

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Monday, December 3, 2018
Prairie Room, State Capitol
Bismarck, North Dakota

Representative Mike Lefor, Chairman, called the meeting to order at 10:30 a.m.

Members present: Representatives Mike Lefor, Jason Dockter, Gary Kreidt, Vernon Laning, Alisa Mitskog, Matthew Ruby; Senators Brad Bekkedahl, Dick Dever, Karen K. Krebsbach, Oley Larsen, Gary A. Lee, Tim Mathern

Member absent: Representative Mark S. Owens

Others present: Mr. Levi Kinnischtzke, Legislative Council, Bismarck
See [Appendix A](#) for additional persons present.

It was moved by Representative Laning, seconded by Senator Bekkedahl, and carried on a voice vote that the committee approve as distributed the minutes of the October 25-26, 2018, meeting.

Chairman Lefor reviewed the committee's duties and bill draft review procedure. He said the committee will receive the actuarial report on the three bill drafts over which the committee has taken jurisdiction and will make committee recommendations on each of these bill drafts.

AGENCY UPDATES**Teachers' Fund for Retirement**

Chairman Lefor called on Ms. Fay Kopp, Chief Retirement Officer, Teachers' Fund for Retirement, for a Teachers' Fund for Retirement (TFFR) status report and followup ([Appendix B](#)) on the 2018 TFFR actuarial valuation report.

In response to a question from Chairman Lefor, Ms. Kopp said the 1 percent growth assumption is based on growth data from the previous 10 years, which reflects active member growth of 1.3 to 1.4 percent.

In response to a question from Senator Larsen, Ms. Kopp said a law change is required to revise the calculation of final average salary.

Chairman Lefor said a bill to change TFFR final average salary calculation likely would need to come before this committee for a recommendation.

The Legislative Council staff reviewed North Dakota Century Code Section 54-35-02.4, which requires the committee to take jurisdiction over legislative measures that affect, actuarially or otherwise, the retirement programs of state employees or employees of any political subdivision, and health and retiree health plans of state employees or employees of any political subdivision.

Public Employees Retirement System

Chairman Lefor called on Mr. Scott Miller, Executive Director, Public Employees Retirement System, for a Public Employees Retirement System (PERS) status report and an overview ([Appendix C](#)) of defined contribution (DC) and defined benefits (DB) retirement plans.

Mr. Miller said PERS will introduce the five bill drafts the committee reviewed during the interim.

In response to a question from Senator Lee, Mr. Miller said the PERS retirement plan has a 3-year vesting period for full benefits.

In response to a question from Senator Mathern, Mr. Miller said when nonclassified state employees had the option of choosing between the DB and the DC retirement plans, 75 percent selected the DB plan.

In response to a question from Chairman Lefor, Mr. Miller said, as it relates to the efficiencies of a typical DB plan, some DC plans recognize some of these efficiencies because the plans do not allow employees to invest their money; however, very few DC plans operate this way.

BILL DRAFT ACTUARIAL REVIEW

The committee considered and received technical comments, actuarial information, and public comments relating to the following three bill drafts over which the committee took jurisdiction which affect, actuarially or otherwise, the retirement programs of state employees or employees of any political subdivision, and health and retiree health plans of state employees or employees of any political subdivision pursuant to Section 54-35-02.4:

- [Bill Draft No. 382](#), [19.0382.01000] which provides for closure of the PERS main plan for new state hires and provides for the use of Legacy Fund principal to pay the unfunded liability of the plan;
- [Bill Draft No. 383](#), [19.0383.01000] which provides for closure of the PERS main plan for new state and political subdivision hires and provides for the use of Legacy Fund principal to pay the unfunded liability of the plan; and
- [Bill Draft No. 388](#), [19.0388.01000] which provides state employees who opt for family health insurance coverage would be responsible to pay 15 percent of the difference between the cost of an individual plan and a family plan.

The Legislative Council staff summarized the three bill drafts and Mr. Miller presented comments ([Appendix D](#)) from PERS.

Bill Draft No. 382

Chairman Lefor called on Mr. Miller to present the actuarial report ([Appendix E](#)) on Bill Draft No. 382.

In response to a question from Senator Bekkedahl, Mr. Miller said under all the scenarios investigated by the consultants, once legacy fund funding ceases at 95 percent funding of the retirement fund, the trajectory of the retirement fund turns down.

In response to a question from Senator Dever, Mr. Miller said it is important for the Legislative Assembly to recognize the state is financially responsible for the political subdivisions if they go broke. He said the City of Dickinson is joining the PERS retirement plan in January 2019, and is concerned about Bill Drafts Nos. 382 and 383.

In response to a question from Senator Larsen, Mr. Miller said although he is not aware of any state pension plans designed to be "pay as you go," the Kentucky plan is close as it is only 10 percent funded at this time.

Representative Kreidt said it seems premature to take legacy fund principal.

It was moved by Representative Kreidt, seconded by Representative Laning, and carried on a roll call vote that the committee give Bill Draft No. 382 [19.0382.01000] an unfavorable recommendation. Representatives Lefor, Dockter, Kreidt, Laning, Mitskog, and Ruby and Senators Bekkedahl, Dever, Krebsbach, Lee, and Mathern voted "aye." Senator Larsen voted "nay."

Bill Draft No. 383

Chairman Lefor called on Mr. Miller to present the actuarial report (Appendices [E](#) and [G](#)) on Bill Draft No. 383.

In response to a question from Senator Dever, Mr. Miller said if the DB plan is closed, there is an immediate unfunded liability of approximately \$2.5 billion to \$3 billion. He said a variety of variables impact the anticipated unfunded liability figure. He said if the DB plan stays open and the PERS proposal to increase contributions by 2 percent is adopted, the plan is anticipated to be fully funded by 2057.

In response to a question from Senator Larsen, Mr. Miller said the current DB plan unfunded liability is approximately \$1.1 billion.

In response to a question from Senator Lee, Mr. Miller said although it is common to speak of a 100 percent funding goal, the retirement fund funding goal depends on the plan's objective. He said 95 percent funding is a reasonable objective, but the trend is more important than the actual rate of funding.

It was moved by Representative Kreidt, seconded by Senator Mathern, and carried on a roll call vote that the committee give Bill Draft No. 383 [19.0383.01000] an unfavorable recommendation. Representatives

Lefor, Dockter, Kreidt, Laning, Mitskog, and Ruby and Senators Bekkedahl, Dever, Krebsbach, Lee, and Mathern voted "aye." Senator Larsen voted "nay."

Bill Draft No. 388

Chairman Lefor called on Mr. Miller to present the actuarial report ([Appendix H](#)) on Bill Draft No. 388 [19.0388.01000].

Mr. Levi Kinnischtzke, Fiscal Analyst, Legislative Council, reviewed informal comments received from Representative Rick Becker, the sponsor of Bill Draft No. 388 [19.0388.01000]. Mr. Kinnischtzke said the comments stated the bill draft would result in savings to the state and would incentivize state employees to take the individual plan if the other spouse has a family plan.

Chairman Lefor called on Mr. Nick Archuleta, President, North Dakota United, for comments regarding the bill draft. He said this bill draft affects people; it is not just a matter of money. He said state employees have gone without raises for the last 2 years and this bill draft would further negatively impact state employees.

It was moved by Senator Mathern and seconded by Representative Mitskog that the committee give Bill Draft No. 388 [[19.0388.01000](#)] an unfavorable recommendation.

Senator Dever said if the Legislative Assembly reduces part of the state employee compensation package, it is important to consider the package as a whole and not just single elements.

Chairman Lefor said he recognizes state employees have gone without raises for 2 years and in some fields state compensation trails the private sector. However, he said, if an insured has "skin in the game" utilization trends tend to go down.

Senator Mathern said offering state employees a state health plan is a good recruitment tool and it is good public policy in support of families.

After this discussion, the motion carried on a roll call vote. Representatives Lefor, Dockter, Kreidt, Laning, Mitskog, and Ruby and Senators Bekkedahl, Dever, Krebsbach, Lee, and Mathern voted "aye." Senator Larsen voted "nay."

No further business appearing, Chairman Lefor adjourned the meeting at 11:55 a.m.

Jennifer S. N. Clark
Counsel

ATTACH:8