

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

EMPLOYEE BENEFITS PROGRAMS COMMITTEE

Wednesday, February 24, 1999
Brynhild Haugland Room, State Capitol
Bismarck, North Dakota

Representative Francis J. Wald, Chairman, called the meeting to order at 4:00 p.m.

Members present: Representatives Francis J. Wald, Al Carlson, Glen Froseth, Jim Poolman, Sally M. Sandvig; Senators Karen K. Krebsbach, Elroy N. Lindaas

Members absent: Senators Ed Kringstad, Carolyn Nelson

Others present: Scott Engmann, Steve Cochrane, Fay Kopp; Retirement and Investment Office, Bismarck

Michael D. Brandenburg, State Representative, Edgeley

Chairman Wald recognized Representative Brandenburg. Representative Brandenburg said he had requested the Legislative Council staff to prepare a proposed amendment to Engrossed Senate Bill No. 2282. The proposed amendment, he said, provides that if a retired teacher returns to work and subsequently retires with more than four years of additional credited service, the retired person's annuity for all years of service must be computed under North Dakota Century Code (NDCC) Section 15-39.1-10(2), the normal retirement multiplier. Under this amendment, he said, the new annuity would be payable the first day of the month following the member's reretirement. He said he had requested the preparation of the amendment on behalf of a constituent who had been forced to retire as a result of a school closure and had subsequently obtained employment with another school district. However, since the constituent retired, accepted a benefit from the Teachers' Fund for Retirement, and subsequently went back to work, he said, the individual's retirement benefit will be less than if there had been no break in service. He said he is submitting the amendment to remedy this situation.

At the request of Chairman Wald, Mr. Scott Engmann, Executive Director, Retirement and Investment Office, addressed the committee. He distributed a letter from Watson Wyatt Worldwide, Dallas, Texas, concerning the proposed amendments to Engrossed Senate Bill No. 2282. A copy of the letter is attached as an appendix. He said that under the current Teachers' Fund for Retirement statutes, if a teacher subsequently retires with less than two years of additional credited service, the teacher's assessments

paid to the fund must be refunded and the teacher is entitled to receive the discontinued annuity the first day of the month following the teacher's reretirement. However, he said, if a teacher subsequently retires with more than two years of additional credited service, the retired person's annuity is the sum of the discontinued annuity, plus an additional annuity computed according to NDCC Chapter 15-39.1 based upon years of service and average salaries earned during reemployment. He said the new annuity is payable the first day of the month following the member's reretirement. He noted that these provisions were enacted by the Legislative Assembly to discourage teachers from returning to teaching. However, he said, many rural school districts are finding it difficult to recruit teachers and thus rural school districts are looking for retired teachers in rural areas to return to teaching.

Concerning the actuarial impact of the proposed amendments, Mr. Engmann said, if there is only one case of this kind, the additional cost would be too small to change the Teachers' Fund for Retirement margin by even one basis point. However, he said, if there were 10 similar cases every year, the cost would be around 27 basis points per year. Therefore, he said, the actual impact on the Teachers' Fund for Retirement depends on the number of cases in which members retire, return to work, and remain at work on a full-time, or nearly full-time, basis for at least four years. He said the Teachers' Fund for Retirement Board does not currently have any data that would enable it to determine how many employees would be eligible for the new provision, and he noted that the mere existence of the provision might encourage employees who have returned to work after retirement to stay longer, which would increase the cost of the proposal. Finally, he said, the Teachers' Fund for Retirement Board is studying this issue and may be recommending legislative adjustments to the Employee Benefits Programs Committee next interim.

Senator Lindaas suggested that Representative Brandenburg submit a bill to the interim Employee Benefits Programs Committee to implement the proposal.

Representative Poolman said another alternative would be for Representative Brandenburg to prepare an amendment mandating a Legislative Council study

of the issue and seek to have the amendment attached to Engrossed Senate Bill No. 2282.

No further business appearing, Chairman Wald adjourned the meeting at 4:45 p.m.

Jeffrey N. Nelson
Counsel

ATTACH:1