

1999 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1072


1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1072

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 2-4-1999

Tape Number	Side A	Side B	Meter #
1	X		19.8 - 49.8
1		X	42.7 - 45.2
Committee Clerk Signature 			

Minutes: Some of the individuals testifying submit written testimony. When noted please refer to it for more detailed information.

Representative Klein, Chairman of the GVA Committee opened the hearing on February 4, 1999.

Summary of the Bill: Relating to refunds and computation of retirement benefits under the highway patrolmen's retirement system.

Testimony in Favor:

Sparb Collins, PERS submitted written testimony which he read in it's entirety (**please refer to his testimony**).

Representative Klein, Why couldn't they withdraw dollars until the following year?

Collins, I don't know. It's in existing code.

Representative Grande, Why aren't they covered under social security?

Collins, It's not unusual for law enforcement not to be covered on social security. They generally have a need to retire earlier. The employer contributions is 16.7%, employee contributions is 10.3% which equals 27%.

Representative Klein, The additional revenues is 5000 dollars additional. How did you get that?

Collins, Two sources were used and the remaining margin is 1.85% (margin 4.71%, cost is 2.86%).

Representative Thoreson, Highway patrol use rule of 85?

Collins, Rule of 80.

Jim Coats, I was on the interim committee and without a social security plan, they rely solely on their retirement. This would bring it up to date.

Jim Hughes, Superintendent of ND Highway Patrol stated the average age of a patrolman is 37.8 yrs old, average service 12.2 yrs, we have 132 positions, 61% have bachelor degrees, 22% have associate degrees, 12 recruits in the academy and life expectancy is 59 yrs old. The increase benefit would affect current retired and their widows. This would leave a 1.85 margin left over for reserves.

Representative Metcalf, If an officer has 30 yrs of service could they retire at age 50?

Hughes, Yes, but rarely do we accept people at age 20 to achieve this retirement at age 50. We are vested after 10 years and the reason being is that we don't want them to leave, it costs a lot of money to train these people and it's a large investment for the state. The state employees are vested after 5 years. Currently we have 53 pensions and 19 spouses receiving benefits. We also have the highest recruitment standards in the United States. Also, we encourage our officers to

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House Government and Veterans Affairs Committee

Bill/Resolution Number HB 1072

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continue their education and will pay 50% of their college tuition and work it around their schedule. Proactive in this approach.

Testimony in Opposition: None.

Representative Klein, Closed the hearing on HB 1072.

Committee Action:

Representative Haas, Made a motion for a Do Pass.

Representative Thoreson, Seconded the motion.

Motion Passes: Do Pass **14-0-1.**

Representative Cleary, Is the carrier for the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: _____ HB 1072 _____ Amendment to: _____

Requested by Legislative Council _____ Date of Request: 12-29-98

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

This bill will have no effect on state expenditures since the proposed benefit enhancement will be paid for with existing funds in the retirement system. No additional contribution is required. Additional revenues are the result of income and sales taxes paid on the additional benefits paid to retirees.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:	-0-	-0-	5,000	-0-	5,000	-0-
Expenditures:	-0-	-0-	-0-	-0-	-0-	-0-

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: None
- b. For the 1999-2001 biennium: None
- c. For the 2001-03 biennium: None

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed *Sparb Collins*

Typed Name Sparb Collins

Department P E R S

Date Prepared: 1-4-99

Phone Number 328-3901

Date: 2-4-99

Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1072

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DP

Motion Made By HAAS Seconded By THORESON

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN	✓		REP. WINRICH	✓	
VICE-CHAIR KLINISKE	✓				
REP. BREKKE					
REP. CLEARY	✓				
REP. DEVLIN	✓				
REP. FAIRFIELD	✓				
REP. GORDER	✓				
REP. GRANDE	✓				
REP. HAAS	✓				
REP. HAWKEN	✓				
REP. KLEMIN	✓				
REP. KROEBER	✓				
REP. METCALF	✓				
REP. THORESON	✓				

Total (Yes) 14 No 0

Absent 1

Floor Assignment CLEARY

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

REPORT OF STANDING COMMITTEE (410)
February 4, 1999 12:13 p.m.

Module No: HR-23-1919
Carrier: Cleary
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1072: Government and Veterans Affairs Committee (Rep. Klein, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
HB 1072 was placed on the Eleventh order on the calendar.

1999 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1072

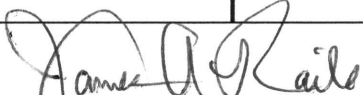
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1072

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date March 11, 1999

Tape Number	Side A	Side B	Meter #
1	X		3260-5590
Committee Clerk Signature 			

Minutes: CHAIRMAN KREBSBACH opened the hearing on HB 1072 which relates to refunds and computation of retirement benefits under the highway patrolmen's retirement system.

Appearing before the committee to explain the bill was SPARB COLLINS, Executive Director of the North Dakota Public Employees Retirement System (PERS). A copy of his written

testimony is attached. There were no questions from the committee. CHAIRMAN

KREBSBACH indicated that it was important to notice that we are getting close to the goal with this bill at 85% accomplishment and hopefully things can continue where we will reach that

90%. SENATOR KREBSBACH asked Mr. Collins if the 4.6 % was the annual amount or the

biennial amount? MR. COLLINS indicated that that was the biannual amount. Appearing

before the committee was COLONEL JIM HIGHERS, Superintendent of the North Dakota

Highway Patrol. His basic testimony indicated that he and members of the ND Highway Patrol

Pay and Benefits Committee, support this legislation. He spoke to the committee about the

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Senate Government and Veterans Affairs Committee

Bill/Resolution Number HB 1072 Minutes

Hearing Date March 11, 1999

requirements of the patrol and the membership of the patrol including some information about recent recruits, standards for acceptance into the state patrol and some historical information about the patrol. There were no questions offered by the committee at this time. There was no further testimony offered in support of, neutral position on, or opposition to HB 1072.

CHAIRMAN KREBSBACH closed the hearing on SB 1072. SENATOR WARDNER made a motion for DO PASS on HB 1072, seconded by SENATOR DEMERS. ROLL CALL VOTE indicated 7 Yeas, 0 Nays, 0 Absent or Not Voting. SENATOR MUTZENBERGER will carry the bill.

Date: 3/11/99
Roll Call Vote #:

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1072

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

Subcommittee on _____
or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen. Wardner Seconded By Sen. Demers

Senators	Yes	No	Senators	Yes	No
SENATOR KREBSBACH	✓				
SENATOR WARDNER	✓				
SENATOR KILZER	✓				
SENATOR STENEHJEM	✓				
SENATOR THANE	✓				
SENATOR DEMERS	✓				
SENATOR MUTZENBERGER	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Mutzenberger

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

REPORT OF STANDING COMMITTEE (410)
March 11, 1999 1:19 p.m.

Module No: SR-44-4547
Carrier: Mutzenberger
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1072: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman)
recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1072
was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

HB 1072

**REPORT OF THE LEGISLATIVE COUNCIL'S
EMPLOYEE BENEFITS PROGRAMS COMMITTEE
HOUSE BILL NO. 1072**

Sponsor: Retirement Board

Affected Retirement Program: Highway Patrolmen's retirement system

Proposal: Increases the benefit multiplier from 3.25 to 3.40 percent of final average salary for the first 25 years of service; provides a postretirement increase in the benefit multiplier from 3.25 to 3.40 percent of final average salary.

Actuarial Analysis: The reported actuarial cost impact of the proposal is 2.86 percent of covered payroll. The statutory contribution rate is 16.70 percent of payroll, and the cost of the current plan is 11.99 percent of payroll. Thus, if the proposal is enacted, the remaining margin in the Highway Patrolmen's retirement system will be 1.85 percent ($16.70 - 11.99 = 4.71$; $4.71 - 2.86 = 1.85$). The consulting actuary noted that the Highway Patrolmen's retirement system currently provides that, if a contributor has less than 10 years of service at termination of employment, a refund is payable on the application of the contributor, or automatically in January of the following calendar year. The proposed legislation would allow refunds to be made within 30 days following termination of employment rather than the January following termination of employment. To the extent that the trust fund earns investment income in excess of any interest paid on the contributions refunded, there would be a slight cost to the system for paying refunds earlier than the current legislation provides. Alternatively, if the interest paid on contributions refunded exceeds the investment income of the trust fund, there will be a savings to the system for earlier refunds of contributions. However, given the size of the Highway Patrol group, the consulting actuary anticipated the savings or cost of this provision to be minimal. The following table summarizes the actuarial cost impact of the proposed change:

Plan Provision	Cost As a Percentage of Payroll	Additional Cost As a Percentage of Payroll
Current plan	11.99%	N/A
Benefit multiplier	14.85%	2.86%

Committee Report: Favorable recommendation.

**TESTIMONY
OF
SPARB COLLINS
ON
HB 1072**

Mr. Chairman, members of the Committee, good morning. My name is Sparb Collins. I am Executive Director of the North Dakota Public Employees Retirement System, or PERS.

HB 1072 relates to the Highway Patrol retirement system administered by the Public Employees Retirement System. This retirement system covers highway patrol officers and presently has 121 active members. In addition, there are 53 members receiving benefits as well as 19 surviving spouses. In the year ended June 30, 1998, benefit payments totaled \$1,329,615.

Section 1 of HB 1072 is an administrative modification to the Century Code to standardize the procedure concerning refunds between the Highway Patrol and other PERS administered retirement systems. Specifically, Section 1 provides that if the member is not vested they will receive an automatic refund of their contributions, unless within thirty-one days of termination they submit a written statement to NDPERS waiving that refund and requesting that amount remain within the Fund. The present procedure in state statute provides that the refund will occur in January of the following calendar year after termination. By making this change, the procedure for the Highway Patrol will be the same as the procedure for the other PERS administered retirement systems.

Section 2 of HB 1072 provides for an increase in the multiplier for active members of the Highway Patrol system and an equivalent increase in retirement benefits for retired members. Specifically, the bill proposes to increase the multiplier from 3.25% of final average salary to 3.40% of final average salary for active members, and retired members will receive an increase of approximately 4.6%. The Board has adopted a goal to provide a benefit of 90% of final average salary for a member of the Highway Patrol with a twenty-five year career. This is the same goal that the Board has for all the retirement systems it administers. Under present law a member would receive 81.25% of final average salary. This would increase, if HB 1072 passes, to 85% of final average salary at normal retirement date. Please note that officers of the Highway Patrol are not covered by Social Security and, therefore, this retirement system is their primary retirement benefit.

This bill has been reviewed by our actuary who has determined that enhancements can be paid for by available funds within the Highway Patrol retirement system. The actuary has also determined that this can be done on an actuarially sound basis. This bill and the actuarial analysis were reviewed by the Interim Legislative Employee Benefits Committee. That Committee gave this bill a favorable recommendation.

Mr. Chairman, members of the committee, I request your favorable consideration of this bill. This concludes my testimony.

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OF
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ON
HB 1072**

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