1999 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1259

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1259

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-19-99

Tape Number	Side A	Side B	Meter #
3	x		1061 - 2169
3		x	3701 - 4474
Committee Clerk Signature Lisa Horner			

Minutes: **HB 1259**

Drew Wrigley, general council for WCB testified in support of HB 1259. (See written testimony)

Rep. Klein: Presently, you are using the 6% discount and you want to work it down to 0%. What is your reason or logic behind that?

Drew Wrigley: That is essentially a management decision saying this is a way we can be sure that every obligation on the part of every injured worker can be met down the road. That is going to take care of any possibility for inflation eating away at that reserve.

Chairman Berg closed the hearing.

Tape 3, side B. Meter No. 3701

Chairman Berg opened the discussion of HB 1259.

Rep. Klein made a motion for a Do Pass.

Rep. Keiser second the motion.

The roll call vote was 14 yea, 1 nay. The motion carries.

Rep. Martinson will carry the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1259 Amendment to: ____________

Requested by Legislative Council Date of Request: 1-13-99

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:

See attached.

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:						
Expenditures:						

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: ____________

b. For the 1999-2001 biennium: ____________

c. For the 2001-03 biennium: ____________

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.

Date Prepared: 01-18-99

Signed J. Patrick Traynor

Typed Name J. Patrick Traynor

Department ND WCB

Phone Number 701 328-3856

NORTH DAKOTA WORKERS COMPENSATION BUREAU
1999 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION

***BILL DESCRIPTION*:** **Reserves; Designee for State Investment Board**

BILL NO: **HB 1259**

***SUMMARY OF ACTUARIAL INFORMATION*:** The Workers Compensation Bureau, with the assistance of its Actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation allows the Executive Director to appoint a designee to attend and vote at meetings of the State Investment Board.

The proposed legislation amends the outdated statutory reserve statute to be consistent with actuarially sound reserving practices, and requires the Bureau to report on its reserves in its annual financial audit.

***FISCAL IMPACT*:** The proposed legislation will have no quantifiable fiscal impact.

***DATE*:** **1-17-99**

Date: 1-19-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1259

House Industry, Business and Labor Committee

☐ Subcommittee on ____________________
or
☐ Conference Committee

Legislative Council Amendment Number ____________________

Action Taken do pass

Motion Made By Klein Seconded By Keiser

Representatives	Yes	No	Representatives	Yes	No
Chair - Berg	✓		Rep. Thorpe	✓	
Vice Chair - Kempenich	✓				
Rep. Brekke	✓				
Rep. Eckstrom	✓				
Rep. Froseth	✓				
Rep. Glassheim	~~✓~~	✓			
Rep. Johnson	✓				
Rep. Keiser	✓				
Rep. Klein	✓				
Rep. Koppang	✓				
Rep. Lemieux	✓				
Rep. Martinson	✓				
Rep. Severson	✓				
Rep. Stefonowicz	✓				

Total (Yes) 14 No 1

Absent 0

Floor Assignment Martinson

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

REPORT OF STANDING COMMITTEE

HB 1259: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **DO PASS** (14 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1259 was placed on the Eleventh order on the calendar.

1999 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1259

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1259

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 10, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-1500
Committee Clerk Signature			

Minutes:

Senator Mutch opened the hearing on HB1259. All senators were present.

Drew Wrigley introduced the bill to the committee. His testimony is included. Senator Heitkamp asked him why the bureau felt that they needed the extra latitude. Mr. Wrigley told him that they did not look at this as a matter of more latitude.

Senator Mutch concluded the hearing on HB1259.

Senator Klein motioned for a do pass committee recommendation on HB1259. Senator Krebsbach seconded his motion. The motion carried with a 7-0-0 vote.

Senator Sand will carry the bill.

SR46H791

Date: 3/15
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
HOUSE **BILL/RESOLUTION NO.** 1259

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

☐ Subcommittee on
or
☐ Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass

Motion Made By KLEIN Seconded By KREBSBACH

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Krebsbach	X				
Senator Klein	X				
Senator Mathern	X				
Senator Heitkamp	X				
Senator Thompson	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment SAND

REPORT OF STANDING COMMITTEE

HB 1259: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1259 was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

HB 1259

Fifty-sixth
Legislative Assembly
Of North Dakota

House Bill 1259

**STATE INVESTMENT BOARD AND RESERVES
OF THE WORKERS COMPENSATION BUREAU**

Testimony

Before the House Industry, Business, and Labor Committee

January 19, 1999

Drew H. Wrigley, General Counsel for Public Policy
North Dakota Workers Compensation Bureau

Mr. Chairman, and Members of the Committee:

My name is Drew Wrigley. I serve as General Counsel for Public Policy for the Workers Compensation Bureau, and I am here to testify in support of HB 1259. This bill proposes amendments to sections 21-10-01, and 65-04-02 of the North Dakota Century Code, pertaining to membership on the State Investment Board and maintenance of adequate financial reserves by the Bureau.

I. State Investment Board

A. State Investment Board Members and Designees.

Section 21-10-01, N.D.C.C., lists the membership and compensation of the eleven-member State Investment Board. The Executive Director of the Workers Compensation Bureau is a designated voting member of the Board. Members attending Board meetings, except elected or appointed officials, are entitled to compensation of sixty-two dollars and fifty cents per day. Additionally, they are entitled to remuneration for necessary mileage and travel expenses as provided in sections 44-08-04 and 54-06-09 of the Code.

Currently, section 21-10-01 allows designees to attend and vote at State Investment Board meetings on behalf of six of the eleven members. This bill would amend section 21-10-01 to allow the Bureau's Executive Director to name a designee to attend and vote at Board meetings when the Executive Director is unable to attend, if the Workers Compensation Board of Directors approves the designee.

The Bureau's substantial investment holdings give the Bureau a vital interest in all State Investment Board actions. The Bureau, its Board, its outside investment advisors, and the State Investment Board each have a role to play in caring for the Bureau's investments. The Bureau retains outside investment advisors to determine the appropriate investment allocation strategy for a workers compensation claims organization. That investment strategy is then presented to the Bureau's Board of Directors for approval. Once an investment strategy is approved, it is communicated to the State Investment Board for execution and oversight. For FY '96 through FY '98, the Bureau's average return on investment equaled 13.95%.

The Investment Board meets an average of 12 times per year. Although the Bureau's Executive Director attempts to personally attend all scheduled Investment Board meetings, unavoidable scheduling conflicts or other unforeseeable circumstances could arise and preclude the Executive Directors' attendance. In such a case, the Workers Compensation Board of Directors believes a designated substitute rather than an empty chair should represent the Bureau's financial interest in its investments. Accordingly, at its December 1998 meeting, the Workers Compensation Board of Directors unanimously voted to support the presentation of this legislative proposal to the 56th Legislative Assembly.

B. Compensation for State Investment Board Members.

In addition to allowing a duly selected proxy to sit on the State Investment Board, this bill would preclude the Bureau's Executive Director or his designee from receiving any compensation for service on the Board. Currently, section 21-10-01 disallows Board compensation for any elected or appointed officials. Prior to August 1, 1997, that would have precluded the Bureau's Executive Director from receiving compensation, as the Director was a gubernatorial appointee until that date. However, on that date, 1997 HB1440 became law, rendering the Executive Directorship of the Bureau a non-appointive position serving at the pleasure of the Workers Compensation Board of Directors. Accordingly, the Executive Director arguably became entitled to compensation for service on the State Investment Board. Nevertheless, the Bureau agrees with the original intent of the statute, and does not believe it is appropriate for its Executive Director to be compensated for attending Investment Board meetings.

II. Statutory Reserves

A. Current Reserve Fund Requirement.

Section 65-04-02 of the Century Code requires the Bureau to maintain a statutory reserve fund. The statute in its present form mandates the establishment of a "surplus" by setting aside precisely ten percent of the money paid into the fund each year, up to the amount of $50,000. Once that benchmark is met, the statute directs that the Bureau set aside five percent of all funds paid into the fund each year "until, in the judgment of the bureau, the surplus is sufficiently large to guaranty the fund from year to year."

This statutory language dates back to the original workers compensation act of 1919. In the winter of that year, the 16th Legislative Assembly enacted 1919 HB 56, sponsored by Representative Malone, which was signed into law by Governor Lynn Frazier, on March 5, 1919. That bill created the North Dakota's Workers Compensation Bureau, and included the very same reserve targets that remain in the law today: '$50,000 and 5% thereafter until there is enough money reserved to guaranty the fund from year to year.'

B. Proposal for Enhance Reserve Fund Accountability

HB1259 would delete the antiquated provisions of section 65-04-02, replacing them with new reserve mandates that set a standard for the Bureau and establish a mechanism for ensuring compliance with that standard. Specifically, this bill mandates the maintenance of adequate financial reserves "to ensure the solvency of the fund and the payment of the future benefit obligations," similar to the existing statute. The bill goes on to require that reserves be based upon actuarially sound principles, and that the reserves be measured and assessed during each independent annual financial audit of the Bureau. No such accountability mechanism exists in the statutory language dating back to 1919, perhaps explaining in part how the Bureau slipped to the brink of insolvency with massive unfunded liabilities in the early 1990s. If the legislature adopts the changes proposed in HB 1259, the annual financial audit of the Bureau will detect any future deterioration in the Bureau's financial picture and that information will be promptly reported to the Legislative Assembly.

1. Financial Status of the Fund.

Times have changed since 1919 and the Bureau now discusses its reserve funds in millions, rather than thousands, of dollars. Referring to our reserves in millions of dollars is much more satisfying in 1999 than it was in 1994, when the Bureau carried an unfunded liability of $228 million. Several legislative and operational changes later, the Bureau ended FY 1998 with a $115 million contingency reserve and a $27.5 million dollar surplus. Still, this tremendous improvement in the Bureau's financial condition must be placed in perspective.

While positive changes have occurred in the Bureau's financial situation since 1994, now is not the time to shift away from sound fiscal policy. The Bureau has conquered the unfunded liability and now intends to align its financial status with insurance industry best practices. To do so, the Bureau intends to gradually phase out the practice of discounting its reserves, and thereafter establish a capital surplus account. Discounting is the process by which an actuary calculates the value of a fund's open claims, then discounts the total liabilities on the assumption that investments held by the fund will appreciate at an average equaling the discount rate. This is a common practice for state workers compensation funds.

2. Discounting Reserves.

There are 27 state workers compensation funds in the United States, of which discounting information was available for 24. Twelve of those state funds discount their total reserves, and 3 others practice limited discounting. The level of discounting varies from state to state, with Texas discounting at 3%, while Ohio discounts at 6.75%. The average discount rate is 4.77% for states that discount all reserves. Here in North Dakota, our actuary discounts reserves by 6%, as has been the practice since the late 1980s.

The concept of reserve discounting might best be described by way of a simplified example. Assume Person A owes $100 to Person B with payment due one year from now. In order to secure the payment of his debt, he could either put the full $100 aside until next year to pay the $100, or he could elect to invest just slightly more than $94 assuming he will earn at least 6% interest yielding $100 in principal plus interest a year from now. Either way, he would be able to satisfy the $100 obligation. Of course, with the second option, there is the risk that the selected investments will not yield the anticipated 6% interest.

Private workers compensation carriers do not typically practice discounting. Pacific Actuarial Consultants conducted the Bureau's 1998 Reserve Review, noting at that time that most commercial insurance companies operating in a competitive environment do not discount their reserves. Additionally, those companies maintain Capital and Surplus accounts commonly exceeding 33% of annual premium. The Bureau intends to gradually reduce its reserve discount rate until it reaches zero. Thereafter, the Bureau intends to establish and grow a capital surplus account, to protect against unforeseeable catastrophic losses. This would place the Bureau in an even more sound financial position and align our discounting policy with that of private industry standards, all to the benefit of the employers and injured workers of North Dakota.

3. Actuarially Sound Basis for Reserving.

The proposed amendment to Section 65-04-02 directs that the adequacy of reserves be determined "based upon actuarially sound principles." This legislative mandate establishes objectively measurable standards for Bureau reserve levels. Currently, the Bureau consults with actuaries to determine appropriate reserve levels and to ensure the future stability of the Fund. Accordingly, this proposal would establish in law the policy that all reserving decisions must be based on sound actuarial principles.

4. Accountability for Reserving Policy.

Furthermore, the proposed amendment to Section 65-04-02 would clearly establish the Legislature's role in monitoring Bureau compliance with the reserving standards required by the statute through the annual financial audit report. Section 54-10-01 requires the State Auditor's Office to conduct financial audits of, among other entities, the Workers Compensation Bureau. The State Auditor's Office contracts with an independent public accounting firm to perform the Bureau's financial audit. The Bureau's reserve levels and other financial benchmarks are then independently evaluated by that accounting firm. It should be noted that the Bureau enlists an outside actuary to help set reserving levels and assist the Bureau in financial policy making. The annual financial audit process reviews the reserve assessments made by the Bureau's outside actuary, thereby adding an additional level of objective review of the Bureau's reserving and financial policy.

The State Auditor's Office presents the independent auditor's report to the Legislative Audit and Fiscal Review Committee, which has the authority to call the Bureau before the Committee to answer questions raised by the financial audit. House Bill 1259 specifically establishes "actuarially sound principles" as the guidepost for independent auditors conducting the annual financial audit of the Bureau. This oversight will continue to help ensure that sound fiscal policies remain in place at the Bureau.

I respectfully urge this Committee and the Legislative Assembly to support HB 1259. I would be happy to address any concerns or questions from the Committee at this time.

Fifty-sixth
Legislative Assembly
Of North Dakota

House Bill 1259

STATE INVESTMENT BOARD AND RESERVES OF THE WORKERS COMPENSATION BUREAU

Testimony

Before the Senate Industry, Business, and Labor Committee

March 10, 1999

Drew H. Wrigley, General Counsel for Public Policy
North Dakota Workers Compensation Bureau

Mr. Chairman, and Members of the Committee:

My name is Drew Wrigley. I serve as General Counsel for Public Policy for the Workers Compensation Bureau, and I am here to testify in support of HB 1259. This bill proposes amendments to sections 21-10-01, and 65-04-02 of the North Dakota Century Code, pertaining to membership on the State Investment Board and maintenance of adequate financial reserves by the Bureau.

I. State Investment Board

A. State Investment Board Members and Designees.

Section 21-10-01, N.D.C.C., lists the membership and compensation of the eleven-member State Investment Board, including the Executive Director of the Workers Compensation Bureau. Members attending Board meetings, except elected or appointed officials, are entitled to compensation of sixty-two dollars and fifty cents per day. Additionally, they are entitled to remuneration for necessary mileage and travel expenses as provided in sections 44-08-04 and 54-06-09 of the Code.

Currently, section 21-10-01 allows designees to attend and vote at State Investment Board meetings on behalf of six of the eleven members. This bill would amend section 21-10-01 to allow the Bureau's Executive Director to name a designee to attend and vote at Board meetings when the Executive Director is unable to attend, if the Workers Compensation Board of Directors approves the designee.

The Bureau's substantial investment holdings give the Bureau a vital interest in all State Investment Board actions. The Bureau, its Board, its outside investment advisors, and the State Investment Board each have a role to play in caring for the Bureau's investments. The Bureau retains outside investment advisors to determine the appropriate investment allocation strategy for a workers compensation claims organization. That investment strategy is then presented to the Bureau's Board of Directors for approval. Once an investment strategy is approved, it is communicated to the State Investment Board for execution and oversight. For FY '96 through FY '98, the Bureau's average return on investment equaled 13.95%.

The State Investment Board meets an average of 12 times per year. Although the Bureau's Executive Director attempts to personally attend all scheduled Investment Board meetings, unavoidable scheduling conflicts or other unforeseeable circumstances could arise and preclude the Executive Directors attendance. In such a case, the Workers Compensation Board of Directors believes a designated substitute rather than an empty chair should represent the Bureau's financial interest in its investments. Accordingly, at its December 1998 meeting, the Workers Compensation Board of Directors unanimously voted to support the presentation of this legislative proposal to the 56th Legislative Assembly.

B. Compensation for State Investment Board Members.

In addition to allowing a duly selected proxy to sit on the State Investment Board, this bill would preclude the Bureau's Executive Director or his designee from receiving any compensation for service on the Board. Currently, section 21-10-01 disallows Board compensation for any elected or appointed officials. Prior to August 1, 1997, that law would have precluded the Bureau's Executive Director from receiving compensation, because the Director was a gubernatorial appointee until then. However, on that date, 1997 HB1440 became law, rendering the Executive Directorship of the Bureau a non-appointive position held at the pleasure of the Workers Compensation Board of Directors. Accordingly, the Executive Director arguably became entitled to compensation for service on the State Investment Board. Nevertheless, the Bureau agrees with the original intent of the statute, and does not believe it is appropriate for its Executive Director to be compensated for attending Investment Board meetings.

II. Statutory Reserves

A. Current Reserve Fund Requirement.

Section 65-04-02 of the Century Code requires the Bureau to maintain a statutory reserve fund. The statute in its current form mandates the establishment of a "surplus" by setting aside precisely ten percent of the money paid into the fund each year, up to the amount of $50,000. Once that benchmark is met, the statute directs that the Bureau set aside five percent of all funds paid into the fund each year "until, in the judgment of the bureau, the surplus is sufficiently large to guaranty the fund from year to year."

This statutory language dates back to the original workers compensation act of 1919. In the winter of that year, the 16th Legislative Assembly enacted 1919 HB 56, sponsored by Representative Malone, and signed into law by Governor Lynn Frazier, on March 5, 1919. That bill created the North Dakota's Workers Compensation Bureau, and included the very same reserve targets that remain in the law today: '$50,000 and 5% thereafter until there is enough money reserved to guaranty the fund from year to year.'

B. Proposal for Enhance Reserve Fund Accountability

HB1259 would delete the antiquated provisions of section 65-04-02, replacing them with new reserve mandates that set a standard for the Bureau and establish a mechanism for ensuring compliance with that standard. Specifically, this bill mandates the maintenance of adequate financial reserves "to ensure the solvency of the fund and the payment of the future benefit obligations," similar to the existing statute. The bill goes on to require that reserves be based upon actuarially sound principles, and that the reserves be measured and assessed during each independent annual financial audit of the Bureau. No such accountability mechanism exists in the statutory language dating back to 1919, perhaps explaining in part how the Bureau slipped to the brink of insolvency with massive unfunded liabilities in the early 1990s. If the legislature adopts the changes proposed in HB 1259, the annual financial audit of the Bureau will detect any future deterioration in the Bureau's financial picture and that information will be promptly reported to the Legislative Assembly.

1. Financial Status of the Fund.

Times have changed since 1919 and the Bureau now discusses its reserve funds in millions, rather than thousands, of dollars. Referring to our reserves in millions of dollars is much more satisfying in 1999 than it was in 1994, when the Bureau carried an unfunded liability of $228 million. Several legislative and operational changes later, the Bureau ended FY 1998 with a $115 million contingency reserve and a $27.5 million dollar surplus. Still, this tremendous improvement in the Bureau's financial condition must be placed in perspective.

While positive changes have occurred in the Bureau's financial situation since 1994, now is not the time to shift away from sound fiscal policy. The Bureau has conquered the unfunded liability and now intends to align its financial status with insurance industry best practices. To do so, the Bureau intends to gradually phase out the practice of discounting its reserves, and thereafter establish a capital surplus account. Discounting is the process by which an actuary calculates the value of a fund's open claims, then discounts the total liabilities on the assumption that investments held by the fund will appreciate at an average equaling the discount rate. This is a common practice for state workers compensation funds.

2. Discounting Reserves.

There are 27 state workers compensation funds in the United States, of which discounting information was available for 24. Twelve of those state funds discount their total reserves, and 3 others practice limited discounting. The level of discounting varies from state to state, with Texas discounting at 3%, while Ohio discounts at 6.75%. The average discount rate is 4.77% for states that discount all reserves. Here in North Dakota, our actuary discounts reserves by 6%, as has been the practice since the late 1980s.

The concept of reserve discounting might best be described by way of a simplified example. Assume Person A owes $100 to Person B with payment due one year from now. In order to secure the payment of his debt, he could either put the full $100 aside until next year to pay the $100, or he could elect to invest just slightly more than $94 assuming he will earn at least 6% interest yielding $100 in principal plus interest a year from now. Either way, he would be able to satisfy the $100 obligation. Of course, with the second option, there is the risk that the selected investments will not yield the anticipated 6% interest.

Private workers compensation carriers do not typically practice discounting. Pacific Actuarial Consultants conducted the Bureau's 1998 Reserve Review, noting at that time that most commercial insurance companies operating in a competitive environment do not discount their reserves. Additionally, those companies maintain Capital and Surplus accounts commonly exceeding 33% of annual premium. The Bureau intends to gradually reduce its reserve discount rate until it reaches zero. Thereafter, the Bureau intends to establish and grow a capital surplus account, to protect against unforeseeable catastrophic losses. This would place the Bureau in an even more sound financial position and align our discounting policy with that of private industry standards, all to the benefit of the employers and injured workers of North Dakota.

3. Actuarially Sound Basis for Reserving.

The proposed amendment to Section 65-04-02 directs that the adequacy of reserves be determined "based upon actuarially sound principles." This legislative mandate establishes objectively measurable standards for Bureau reserve levels. Currently, the Bureau consults with actuaries to determine appropriate reserve levels and to ensure the future stability of the Fund. Accordingly, this proposal would establish in law the policy that all reserving decisions must be based on sound actuarial principles.

4. Accountability for Reserving Policy.

Furthermore, the proposed amendment to Section 65-04-02 would clearly establish the Legislature's role in monitoring Bureau compliance with the reserving standards required by the statute through the annual financial audit report. Section 54-10-01 requires the State Auditor's Office to conduct financial audits of, among other entities, the Workers Compensation Bureau. The State Auditor's Office contracts with an independent public accounting firm to perform the Bureau's financial audit. The Bureau's reserve levels and other financial benchmarks are then independently evaluated by that accounting firm. It should be noted that the Bureau enlists an outside actuary to help set reserving levels and assist the Bureau in financial policy making. The annual financial audit process reviews the reserve assessments made by the Bureau's outside actuary, thereby adding an additional level of objective review of the Bureau's reserving and financial policy.

The State Auditor's Office presents the independent auditor's report to the Legislative Audit and Fiscal Review Committee, which has the authority to have the Bureau answer questions raised by the financial audit. House Bill 1259 specifically establishes "actuarially sound principles" as the guidepost for independent auditors conducting the annual financial audit of the Bureau. This oversight will continue to help ensure that sound fiscal policies remain in place at the Bureau.

I respectfully urge this Committee and the Legislative Assembly to support HB 1259. I would be happy to address any concerns or questions from the Committee at this time.