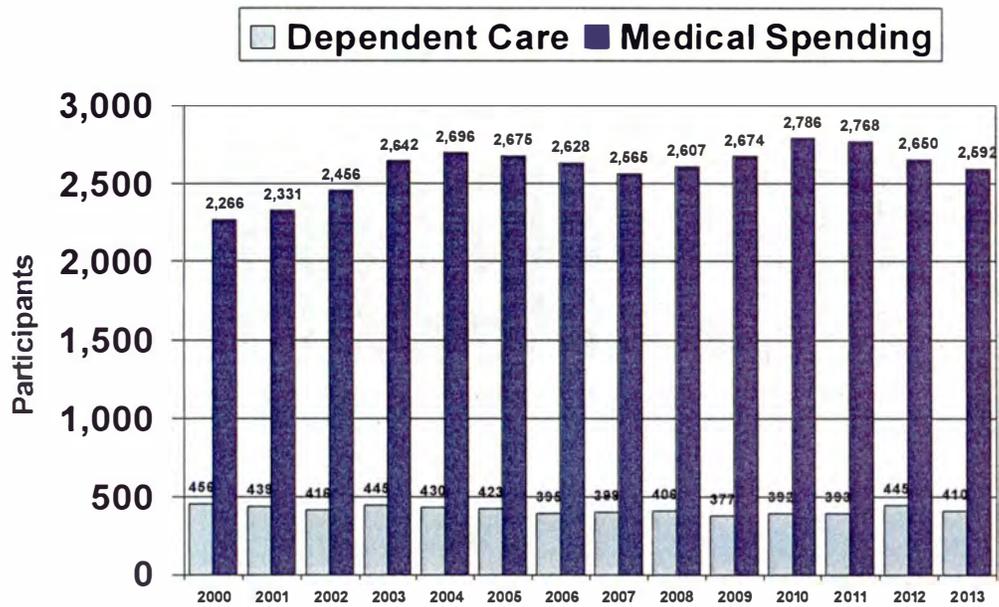


In the late 1990's the Employee Assistance Program, Long Term Care Plan, Dental Plan & Vision Plan were added to PERS. The other group insurance programs have been a part of the agency since before 1990. The following table is the history of those programs (not including the EAP):

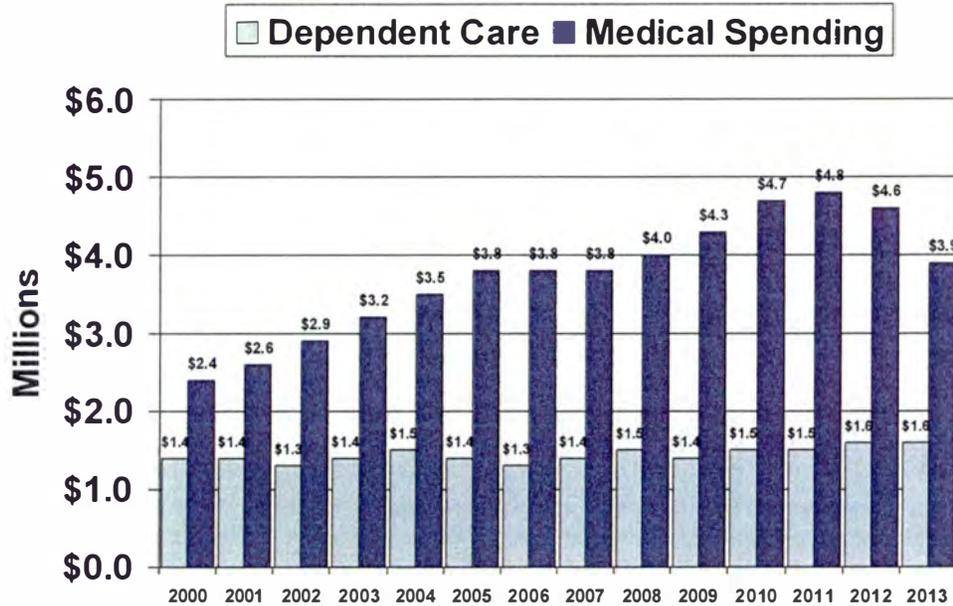


The Flex Comp Program which has been a part of the agency since 1989 allows members to pretax certain insurance premiums, dependent care expenses and medical expenses. The following tables show the history of the number of members and deferrals:

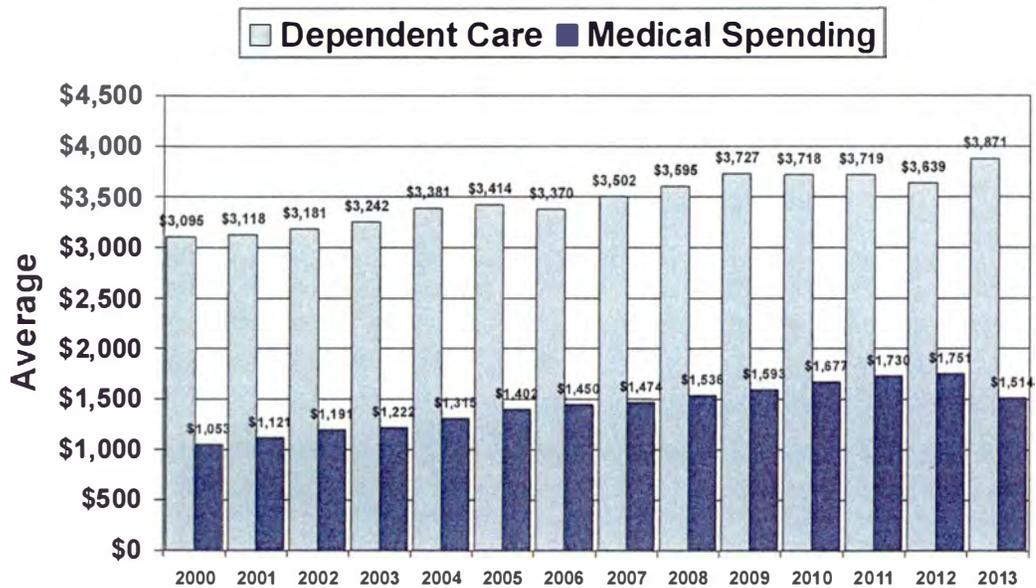
NDPERS Flexcomp Participation



NDPERS Flexcomp Participation

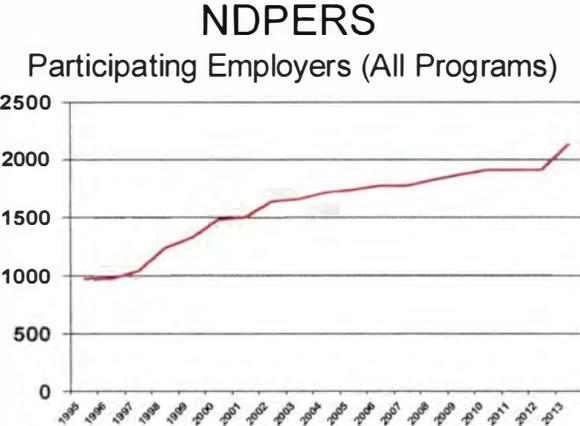


NDPERS Flexcomp Participation

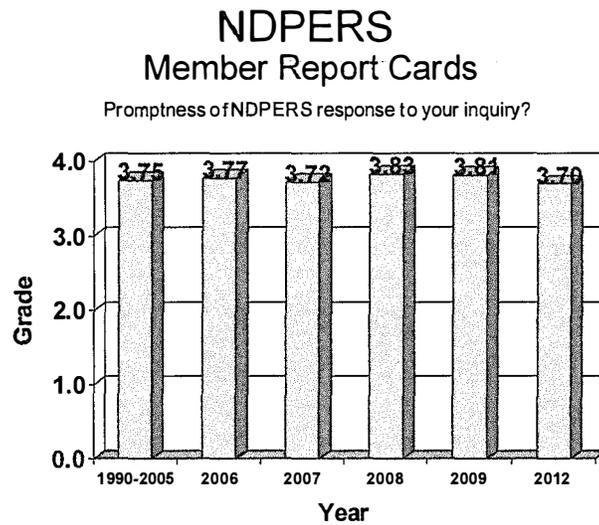
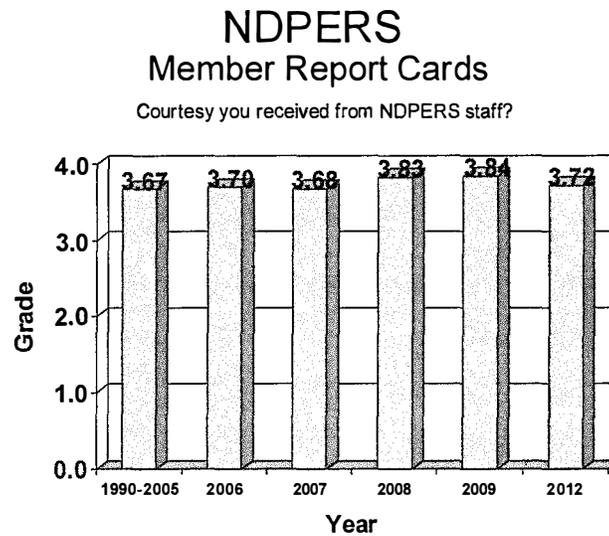


As the above shows, the number of members participating in the program has decreased slightly as well as the average and total deferrals. One of the reasons for this decline is the Affordable Care Act (ACA) which limited the total deferrals to the medical account to \$2,500 - the old limit was \$6,000. As we look to the future with the limitation in place, we believe that we will have to make it easier for members with smaller accounts to join the plan. The primary reason they do not is the paper work. In recognition of this, we have changed the claims processing format this year from using PeopleSoft to hiring a new claims payment firm - ADP. This new format will add additional options for claims payment processing beyond the traditional paper process. The new options are a debit card, auto adjudication and mobile applications. This will make it easier for our members to use this program and will facilitate small accounts. As we look to the future, we expect to see the number of users increase. Please note that we are seeking a continuing appropriation in SB 2060 to pay the claims processor (approximately \$95,000 per year or \$190,000 for the biennium) from the savings that accrue from this program.

While we have been serving more members in more programs over time, we have also been serving more employers as they join PERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):



As shown above, PERS has faced two challenges over the years. First, is the growth of program responsibilities. Second, is the growing membership needs for assistance. We have also tried to meet the needs of our members and monitor how we are doing by sending to them a rating card. The following are the responses:



As the above shows, we have been able to maintain a positive rating by the members, but we note we can do better and will continue to work toward that goal.

We are also 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:

- We have received the Public Pension Achievement Award and the Recognition Award for Administration.
- We have received the Certificate of Achievement for Excellence in Financial Reporting for the past 16 years (1996-2011).
- We have had unqualified audit opinions for over 22 years.

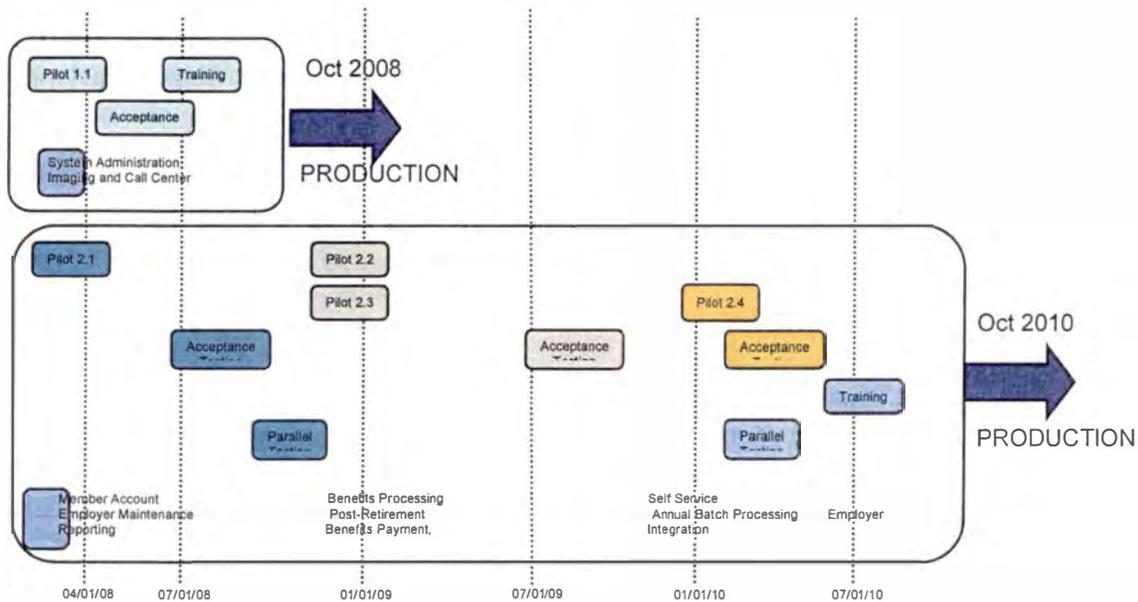
At this time, I will turn the presentation over to Sharon Schiermeister to review our work efforts and budget request.

PERS Business System Replacement Project

Several bienniums ago, you approved funding the replacement of our business system.

The following was the schedule we discussed:

Overall Project Schedule



I am pleased to report to you that our project was officially completed this last year. We went live as projected in October of 2010 after three years of development. The employee portal for retirees was completed in January 2012 and the portal for active employees was completed in 2012 and was successfully piloted to employees of select agencies in this last open enrollment. We will now roll it out to our other active members in 2013 so it can be used by all members during the 2013 annual enrollment. The project was completed within budget.

The new employee portal will offer the following capabilities to our members:

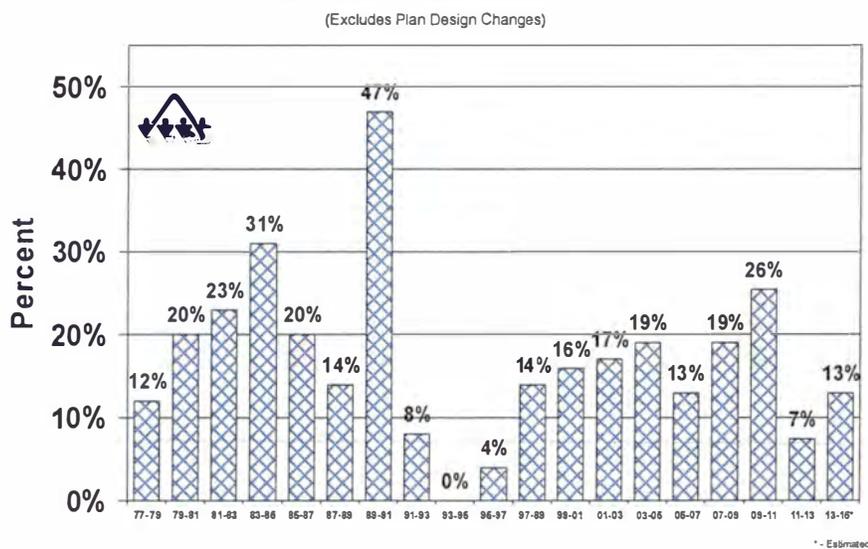
- View
 - Demographics
 - Benefit Plan Enrollments including
 - Member Account Balance
 - Levels of Coverage
 - Dependents
 - Retirement & Life Beneficiaries
 - Service Purchase Contracts
 - Retirement payment history and 1099R tax forms
- Update Demographic details
- Enroll in eligible benefit plans
 - Update to enrolled plans
- Report a Death
- Request an Appointment
- Submit On-line Question
- View & Enroll in Upcoming Seminars
- Perform Retirement Benefit Projections
 - Includes:
 - Ability to forecast salary increases
 - Service purchases cost & affect
 - Deductions (Insurances, Income Tax)
- Perform Service Purchase Projections
 - Includes:
 - Cost Calculations
 - Installment Payment Schedules

2011-2013 Initiatives

The following are some of the major initiatives done this biennium.

- Health Plan
 - Completed a competitive bid process (two bidders)
 - 12.9% active increase (about a 10% increase to the state)

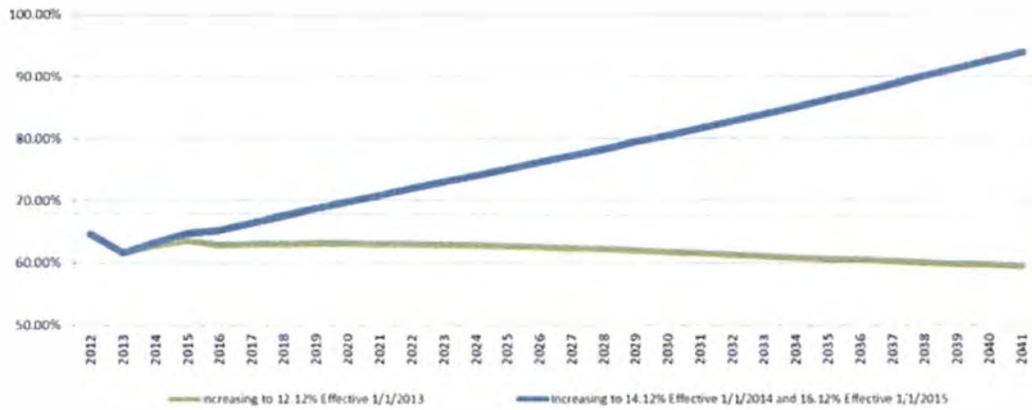
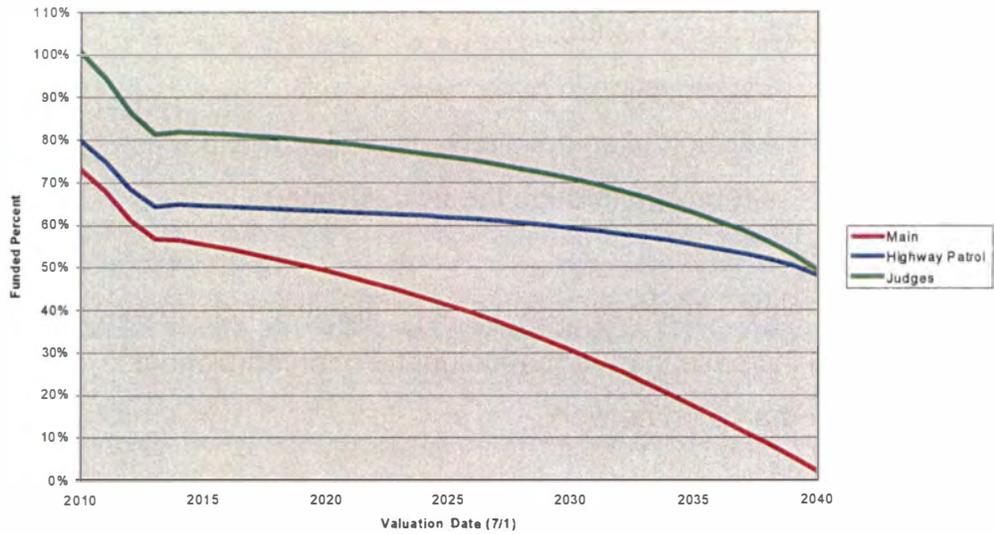
State Health Premium Percentage Increase From Previous Biennium



- No retiree increase
- Developed additional reserves
- Continued implementation of health care reform
- Developed a proposal to eliminate the State's \$65 Million OPEB liability (except for legislators) (HB 1058)
- Added a new Wellness Provider
- Completed our annual flu shot clinics in Bismarck together with the Family Practice Center (1059 shots in 2012 and 1397 in 2011)
- Implemented a new HDHP/HSA plan as part of the PERS Health Plan and offered it to state employees

- Dental Plan
 - Completed a competitive bid process (over 10 bidders)
 - Selected a new vendor
 - 7% reduction in rates
 - Addition of an optional network for member use (60% of claims already go through the new network)
- Vision Plan
 - Completed implementation of a competitive bid process (3 Bidders)
 - 35% increase in participation during open enrollment
 - Added a vision network
- Life insurance
 - Completed implementation of a competitive bid process (9 bidders)
 - Basic life coverage for active employees increased from \$1,300 to \$3,500
 - Reduced the employee and spouse rates an average of 18% and 26.5%, respectively
- Flex Program
 - Completed a competitive bid process (12 bidders)
 - Selected a new vendor
 - Adding new services for members
 - Debit cards
 - On line claims submission
 - Mobile applications
 - Auto substantiation
 - Expanded service center hours
- Retirement Plans
 - Completed Asset liability Study for the PERS Retirement Plan
 - Implemented the first two years of the four year recovery plan for the PERS Retirement plans and submitted the second 2 years of the recovery plan for consideration this session (SB 2059)

Projected Funded Ratios
(Actuarial Value of Assets to Actuarial Accrued Liability)
Based on July 1, 2010 Data



- Selected a new Defined Contribution and Companion Plan Provider
 - Completed a competitive bid process (8 bidders)
 - Selected a new vendor
 - Lower administrative fees for members
 - Revenue sharing
 - Greater fund selection in mutual fund window
 - 280 days of on site counseling versus 21

PERS Budget

The proposed budget before you today is basically a hold even budget and is all special funds. With the system replacement project and our other efforts, the challenge we face in the next biennium is just keeping up with our existing commitments. Consequently, no new major initiatives or new FTE are being requested in the proposed budget. The budget also does not include any increase in costs related to Health Care Reform; any additional costs incurred as a result of this will be paid through the Contingency Line Item if and when they arise.

The following is a summary comparing the current budget to the Governor's Executive Recommendation, which is a 3.35% increase:

	<u>2011-2013 Appropriation</u>	<u>2013-2015 Recommendation</u>	<u>Change</u>
Salaries	\$4,563,507	\$5,206,609	\$643,102
Operating	2,054,383	2,258,894	204,511
IT Project carryover	597,338	0	(597,338)
Contingency	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Total Base	\$7,465,228	\$7,715,503	\$250,275

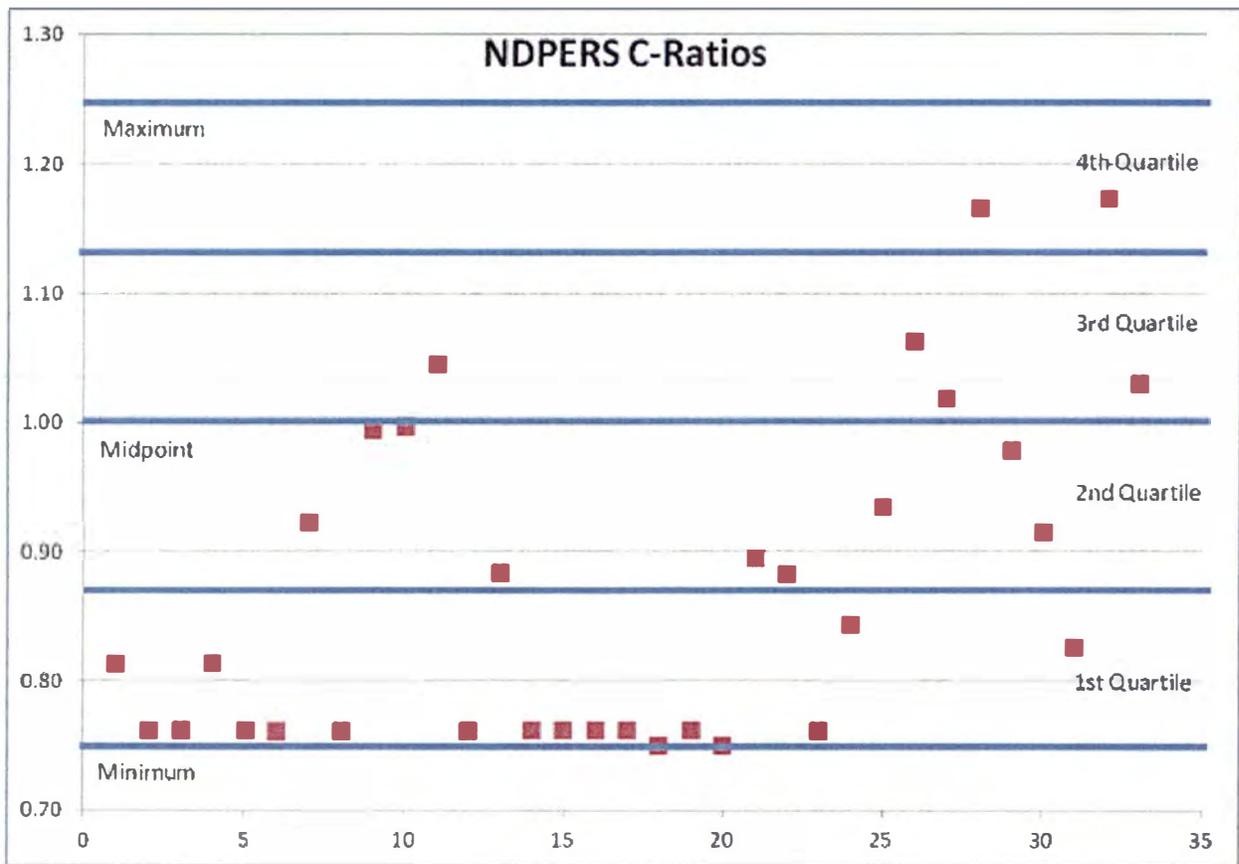
Breaking down the recommended budget further by percent we find:

	<u>2013-2015 Recommendation</u>	<u>Percent of Total</u>
Salaries	\$5,206,609	67%
Operating	2,258,894	29%
Contingency	<u>250,000</u>	<u>4%</u>
Total Base	\$7,715,503	100%

The **salaries and wage line** item is 67% of our budget and supports 33 FTE. The changes to this line item are shown below:

Salary and Wage Line Item Adjustments	
Cost to continue current salary and benefits	\$156,756
Executive Compensation Package	\$374,229
Retirement and Health Insurance Increases	\$112,117
TOTAL	\$643,102

The following graph shows the challenge we face in the salaries for our employees by looking at compa-ratio (C-Ratio)



The above shows:

- 18 out of 33 (55%) of the NDPERS employees are in the first quartile, many at the very bottom. Average years of service for these employees is 8.1 years.
- 21 out of 33 (64%) are below a .90 C-Ratio. Average years of service for these employees is 10.1 years.

Overall, the agency C-Ratio is .87 or 87% of the market policy point. As a result, we support the efforts in the Executive Budget to help us move more of our employees from the bottom of the pay grade towards the market policy point and to provide pay for performance for our employees. If these issues are not addressed, we are concerned that the agency will see increasing levels of turnover and create a situation where we cannot attract new employees of the same caliber of those who leave, causing us to lose expertise, effectiveness and efficiency.

The **operating line item** is 29% of our budget and you will note that it has increased from the 2011-13 biennium. The changes to this line item are shown below:

Operating Line Item Adjustments	
Remove one-time expenditures for office equipment that was purchased in the current biennium and also reduce the amount budgeted for temporary contract labor to assist with annual enrollment	\$ (40,200)
Increase IT-Contractual Services to fund 24 months of payments for the licensing fee paid to our software vendor for the PERSLink System. The current biennium only includes 13 months of payments. Funding was also included to cover projected rate increases for services provided by our software vendor. Increase in IT-Data Processing to fund projected rated increases for services provided by ITD	\$245,930
Increase in IT Equipment to fund replacement of computer hardware and software in accordance with the agency's 4 year hardware replacement cycle.	\$35,200
Increase in postage, office rent and OMB central service allocation costs due to inflation	\$54,581
Remove one-time expenditure to implement the High Deductible Health Plan and Health Savings Account.	\$(91,000)
TOTAL	\$204,511

The agency had a carryover appropriation of \$597,338 from the 2009-2011 biennium for IT contractual services, which was used to complete the PERSLink IT project. The project will be completed during the 2011-2013 biennium; therefore, these costs will not be carried forward into the 2013-2015 biennium.

Mr. Chairman, members of the committee, I would also like to take this opportunity on behalf of PERS to thank you for your past support. Together we have provided to our members valuable benefits that have truly made a significant difference in people's lives and helped to support the economic health of North Dakota. We look forward to continuing to work with you in the future. Again, thank you and this concludes our testimony.

HB 1022
January 16, 2013
Attachment 2

**North Dakota Retirement and Investment Office
Testimony to the House Appropriations Committee-Government Operations Division**

January 16, 2013

Retirement and Investment Office (RIO) Update

Good morning Mr. Chairman and members of the Committee. My name is Fay Kopp, and I am the Interim Executive Director of the ND Retirement and Investment Office (RIO) and Chief Retirement Officer for the ND Teachers' Fund for Retirement (TFFR). In May 2012, John Geissing, NDRIO Executive Director and Chief Investment Officer (CIO) resigned from his position to relocate closer to family in Connecticut. At that time, the State Investment Board (SIB) named me as Interim Executive Director (formerly Deputy Executive Director) and Darren Schultz as Interim CIO (formerly Deputy CIO) until a permanent replacement is hired. Since then, the SIB has solicited input from all SIB clients, studied the agency's organizational structure, and reaffirmed the current business model. The SIB also established a Search Committee who is working with staff from State Human Resources Management Services (HRMS) to fill the vacancy. The position is being advertised in various national publications and organizations' websites, and the SIB anticipates filling the position by May 2013.

During the interim, please be assured that the funds entrusted to the SIB are well positioned and are in good hands with existing professional staff at RIO, investment management firms, and investment consultants working together to prudently invest SIB assets. Darren and I are both available today to respond to any questions relating to the SIB and TFFR programs for which RIO is responsible.

RIO Programs Overview

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 Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB). First I will provide you with some background information about the TFFR program.

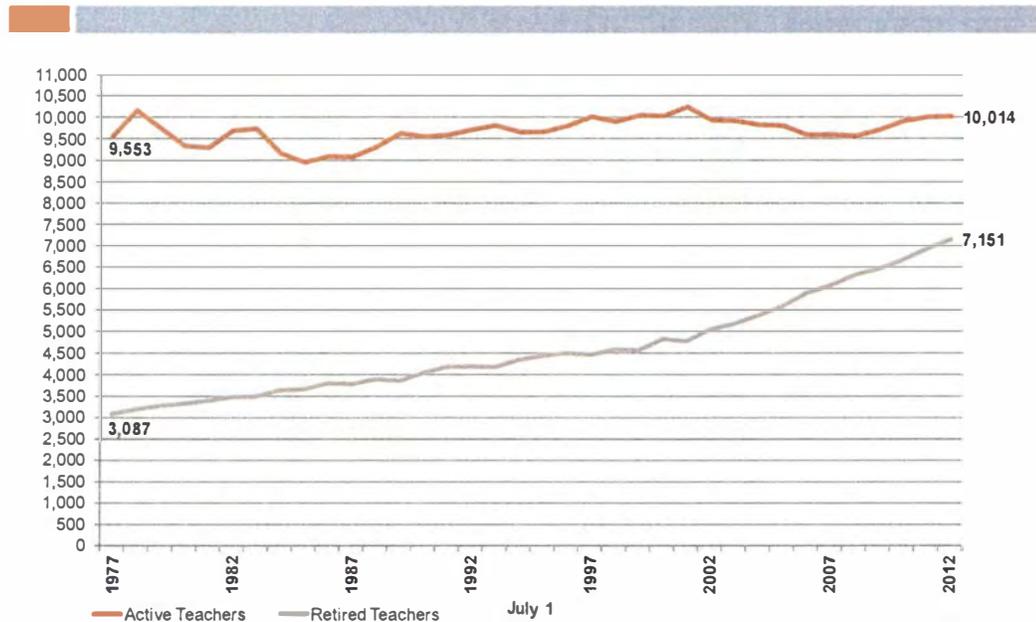
• **Teachers' Fund for Retirement (TFFR)**

TFFR is a qualified defined benefit public pension plan. The program is managed by a seven member board of trustees which consists of the State Treasurer, State Superintendent, and five active and retired teachers and administrators appointed by the Governor.

The plan covers North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves over 10,000 active teachers and pays benefits to more than 7,100 retirees and beneficiaries. As you can see from the chart below, active membership was experiencing a decline in the last decade; however we are beginning to see active member increases in the past few years, and expect

that to continue. We also anticipate that retired membership will continue to grow in the years ahead. Servicing the present and future needs of TFFR membership will continue to be a challenge.

Active and Retired TFFR Members 1977 – Present



There are currently 219 participating TFFR employers comprised as follows:

School Districts	181
Special Ed Units	19
Vocational Centers	5
Counties	7
State Agencies/Institutions	4
Other – Closed groups	<u>3</u>
2012-13 Total Employers	219

The \$2.8 million requested in the RIO budget relating to the TFFR program includes salaries, benefits and administrative overhead costs for 12.25 FTEs who deliver and support high quality member services and outreach programs to members and employers. Administration of the TFFR program includes monthly collection and reporting of member and employer contributions; maintaining membership records of active and retired members; processing claims for retirement, disability, death benefits, refunds, and service purchases; distributing monthly benefit payments; and providing publications and educational outreach programs as part of our continuing effort to keep members and employers informed about their retirement program.

With the Chairman's permission, I would like to ask Connie Flanagan, Fiscal and Investment Officer, to present information about the SIB program and details of RIO's 2013-15 budget request.

- **State Investment Board (SIB)**

Good morning Mr. Chairman and Members of the Committee. My name is Connie Flanagan and I am the Fiscal and Investment Officer for RIO. I will discuss the investment program and the budget request for RIO that is part of House Bill 1022.

The SIB is responsible for the investment of over \$6 billion in assets for eight pension funds and 15 other non-pension funds. The 11-member board includes the Lt. Governor, State Treasurer, State Insurance Commissioner, State Land Commissioner, Workforce Safety and Insurance designee, 3 PERS board members, and 3 TFFR board members.

All the funds are invested in accordance with the "Prudent Investor Rule". Attached you will find a three page description of the SIB process. The first page graphically shows the three groups that are involved in the process. The top section represents the "governing bodies" of each of the funds invested with the SIB. These governing bodies, or clients as we call them, are responsible for setting the investment guidelines and asset allocations of their respective funds. Examples of these clients include TFFR, PERS, WSI, and the Cities of Bismarck and Fargo. Some of these clients are statutorily required to be managed by the SIB while others have chosen to do so under contract as allowed by state statute. Exceptions to this process are the Legacy and Budget Stabilization funds. By state constitution and statute, the SIB is the governing body of these funds; however a seven member Advisory Board has been created to make recommendations to the SIB regarding investment guidelines and asset allocation for these two funds.

Once the guidelines and asset allocations are determined by the clients or recommended by the Advisory Board, they are turned over to the SIB for implementation. The SIB selects investment managers to manage different types of portfolios within each asset class with the goal of maximizing return under the clients' acceptable risk levels. Similar client funds are pooled together when possible to receive lower fees from investment managers.

And finally, the staff of RIO administers the day-to-day operations of the investment program by monitoring the client guidelines and asset allocations, managing the consultant, custodian and investment manager relationships and maintaining separate accounting for all funds. The SIB has continuing appropriation authority under ND Century Code section 21-10-06.2 to pay for investment related costs of the program such as investment management fees, custodial fees, performance measurement fees and fees associated with manager searches and onsite reviews of investment managers. These costs are allocated directly to the client funds affected by the expense.

The \$1.8 million requested in the RIO budget relating to the SIB investment program includes salaries, benefits and administrative overhead for the 5.75 FTEs who are responsible for the day-to-day operations of the program as I just described.

Fiscal Year 2012 Financial Audit

The Chairman has asked that we review any financial audit findings included in our most recent audit, which was conducted by CliftonLarsonAllen for the fiscal year ended June 30, 2012. There were no audit findings in that audit, nor were there findings in the previous fiscal year's

audit that required action. Copies of both the agency's audit report and Comprehensive Annual Financial Report (CAFR) can be found on the RIO website at www.nd.gov/rio.

2011-13 Budget Review

Current budget estimates for the 2011-13 biennium indicate that RIO will have unexpended appropriation in the salary line of approximately \$400,000. The unexpended funds in the salary line are due to the vacancy of the Executive Director/Chief Investment Officer position, effective May 31, as previously discussed. Additionally, the new FTE approved in the last legislative session for a Deputy Chief Investment Officer was not filled until January, 2012, resulting in six months of unused salary for that position.

We currently expect to have a positive balance in our operating line at the end of the biennium. However, due to some unexpected upcoming costs, such as the costs for filling the Executive Director/CIO position, it is difficult to estimate what that balance will be. Following are a few categories in which we had deviations from budgeted amounts.

- ITD data storage actual rates have been less than the rates used for budget purposes, resulting in savings. Additionally, we had anticipated the need for a second Oracle application hosting site, however, this was not needed in the current biennium, so a savings was realized. We have included similar funds in our 2013-15 budget request.
- IT contract costs for pension software programming changes increased significantly to implement legislative changes to TFFR contributions and benefits which were approved in 2011. Most of these increased costs will be offset by other IT savings (above).
- Postage rates did not increase as much as anticipated when the 2011-13 budget was prepared. Additionally, likely due to more electronic communications, daily mail costs have decreased over time.
- Both the SIB and TFFR Boards consider board member education a top priority so the RIO budget includes funding for travel and professional development to attend national conferences and other training-related events. For a variety of reasons, board members were not able to attend their allotted number of training opportunities this biennium. However, to ensure board members continue to be properly educated, outside professionals are brought in frequently to conduct educational sessions during board meetings, generally at little or no cost to the funds. We currently expect to have travel related funds remaining at the end of this biennium.

2013-15 Budget Highlights

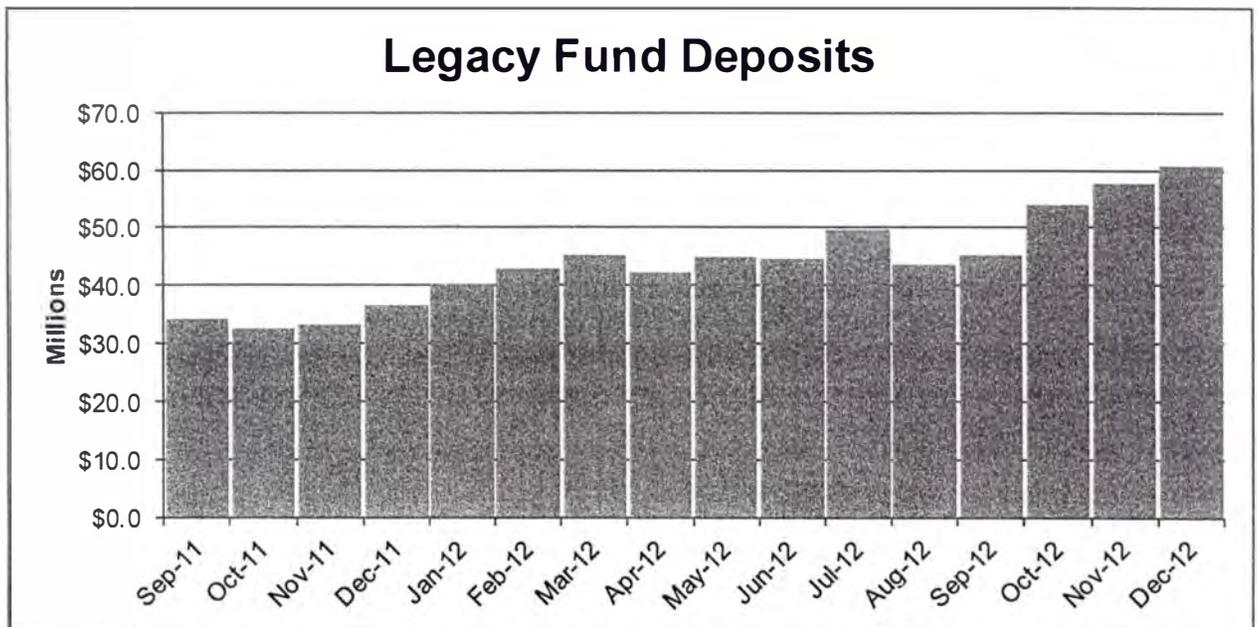
The budget request you have before you for RIO for the 2013-15 biennium totals \$4.6 million and is all special funds. There are no general or federal funds requested. Some of the highlights of the Executive Budget Recommendation for your consideration are detailed below.

- In addition to the costs to continue current salaries, requested increases in the salary line include approximately \$27,000 to fund the increase in the board members' pay for the SIB and TFFR boards that were approved in the previous session. Board member pay increased from \$62.50 to \$148 per meeting day. Although the increase was approved, no additional dollars were added to our budget for the 2011-13 biennium. We are now including appropriate dollars in this request for board members.

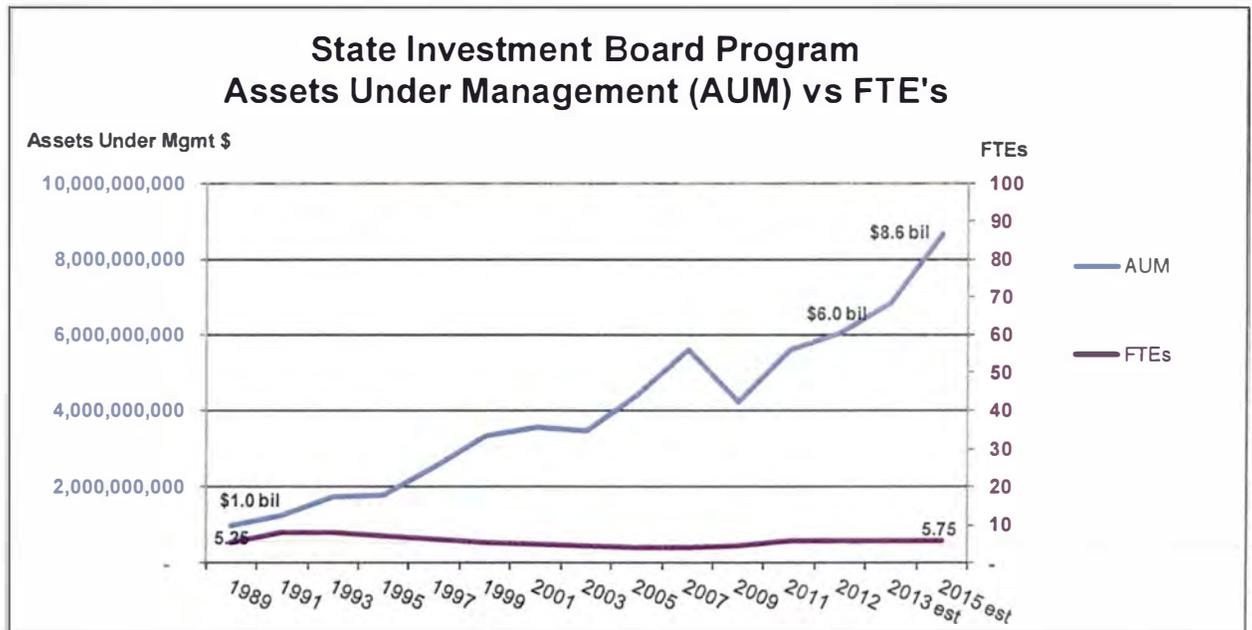
The Governor's Executive Recommendation also includes a pool of \$198,973 for market equity and performance related salary increases and \$66,594 for health and retirement benefit increases for RIO's 18 FTE positions. RIO supports the method used in calculating the salary budget adjustment in the Executive Recommendation, which follows the Compensation Philosophy Statement approved in the previous legislative session. RIO's 15 classified employees have an average of 18 years of state service, most of those years with RIO. The average compa-ratio is currently 0.908 or just under 91% of the market policy point. We would therefore welcome the opportunity to provide market based increases for those employees falling below their respective salary range market policy point as well as to provide appropriate performance based increases to reward our loyal, high performing staff members.

This budget request does not include any additional FTE positions. However, due to the rapid growth of the assets of the Legacy Fund, whose investments are managed by the State Investment Board, the SIB does recognize the probable need, in the near future, for additional professional investment staff to augment the current 5.75 FTEs in the investment program. After the Executive Director/CIO is hired, the need for additional staffing will be evaluated.

One of the drivers of the need for additional investment staff is the Legacy Fund. The following chart shows the monthly deposit amounts to the Legacy Fund since its inception in September, 2011. Original estimates put monthly deposits at approximately \$30 million. However, early deposits started out above that level and have increased steadily to the most recent deposit in December of \$60.8 million. The current balance has surpassed \$700 million and expectations are that the balance will reach \$3 billion by the end of the 2013-15 biennium.



The following chart graphically depicts the growth in assets under management (AUM) of the SIB compared to the FTE count over time. With only the assumption in the growth of the Legacy Fund to \$3 billion by the end of the 2013-15 biennium, and no other growth, you can see where the possible need for additional investment professionals to manage the program might exist. There is no magic number to determine the appropriate number of staff based on AUM alone. However, because the Legacy Fund is a different type of fund (endowment-like rather than pension or insurance), and it currently cannot be pooled with other funds by policy, it is expected to require additional staff time for investment manager due diligence and asset allocation and policy research. In comparison, adding an additional pension fund would not necessarily require additional staff as it would be pooled with the existing investment managers in the pension pool.



6/30/2015 AUM (est.) per FTE	\$1,501,632,809
6/30/2012 AUM per FTE	\$1,049,458,896
6/30/2011 AUM per FTE	\$ 986,356,091
6/30/1989 AUM per FTE	\$ 190,987,501

- Within the operating line, RIO has attempted to reduce expenditures wherever possible. Our goal was to submit our request with a hold-even operating budget, as has been the case in previous periods. After careful review, it was determined that we would not be able to reach this goal but the increase is only \$7,327 or 0.8% over the 2011-13 biennium operating line budget.

Operating Line Decreases

- The ITD data processing line has been reduced by \$21,584 or 11.2%. Approximately 75% of this decrease is due to decreases in ITD rates for disk storage. Additionally, we have found less need for analyst and consulting services from ITD since moving to our external software provider for our retirement program administration.

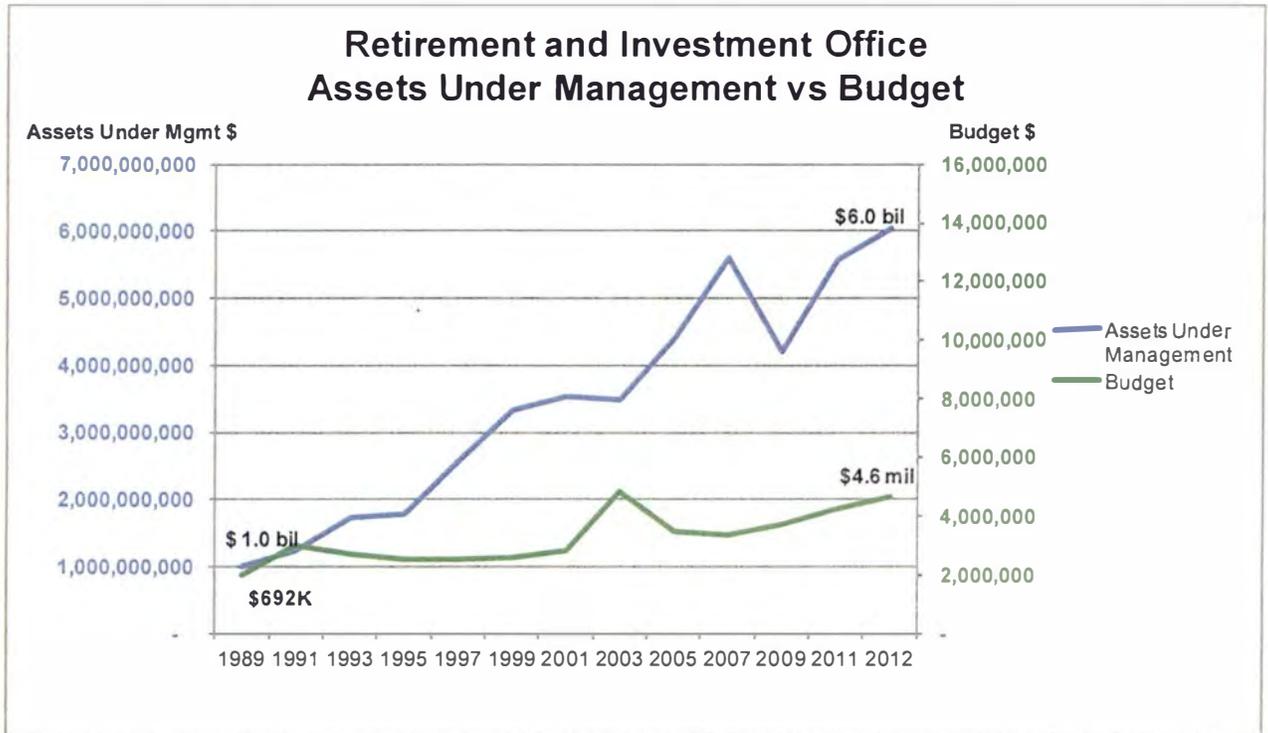
- The ITD communications line has been reduced by \$1,760 or 6.9% due to an analysis of actual usage which was less than anticipated for the current biennium. It is likely that the use of other electronic communications, such as email, has reduced the need for making as many long-distance phone calls as in the past.

Operating Line Increases

- The IT software line is increasing by \$5,670 or 126% in anticipation of replacing our current Microsoft Office 2007 suite with a more current version as well as upgrading our Microsoft Windows operating system.
 - The IT equipment < \$5,000 line is increasing \$27,970 or 682% as we plan to replace one-half of our agency desk top computers in the 2013-15 biennium as well as two portable computers and a network printer. Our IT equipment replacement plan recommends replacing desktop and portable computers every four years. We last replaced desk tops in 2009, however we believe our current computers will be adequate until mid-2015. Therefore we plan to replace one-half at the end of FY2015 and the other half the beginning of FY2016 (2015-17 biennium).
 - Lease rates for the space occupied by RIO are expected to increase by 2.6% or \$4,000.
- RIO is not requesting an increase in the contingency line. We have not used any contingency funds in the current biennium, however RIO does have the authority to spend out of the contingency line with State Investment Board approval.

There are no one-time funding requests in the RIO budget request.

- The following chart compares the increase in assets under management (UAM) at RIO versus the increase in appropriation requests since RIO was created in 1989. As you can see, RIO has been able to become more efficient over time, managing more assets per appropriated dollar.

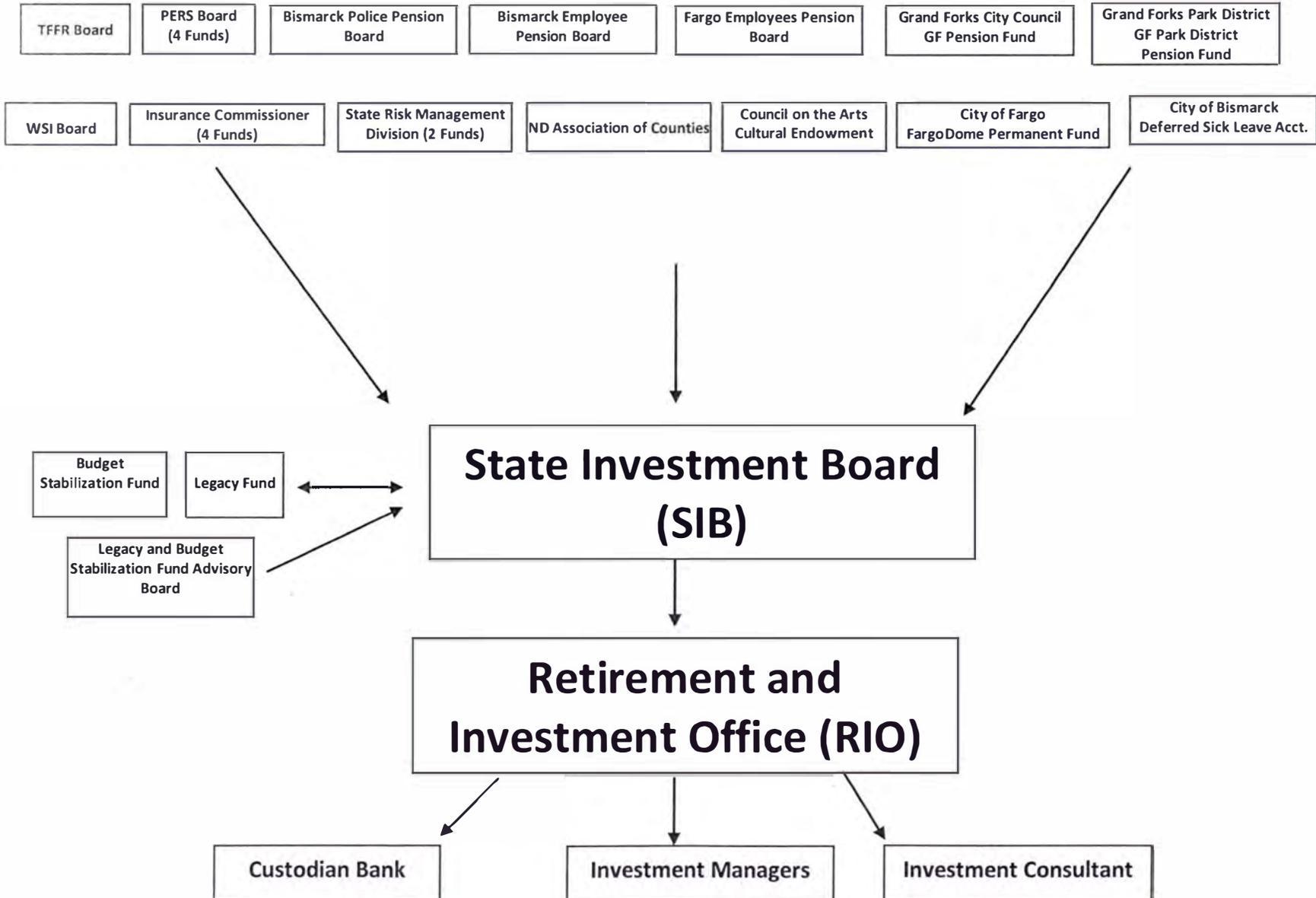


6/30/2012 AUM per Appropriated Budget Dollar	\$1,298
6/30/1989 AUM per Appropriated Budget Dollar	\$ 507

Conclusion

As always, the Retirement and Investment Office strives to provide high quality services to its members and clients in a cost effective and efficient manner. We feel this budget will allow us to continue to do so. Thank you for your time and consideration.

State Investment Board Process



State Investment Board Process

Client Responsibilities: (Per NDCC 21-10-02.1) The governing body of each fund (client) shall establish policies on investment goals and objectives and asset allocation that must include:

- Acceptable rates of return, liquidity and levels of risk
- Long-range asset allocation goals

State Investment Board Responsibilities: (Per NDCC 21-10):

- Implement client asset allocations
- Apply Prudent Investor Rule when investing for fund under its supervision
- Approve general types of securities for investment
- Set policies and procedures regulating securities transactions on behalf of the clients
- Select custodian servicer
- Select investment director and/or investment consulting service
- Create investment pools

State Investment Board Process

Retirement and Investment Office Staff Responsibilities (on behalf of SIB):

- Administer overall investment strategy
- Advise SIB on ways to maximize risk/return opportunities within each asset class
- Act as liaison between SIB and managers, consultant and custodian
- Monitor individual clients' investment guidelines and asset allocations
- Maintain separate accounting for client accounts

Investment Manager Responsibilities:

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

Custodian Bank Responsibilities:

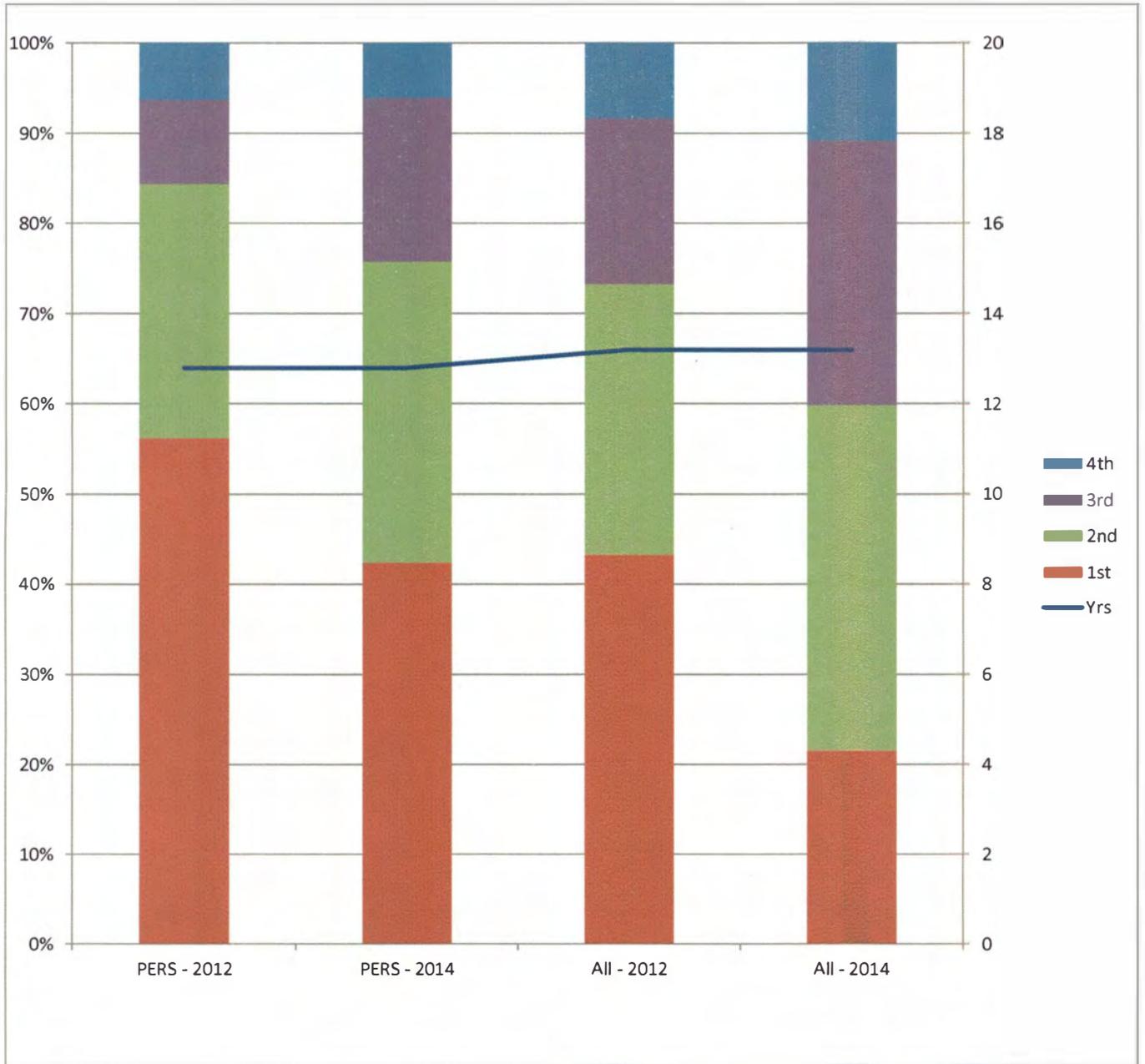
- Safe-keep assets
- Settle trades
- Record-keeper

Investment Consultant Responsibilities:

- Performance measurement of investment managers
- Manager search assistance
- Provide education to SIB
- Special projects

192 - NDPERS - 2012-14 Quartile Charts

*HB 1000
January 23, 2014
attachment!*



HB 1022 January 23, 2013 Attachment 2

EXAMPLE

		relativity to Market Policy Position *		+ Meet Standards	+ Exceed Standards			Current C/R	Projected 2013 C/R	Projected 2014 C/R																		
MPP + 2nd Qtl		0%						0.87	0.90	0.93	2013						2014											
1st Qtl		1 - 2.0%		+	3.0%	5.0%																						
		2 - 4.0%																										
* ALL increases contingent upon Performance Meeting Standards																												
		CURRENT							Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2013				Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2014			
Yrs Svc	Job Title	FTE Ann Sal	Grade	Market Policy Point	FTE	C/R (Current)	2012 Qtl	%	\$\$	%	\$\$	%	\$\$	2013 New Salary	New MPP (3% range increment)	2013 New C/R	2013 Qtl	%	\$\$	%	\$\$	%	\$\$	2014 New Salary	New MPP (3% range increment)	2014 New C/R	2014 Qtl	
5.8	OFFICE ASSISTANT III	25,800	E	31,724	0.50	0.81	1	4.0%	1,032	3.0%	774	7.0%	1,806	27,606	32,676	0.84	1	4.0%	1,104	3.0%	828	7.0%	1,932	29,538	33,656	0.88	2	
0.9	ADMIN ASSISTANT I	26,256	F	34,505	1.00	0.76	1	4.0%	1,050	5.0%	1,313	9.0%	2,363	28,619	35,540	0.81	1	4.0%	1,145	5.0%	1,431	9.0%	2,576	31,195	36,606	0.85	1	
9.6	ADMIN ASSISTANT I	28,044	F	34,505	1.00	0.81	1	4.0%	1,122	3.0%	841	7.0%	1,963	30,007	35,540	0.84	1	4.0%	1,200	3.0%	900	7.0%	2,100	32,107	36,606	0.88	2	
0.7	ADMIN ASSISTANT I	26,256	F	34,505	1.00	0.76	1	4.0%	1,050	5.0%	1,313	9.0%	2,363	28,619	35,540	0.81	1	4.0%	1,145	5.0%	1,431	9.0%	2,576	31,195	36,606	0.85	1	
9.5	ADMIN ASSISTANT II	31,680	H	41,612	1.00	0.76	1	4.0%	1,267	3.0%	950	7.0%	2,217	33,897	42,860	0.79	1	4.0%	1,356	3.0%	1,017	7.0%	2,373	36,270	44,146	0.82	1	
19.3	ADMIN ASSISTANT II	36,780	H	41,612	1.00	0.88	2	2.0%	736	5.0%	1,839	7.0%	2,575	39,355	42,860	0.92	2	2.0%	787	5.0%	1,968	7.0%	2,755	42,110	44,146	0.95	2	
11.4	DATA PROC COORD III	48,936	K	55,414	1.00	0.88	2	2.0%	979	3.0%	1,468	5.0%	2,447	51,383	57,076	0.90	2	2.0%	1,028	3.0%	1,541	5.0%	2,569	53,952	58,788	0.92	2	
22.9	DATA PROC COORD III	58,884	K	55,414	1.00	1.06	3	0.0%	-	5.0%	2,944	5.0%	2,944	61,828	57,076	1.08	3	0.0%	-	5.0%	3,091	5.0%	3,091	64,919	58,788	1.10	3	
21.5	DATA PROC COORD III	64,608	K	55,414	1.00	1.17	4	0.0%	-	3.0%	1,938	3.0%	1,938	66,546	57,076	1.17	4	0.0%	-	3.0%	1,996	3.0%	1,996	68,542	58,788	1.17	4	
1.7	ACCOUNT TECHNICIAN II	28,776	G	37,801	1.00	0.76	1	4.0%	1,151	5.0%	1,439	9.0%	2,590	31,366	38,935	0.81	1	4.0%	1,255	5.0%	1,568	9.0%	2,823	34,189	40,103	0.85	1	
4.8	ACCOUNT TECHNICIAN II	28,776	G	37,801	1.00	0.76	1	4.0%	1,151	3.0%	863	7.0%	2,014	30,790	38,935	0.79	1	4.0%	1,232	3.0%	924	7.0%	2,156	32,946	40,103	0.82	1	
10.7	ACCOUNT/BUDGET SPEC II	42,192	K	55,414	1.00	0.76	1	4.0%	1,688	5.0%	2,110	9.0%	3,798	45,990	57,076	0.81	1	4.0%	1,840	5.0%	2,300	9.0%	4,140	50,130	58,788	0.85	1	
6.6	ACCOUNT/BUDGET SPEC II	42,192	K	55,414	1.00	0.76	1	4.0%	1,688	3.0%	1,266	7.0%	2,954	45,146	57,076	0.79	1	4.0%	1,806	3.0%	1,354	7.0%	3,160	48,306	58,788	0.82	1	
3.4	ACCOUNT/BUDGET SPEC II	42,192	K	55,414	1.00	0.76	1	4.0%	1,688	5.0%	2,110	9.0%	3,798	45,990	57,076	0.81	1	4.0%	1,840	5.0%	2,300	9.0%	4,140	50,130	58,788	0.85	1	
8.5	ACCOUNT/BUDGET SPEC III	56,604	L	60,564	1.00	0.93	2	2.0%	1,132	3.0%	1,698	5.0%	2,830	59,434	62,381	0.95	2	2.0%	1,189	3.0%	1,783	5.0%	2,972	62,406	64,252	0.97	2	
26.4	ACCOUNTING MANAGER II	100,608	P	85,799	1.00	1.17	4	0.0%	-	5.0%	5,030	5.0%	5,030	105,638	88,373	1.20	4	0.0%	-	5.0%	5,282	5.0%	5,282	110,920	91,024	1.22	4	
0.1	AUDITOR II	41,568	K	55,414	1.00	0.75	1	4.0%	1,663	3.0%	1,247	7.0%	2,910	44,478	57,076	0.78	1	4.0%	1,779	3.0%	1,334	7.0%	3,113	47,591	58,788	0.81	1	
23.4	AUDITOR IV	66,948	N	73,130	1.00	0.92	2	2.0%	1,339	5.0%	3,347	7.0%	4,686	71,634	75,324	0.95	2	2.0%	1,433	5.0%	3,582	7.0%	5,015	76,649	77,584	0.99	2	
16.8	BENEFIT PROG ADMIN (PERS)	55,968	M	66,332	1.00	0.84	1	4.0%	2,239	3.0%	1,679	7.0%	3,918	59,886	68,322	0.88	2	2.0%	1,198	3.0%	1,797	5.0%	2,995	62,881	70,372	0.89	2	
25.4	BENEFIT PROG ADMIN (PERS)	64,872	M	66,332	1.00	0.98	2	2.0%	1,297	5.0%	3,244	7.0%	4,541	69,413	68,322	1.02	3	0.0%	-	5.0%	3,471	5.0%	3,471	72,884	70,372	1.04	3	
4.8	BENEFIT PROG ADMIN (PERS)	50,496	M	66,332	1.00	0.76	1	4.0%	2,020	3.0%	1,515	7.0%	3,535	54,031	68,322	0.79	1	4.0%	2,161	3.0%	1,621	7.0%	3,782	57,813	70,372	0.82	1	
22.0	BENEFIT PGMS DIV MGR-PERS	81,024	R	98,159	1.00	0.83	1	4.0%	3,241	5.0%	4,051	9.0%	7,292	88,316	101,104	0.87	1	4.0%	3,533	5.0%	4,416	9.0%	7,949	96,265	104,137	0.92	2	
23.1	RESEARCH ANALYST III	61,704	L	60,564	1.00	1.02	3	0.0%	-	3.0%	1,851	3.0%	1,851	63,555	62,381	1.02	3	0.0%	-	3.0%	1,907	3.0%	1,907	65,462	64,252	1.02	3	
4.7	ADMIN OFR I	34,968	I	45,938	1.00	0.76	1	4.0%	1,399	5.0%	1,748	9.0%	3,147	38,115	47,316	0.81	1	4.0%	1,525	5.0%	1,906	9.0%	3,431	41,546	48,735	0.85	1	
36.3	ADMIN STAFF OFFICER I	45,624	J	50,985	1.00	0.89	2	2.0%	912	3.0%	1,369	5.0%	2,281	47,905	52,515	0.91	2	2.0%	958	3.0%	1,437	5.0%	2,395	50,300	54,090	0.93	2	
7.3	ADMIN STAFF OFFICER I	38,820	J	50,985	1.00	0.76	1	4.0%	1,553	5.0%	1,941	9.0%	3,494	42,314	52,515	0.81	1	4.0%	1,693	5.0%	2,116	9.0%	3,809	46,123	54,090	0.85	1	
17.3	ADMIN STAFF OFFICER I	41,208	J	50,985	1.00	0.81	1	4.0%	1,648	3.0%	1,236	7.0%	2,884	44,092	52,515	0.84	1	4.0%	1,764	3.0%	1,323	7.0%	3,087	47,179	54,090	0.87	1	
26.0	PLANNER IV	69,384	M	66,332	0.50	1.05	3	0.0%	-	5.0%	3,469	5.0%	3,469	72,853	68,322	1.07	3	0.0%	-	5.0%	3,643	5.0%	3,643	76,496	70,372	1.09	3	
13.0	MEMBER SERVICES REP	34,296	F	34,505	1.00	0.99	2	2.0%	686	3.0%	1,029	5.0%	1,715	36,011	35,540	1.01	3	0.0%	-	3.0%	1,080	3.0%	1,080	37,091	36,606	1.01	3	
13.6	MEMBER SERVICES REP	34,392	F	34,505	1.00	1.00	3	0.0%	-	3.0%	1,032	3.0%	1,032	35,424	35,540	1.00	3	0.0%	-	5.0%	1,771	5.0%	1,771	37,195	36,606	1.02	3	
11.5	MEMBER SERVICES REP	31,824	F	34,505	1.00	0.92	2	2.0%	636	3.0%	955	5.0%	1,591	33,415	35,540	0.94	2	2.0%	668	3.0%	1,002	5.0%	1,670	35,085	36,606	0.96	2	
0.8	EMP BENEFIT PGMS SPEC	42,192	K	55,414	1.00	0.76	1	4.0%	1,688	5.0%	2,110	9.0%	3,798	45,990	57,076	0.81	1	4.0%	1,840	5.0%	2,300	9.0%	4,140	50,130	58,788	0.85	1	
7.1	EMP BENEFIT PGMS SPEC	41,568	K	55,414	1.00	0.75	1	4.0%	1,663	3.0%	1,247	7.0%	2,910	44,478	57,076	0.78	1	4.0%	1,779	3.0%	1,334	7.0%	3,113	47,591	58,788	0.81	1	
12.6		1,525,440				0.87		2.8%	37,718	3.9%	60,966	6.7%	98,684			0.90		2.6%	37,258	4.0%	65,754	6.6%	103,012			0.93		

Information Requests for HB 1022

Request	Response
If benefits or out of pocket provisions are enhanced, does it create a new base for determining if changes will result in a loss of a plan's grandfathered status	See Attachment #1 (pages 1-2)
A copy of the provider list for the dental plans provider network	See Attachment #2 (pages 3-12)
Provide additional information relating to the IT contractual services	See Attachment #3 (page 13)
Provide a breakdown of the IT equipment replacement	See Attachment #3 (page 13)
Identify the effect of the Governor's salary proposal on PERS FTE	OMB/HRMS is working on this for the committee

*HB 1022
January 25, 2012
Attachment 3*

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Memo

Date: January 21, 2013
To: Sparb Collins, NDPERS
From: Robert Davis
Subject: Grandfather Status

Sparb:

NDPERS currently maintains a grandfathered health plan pursuant to the Affordable Care Act ("ACA"). The grandfathered health plan did not provide coverage for birth control on March 23, 2010 (the date ACA was enacted), and has continuously not provided such coverage since that time.

As per your request, this memo addresses how the plan's grandfathered status would be affected – if at all – by amending the plan to add coverage for birth control at a future date, and then subsequently amending the plan to remove that coverage.

Pursuant to guidance issued jointly by the U.S. Departments of Labor, Health and Human Services, and Treasury, any of six specific changes will cause a grandfathered group health plan to lose its grandfathered status. Briefly, these are:

1. Elimination of all or substantially all benefits to diagnose or treat a particular condition.
2. Increase in a percentage cost-sharing requirement (e.g., raising an individual's coinsurance requirement from 20% to 25%).
3. Increase in a deductible or out-of-pocket maximum by an amount that exceeds medical inflation plus 15 percentage points.
4. Increase in a copayment by an amount that exceeds medical inflation plus 15 percentage points (or, if greater, \$5 plus medical inflation).
5. Decrease in an employer's contribution rate towards the cost of coverage by more than 5 percentage points.
6. Imposition of annual limits on the dollar value of all benefits below specified amounts.



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Member of Deloitte Touche Tohmatsu Limited

To: Sparb Collins, NDPERS
Subject: Grandfather Status
Date: January 21, 2013
Page 2

Clearly, a grandfathered health plan can be amended to add coverage for birth control without compromising its grandfathered status.¹ Thus, the only remaining question is whether an amendment to subsequently eliminate that coverage would cause a loss of grandfathered status.

Of the six changes that will cause a loss of grandfathered status, the only one potentially relevant to this situation is as follows:

Elimination of benefits. The elimination of all or substantially all benefits to diagnose or treat a particular condition causes a group health plan or health insurance coverage to cease to be a grandfathered health plan. For this purpose, the elimination of benefits for any necessary element to diagnose or treat a condition is considered the elimination of all or substantially all benefits to diagnose or treat a particular condition.²

Significantly, unlike the other five enumerated changes, this provision does not refer to the plan as in effect on March 23, 2010. As such, it appears that a plan could lose its grandfathered status under this provision for eliminating benefits that were first added to the plan after March 23, 2010.

A second issue, relevant to this specific example, is whether birth control coverage would constitute "... benefits to diagnose or treat a particular condition ...". Birth control generally is categorized as preventive care for purposes of the ACA. As a result, it arguably would be a benefit to prevent a condition (i.e., pregnancy), and not to "diagnose or treat" a condition. However, to date no guidance has been issued on this specific question, and so it is not clear what position the regulatory agencies would take in this situation.

cc: Pat Pechacek

¹ This assumes, of course, that the plan amendment does not make any other changes that would cause a loss of grandfathered status.

² Treas. Reg. § 54.9815-1251T(g)(1)(i).



Attachment 2**Participating Dentists**[Print](#) | [Close](#)

Search Criteria: **Network:** Delta Dental Premier
Dentist Type: General Practitioner
Location: ND

- 211 dentists meet your search criteria.
 - Dentists are organized by geographic areas according to state, city and state or zip code.
 - We suggest you verify a dentist's participation status with Delta Dental or with your dental office before each dental appointment.
-

1. Dennis Hetland

Designer Smiles
 3525 25th St S
 Fargo, ND 58104
 701-298-9400

2. Jesse Hagen

Hagen Dental PC
 5 9th Ave N
 Casselton, ND 58012
 701-347-5345

3. Mark Hildahl

Souris Valley Dental Group
 1300 37th Ave SW
 Minot, ND 58701
 701-852-5595

4. Andrea Monson

Dr Andrea L Monson, DMD
 10 1st St SW
 Minot, ND 58701
 701-852-3939

5. Frederick Landgrebe

Leah Brady, DDS, PC
 600 E Main Ste 2
 Mandan, ND 58554
 701-667-1933

6. Walter Samuel

South University Dental Associates,
 PC
 3115 South University Drive
 Fargo, ND 58103
 701-232-8884

7. Leslie Hollevoet

Prairie Rose Family Dentists, PC
 121 E Front Ave
 Bismarck, ND 58504
 701-223-1194

8. Jackie Nord

Valley Community Health Centers
 Dental Clinic
 212 S 4th St Ste 101
 Grand Forks, ND 58201
 701-757-2100

9. Lonnie Neuberger

Neuberger Dental Clinic
 239 14th St W
 Dickinson, ND 58601
 701-483-3462

10. Melinda Harr

Melinda Harr Dental
 1509 32nd Ave S
 Fargo, ND 58103
 701-271-1060

11. Cristopher Turman

Cristopher Turman, PC
 521 Beaver Ave
 Wishek, ND 58495
 701-452-2115

12. Sidney Schmidt

Prairie Rose North
 900 E Calgary Ave
 Bismarck, ND 58503
 701-223-8262

13. Derik Hoerner

A Lifetime of Smiles
 1004 S 7th St
 Bismarck, ND 58504
 701-258-5220

14. Michael O'Brien

Maisey Dental Clinic
 112 1st Ave NW
 Crosby, ND 58730
 701-774-1879

15. Duc Tran

D Tran DDS PC
 600 Demers Ave Ste 304
 Grand Forks, ND 58201
 701-775-7611

16. Richard Hieb

Prairie Rose North
 900 E Calgary Ave

17. Douglas Bengson

Dakota Dental Health Center, PLLC
 515 20th Ave SE Ste 8

18. William Savage

Family Healthcare Center
 301 NP Ave

Bismarck, ND 58503
701-223-8262

Minot, ND 58701
701-852-4755

Fargo, ND 58102
701-271-3344

19. Marlin Meharry

Marlin Meharry, DDS PC
317 Brewster St E
Harvey, ND 58341
701-324-4861

20. Gerald Larson

Park River Dental PC
418 Briggs Ave S
Park River, ND 58270
701-284-6131

21. Lindsay Rogers

Cornerstone Dental Group LLC
1815 S University Dr Ste 3
Fargo, ND 58103
701-237-3583

22. Ann Slama

Friendly Smiles Family Dentistry
2701 9th Ave S Ste F
Fargo, ND 58103
701-364-9990

23. Jason Dahl

Family Dental Clinic
1119 Sims St
Dickinson, ND 58601
701-227-1193

24. Kristin Schoch

Nelson Family Dentistry PC
1700 E Interstate Ave
Bismarck, ND 58503
701-222-4746

25. Carrie Peterson

Carrie Peterson, DDS, PC
3226 13th Ave S
Fargo, ND 58103
701-232-3379

26. Rollin Herman

SmileQuest
206 5th Ave SE
Devils Lake, ND 58301
701-662-8191

27. John Fishpaw

Dakota Dental Health Center, PLLC
515 20th Ave SE Ste 8
Minot, ND 58701
701-852-4755

28. Nicole Duckwitz

Dental Associates
204 3rd Ave NW
Mandan, ND 58554
701-663-7545

29. Glenn Labine

Glenn Labine, DDS
2401 S Washington St Ste C
Grand Forks, ND 58201
701-775-0682

30. Marie Moeckel

Moeckel Family Dentistry
2534 University Dr S Ste 3
Fargo, ND 58103
701-293-0751

31. John Gonzales

Dental Makeover Center PC
311 N Mandan St
Bismarck, ND 58501
701-255-3130

32. Jennifer Sarsland

Prairie Dental Inc
608 Highway 12 W
Bowman, ND 58623
701-523-3255

33. Mark Maercklein

Mark Maercklein, DDS
720 Western Ave Ste 201
Minot, ND 58701
701-839-1484

34. Gregory Evanoff

Gregory A Evanoff DDS, PC
1000 31st Ave SW
Minot, ND 58701
701-852-3222

35. Boone Brewer

Dr Boone T Brewer
17 E 7th St
Grafton, ND 58237
701-352-2450

36. Gregory Johnson

Richardton Dental Clinic
200 3rd Ave W
Richardton, ND 58652
701-974-2118

37. Robert Simons

Robert M Simons, DDS
2401 S Washington St Ste A
Grand Forks, ND 58201
701-772-3487

38. Anthony Frank

A Lifetime of Smiles
1004 S 7th St
Bismarck, ND 58504
701-258-5220

39. Andrea Wilson

Family Healthcare Center
301 NP Ave
Fargo, ND 58102
701-271-3344

40. Judith Schmidt

The Clinic for Oral Health
2005 Woodland Dr

41. Edward Maisey

Maisey Dental Clinic
109 5th St SW

42. Katie Stewart

Schindler and Stewart Family
Dentistry

4

Wahpeton, ND 58075
701-672-9595

Watford City, ND 58854
701-774-1879

210 W Century Ave
Bismarck, ND 58503
701-223-3694

43. Duane Krivarchka

Duane Krivarchka, DDS
213 4th Ave
Enderlin, ND 58027
701-437-2676

44. David Wells

Evergreen Dental
1220 Main Ave Ste 220
Fargo, ND 58103
701-237-6307

45. Stacy Gould

Jonathan P Dahl, DDS, PC
1324 23rd St S Ste 1A
Fargo, ND 58103
701-237-5616

46. Lynn Marr

Moeckel Family Dentistry
2534 University Dr S Ste 3
Fargo, ND 58103
701-293-0751

47. Ronald McClure

Ronald P McClure DDS
520 Main Ave Ste 705
Fargo, ND 58103
701-237-4341

48. Nicholas Bakkum

Elmwood Family Dentistry PLLP
1213 Prairie Pkwy
West Fargo, ND 58078
701-282-5250

49. Kristin Kenner

Kristin H Kenner DDS
501 5th Ave SE
Devils Lake, ND 58301
701-662-4141

50. Derek Harnish

Riverview Family Dental PC
100 4th St S Ste 304
Fargo, ND 58103
701-235-6075

51. Marvin Ugland

James F Johnson, DDS
825 28th St SW Ste F
Fargo, ND 58103
701-237-4297

52. Robert Schindler

Schindler and Stewart Family Dentistry
210 W Century Ave
Bismarck, ND 58503
701-223-3694

53. Michael Joyce

Michael P Joyce DDS PC
1383 21st Ave N Ste B
Fargo, ND 58102
701-237-3517

54. Lisa Cohoe

Trenton Community Clinic
331 4th Ave E
Trenton, ND 58853
701-774-0461

55. Richard Hieb

Prairie Rose Family Dentists, PC
121 E Front Ave
Bismarck, ND 58504
701-223-1194

56. Charles Klemz

Charles B Klemz DDS
1383 21st Ave N Ste B
Fargo, ND 58102
701-237-3517

57. Colleen Hofer

Velva Dental Center
111 W 1st St
Velva, ND 58790
701-338-2061

58. Patrick Capp

Patrick J Capp DDS PC
105 13th Ave E
West Fargo, ND 58078
701-282-7772

59. Joseph Kern

Kern Family Dentistry, PC
21 W 5th St
Grafton, ND 58237
701-352-2013

60. David Dobmeier

Elmwood Family Dentistry PLLP
1213 Prairie Pkwy
West Fargo, ND 58078
701-282-5250

61. Amanda Vesterso

Dakota Dental Associates, PC
4000 17th Ave S
Grand Forks, ND 58201
701-775-0641

62. Robert Olson

Curtis K Tanabe, DDS Ltd
1197A S Columbia Rd
Grand Forks, ND 58201
701-775-4751

63. Bradley Anderson

Anderson Dental LLC
4521 38th Ave S
Fargo, ND 58104
701-232-1368

64. Anthony Malaktaris**65. James Colbert****66. Casey Carlson**

5

Dental Associates
204 3rd Ave NW
Mandan, ND 58554
701-663-7545

Fargo Family Dentistry
3210 18th St S Ste B
Fargo, ND 58104
701-237-6008

Prairie Rose North
900 E Calgary Ave
Bismarck, ND 58503
701-223-8262

67. Blaine Clausnitzer

Clausnitzer Dentistry PC
1110 College Dr Ste 108
Bismarck, ND 58501
701-255-0586

68. John Sanderson

John F Sanderson DDS
306 N Main St
Elgin, ND 58533
701-584-2580

69. Heather Johnson

Heather N Johnson, DDS
1101 S Columbia Rd Ste B
Grand Forks, ND 58201
701-795-1101

70. Daniel Schefter

Daniel J Schefter, DDS
3001 B 32nd Ave S Ste 1B
Grand Forks, ND 58201
701-775-7005

71. Bradley King

Prairie Rose Family Dentists, PC
121 E Front Ave
Bismarck, ND 58504
701-223-1194

72. Patrico Dibble

Dakota Dental Health Center, PLLC
515 20th Ave SE Ste 8
Minot, ND 58701
701-852-4755

73. Clarissa Sparkman

Family Healthcare Center
301 NP Ave
Fargo, ND 58102
701-271-3344

74. John Baden

John J Baden, DDS
2512A S Washington St
Grand Forks, ND 58201
701-775-7441

75. Richard Callender

Richard L Callender DDS
120 1st St
West Fargo, ND 58078
701-282-5930

76. Shandra Rosenfeldt

Serenity Valley Family Dentistry PC
4141 31st Ave S Ste 104
Fargo, ND 58104
701-373-0681

77. William Quinn

Prairie Rose North
900 E Calgary Ave
Bismarck, ND 58503
701-223-8262

78. Jon Anderson

Anderson Dental LLC
4521 38th Ave S
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701-232-1368

79. Alison Just

Beulah Dental PC
200 W Main St
Beulah, ND 58523
701-873-2259

80. Todd DeBates

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PC
3115 South University Drive
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701-232-8884

81. Heidi Undlin Stevens

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Grand Forks, ND 58201
701-775-0641

82. Roger Johnson

Enget & Johnson Family Dentistry
503 3rd St NE
Devils Lake, ND 58301
701-662-4961

83. Brian Nord

Nord Dentistry
2720 17th Ave S
Grand Forks, ND 58201
701-772-6922

84. John Grunseth

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Mandan, ND 58554
701-663-7545

85. James Nelson

Nelson Family Dentistry PC
1700 E Interstate Ave
Bismarck, ND 58503
701-222-4746

86. Charles Duchsherer

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4357 13th Ave S Ste 106
Fargo, ND 58103
701-235-2860

87. Bryan Seeley

Elmwood Family Dentistry PLLP
1213 Prairie Pkwy
West Fargo, ND 58078
701-282-5250

88. Charles Bridgeford

Charles L Bridgeford
117 N Washington St
Grand Forks, ND 58203
701-746-0485

89. Michael Maier

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204 3rd Ave NW
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701-663-7545

90. Naina Mahale

Friendly Smiles Family Dentistry
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Fargo, ND 58103
701-364-9990

91. William Maisey

Maisey Dental Clinic
109 5th St SW
Watford City, ND 58854
701-774-1879

92. Bruce Tofteland

Valley Dental Center PC
1338 Gateway Dr
Fargo, ND 58103
701-232-1664

93. Kathy Santjer

Rugby Dental Office
201 7th St SW Ste 1
Rugby, ND 58368
701-776-5884

94. Nicholas Beneda

Park River Dental PC
418 Briggs Ave S
Park River, ND 58270
701-284-6131

95. Maria Meyer

High Plains Dental
669 12th St W
Dickinson, ND 58601
701-483-4746

96. Shannon Galster

Dickinson Dental Center
2 1st St W Ste 215
Dickinson, ND 58601
701-483-6999

97. Jeremy Wehrman

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Fargo, ND 58103
701-365-0507

98. David Keup

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701-852-5595

99. Terrence Johnson

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301 NP Ave
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701-271-3344

100. Neha Patel

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701-237-6307

101. Maria Axvig-Dwyer

Smiles by Design PC
301 E Front Ave Ste 105
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701-223-5500

102. Christopher Spies

Prairie Rose North
900 E Calgary Ave
Bismarck, ND 58503
701-223-8262

103. Jock Stevick

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104. Robert Saunders

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107. Robert Remmick

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108. Michael Evanoff

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109. Marcus Vogel

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110. Steven Erlandson

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701-772-6581

111. Thomas Slagle

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701-839-2372

112. Morton Krieg

Krieg Family Dental
188 Osborn Dr
Dickinson, ND 58601
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113. James Martinson

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118. Lucas Sandman

Sandman Family Dentistry, LTD Lucas
Sandman
1383 21st Ave N Ste B
Fargo, ND 58102
701-237-3517

119. Robert Lauf

Goose River Dental Associates, PC
37 1/2 Main St E
Mayville, ND 58257
701-788-4064

120. Eric Ganes

Parshall Dental Clinic
20 Main St S
Parshall, ND 58770
701-862-3121

121. Brian Larson

Park River Dental PC
418 Briggs Ave S
Park River, ND 58270
701-284-6131

122. Reginald Wood

R L Wood DMD
10 First St SW Ste A
Minot, ND 58701
701-852-3939

123. Nicholas Dorsher

Nicholas C Dorsher DDS LTD
118 Broadway Ste 711
Fargo, ND 58102
701-237-4331

124. Casey Carlson

Prairie Rose Family Dentists, PC
121 E Front Ave
Bismarck, ND 58504
701-223-1194

125. Lynne Olson Rommesmo

Lynne M Olson Rommesmo
1115 19th Ave N
Fargo, ND 58102
701-293-8625

126. Daniel Axvig

Smiles by Design PC
301 E Front Ave Ste 105
Bismarck, ND 58504
701-223-5500

127. David Carlson

David C Carlson, DDS
111 Main St N
Tioga, ND 58852
701-664-2582

128. Sidney Schmidt

Prairie Rose Family Dentists, PC
121 E Front Ave
Bismarck, ND 58504
701-223-1194

129. Daniel Kelly

Daniel L Kelly, DDS
2401 S Washington St Ste B
Grand Forks, ND 58201
701-772-8158

130. Steven Swanson

Steven B Swanson, DDS
1323 2nd Ave N
Grand Forks, ND 58203
701-775-4289

131. Casey Fines

Evergreen Dental
1220 Main Ave Ste 220
Fargo, ND 58103
701-237-6307

132. Christopher Spies

Prairie Rose Family Dentists, PC
121 E Front Ave
Bismarck, ND 58504
701-223-1194

133. Cristopher Turman

Cristopher Turman, PC
112 5th St NE
Ashley, ND 58413
701-452-2115

134. Kevin Munns

Prairie Rose North
900 E Calgary Ave
Bismarck, ND 58503
701-223-8262

135. Terry Moe

Terry L Moe, DDS
118 Broadway Ste 708
Fargo, ND 58102
701-232-8314

136. Kevin Lee

Beulah Dental PC
200 W Main St
Beulah, ND 58523
701-873-2259

137. Eric Steele

Dakota Dental Associates, PC
4000 17th Ave S
Grand Forks, ND 58201
701-775-0641

138. Bradley King

Prairie Rose North
900 E Calgary Ave
Bismarck, ND 58503
701-223-8262

139. Craig Rothfus

Craig Rothfus, DDS
7 W Caledonia Ave
Hillsboro, ND 58045
701-436-4244

140. Edward Maisey

Maisey Dental Clinic
708 Main St
Williston, ND 58801
701-774-1879

141. Duane Krivarchka

Duane V Krivarchka, DDS
11 11th Ave W
Lisbon, ND 58054
701-683-4455

142. Russell Williams

Spirit Lake Health Center
3883 74th Ave NE
Fort Totten, ND 58335
701-766-1600

143. Kirsten Enget

Enget & Johnson Family Dentistry
503 3rd St NE
Devils Lake, ND 58301
701-662-4961

144. Bruce Hummel

Jonathan P Dahl, DDS, PC
1324 23rd St S Ste 1A
Fargo, ND 58103
701-237-5616

145. Dale Brewster

Dale E Brewster, DDS
514 4th St SE
Stanley, ND 58784
701-628-2138

146. Samuel Sticka

Designer Smiles
3525 25th St S
Fargo, ND 58104
701-298-9400

147. Neil Daby

Neil W Daby, DMD
15 E 7th St
Grafton, ND 58237
701-352-0730

148. Tanya Bonicelli

Dr B Dentistry
1701 38th St S
Fargo, ND 58103
701-282-4044

149. Thomas Fellman

South University Dental Associates,
PC
3115 South University Drive
Fargo, ND 58103
701-232-8884

150. Jonathan Dahl

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1324 23rd St S Ste 1A
Fargo, ND 58103
701-237-5616

151. Joan Pope

Three Rivers Dental PC
1999 4th St N
Wahpeton, ND 58075
701-642-2656

152. Brian Parr

Brian C Parr DDS
1165 B South Columbia Rd
Grand Forks, ND 58201
701-772-3544

153. Christopher Eriksson

Valley Community Health Centers
Dental Clinic
212 S 4th St Ste 101
Grand Forks, ND 58201
701-757-2100

154. Arliss Brend

Arliss L Brend, DDS
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Bismarck, ND 58504
701-222-4111

155. Kevin Bjork

Dr Kevin S Bjork, DDS
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Bismarck, ND 58501
701-222-1286

156. Nancy Parr

Nancy C Parr DDS PLLC
1321 S Washington St
Grand Forks, ND 58201
701-772-6901

157. Leslie Hollevoet

Prairie Rose North
900 E Calgary Ave

158. Nathan Zaffke

Carrie Peterson, DDS, PC
3226 13th Ave S

159. Larry Scouton

Larry D Scouton DDS
315 Main St S Ste 314

Bismarck, ND 58503
701-223-8262

Fargo, ND 58103
701-232-3379

Minot, ND 58701
701-838-3051

160. James Johnson

James F Johnson, DDS
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Fargo, ND 58103
701-237-4297

161. Kathryn Korsmo

Curtis K Tanabe, DDS Ltd
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Grand Forks, ND 58201
701-775-4751

162. James Marotzke

Lidgerwood Dental Office
19 Wiley Ave S
Lidgerwood, ND 58053
701-538-4583

163. Paul Bothun

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4000 17th Ave S
Grand Forks, ND 58201
701-775-0641

164. Jason Dahl

Family Dental Clinic
22 Central Ave S
Beach, ND 58621
701-872-4652

165. Steven Midstokke

Midstokke Family Dentistry PC
2940 N 19th St Ste 3
Bismarck, ND 58503
701-255-0475

166. James O'Connell

The Center for Smile Design, LTD
117 N Washington St
Grand Forks, ND 58203
701-746-1481

167. Dean Knudsen

Dean D Knudsen, DDS
714 S 2nd St
Bismarck, ND 58504
701-258-3308

168. Bonnie Anderson

Bonnie J Anderson
20 First Ave SW
Bowman, ND 58623
701-523-5651

169. Benjamin Mack

SmileQuest
206 5th Ave SE
Devils Lake, ND 58301
701-662-8191

170. Jay Bauer

Carrington Family Dentistry
923 1st St S
Carrington, ND 58421
701-652-2801

171. Benjamin Garr

Carrington Family Dentistry
923 1st St S
Carrington, ND 58421
701-652-2801

172. Mark Wasemiller

Mark A Wasemiller, DDS
275 S 11th St
Wahpeton, ND 58075
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173. Paul Niemi

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201 7th St SW Ste 1
Rugby, ND 58368
701-776-5884

174. Stacy Goodwill

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1815 S University Dr Ste 3
Fargo, ND 58103
701-237-3583

175. Thomas York

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1102 S Washington St
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701-223-4915

176. Eric Ganes

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318 1st Ave NE
Kenmare, ND 58746
701-385-4041

177. Joanna Brekhus

Family Healthcare Center
301 NP Ave
Fargo, ND 58102
701-271-3344

178. Heidi Nichols Johnson

Dakota Family Dental
1929 N Washington St
Bismarck, ND 58507
701-258-7900

179. Michael O'Brien

Maisey Dental Clinic
109 5th St SW
Watford City, ND 58854
701-774-1879

180. Kevin Gilchrist

Kevin E Gilchrist DDS
1929 N Washington St
Bismarck, ND 58501
701-222-1213

181. Lindsay Rogers

Family Healthcare Center
301 NP Ave

182. Matthew Olson

Family Healthcare Center
301 NP Ave

183. Delvin Hansen

Delvin Hansen, DDS
118 9th St W

Fargo, ND 58102
701-271-3344

Fargo, ND 58102
701-271-3344

Harvey, ND 58341
701-324-4180

184. David Vogelsang

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701-757-1525

185. Daniel Shelby

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701-775-4751

187. Leah Brady

Leah Brady, DDS, PC
600 E Main Ste 2
Mandan, ND 58554
701-667-1933

188. William Maisey

Maisey Dental Clinic
708 Main St
Williston, ND 58801
701-774-1879

189. Grant Korsmo

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701-757-2100

190. Jeremy Badger

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192. Julie Kennedy

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193. Christian Meland

Modern Dental LLC
1600 2nd Ave SW Ste 22
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194. Brock Oukrop

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701-223-1194

198. Arlo Neumiller

Agassiz Dental Associates PC
1200 Roberts Ave NE
Cooperstown, ND 58425
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Bowman, ND 58623
701-523-3255

Cavalier Dental Clinic
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Cavalier, ND 58220
701-265-8777

208. Mark Schaffer

Northcreek Dental
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211. Edward Maisey

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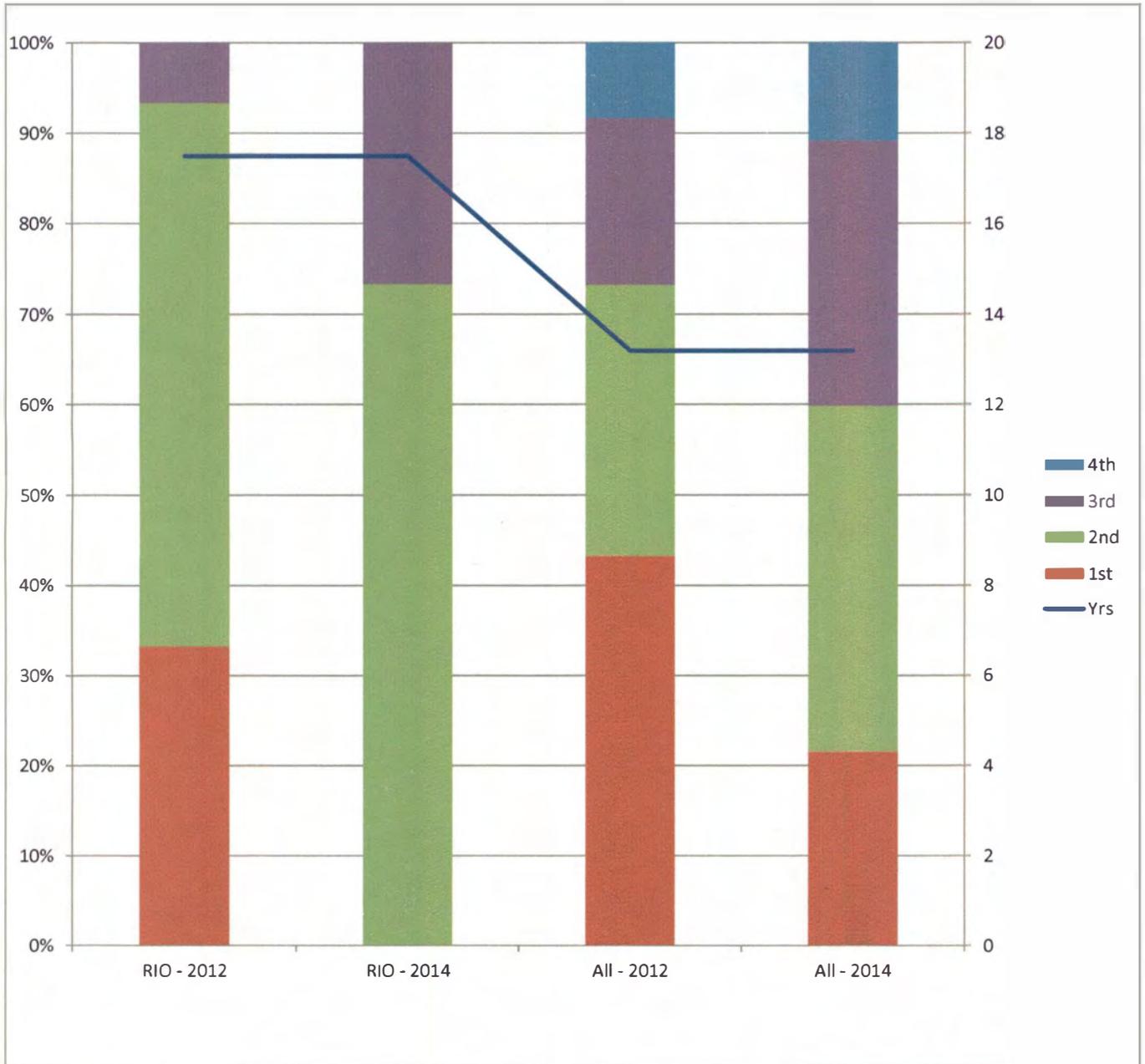
North Dakota Public Employees Retirement System
IT Expenses
2013-2015 Biennium

	2013-2015
IT - Data Processing	
Mainframe Costs (CPU, Storage)	1,032
Programmer/Analyst	23,520
Network Costs (Network access, technology fee)	51,144
Hosting Services, not including PERSLink (EDMS, SharePoint, VPN, Active Directory, ConnectND, Websphere, Web)	78,600
Hosting Services - PERSLink	133,920
Disk Storage	50,184
Total IT - Data Processing	\$338,400
IT Contractual Services	
Maintenance fee - upgrades to prevent software from becoming technologically obsolete	412,080
Application development	330,200
Total IT Contractual Services	\$742,280
Software	
Microsoft Office 2010	16,400
Visual Studio	1,500
Security Explorer	1,000
All Clear	2,000
SAS	2,800
ACL	1,600
Dreamweaver	500
Fireworks	600
Network Antivirus Software	3,800
Adobe Acrobat Professional	2,400
Total Software	\$32,600
Hardware	
Desktop Computers (34 @ \$1800/ea)	61,200
Mobile Projectors	2,800
Total Hardware	\$64,000

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190 - RIO - 2012-14 Quartile Charts

*HB 1122
January 23, 2013
Attachment 4*



HB1022 attachment 5 January 23, 2013

EXAMPLE

		Relativity to Market Policy Position *				+ Meet Standards		+ Exceed Standards		Current C/R		Projected 2013 C/R		Projected 2014 C/R															
MPP + 2nd Qtl		0%				3.0%		5.0%		0.91		0.94		0.96															
1st Qtl		1 - 2.0%		+		3.0%		5.0%																					
		2 - 4.0%																											
* ALL increases contingent upon Performance Meeting Standards																													
										2013								2014											
										Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2013				Market Policy Position Increase		Performance Increase		Total Increase		After July 1, 2014			
Yrs Svc	Job Title	FTE Ann Sal	Grade	Market Policy Point	FTE	C/R (Current)	2012 Qtl	%	\$	%	\$	%	\$	2013 New Salary	New MPP (3% range increment)	2013 New C/R	2013 Qtl	%	\$	%	\$	%	\$	2014 New Salary	New MPP (3% range increment)	2014 New C/R	2014 Qtl		
																												2013 New Salary	New MPP (3% range increment)
32.4	OFFICE ASSISTANT II	28,944	D	29,046	1.00	1.00	3	0.0%	-	3.0%	868	3.0%	868	29,812	29,917	1.00	3	0.0%	-	3.0%	894	3.0%	894	30,706	30,815	1.00	3		
5.8	ADMIN ASSISTANT I	29,520	F	34,505	1.00	0.86	1	4.0%	1,181	5.0%	1,476	9.0%	2,657	32,177	35,540	0.91	2	2.0%	644	5.0%	1,609	7.0%	2,253	34,430	36,606	0.94	2		
4.5	DATA PROC COORD III	46,668	K	55,414	1.00	0.84	1	4.0%	1,867	3.0%	1,400	7.0%	3,267	49,935	57,076	0.87	1	4.0%	1,997	3.0%	1,498	7.0%	3,495	53,430	58,788	0.91	2		
26.5	DATA PROC COORD IV	64,488	L	60,564	1.00	1.06	3	0.0%	-	5.0%	3,224	5.0%	3,224	67,712	62,381	1.09	3	0.0%	-	5.0%	3,386	5.0%	3,386	71,098	64,252	1.11	3		
14.0	ACCOUNT/BUDGET SPEC I	41,556	J	50,985	1.00	0.82	1	4.0%	1,662	3.0%	1,247	7.0%	2,909	44,465	52,515	0.85	1	4.0%	1,779	3.0%	1,334	7.0%	3,113	47,578	54,090	0.88	2		
15.3	ACCOUNT/BUDGET SPEC III	58,164	L	60,564	1.00	0.96	2	2.0%	1,163	5.0%	2,908	7.0%	4,071	62,235	62,381	1.00	3	0.0%	-	5.0%	3,112	5.0%	3,112	65,347	64,252	1.02	3		
14.0	AUDITOR II	46,824	K	55,414	1.00	0.84	1	4.0%	1,873	3.0%	1,405	7.0%	3,278	50,102	57,076	0.88	2	2.0%	1,002	3.0%	1,503	5.0%	2,505	52,607	58,788	0.89	2		
22.2	AUDITOR III	54,852	L	60,564	1.00	0.91	2	2.0%	1,097	5.0%	2,743	7.0%	3,840	58,692	62,381	0.94	2	2.0%	1,174	5.0%	2,935	7.0%	4,109	62,801	64,252	0.98	2		
21.0	COMPLIANCE OFFICER II	50,880	L	60,564	1.00	0.84	1	4.0%	2,035	3.0%	1,526	7.0%	3,561	54,441	62,381	0.87	1	4.0%	2,178	3.0%	1,633	7.0%	3,811	58,252	64,252	0.91	2		
22.2	FISCAL & INVEST OFFICER	81,120	Q	91,567	1.00	0.89	2	2.0%	1,622	5.0%	4,056	7.0%	5,678	86,798	94,314	0.92	2	2.0%	1,736	5.0%	4,340	7.0%	6,076	92,874	97,143	0.96	2		
21.0	RETIREMENT PROGRAM MANAGER	81,120	O	80,855	1.00	1.00	3	0.0%	-	3.0%	2,434	3.0%	2,434	83,554	83,281	1.00	3	0.0%	-	3.0%	2,507	3.0%	2,507	86,061	85,779	1.00	3		
15.3	ADMIN OFR I	41,556	I	45,938	1.00	0.90	2	2.0%	831	5.0%	2,078	7.0%	2,909	44,465	47,316	0.94	2	2.0%	889	5.0%	2,223	7.0%	3,112	47,577	48,735	0.98	2		
24.2	ADMIN STAFF OFFICER I	45,900	J	50,985	1.00	0.90	2	2.0%	918	3.0%	1,377	5.0%	2,295	48,195	52,515	0.92	2	2.0%	964	3.0%	1,446	5.0%	2,410	50,605	54,090	0.94	2		
12.6	EMP BENEFIT PGMS SPEC	49,884	K	55,414	1.00	0.90	2	2.0%	998	5.0%	2,494	7.0%	3,492	53,376	57,076	0.94	2	2.0%	1,068	5.0%	2,669	7.0%	3,737	57,113	58,788	0.97	2		
14.6	EMP BENEFIT PGMS SPEC	49,884	K	55,414	1.00	0.90	2	2.0%	998	3.0%	1,497	5.0%	2,495	52,379	57,076	0.92	2	2.0%	1,048	3.0%	1,571	5.0%	2,619	54,998	58,788	0.94	2		
17.7		771,360				0.91		2.3%	16,245	3.9%	30,733	6.2%	46,978			0.94		1.9%	14,479	3.9%	32,660	5.8%	47,139			0.96			

NDTFFR Funding Update

NDTFFR
January 23, 2015
Attachment 6

The Issue

Like other investors around the country, NDTFFR experienced significant investment losses as a result of the 2008-09 global recession. A major loss of assets coupled with increasing liabilities (longer life expectancy, salary increases, and benefit changes) had a substantial impact on TFFR's long term funding outlook. Prior to the market meltdown, TFFR's funded level was about 80%. As of the July 1, 2012 actuarial valuation report, TFFR's funded level was 61%. The unprecedented decline in the global markets and the accompanying recession, along with the projected gradual economic recovery, accelerated the need for TFFR to make changes.

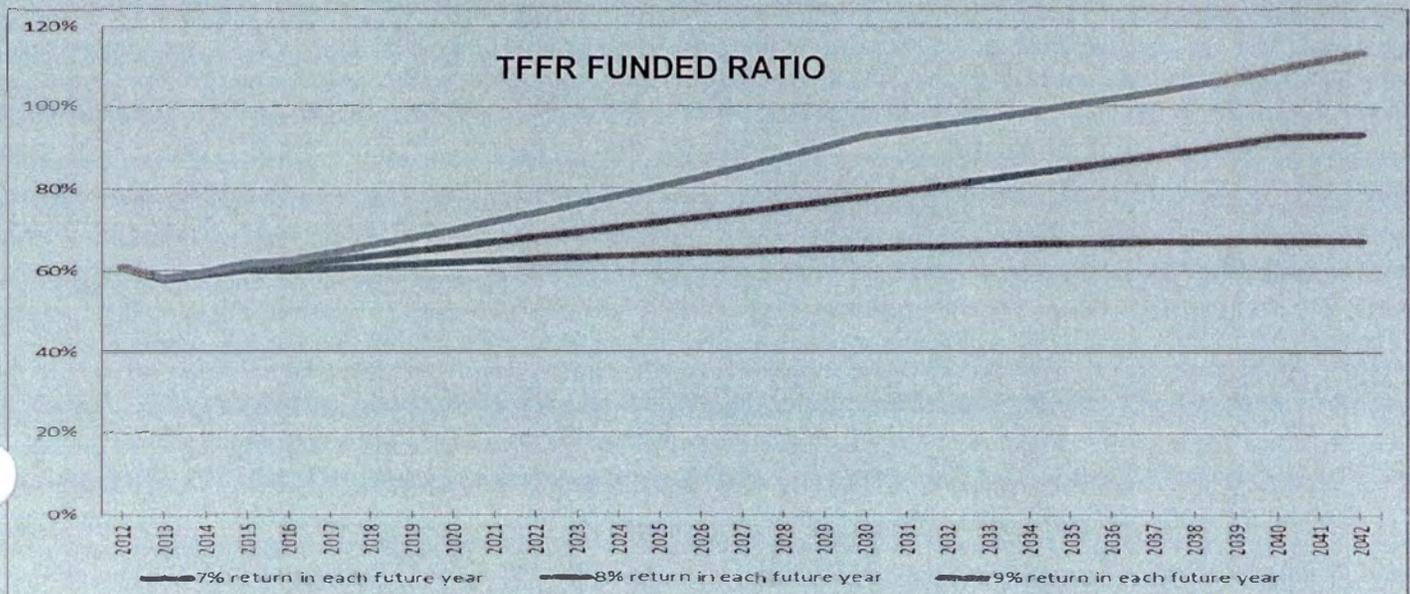
TFFR has the funds needed to pay current pension benefits when they are due. However, looking long term, there was a projected shortfall in the funding of TFFR benefits. TFFR's challenge was to stop the downward trend, stabilize funding, and improve funding levels.

The Plan

During 2009-10, the TFFR Board of Trustees, with input from member and employer interest group representatives, developed a legislative proposal to improve TFFR's funded status. The plan included member and employer contribution increases, and benefit changes for certain non grandfathered and new members of the plan. (See TFFR benefit summary on reverse page.) The plan was studied by the interim Legislative Employee Benefits Programs Committee during the 2010 interim, and given a favorable recommendation. The plan (HB 1134) was then carefully considered and approved by the 2011 Legislature, and signed by the Governor.

The Result

TFFR funding levels are expected to improve in the future. However, until all of the 2008-09 investment losses are recognized in actuarial valuations over the 5-year smoothing period, and until the increased member and employer contributions flow into the plan beginning 7/1/12, funding progress will not be reflected in the valuation reports. As you can see from the exhibit below, with 2011 legislative changes, plus 8% investment returns (middle line) in the future, TFFR's funded level is projected to reach over 90% in about 30 years. If returns are greater (top line) or less (bottom line) than 8%, funding progress will take more or less time. Due to legislative action taken in 2011, TFFR's long term funding outlook is positive, and benefits are secure for past, present, and future ND educators.



TFFR Plan Summary

	Tier 1 Grandfathered	Tier 1 Non- Grandfathered	Tier 2 All
Employee Contribution Rates (active and re-employed retirees)			
7/1/10 - 6/30/12	7.75%	7.75%	7.75%
7/1/12 - 6/30/14	9.75%	9.75%	9.75%
*7/1/14 ongoing	11.75%	11.75%	11.75%
Employer Contribution Rates			
7/1/10 - 6/30/12	8.75%	8.75%	8.75%
7/1/12 - 6/30/14	10.75%	10.75%	10.75%
*7/1/14 ongoing	12.75%	12.75%	12.75%
Vesting Period	3 yrs	3 yrs	5 yrs
Unreduced Retirement Eligibility			
Minimum Age	No	60	60
AND Rule	Rule 85	Rule 90	Rule 90
OR Normal Retirement Age	65	65	65
Reduced Retirement Eligibility			
Minimum Age	55	55	55
Reduction Factor	6%	8%	8%
Retirement Formula Multiplier			
X Final Average Salary	2%	2%	2%
X Service Credit	3 yr FAS Total years	3 yr FAS Total years	5 yr FAS Total years
Disability Retirement			
Retirement Formula Multiplier (2%) X Final Average Salary (FAS) X Total Service Credit	Yes	Yes	Yes
Death/Survivor Benefits			
Refund of account value or Life Annuity to survivor based on member's vesting status.	Yes	Yes	Yes

Tier 1 is a member who has service credit in the TFFR plan prior to 7/1/08.

- **Tier 1 Grandfathered** is a member, who as of 6/30/13, is less than 10 years away from retirement eligibility. Grandfathered member must be vested, and either age 55 or have a combined total of service credit and age which equals or exceeds 65 on 6/30/13.
- **Tier 1 Non Grandfathered** is a member, who as of 6/30/13, is more than 10 years away from retirement eligibility. Nongrandfathered member is less than age 55 and has a combined total of service credit and age which is less than 65 on 6/30/13.

Tier 2 is a member who began participation in the TFFR plan on 7/1/08 or after.

*Contribution rates are in effect until TFFR reaches 90% funded level, then rates reduce to 7.75% each.



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Public Employees Retirement System
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Executive Director
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FAX: (701) 328-3920 • EMAIL: NDPERS-INFO@ND.GOV • www.nd.gov/ndpers

MEMORANDUM

TO: Chairman Blair Thoreson, House Appropriations Committee –
Government Operations Division

FROM: Sparb Collins, Executive Director, NDPERS

DATE: January 29, 2013

SUBJECT: HB 1022

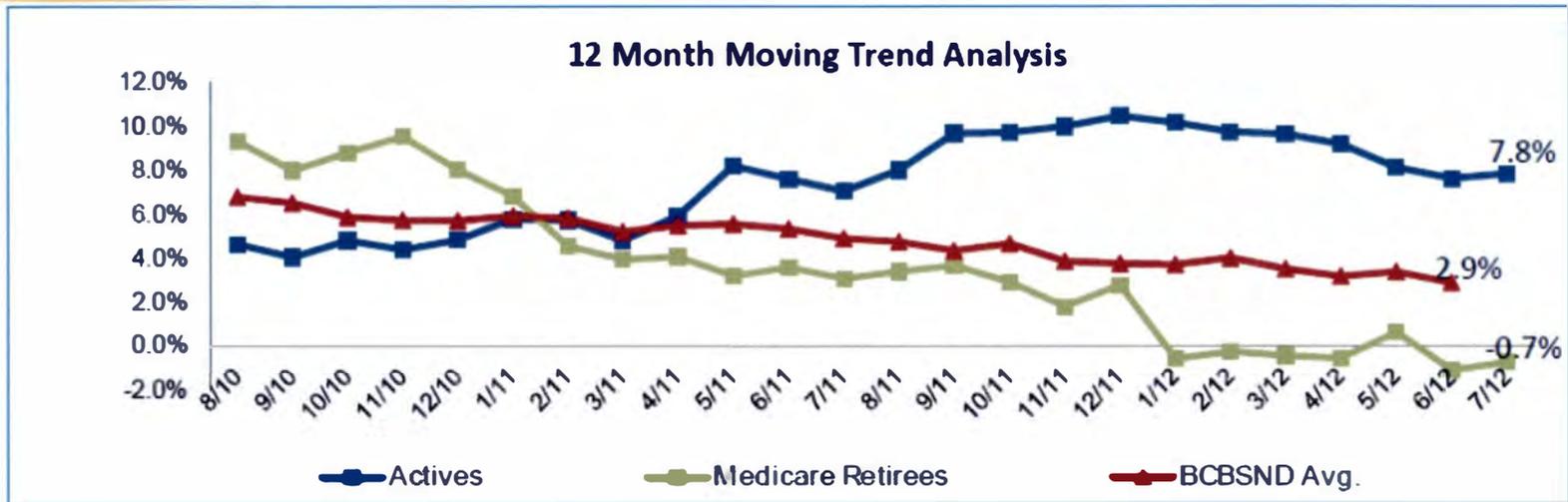
Attached is information in follow-up to our meeting on HB 1022, the PERS Budget:

- What are the recent efforts and proposed efforts of PERS relating to complying with the Affordable Care Act.
- What are the health trends of PERS (the attached shows both the PERS health trends and BCBS trends).

If you need further information, please contact me at 328-3901 or scollins@nd.gov

PERS Plan – ACH Related Efforts

Effort	Activity
HB 1058	<i>Closes the Pre-Medicare retiree plan in July of 2015 since coverage will be available on the health care exchanges</i>
HB 1059	<i>Changes the definition of temporary employee to match that in the ACA and sets the premium level to that in the ACA</i>
Health premiums	<p data-bbox="632 581 1472 613"><i>The PPACA fees were for the following where included in the premiums:</i></p> <ul data-bbox="680 656 1205 760" style="list-style-type: none"> <li data-bbox="680 656 1205 688">• <i>Patient Centered Outcomes research tax</i> <li data-bbox="680 691 1205 724">• <i>Transitional Reinsurance Assessments</i> <li data-bbox="680 727 1205 760">• <i>PPACA Insurer Fee</i>
Flex Program	<i>Medical Spending accounts limits were reduced from \$6,000 to 2,500</i>

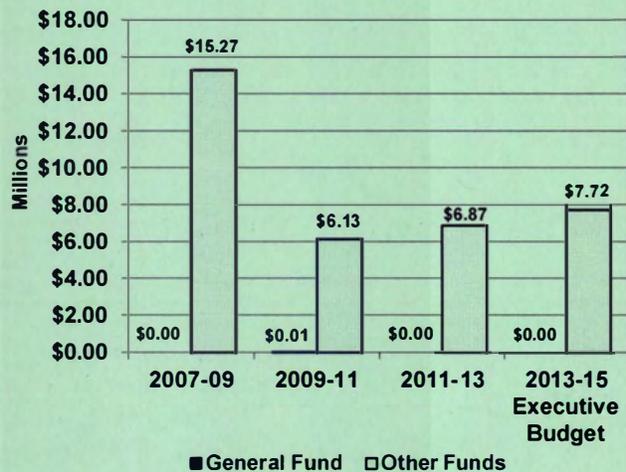


**Department 192 - Public Employees Retirement System
 House Bill No. 1022**

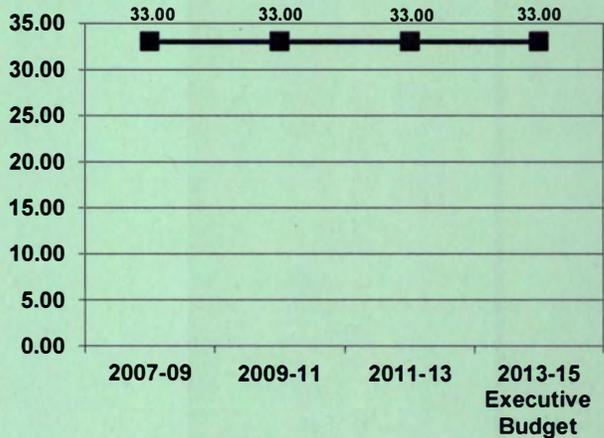
	FTE Positions	General Fund	Other Funds	Total
2013-15 Executive Budget	33.00	\$0	\$7,715,503	\$7,715,503
2011-13 Legislative Appropriations	33.00	0	6,867,890	6,867,890
Increase (Decrease)	0.00	\$0	\$847,613	\$847,613

¹The 2011-13 appropriation amounts do not include \$597,338 of special funds continued from the 2009-11 biennium relating to the PERSLink information technology project.

Agency Funding



FTE Positions



First House Action

Attached is a summary of the first house changes.

**Executive Budget Highlights
 (With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Removes funding for costs to implement a high deductible health plan and health savings account	\$0	(\$91,000)	(\$91,000)
2. Increases funding for general operating expenses due to inflation—postage, printing, and office rent	\$0	\$14,381	\$14,381
3. Increases funding for information technology activities that are included in the agency's information technology strategic plan	\$0	\$281,130	\$281,130
4. Provides funding for state employee salary increases, of which \$238,982 relates to performance increases and \$135,247 is for market equity adjustments. The House added \$11,484 to correct the executive compensation package and reduced funding by \$165,313 relating to performance and market equity increases.	\$0	\$374,229	\$374,229

Other Sections in Bill

Section 2 - Provides, upon approval of the respective boards, the Retirement and Investment Office and the Public Employees Retirement System may transfer from their respective contingencies line items in subdivisions 1 and 2 of Section 1 of the bill to all other line items.

Continuing Appropriations

Public Employees Retirement System - Various sections of the North Dakota Century Code - For benefit payments, investments, and actuarial/technical consulting for each program area

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1058 - Makes changes to the Public Employees Retirement System and retiree health benefits

House Bill No. 1059 - Redefines the benefits a temporary state employee is eligible to receive if employed after December 31, 2013

Senate Bill No. 2059 - Increases employee and employer contribution requirements under the highway patrolmen's retirement fund and the Public Employees Retirement System. Member contributions will increase by 1 percent of the member's monthly salary in January 2014 with an additional 1 percent increase in January 2015.

ATTACH:1

3-14-13

1

TESTIMONY OF NDPERS

ENGROSSED HOUSE BILL 1022

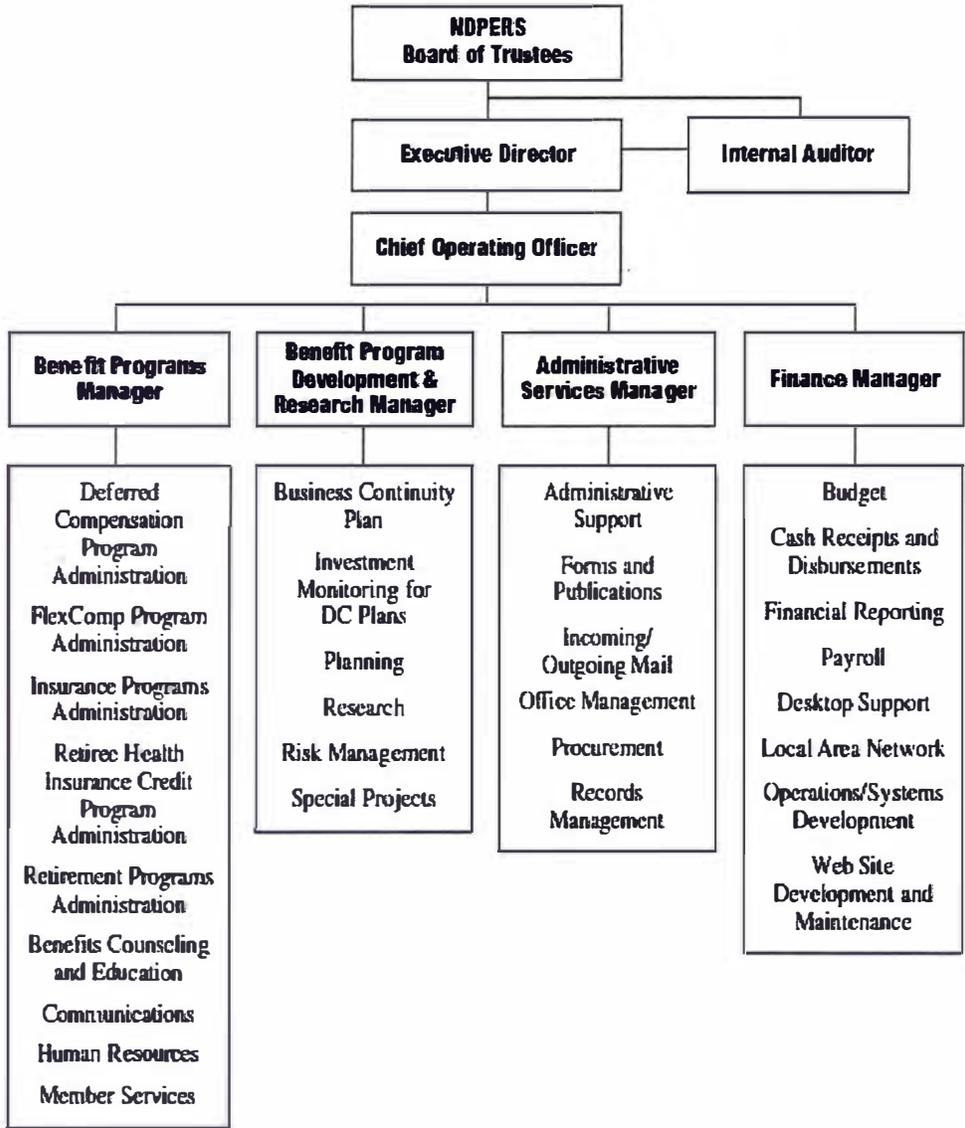
Mr. Chairman, members of the committee, good morning my name is Sparb Collins. I am the Executive Director of the North Dakota Public Employees Retirement System or PERS. With me is Sharon Schiermeister, our Chief Operating Officer. Today we appear before you to give you an overview of our agency, our work efforts and our budget request.

Agency Overview

First let me start by providing an overview of our agency. PERS is directed by a Board composed of the following members:

- | | |
|--------------------------------|---------------|
| Chair (appointed by Governor) | Jon Strinden |
| Appointed by Attorney General | Tom Trenbeath |
| State Health Officer or Deputy | Arvy Smith |
| Elected | Levi Erdmann |
| Elected | Joan Ehrhardt |
| Elected | Mike Sandal |
| Elected | Howard Sage |

Administratively PERS is organized as illustrated:



Please note that our organization chart has changed since last reviewed with you. We have added a COO (chief operating officer). Our Finance Manager fills both roles within our organization, so the addition does not represent a new position but rather a refinement of our organization.

The PERS program responsibilities fall under two broad categories – retirement and group insurance. Section 54-52-02 states the overall mission for the retirement program as: “...to provide for the payment of benefits to state and political subdivision

employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women". Similarly, state statute establishes the overall mission for the group insurance plan as: "In order to promote the economy and efficiency of employment in the states service, reduce personnel turnover, and offer an incentive to high grade men and women to enter and remain in state service, there is hereby created a uniform group insurance program".

Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

January 1, 2013

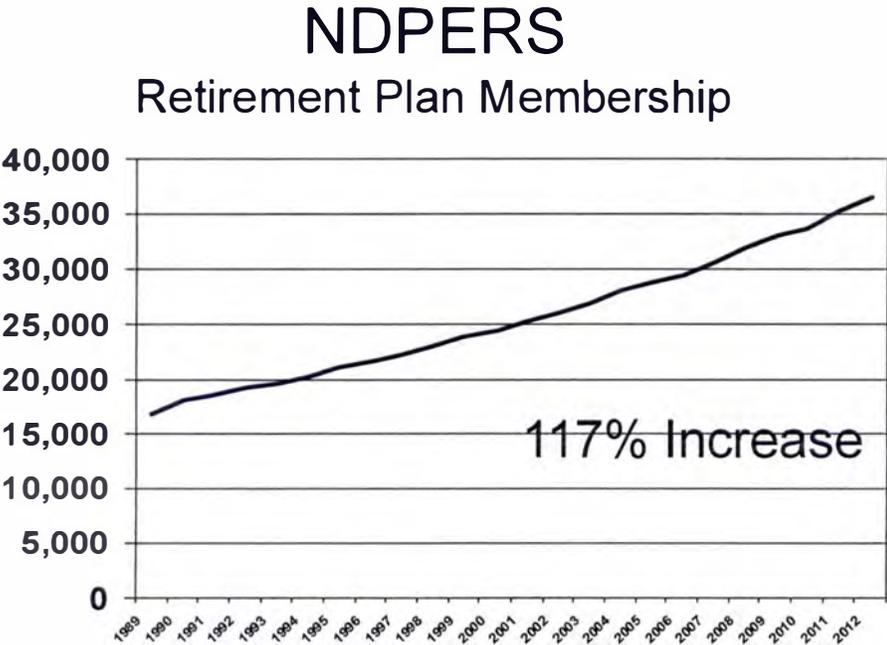
RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

	TOTAL	Main	D.C.	Highway		Law	Job	DEFERRED	HEALTH	
	RETIREMENT	System	401(a)	Patrol	Judges	Guard	Enforcement	Service	COMP	CREDIT
PARTICIPATION										
AGENCY										
State	95	95	32	1	1	1	1	1	89	95
Counties	49	48					11		35	49
School Dist	114	114							18	114
Cities	81	75					6		34	81
Others	73	73							29	73
	412								205	412
EMPLOYEES										
State	10,512	10,014	219	141	47	36	37	18	4,561	10,512
Counties	3,583	3,388					129		580	3,583
School Dist	4,988	4,988							75	4,988
Cities	1,475	1,431					44		225	1,475
Others	557	457							189	557
Retirees	7,816	7,214	49	109	22	12	11	120		4,442
	28,931	27,492	268	250	69	48	221	138	5,630	25,557

As you will note, our agency is responsible for the administration of approximately 10 different retirement plans. The Law Enforcement Plan is divided into two plans, those with past service and those without. Several of the above plans were assigned to our agency by the 2001 and 2003 legislative session. Those were the Job Service Retirement Plan and the Law Enforcement Plans for political subdivisions. The Law Enforcement Plan has since been expanded to certain state employees. The 401(a) plan or optional defined contribution plan for non-classified state employees was

assigned to our agency in 1999. The other retirement programs have been a part of PERS since the 1980's. You will note the largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the state, but also to political subdivisions. In this plan about 50% of the active members are state employees and 50% are political subdivision employees. School districts are our second largest group followed by counties and cities.

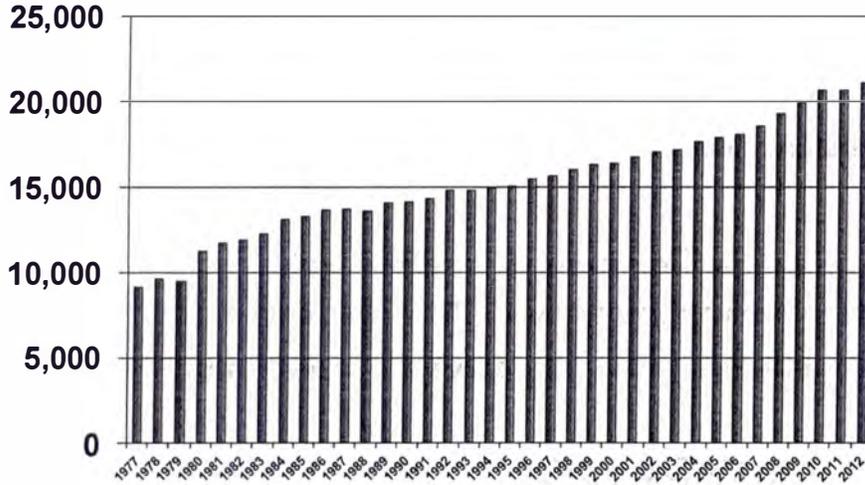
Some historical statistics about the retirement plan include membership:



Of this, the number of active members has grown:

NDPERS Retirement Actives

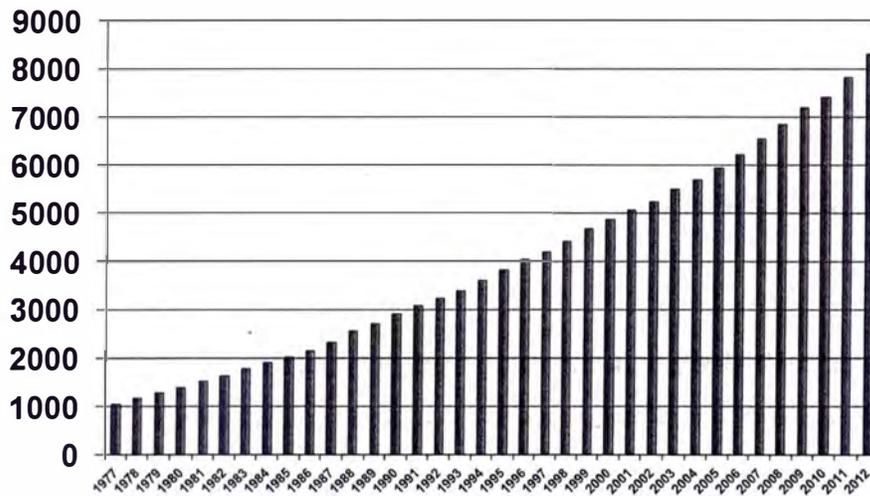
(Main System, Judges, Guard, Law Systems)



The number of retired members has grown as well and at an even greater rate than our active members:

NDPERS Retirement Retirees

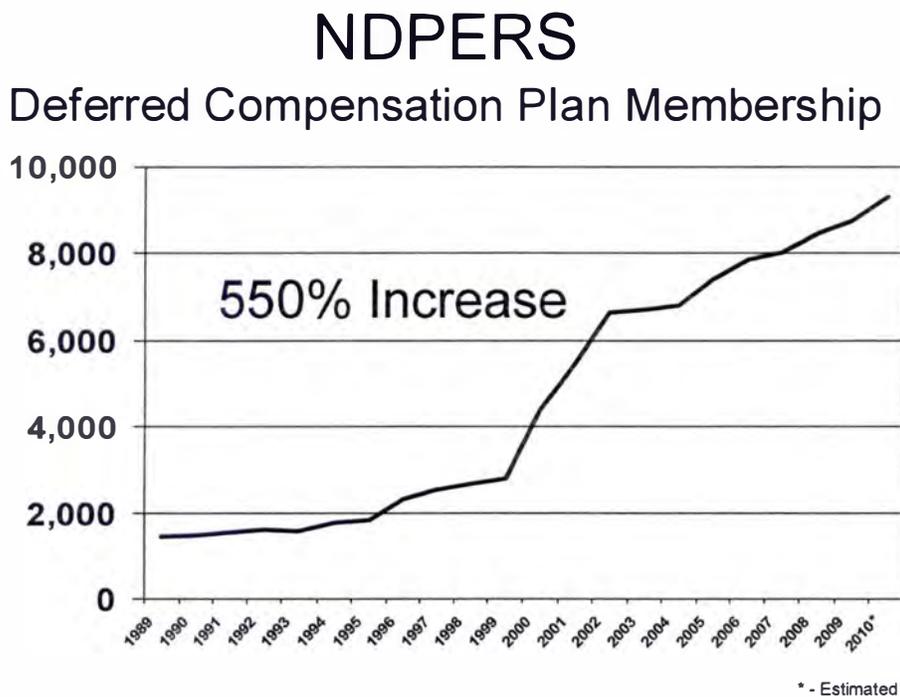
(Main System, Judges, Guard, Law Systems)



Another interesting statistic about the retirement plan is since 1977 the PERS plan has received approximately \$1.1 billion in contributions and as of the last fiscal year we had \$1.7 billion in assets. During that same period we paid out about \$1.1 billion in benefits.

As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. Servicing the present and future needs of the retired membership is going to be a growing challenge for NDPERS.

In addition to the administration of the traditional retirement plans, PERS administers the state's supplemental savings program as well. The membership in that program has also grown over the years (this shows both active and inactive accounts):



We are pleased by this growth since it is important that our members save for retirement. In 1999 the legislature started the PEP provision in our retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings. You can see that program has been successful.

Deferred Compensation offers our members approximately 8 different providers to choose from including the PERS Companion Plan (presently with TIAA-CREF) and:

American Trust Center	Jackson National
AXA Equitable	Nationwide Life
Bank of North Dakota	VALIC
Hartford Life	Waddell & Reed

Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

January 1, 2013

GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

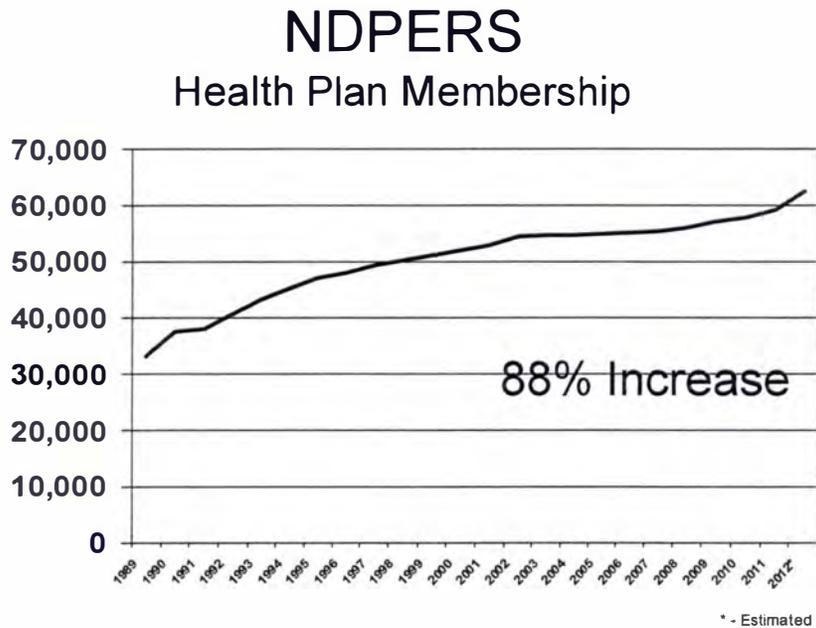
	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>	<i>LT Care</i>
PARTICIPATION							
AGENCY							
State	95	95	85	90	95	77	95
Counties	51	51					
School Dist	68	65					
Cities	65	55					
Others	70	34			20	3	
	379	335	85	90	115	80	95
EMPLOYEES							
State	14,774	15,137	5,636	6,696	16,067	2,755	55
Counties	2,270	2,569					
School Dist	1,273	327					
Cities	1,642	270					
Others	540	340					
Retirees	6,389	2,800	1,531	1,140			
COBRA	354		41	44			
	27,242	21,443	7,208	7,880	16,067	2,755	55

As you will note, the largest responsibility in this area is the health plan. In this program about 54% of members are state employees and 46% are political subdivisions or other groups such as retirees. This biennium one of the challenges we faced with the health program was the enactment of federal health care reform. In response, we took the following actions:

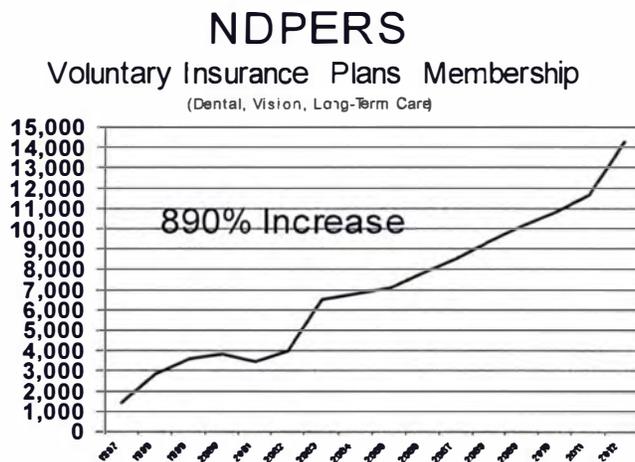
1. Maintained the plan as a grandfathered plan under the law which means we do not have to comply with all the provisions.

2. Applied for the subsidy for providing services to pre-Medicare retirees
3. Implemented the required plan design changes.

The following table shows the history of the membership in the health plan:

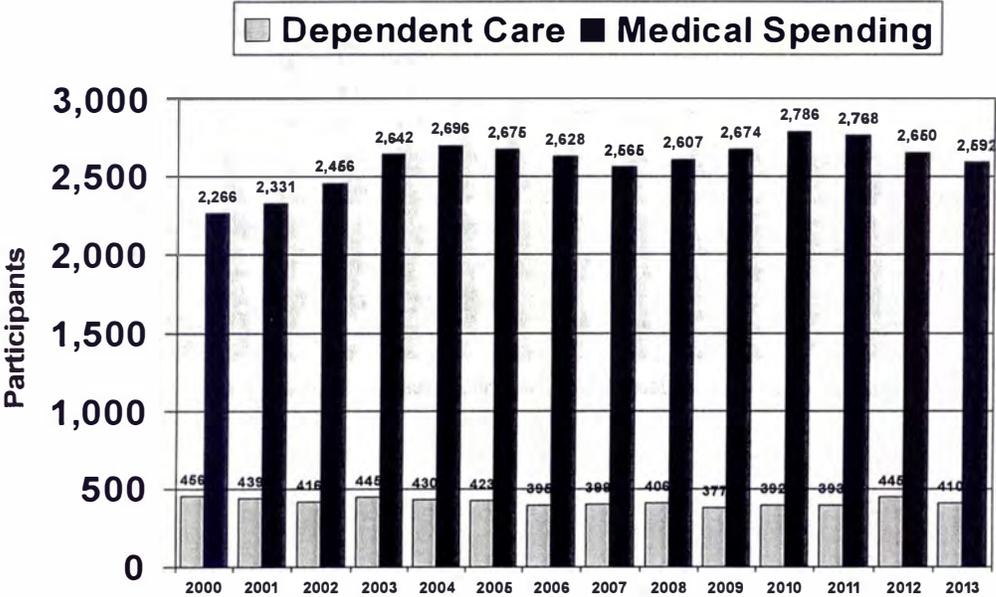


In the late 1990's the Employee Assistance Program, Long Term Care Plan, Dental Plan & Vision Plan were added to PERS. The other group insurance programs have been a part of the agency since before 1990. The following table is the history of those programs (not including the EAP):

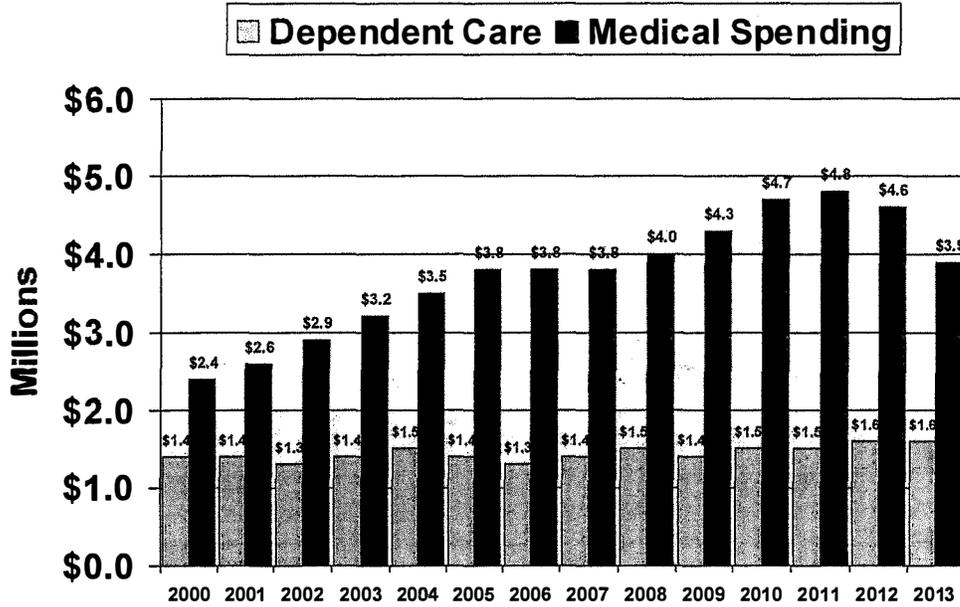


The Flex Comp Program which has been a part of the agency since 1989 allows members to pretax certain insurance premiums, dependent care expenses and medical expenses. The following tables show the history of the number of members and deferrals:

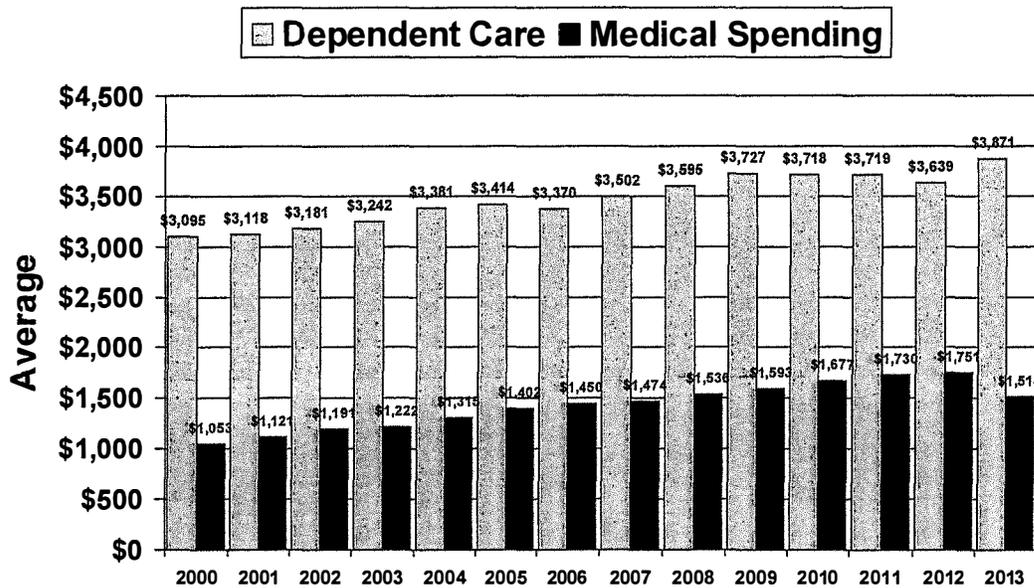
NDPERS Flexcomp Participation



NDPERS Flexcomp Participation

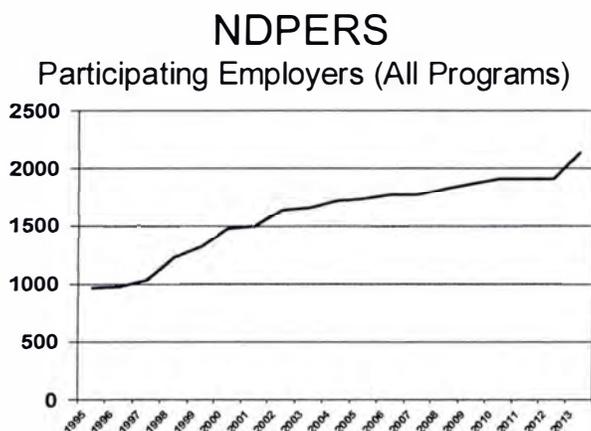


NDPERS Flexcomp Participation



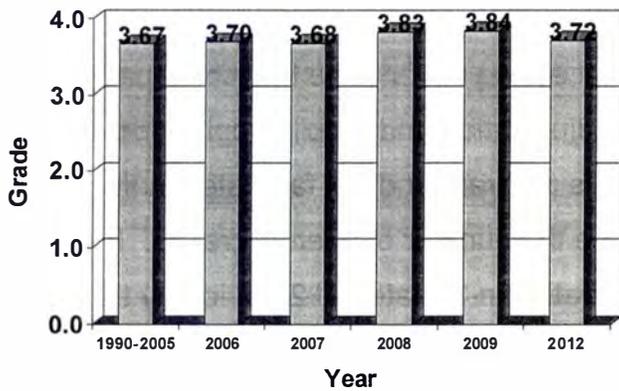
As the above shows, the number of members participating in the program has decreased slightly as well as the average and total deferrals. One of the reasons for this decline is the Affordable Care Act (ACA) which limited the total deferrals to the medical account to \$2,500 - the old limit was \$6,000. As we look to the future with the limitation in place, we believe that we will have to make it easier for members with smaller accounts to join the plan. The primary reason they do not is the paper work. In recognition of this, we have changed the claims processing format this year from using PeopleSoft to hiring a new claims payment firm - ADP. This new format will add additional options for claims payment processing beyond the traditional paper process. The new options are a debit card, auto adjudication and mobile applications. This will make it easier for our members to use this program and will facilitate small accounts. As we look to the future, we expect to see the number of users increase. Please note that we are seeking a continuing appropriation in Senate Bill 2060 to pay the claims processor (approximately \$95,000 per year or \$190,000 for the biennium) from the savings that accrue from this program.

While we have been serving more members in more programs over time, we have also been serving more employers as they join PERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):

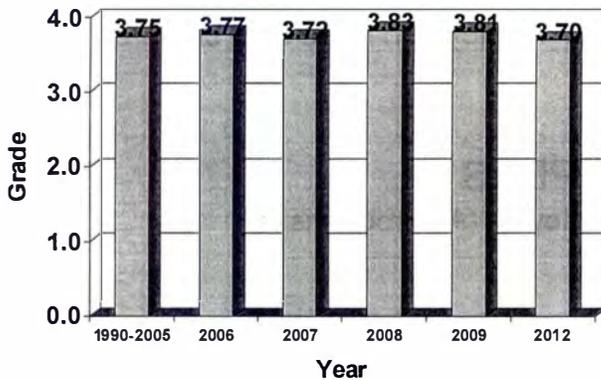


As shown above, PERS has faced two challenges over the years. First, is the growth of program responsibilities. Second, is the growing membership needs for assistance. We have also tried to meet the needs of our members and monitor how we are doing by sending to them a rating card. The following are the responses:

NDPERS
Member Report Cards
 Courtesy you received from NDPERS staff?



NDPERS
Member Report Cards
 Promptness of NDPERS response to your inquiry?



As the above shows, we have been able to maintain a positive rating by the members, but we note we can do better and will continue to work toward that goal.

We are also 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:

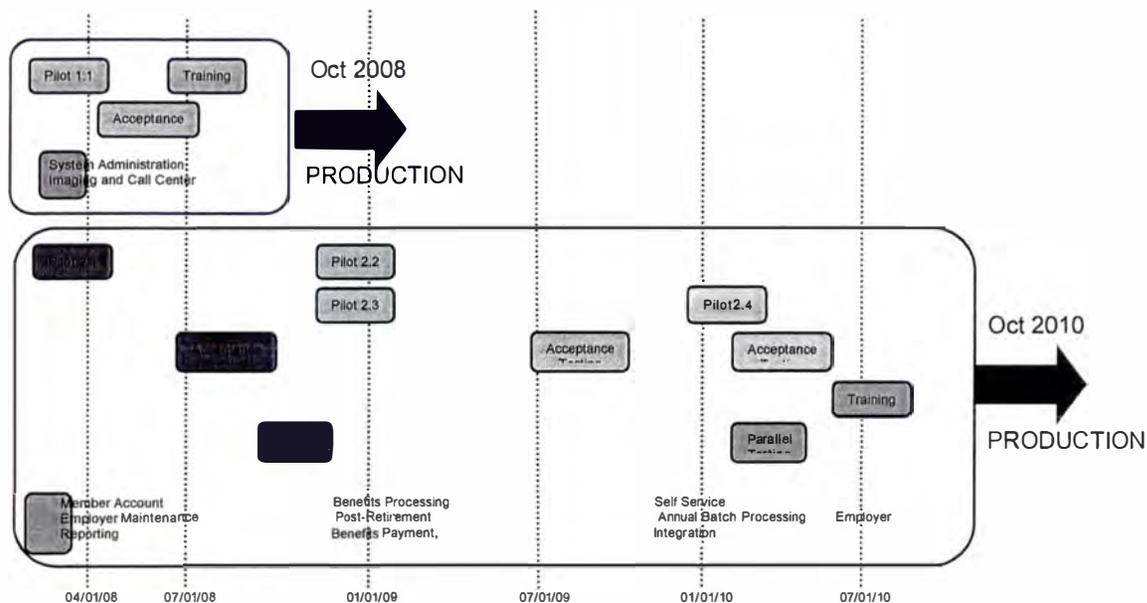
- We have received the Public Pension Achievement Award and the Recognition Award for Administration.
- We have received the Certificate of Achievement for Excellence in Financial Reporting for the past 16 years (1996-2011).
- We have had unqualified audit opinions for over 22 years.

At this time, I will turn the presentation over to Sharon Schiermeister to review our work efforts and budget request.

PERS Business System Replacement Project

Several bienniums ago, you approved funding the replacement of our business system. The following was the schedule we discussed:

Overall Project Schedule



I am pleased to report to you that our project was officially completed this last year. We went live as projected in October of 2010 after three years of development. The employee portal for retirees was completed in January 2012 and the portal for active employees was completed in 2012 and was successfully piloted to employees of select agencies in this last open enrollment. We will now roll it out to our other active members in 2013 so it can be used by all members during the 2013 annual enrollment. The project was completed within budget.

The new employee portal will offer the following capabilities to our members:

- View
 - Demographics
 - Benefit Plan Enrollments including
 - Member Account Balance
 - Levels of Coverage
 - Dependents
 - Retirement & Life Beneficiaries
 - Service Purchase Contracts
 - Retirement payment history and 1099R tax forms
- Update Demographic details
- Enroll in eligible benefit plans
 - Update to enrolled plans
- Report a Death
- Request an Appointment
- Submit On-line Question
- View & Enroll in Upcoming Seminars
- Perform Retirement Benefit Projections
 - Includes:
 - Ability to forecast salary increases
 - Service purchases cost & affect
 - Deductions (Insurances, Income Tax)
- Perform Service Purchase Projections
 - Includes:
 - Cost Calculations
 - Installment Payment Schedules

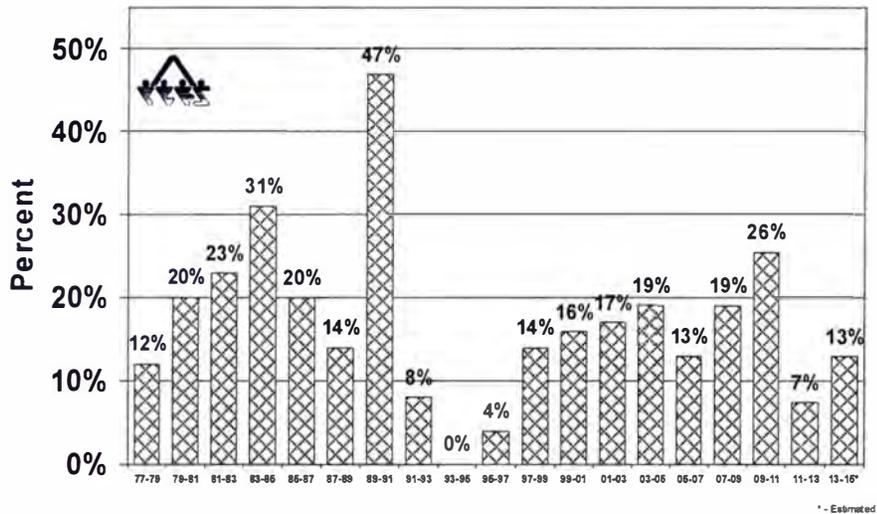
2011-2013 Initiatives

The following are some of the major initiatives done this biennium.

- Health Plan
 - Completed a competitive bid process (two bidders)
 - 12.9% active increase (about a 10% increase to the state)

State Health Premium Percentage Increase From Previous Biennium

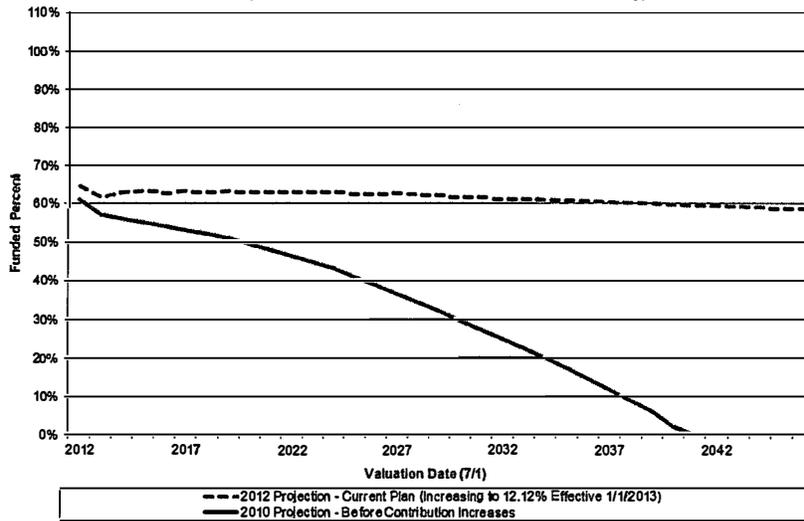
(Excludes Plan Design Changes)



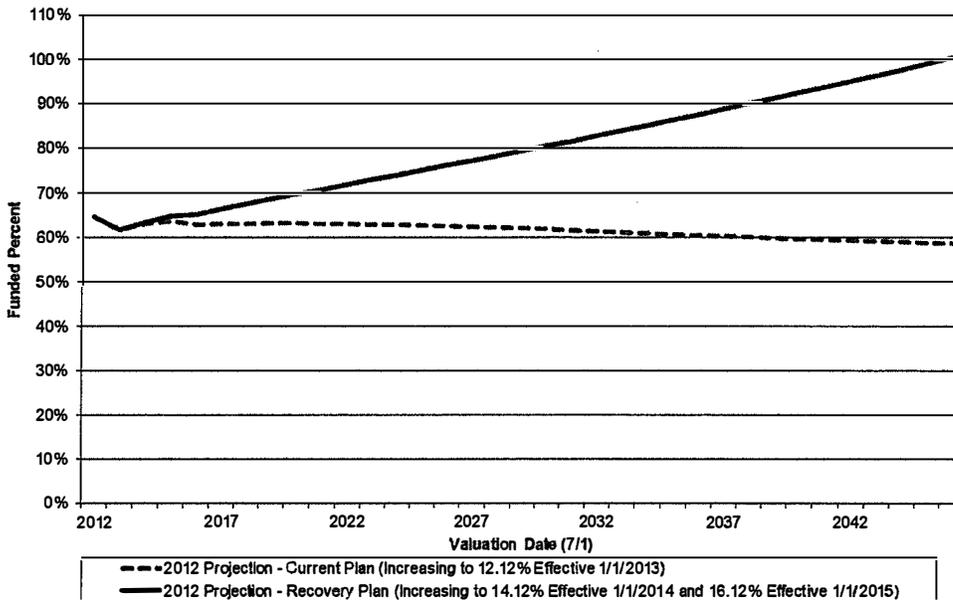
- No retiree increase
- Developed additional reserves
- Continued implementation of health care reform
- Developed a proposal to eliminate the State's \$65 Million OPEB liability (except for legislators) (HB 1058)
- Added a new Wellness Provider
- Completed our annual flu shot clinics in Bismarck together with the Family Practice Center (1059 shots in 2012 and 1397 in 2011)
- Implemented a new HDHP/HSA plan as part of the PERS Health Plan and offered it to state employees

- Dental Plan
 - Completed a competitive bid process (over 10 bidders)
 - Selected a new vendor
 - 7% reduction in rates
 - Addition of an optional network for member use (60% of claims already go through the new network)
- Vision Plan
 - Completed implementation of a competitive bid process (3 Bidders)
 - 35% increase in participation during open enrollment
 - Added a vision network
- Life insurance
 - Completed implementation of a competitive bid process (9 bidders)
 - Basic life coverage for active employees increased from \$1,300 to \$3,500
 - Reduced the employee and spouse rates an average of 18% and 26.5%, respectively
- Flex Program
 - Completed a competitive bid process (12 bidders)
 - Selected a new vendor
 - Adding new services for members
 - Debit cards
 - On line claims submission
 - Mobile applications
 - Auto substantiation
 - Expanded service center hours
- Retirement Plans
 - Completed Asset liability Study for the PERS Retirement Plan
 - Implemented the first two years of the four year recovery plan for the PERS Retirement plans and submitted the second 2 years of the recovery plan for consideration this session (SB 2059)

**PERS (Main System)
Projected Funded Ratio Under Current Plan
(Actuarial Value of Assets to Actuarial Accrued Liability)**



**PERS (Main System)
Projected Funded Ratio Under Current Plan
(Actuarial Value of Assets to Actuarial Accrued Liability)**



- Selected a new Defined Contribution and Companion Plan Provider
 - Completed a competitive bid process (8 bidders)
 - Selected a new vendor
 - Lower administrative fees for members

- Revenue sharing
- Greater fund selection in mutual fund window
- 280 days of on site counseling versus 21

PERS Budget

The proposed budget before you today is basically a hold even budget and is all special funds. With the system replacement project and our other efforts, the challenge we face in the next biennium is just keeping up with our existing commitments. Consequently, no new major initiatives or new FTE are being requested in the proposed budget. The budget also does not include any increase in costs related to Health Care Reform; any additional costs incurred as a result of this will be paid through the Contingency Line Item if and when they arise.

The following is a summary comparing the current budget to the Governor's Executive Recommendation, which is a 3.35% increase:

	2011-2013 <u>Appropriation</u>	2013-2015 Executive <u>Recommendation</u>	<u>Change</u>
Salaries	\$4,563,507	\$5,206,609	\$643,102
Operating	2,054,383	2,258,894	204,511
IT Project carryover	597,338	0	(597,338)
Contingency	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Total Base	\$7,465,228	\$7,715,503	\$250,275

The following compares the Governor's recommended budget to the proposed budget passed by the House:

	Executive <u>Budget</u>	House <u>Changes</u>	House <u>Version</u>
Salaries	\$5,206,609	(\$291,587)	\$4,915,022
Operating	2,258,894	0	2,258,894
Contingency	250,000	0	250,000

Accrued leave pymts	0	<u>103,217</u>	<u>103,217</u>
Total	\$7,715,503	(\$188,370)	\$7,527,133
FTE	33.0	0	33.0

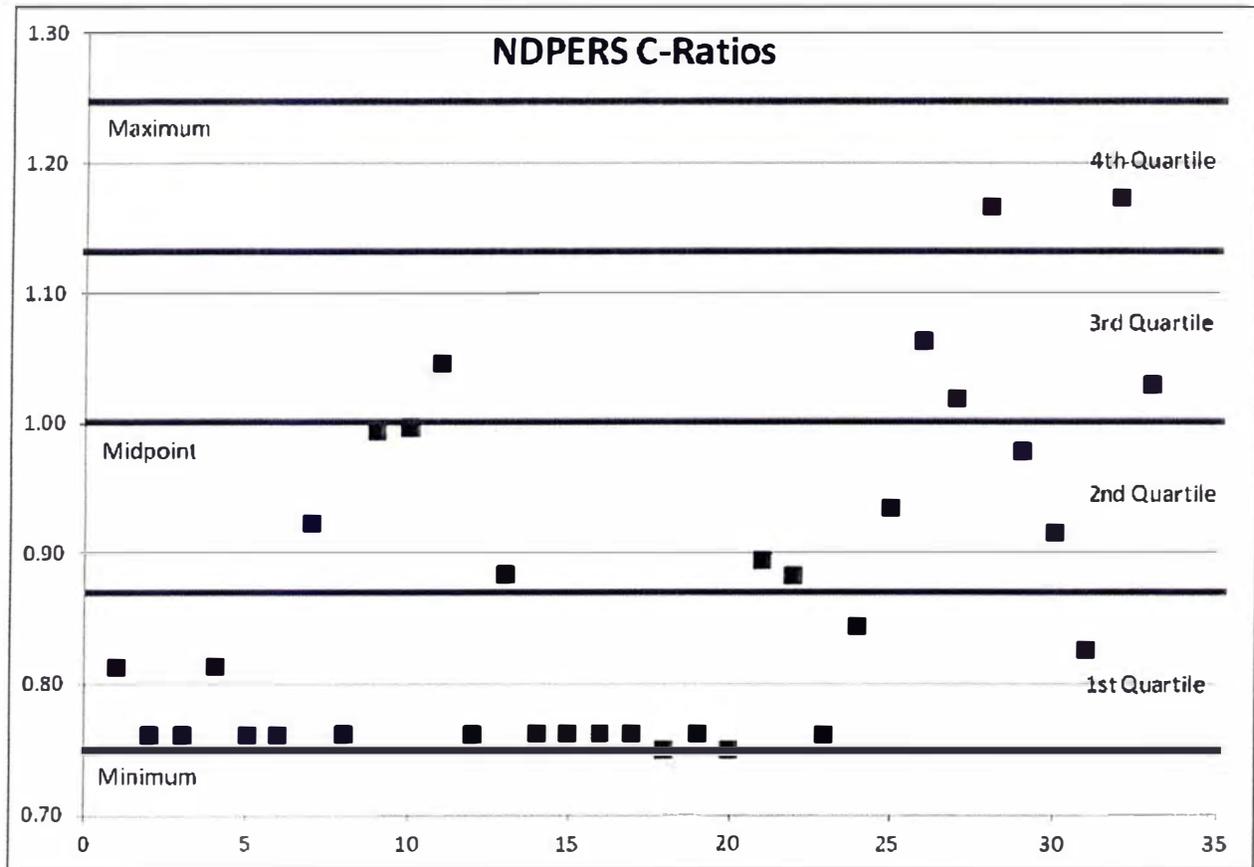
The changes made by the House relate to the executive compensation and benefits package and also reallocating funding from the Salaries and wages line item to the Accrued leave payments line item. Please note that the Salaries line item in the budget request submitted by NDPERS does not include any funding for potential annual leave or sick leave payments for eligible employees. When PERS experiences turnover, that results in a lump sum leave payment, the payment is funded by leaving the position vacant long enough to accrue savings to cover the payment. If we are fortunate enough not to experience turnover in the next biennium, the reduced appropriation authority in the salaries line item would not be sufficient to pay salaries for our existing FTE.

The budget can be broken down by percent as follows:

	Percent of
	<u>Total</u>
Salaries/Accrued Leave Payments	67%
Operating	29%
Contingency	<u>4%</u>
Total	100%

The **salaries and wage line** item is 67% of our budget and supports 33 FTE.

The following graph shows the challenge we face in the salaries for our employees by looking at compa-ratio (C-Ratio)



The above shows:

- 18 out of 33 (55%) of the NDPERS employees are in the first quartile, many at the very bottom. Average years of service for these employees is 8.1 years.
- 21 out of 33 (64%) are below a .90 C-Ratio. Average years of service for these employees is 10.1 years.

Overall, the agency C-Ratio is .87 or 87% of the market policy point. The above shows that NDPERS has severe compression problems. The Governor’s proposal starts a process to address this issue for us by moving our employees off the bottom of the pay scale. The House proposal would not move our employees off the bottom as effectively. Therefore, we support the efforts in the Executive Budget to help us move more of our employees from the bottom of the pay grade towards the market policy point and to provide pay for performance for our employees. If these issues are not addressed, we are concerned that the agency will see increasing levels of turnover and

create a situation where we cannot attract new employees of the same caliber of those who leave, causing us to lose expertise, effectiveness and efficiency.

The **operating line item** is 29% of our budget and you will note that it has increased from the 2011-13 biennium. The changes to this line item are shown below:

Operating Line Item Adjustments	
Remove one-time expenditures for office equipment that was purchased in the current biennium and also reduce the amount budgeted for temporary contract labor to assist with annual enrollment	\$ (40,200)
Increase IT-Contractual Services to fund 24 months of payments for the licensing fee paid to our software vendor for the PERSLink System. The current biennium only includes 13 months of payments. Funding was also included to cover projected rate increases for services provided by our software vendor. Increase in IT-Data Processing to fund projected rated increases for services provided by ITD	\$245,930
Increase in IT Equipment to fund replacement of computer hardware and software in accordance with the agency's 4 year hardware replacement cycle.	\$35,200
Increase in postage, office rent and printing costs due to inflation	\$54,581
Remove one-time expenditure to implement the High Deductible Health Plan and Health Savings Account.	\$(91,000)
TOTAL	\$204,511

The agency had a carryover appropriation of \$597,338 from the 2009-2011 biennium for IT contractual services, which was used to complete the PERSLink IT project. The project will be completed during the 2011-2013 biennium; therefore, these costs will not be carried forward into the 2013-2015 biennium.

Mr. Chairman, members of the committee, I would also like to take this opportunity on behalf of PERS to thank you for your past support. Together we have provided to our members valuable benefits that have truly made a significant difference in people's lives and helped to support the economic health of North Dakota. We look forward to continuing to work with you in the future. Again, thank you and this concludes our testimony.

**North Dakota Retirement and Investment Office
Testimony to the Senate Appropriations Committee**

March 14, 2013

Retirement and Investment Office (RIO) Update

Mr. Chairman and members of the Committee, my name is Fay Kopp, and I am the Interim Executive Director of the ND Retirement and Investment Office (RIO) and Chief Retirement Officer for the ND Teachers' Fund for Retirement (TFFR). In May 2012, John Geissing, NDRIO Executive Director and Chief Investment Officer (CIO) resigned from his position to relocate closer to family in Connecticut. At that time, the State Investment Board (SIB) named me as Interim Executive Director (formerly Deputy Executive Director) and Darren Schultz as Interim CIO (formerly Deputy CIO) until a permanent replacement is hired. Since then, the SIB has solicited input from all SIB clients, studied the agency's organizational structure, and reaffirmed the current business model. The SIB also established a Search Committee who has been working with staff from State Human Resources Management Services (HRMS) to fill the vacancy. In order to expand the pool of applicants for the position, the SIB has recently issued an RFP for an executive search firm to assist in the recruitment process. The SIB anticipates filling the position later this year.

During the interim, please be assured that the funds entrusted to the SIB are well positioned and are in good hands with existing professional staff at RIO, investment management firms, and investment consultants working together to prudently invest SIB assets. Darren and I are both available today to respond to any questions relating to the SIB and TFFR programs for which RIO is responsible.

RIO Programs Overview

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 Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB). First I will provide you with some background information about the TFFR program.

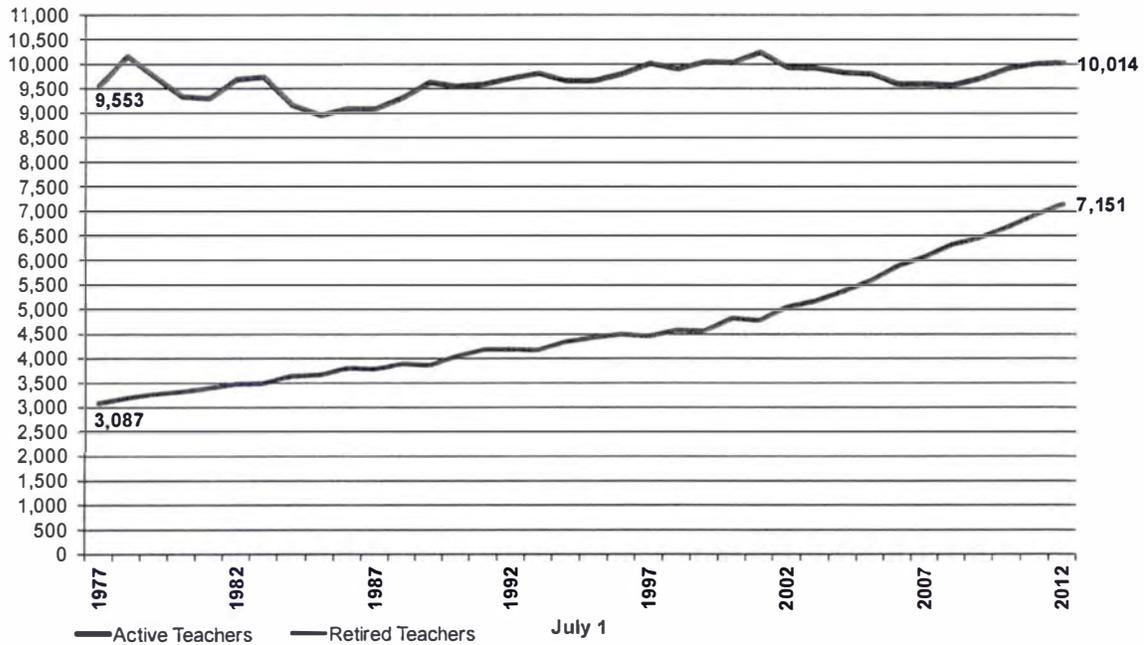
• **Teachers' Fund for Retirement (TFFR)**

TFFR is a qualified defined benefit public pension plan. The program is managed by a seven member board of trustees which consists of the State Treasurer, State Superintendent, and five active and retired teachers and administrators appointed by the Governor.

The plan covers North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves over 10,000 active teachers and pays benefits to more than 7,100 retirees and beneficiaries. As you can see from the chart below, active membership was experiencing a decline in the last decade;

however we are beginning to see active member increases in the past few years, and expect that to continue. We also anticipate that retired membership will continue to grow in the years ahead. Servicing the present and future needs of TFFR membership will continue to be a challenge.

Active and Retired TFFR Members 1977 – Present



There are currently 219 participating TFFR employers comprised as follows:

School Districts	181
Special Ed Units	19
Vocational Centers	5
Counties	7
State Agencies/Institutions	4
Other – Closed groups	<u>3</u>
2012-13 Total Employers	219

The \$2.7 million requested in the RIO budget relating to the TFFR program includes salaries, benefits and administrative overhead costs for 12.25 FTEs who deliver and support high quality member services and outreach programs to members and employers. Administration of the TFFR program includes monthly collection and reporting of member and employer contributions; maintaining membership records of active and retired members; processing claims for retirement, disability, death benefits, refunds, and service purchases; distributing monthly benefit payments; and providing publications and educational outreach programs as part of our continuing effort to keep members and employers informed about their retirement program.

With the Chairman's permission, I would like to ask Connie Flanagan, Fiscal and Investment Officer, to present information about the SIB program and details of RIO's 2013-15 budget request.

- **State Investment Board (SIB)**

Mr. Chairman and Members of the Committee, my name is Connie Flanagan and I am the Fiscal and Investment Officer for RIO. I will discuss the investment program and the budget request for RIO that is part of Engrossed House Bill 1022.

The SIB is responsible for the investment of over \$6.5 billion in assets for eight pension funds and 15 other non-pension funds. The 11-member board includes the Lt. Governor, State Treasurer, State Insurance Commissioner, State Land Commissioner, Workforce Safety and Insurance designee, 3 PERS board members, and 3 TFFR board members.

All the funds are invested in accordance with the "Prudent Investor Rule". Attached you will find a three page description of the SIB process. The first page graphically shows the three groups that are involved in the process. The top section represents the "governing bodies" of each of the funds invested with the SIB. These governing bodies, or clients as we call them, are responsible for setting the investment guidelines and asset allocations of their respective funds. Examples of these clients include TFFR, PERS, WSI, and the Cities of Bismarck and Fargo. Some of these clients are statutorily required to be managed by the SIB while others have chosen to do so under contract as allowed by state statute. Exceptions to this process are the Legacy and Budget Stabilization funds. By state constitution and statute, the SIB is the governing body of these funds; however a seven member Advisory Board has been created to make recommendations to the SIB regarding investment guidelines and asset allocation for these two funds.

Once the guidelines and asset allocations are determined by the clients or recommended by the Advisory Board, they are turned over to the SIB for implementation. The SIB selects investment managers to manage different types of portfolios within each asset class with the goal of maximizing return under the clients' acceptable risk levels. Similar client funds are pooled together when possible to receive lower fees from investment managers.

And finally, the staff of RIO administers the day-to-day operations of the investment program by monitoring the client guidelines and asset allocations, managing the consultant, custodian and investment manager relationships and maintaining separate accounting for all funds. The SIB has continuing appropriation authority under ND Century Code section 21-10-06.2 to pay for investment related costs of the program such as investment management fees, custodial fees, performance measurement fees and fees associated with manager searches and onsite reviews of investment managers. These costs are allocated directly to the client funds affected by the expense.

The \$2.1 million requested in the RIO budget relating to the SIB investment program includes salaries, benefits and administrative overhead for the 5.75 FTEs who are responsible for the day-to-day operations of the program as I just described plus one additional FTE for an Investment Analyst that will be described shortly.

Fiscal Year 2012 Financial Audit

The Chairman of the House Appropriations Committee asked that we review any financial audit findings included in our most recent audit, which was conducted by CliftonLarsonAllen for the fiscal year ended June 30, 2012. There were no audit findings in that audit, nor were there findings in the previous fiscal year's audit that required action. Copies of both the agency's audit report and Comprehensive Annual Financial Report (CAFR) can be found on the RIO website at www.nd.gov/rio.

2011-13 Budget Review

Current budget estimates for the 2011-13 biennium indicate that RIO will have unexpended appropriation in the salary line of approximately \$400,000. The unexpended funds in the salary line are due to the vacancy of the Executive Director/Chief Investment Officer position, effective May 31, as previously discussed. Additionally, the new FTE approved in the last legislative session for a Deputy Chief Investment Officer was not filled until January, 2012, resulting in six months of unused salary for that position.

We currently expect to have a positive balance in our operating line at the end of the biennium. However, due to some unexpected upcoming costs, such as the costs for filling the Executive Director/CIO position, it is difficult to estimate what that balance will be. Following are a few categories in which we had deviations from budgeted amounts.

- ITD data storage actual rates have been less than the rates used for budget purposes, resulting in savings. Additionally, we had anticipated the need for a second Oracle application hosting site, however, this was not needed in the current biennium, so a savings was realized. We have included similar funds in our 2013-15 budget request.
- IT contract costs for pension software programming changes increased significantly to implement legislative changes to TFFR contributions and benefits which were approved in 2011. Most of these increased costs will be offset by other IT savings (above).
- Postage rates did not increase as much as anticipated when the 2011-13 budget was prepared. Additionally, likely due to more electronic communications, daily mail costs have decreased over time.
- Both the SIB and TFFR Boards consider board member education a top priority. However, for a variety of reasons, board members were not able to attend their allotted number of training opportunities this biennium. To ensure board members continue to be properly educated, outside professionals are brought in frequently to conduct educational sessions during board meetings, generally at little or no cost to the funds. We currently expect to have travel related funds remaining at the end of this biennium.

2013-15 Budget Highlights

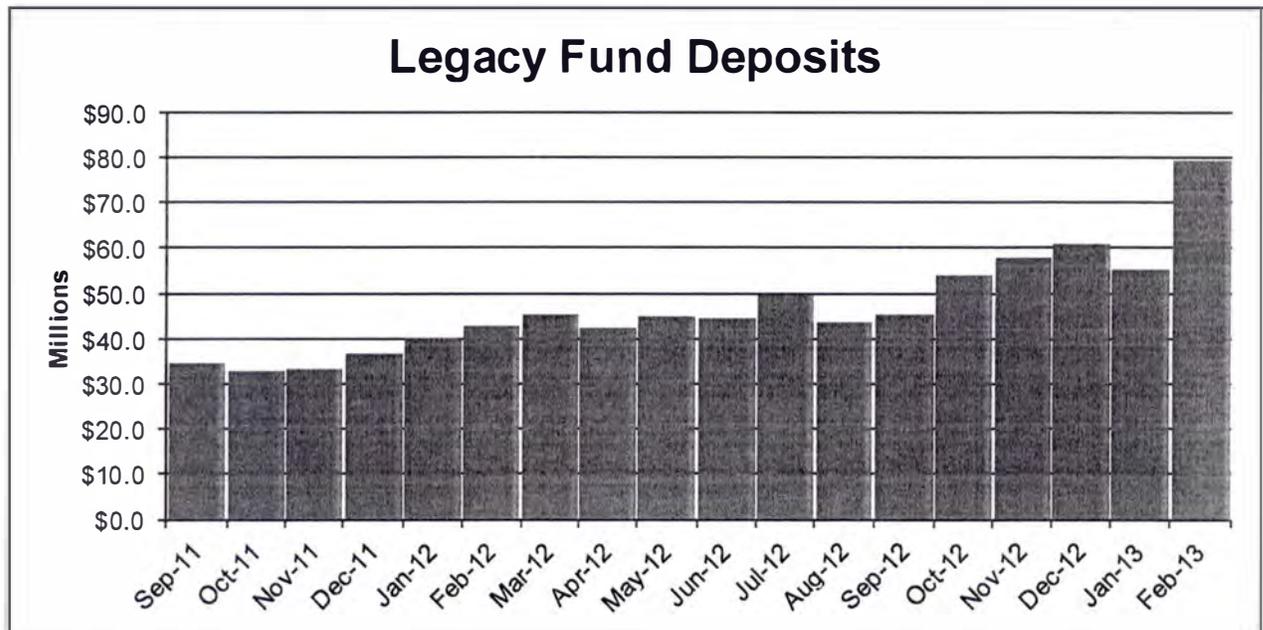
The budget request you have before you for RIO for the 2013-15 biennium, as amended by the House of Representatives, totals \$4.8 million and is all special funds. There are no general or federal funds requested. Some of the highlights for your consideration are detailed below.

- **Salaries** - In addition to the costs to continue current salaries, requested increases in the salary line include approximately \$27,000 to fund the increase in the board members' pay for the SIB and TFFR boards that were approved in the previous session. Board member pay increased from \$62.50 to \$148 per meeting day. Although the increase was approved, no additional dollars were added to our budget for the 2011-13 biennium. We are now including appropriate dollars in this request for board members.

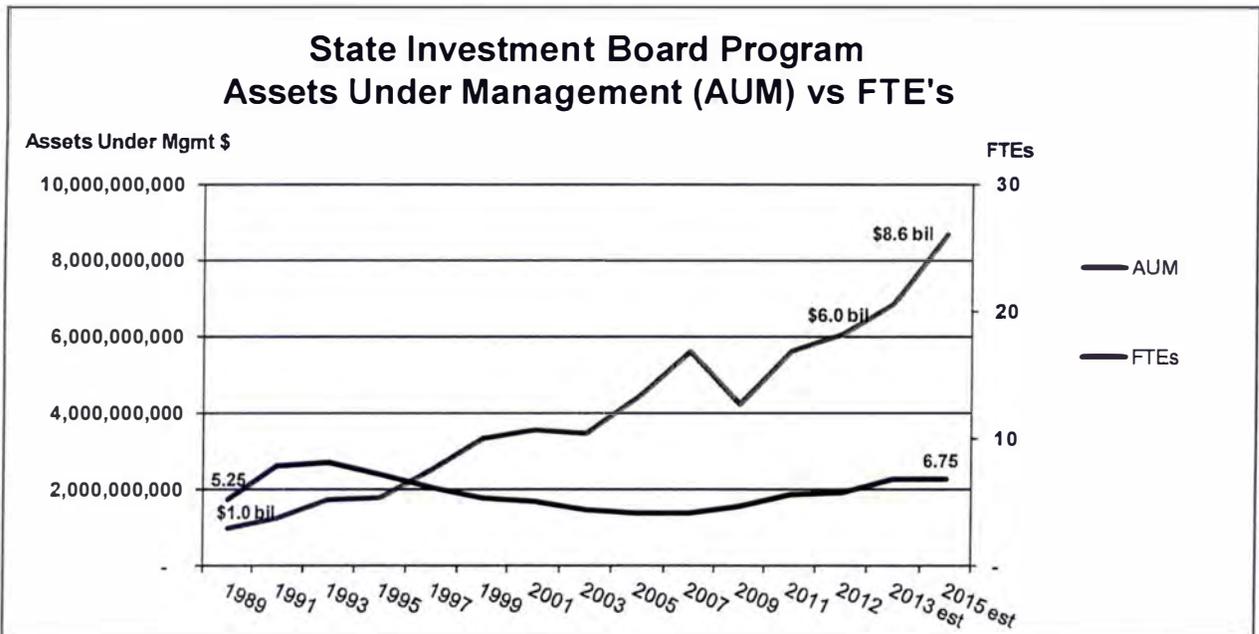
The Governor's Executive Recommendation included a pool of \$198,973 for market equity and performance related salary increases and \$66,594 for health and retirement contribution increases for RIO's 18 FTE positions. As you know, the salary increase and retirement contribution increase amounts were reduced on the House side. RIO supports the method used in calculating the salary budget adjustment in the Executive Recommendation, which follows the Compensation Philosophy Statement approved in the previous legislative session. RIO's 15 classified employees have an average of 18 years of state service, most of those years with RIO. Eleven of those 15 employees have 15 or more years of state service. The average compa-ratio is currently 0.908 or just under 91% of the market policy point. We would therefore welcome the opportunity to provide market based increases for those employees falling below their respective salary range market policy point as well as to provide appropriate performance based increases to reward our loyal, high performing staff members. Ideally, we would like to compensate employees with 15+ years of service closer to the market policy point within their pay grade ranges rather than at or just above the first quartile level.

The original RIO budget request did not include any additional FTE positions. However, due to the rapid growth of the assets of the Legacy Fund, whose investments are managed by the State Investment Board, the SIB recognized the probable need, in the near future, for additional professional investment staff to augment the current 5.75 FTEs in the investment program. Additionally, HB1304, which was passed in the House last month, would require significant staff time to implement. That bill requires the SIB to follow specific procedures for identifying, analyzing, engaging, monitoring and divesting in companies within its investment portfolios that are subject or liable to sanctions under the Iran Sanctions Act of 1996. Estimates received from other states that have similar laws indicate up to 25% of an FTE would be required to ensure compliance with that bill. RIO currently does not have the capacity to absorb those additional responsibilities.

The following chart shows the monthly deposit amounts to the Legacy Fund since its inception in September, 2011. Original estimates put monthly deposits at approximately \$30 million. However, early deposits started out above that level and have increased steadily to the most recent deposit in February of \$79.3 million. The current balance is nearing \$850 million and expectations are that the balance will reach \$3 billion by the end of the 2013-15 biennium.



The next chart graphically depicts the growth in assets under management (AUM) of the SIB compared to the FTE count over time. With only the assumption in the growth of the Legacy Fund to \$3 billion by the end of the 2013-15 biennium, and no other growth, you can see where the need for additional investment professionals to manage the program might exist. There is no magic number to determine the appropriate number of staff based on AUM alone. However, because the Legacy Fund is a different type of fund (endowment-like rather than pension or insurance), and it currently cannot be pooled with other funds by policy, it is expected to require additional staff time for investment manager due diligence and asset allocation and policy research. In comparison, adding an additional pension fund would not necessarily require additional staff as it would be pooled with the existing investment managers in the pension pool.



6/30/2015 AUM (est.) per FTE	\$1,279,168,689
6/30/2012 AUM per FTE	\$1,049,458,896
6/30/2011 AUM per FTE	\$ 986,356,091
6/30/1989 AUM per FTE	\$ 190,987,501

It was for these reasons that the House Appropriations Committee approved an amendment to HB1022 to include an additional FTE for an Investment Analyst position for RIO who will augment the current staff in areas such as on-going manager due diligence, policy recommendation and review, implementation strategy and investment compliance monitoring. The salary and benefits for this FTE for the biennium are estimated to be \$265,396.

- **Operating** - Within the operating line, RIO has attempted to reduce expenditures wherever possible. Our goal was to submit our request with a hold-even operating budget, as has been the case in previous periods. After careful review, it was determined that we would not be able to reach this goal but the increase was only \$7,327 over the 2011-13 biennium operating line budget. With the amendment for the additional FTE, operating costs were also increased in order to accommodate for the costs of the additional employee for furniture, equipment and other overhead. The total operating expenses included in the amendment were \$18,157.

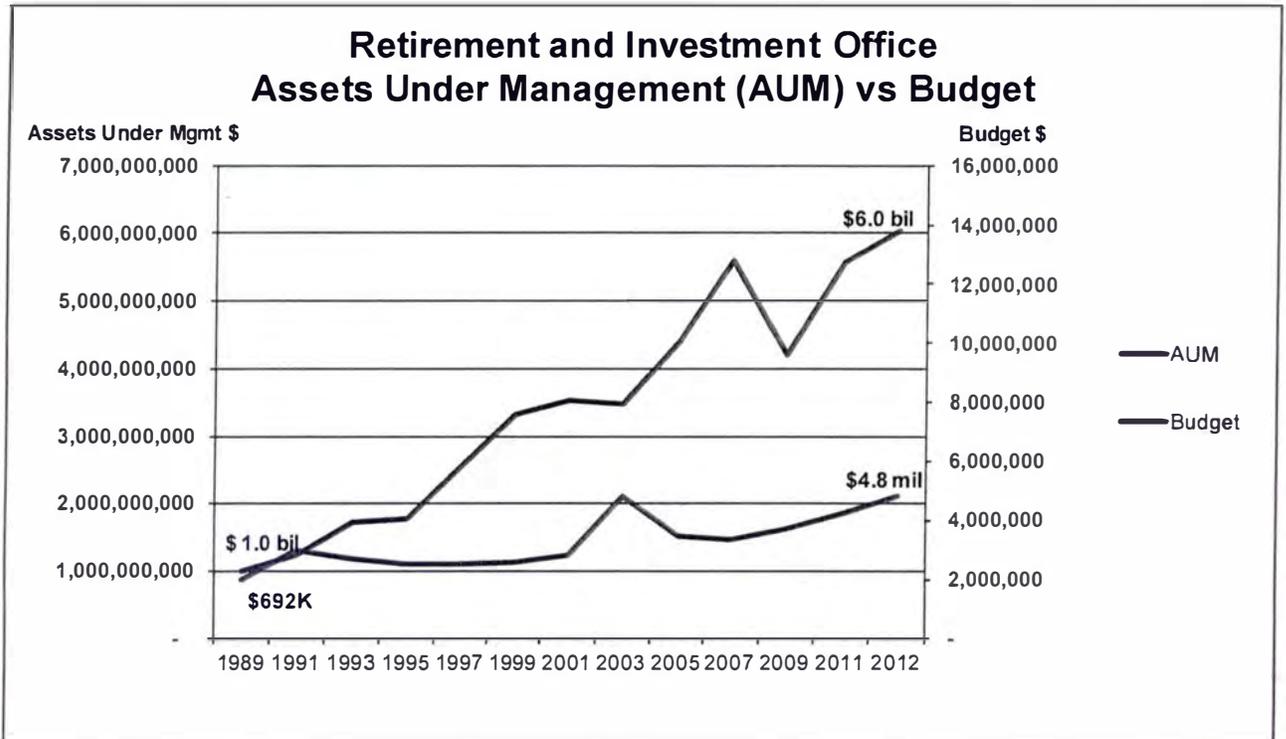
Operating Line Decreases

- The ITD data processing line has been reduced by \$20,297. Approximately 75% of this decrease is due to decreases in ITD rates for disk storage. Additionally, we have found less need for analyst and consulting services from ITD since moving to our external software provider for our retirement program administration.
- The ITD communications line has been reduced by \$1,280 due to an analysis of actual usage which was less than anticipated for the current biennium. It is likely that the use of other electronic communications, such as email, has reduced the need for making as many long-distance phone calls as in the past.

Operating Line Increases

- The IT software line is increasing by \$6,270 in anticipation of replacing our current Microsoft Office 2007 suite with a more current version as well as upgrading our Microsoft Windows operating system.
 - The IT equipment < \$5,000 line is increasing \$30,620 as we plan to replace one-half of our agency desk top computers in the 2013-15 biennium as well as two portable computers and a network printer. Our IT equipment replacement plan recommends replacing desktop and portable computers every four years. We last replaced desk tops in 2009, however we believe our current computers will be adequate until mid-2015. Therefore we plan to replace one-half at the end of FY2015 and the other half the beginning of FY2016 (2015-17 biennium).
 - Lease rates for the space occupied by RIO are expected to increase by 2.6% or \$4,000.
- **Contingency** - RIO is not requesting an increase in the contingency line. We have not used any contingency funds in the current biennium; however RIO does have the authority to spend out of the contingency line with State Investment Board approval.
 - There are no one-time funding requests in the RIO budget request.

The following chart compares the increase in assets under management (UAM) at RIO versus the increase in appropriation requests since RIO was created in 1989. As you can see, RIO has been able to become more efficient over time, managing more assets per appropriated dollar.

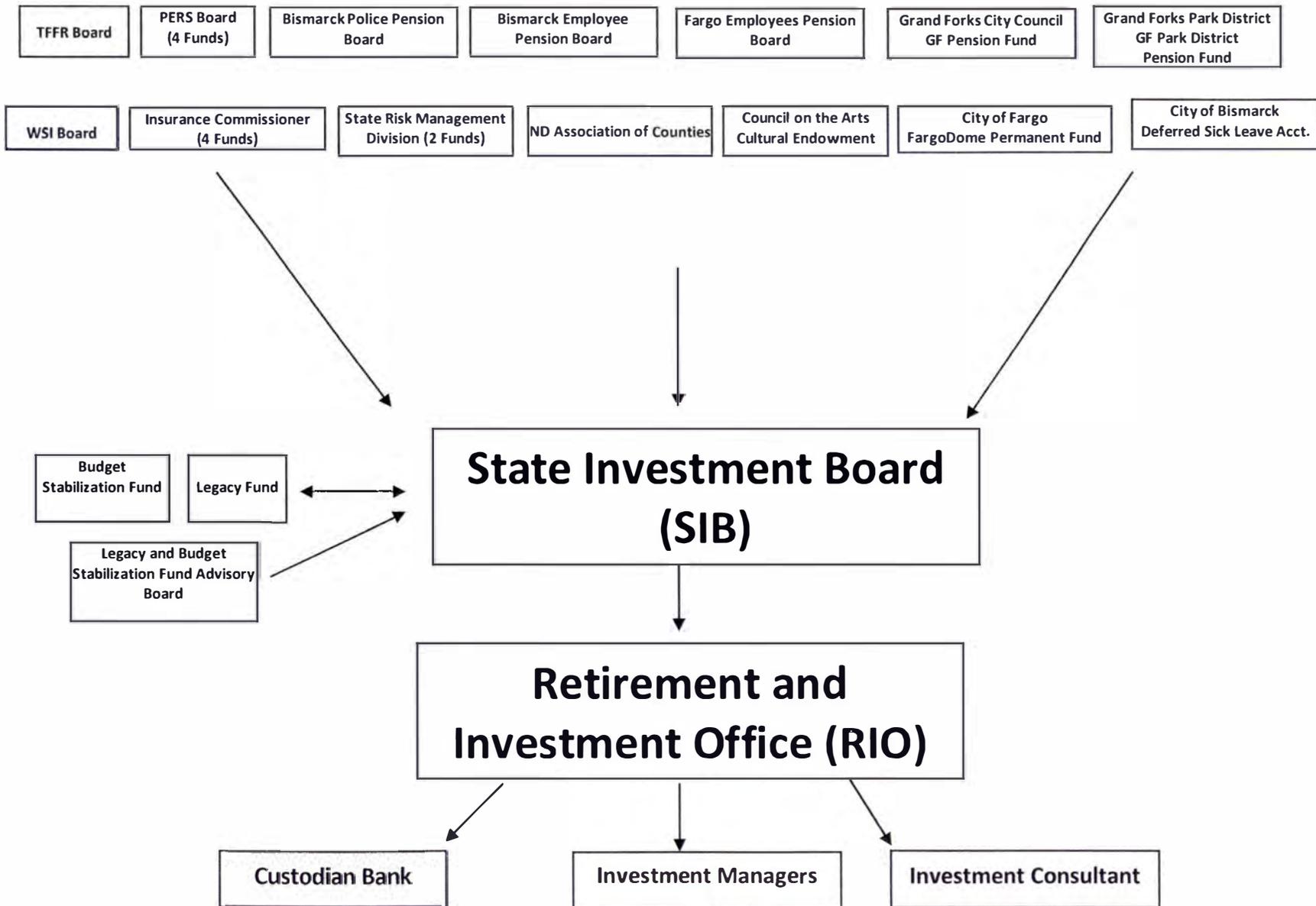


6/30/2012 AUM per Requested Appropriated Budget Dollar \$1,249
 6/30/1989 AUM per Appropriated Budget Dollar \$ 507

Conclusion

As always, the Retirement and Investment Office strives to provide high quality services to its members and clients in a cost effective and efficient manner. We feel this budget will allow us to continue to do so. Thank you for your time and consideration.

State Investment Board Process



State Investment Board Process

Client Responsibilities: (Per NDCC 21-10-02.1) The governing body of each fund (client) shall establish policies on investment goals and objectives and asset allocation that must include:

- Acceptable rates of return, liquidity and levels of risk
- Long-range asset allocation goals

State Investment Board Responsibilities: (Per NDCC 21-10):

- Implement client asset allocations
- Apply Prudent Investor Rule when investing for fund under its supervision
- Approve general types of securities for investment
- Set policies and procedures regulating securities transactions on behalf of the clients
- Select custodian servicer
- Select investment director and/or investment consulting service
- Create investment pools

State Investment Board Process

Retirement and Investment Office Staff Responsibilities (on behalf of SIB):

- Administer overall investment strategy
- Advise SIB on ways to maximize risk/return opportunities within each asset class
- Act as liaison between SIB and managers, consultant and custodian
- Monitor individual clients' investment guidelines and asset allocations
- Maintain separate accounting for client accounts

Investment Manager Responsibilities:

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

Custodian Bank Responsibilities:

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

Investment Consultant Responsibilities:

- Performance measurement of investment managers
- Manager search assistance
- Provide education to SIB
- Special projects