

1999 SENATE EDUCATION

SB 2392

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2392

Senate Education Committee

Conference Committee

Hearing Date February 8, 1999

Tape Number	Side A	Side B	Meter #
2	x		555-3730
3	x		428-1194
3	x		2992-3270
Committee Clerk Signature <i>Jinda Christman</i>			

Minutes:

SENATOR FREBORG opened the hearing on SB2392.

SENATOR THANE, the prime sponsor introduced the bill, urged a DO PASS. No written testimony.

SENATOR ROBINSON, District 24 explained the bill. No written testimony.

SENATOR FREBORG: Would it be more important to put that money here or in the foundation program.

SENATOR ROBINSON: It would be great to find enough for both. But if we believe in quality education we need to support this bill.

Testimony in Favor: Tom Tupa, ND Retired Teacher's Association. Represents 27,000 retired teachers. Explained the bill in detail. Testimony attached.

SENATOR WANZEK: This would provide a funding mechanism to provide health insurance for the remainder of the teacher's life in retirement. Would that include supplemental insurance that supplements Medicare.

Tom: Yes it would, it would take the person up through retirement time through the balance of their life.

SENATOR WANZEK : How about the teacher who retires before Medicare age.

Tom: It would not necessarily provide full coverage. It would provide for \$1.75 per month per year of service, toward their health insurance.

Testimony in Favor: Howard Snortland, Chairman of Legislative Committee of Retired Teacher's Association. Testimony attached.

SENATOR WANZEK : What is a typical supplemental policy cost per month for a retired person.

Howard: I can only tell you what I have. I am under the PERS plan. We pay \$269 a month to PERS plan. I do not get the \$4.50 that other state employees get because I'm under the teacher's retirement program, not the PERS plan.

Testimony in Favor: Scott Engmann, Executive Director of the Retired Teacher's Association. Testimony attached.

SENATOR WANZEK : Appropriation. Would that be something that would have to be done every biennium basis to maintain this policy.

Scott: Correct. Fiscal note shows 3.9 million and then go to next biennium.

Testimony in Favor: Norm Stuhlmiller, AARP No written testimony.

Testimony in Favor: Max Laird, President of NDEA. No written. 80% of retired teachers stay in the state of North Dakota. This bill is a high priority for NDEA.

SENATOR COOK : If we vested teachers at 100% after 10 years, both their share and employers contribution, do you think we would have more teachers retiring or leaving after 10 years.

Max: Tough question.

SENATOR COOK : We short teachers on not letting them be 100% portable as in the corporate world. Always believed that if they were 100% as early as 10 years, you would have a few more teachers leave the profession to pursue a better paying job, it would truly then make the teachers salary in competition with other jobs, net result would cause teachers salaries to go up.

Max: My conclusion to that is that you are addressing that issue from a business model and make assumptions around revenue and the availability of increased revenue and I don't think that model works in the public sector, particularly in teaching because if we look at ND as an example many of the districts are capped in terms of their property tax sources and the state revenue is either static, stable or not increasing. I don't think so.

Close hearing on SB2392.

Discussion.

SENATOR COOK : Move a DO NOT PASS on SB2392

SENATOR WANZEK : 2nd

Vote: 3 Yes 3 No

SENATOR KELSH : Motion for a DO PASS.

SENATOR REDLIN : 2ND

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Senate Education Committee
Bill/Resolution Number Sb2392
Hearing Date February 8, 1999

Vote: 3 Yes 3 No

SENATOR KELSH : Move a DO PASS rerefer to Appropriations

SENATOR REDLIN : 2ND

Vote: 4 Yes 3 No

CARRIER: SENATOR FLAKOLL

FISCAL NOTE

JAN 28 1999

(Return original and 10 copies)

Bill/Resolution No.: SB 2392 Amendment to: _____

Requested by Legislative Council Date of Request: 1-27-99

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:

With the passage of this bill there would be a fiscal impact to the General Fund of \$3,879,200 for the 1999-2001 biennium and \$4,111,952 for the 2001-03 biennium. In addition there would be a Special Fund cost of \$50,000 to the Teachers' Fund for Retirement for both bienniums.

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	0	0	0	0
Expenditures:	0	0	\$3,879,200	\$50,000	\$4,111,952	\$50,000

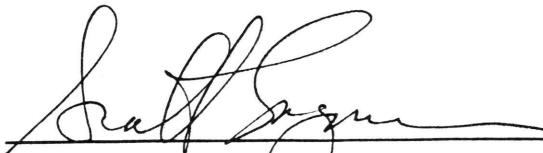
3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: 0
- b. For the 1999-2001 biennium: \$50,000
- c. For the 2001-03 biennium: \$50,000

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
0	0	0	0	0	0	0	0	0

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Scott Engmann

Department ND Retirement & Investment Office

Phone Number (701) 328-9885

Date Prepared: 1-28-99

Date: 2/8/99
Roll Call Vote #: _____

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2392

Senate EDUCATION Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass on SB2392

Motion Made By _____ Seconded By _____

Senators	Yes	No	Senators	Yes	No
Senator Freborg, Chairman	✓				
Senator Cook, Vice Chairman	✓				
Senator Flakoll		✓			
Senator Wanzek	✓				
Senator Kelsh		✓			
Senator O'Connell					
Senator Redlin		✓			

Total (Yes) 3 No 3

Absent _____

Floor Assignment _____

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

Date: 2/8/99
Roll Call Vote #: 3

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2392

Senate EDUCATION Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Move Do Pass on SB2392 refered to approp.

Motion Made By Kelsh Seconded By Redlin

Senators	Yes	No	Senators	Yes	No
Senator Freborg, Chairman		✓			
Senator Cook, Vice Chairman		✓			
Senator Flakoll	✓				
Senator Wanzek		✓			
Senator Kelsh	✓				
Senator O'Connell	✓				
Senator Redlin	✓				

Total (Yes) 4 No 3

Absent _____

Floor Assignment Flakoll

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

REPORT OF STANDING COMMITTEE (410)
February 9, 1999 9:27 a.m.

Module No: SR-26-2261
Carrier: Flakoll
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2392: Education Committee (Sen. Freborg, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2392 was referred to the Appropriations Committee.

1999 SENATE APPROPRIATIONS

SB 2392

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2392

Withdrawn

Senate Appropriations Committee

2-12-99

Conference Committee

Hearing Date 2/10/99

Tape Number	Side A	Side B	Meter #
1	x		2060-end
		x	0-1667
Committee Clerk Signature <i>Glaudia Anderson</i>			

Minutes:

SENATOR NAADEN: Opened the hearing on SB 2392; a BILL for an Act to create and enact two new sections to chapter 15-39.1 and a new subsection to section 21-10-06 of the North Dakota Century Code, relating to retiree health benefits for teachers; to amend and reenact sections 15-39.1-29; 15-39.1-30, and subdivision b of subsection 1 of section 57-15-14.2 of the North Dakota Century Code, relating to retiree health benefits for teachers; to provide an appropriation; to provide a continuing appropriation; and to provide for application.

SENATOR RUSSELL THANE: District 25, to testify as cosponsor of SB 2392. I believe retired teachers deserve more attention than they've had in the past. I realize there is a \$3.8M fiscal note on this, but I would hope you would give it your serious consideration; as did the Education Committee who passed it out with a favorable vote.

SENATOR ROBINSON: District 24, to testify as cosponsor of SB 2392. We are aware of the fiscal note and the implications the fiscal note carries. I think the time is long overdue for us as a legislature, as a statement of public policy, to look favorably at public education. No one can be pleased with ND teacher salaries being 51 out of 52 states. Many teachers are on the verge of retirement, but reluctant to because of health care. If we could provide dollars to pre-fund the health care option, many teachers at the top of the salary schedule would allow those teachers to move into retirement without the fear of not being able to be in a position to afford health care. This would also open up the opportunity for young graduates to move into these positions, instead of having to look at moving out of state. Whatever we can do to enhance the profession of teaching is not only right, I think it is an obligation. There would also be an advantage as those teachers retiring would be at the top of the pay scale. (tape 2216-2620)

SENATOR NAADEN: Would this be an ongoing cost?

SENATOR ROBINSON: I'll let Mr. Tupa address that.

WAYNE SANSTEAD: Department of Public Instruction, Superintendent and Teacher Retirement Board, Trustee, to testify in support of SB 2392. Testimony highlighted numbers of teachers who are eligible to retire and the impact that would make on teacher salary savings at the local levels. (testimony attached #1) (tape 2680-2944)

SENATOR BOWMAN: How do you justify giving teachers more dollars than private citizens in retirement?

WAYNE SANSTEAD: I would equate it with the whole concept of public service. I know about the judge's retirement system; the fact that persons in the military service; and a great many others who serve society do have benefit health systems in place that continue once they reach retirement age. I think it is just a matter of justice that those who served our young people so well in the communities should have that kind of consideration as well. I do know that teachers who may retire under the rule of 85 have a spouse that has a health policy they are operating under. An individual I visited with the other day indicated that his health care costs range from \$300-400 per month which eating up fully one-third of his retirement benefits. (tape 3034)

SENATOR ROBINSON: On page 2 of your testimony, I agree with your statement that we're going to be bringing in teachers at an entry level salary in many cases below that \$20,000 figure. But, I know many teachers out there that have taught 28-30 years that are making \$26--27,000. I don't know too many teachers that are making that \$40,000. That is the exception. I think you'd be teaching closer to 40 years to achieve that salary. Isn't that the case?

WAYNE SANSTEAD: I would have to concur. I think someone must have been looking into Fargo's salary schedule when we put this testimony together. Clearly that is not the case for the greater number of educators in ND.

SENATOR ROBINSON: I think the average teacher salary is in that \$27,000 range.

WAYNE SANSTEAD: You're right, and I would consider that to be the case.

SENATOR ANDRIST: Couldn't there be a funding mechanism at the local level through the negotiation process? (tape 3313)

WAYNE SANSTEAD: The Dickinson Public School District is in that negotiation scene with their staff. However, there are many teachers across the state that don't have the benefit or ability to do that.

SENATOR ANDRIST: Is this bill addressed more to take care of those who have been retired? (tape 3610)

WAYNE SANSTEAD: I would concur with your observation. We have some polling of those who have been retired and those who are about to retire, and I know in subsequent testimony you will be hearing about responses as to the need for this program and those who will be most affected.

SENATOR SOLBERG: We have a fiscal note of \$3.9M, \$4.1M the next biennium. In view of the restraints we do have, are you telling me you would rather have this money put in this type of program rather than foundation aid payments?

WAYNE SANSTEAD: My first concern has to be the payments that are available to the districts; on the other hand, I don't look at this as an either -- or. I'm mindful of the fact there is revenue enhancement legislation progressing in the House.

SENATOR GRINDBERG: How many other states have done this type of thing with teachers?

WAYNE SANSTEAD: There will be those appearing who will address those issues.

TOM TUPA: Representing the Retired Teachers Association, to testify in support SB 2392. (testimony attached #2) (tape 400-5390)

SCOTT ENGMANN: ND Retirement and Investment Office, Director, to testify in support of SB 2392. (testimony attached #3) (tape 5390-5670)

SENATOR NAA DEN: Why can't this be funded out of the retirement fund?

SCOTT ENGMANN That was a question considered by the TFFR Board. The survey completed and analyzed the University of ND drives the Board decisions. The number one benefit increase our members want is to increase the multiplier for future retirees with a commensurate increase in benefits for those already retired. So, that is what the Board's decision was based on.

SENATOR NAA DEN: There isn't anything that would stop it, is there?

SCOTT ENGMANN If you amended this bill to take it out of the fund, then SB 2069 which you passed out and is now over in the House, would have to be amended or else the Legislature would increase the unfunded liability and the funding position of the fund. The Board's recommendation to you is to deal with SB 2069, and to consider the merits of this bill as drafted.

SENATOR NAA DEN: How badly would this make that fund unfeasible?

SCOTT ENGMANN As you noticed in the bill, the cost is .65 percent of payroll so that would be a deficit of .65 percent.

SENATOR GRINDBERG: How many other states have this type of program? (tape 6089)

SCOTT ENGMANN: There are about a half a dozen, including Texas. Those states that have adopted the plan have health benefits as part of the state plan rather than leaving it up to the school districts. (tape end)

SENATOR ANDRIST: There just isn't going to be \$3.5M in the general fund for this program. Do you have another plan to fund this?

SCOTT ENGMANN: You could access the school district the .65 percent to create a trust fund; reconsider the benefit bill that TFFR has put forth and change the level of benefit that is given; or general fund appropriation as in the bill.

SENATOR ANDRIST: Do I understand that a teacher with 40 years of experience is going to get \$1.75 times 40 per month?

SCOTT ENGMANN: That is correct although they won't receive the money themselves. The money will be paid out of the trust to the Public Employees Retirement System to offset the premium costs. The member would pay the balance.

SENATOR ANDRIST: Do you really think \$70 per month is what is keeping people from retiring or forcing them to stay in teaching?

SCOTT ENGMANN: This was a compromise between the interest groups. The original bill was \$2.50, but it was lowered to decrease the general fund. The State Retirement Systems as noted in earlier testimony pays \$4.50. I believe they started at \$3.00, but because of positive investments the trust grew faster than anticipated. As a result they were able to come to the Legislature and ask you to raise that.

SENATOR NAA DEN: How would the increase we've given them this session have to be reduced to also fund this?

SCOTT ENGMANN: We would have to calculate that for you.

SENATOR NAA DEN: In other words, what did it cost the Fund to fund what we did? (tape 260)

SCOTT ENGMANN: I can't answer that at this time.

SENATOR NAA DEN: Could you bring that back to the committee so we would have that?

SENATOR NAA DEN: Why does this affect only 60 percent?

SCOTT ENGMANN: This is an assumption the actuary used based on the experience of PERS. That has increased to 65 percent now.

SENATOR NAA DEN: Could these funds be used in conjunction with Medicare?

SCOTT ENGMANN: The insurance policy if they were pre-65 would be a full policy; after they are eligible for Medicare, then it becomes a supplement. (tape 440)

SENATOR ANDRIST: If the information is available, I would also like to know what the impact would be if the benefit was paid only to those over 65.

HOWARD SNORTLAND: Retired Teachers Assoc., Legislative Committee Chair, to speak in support of SB 2392. I want to reemphasize that the greatest threat to any retirement is the cost of health insurance. Teachers are public employees. In 1989, you recognized other public employees by setting up the same program for public employees. That has now gone from \$3.00 to \$4.50. It is available to any public employee. You established the policy in 1989. I hope you will continue it, and I am glad you are taking these things into consideration. (tape 570)

SENATOR ST. AUBYN: Do other public employees under the rule of 85, have their health insurance provided by the state upon their retirement?

HOWARD SNORTLAND: Yes. Retirees get \$4.50 times the years they served, subtracted from their insurance premium after retirement.

SENATOR ST. AUBYN: Does this provide it in full?

HOWARD SNORTLAND: No, public employees receive \$4.50; this bill would provide for \$1.75.

SENATOR NAADEN: Would you suggest this should be built into the retirement program?

HOWARD SNORTLAND: I think it should be taken into consideration by the state as well as school districts.

MAX LAIRD: ND Education Association, Pres. It has been an issue of our membership for the past 15-20 years - the discussion of post-retirement health care and post-retirement health care issues. In the early 1990's when there was a rampant increase in health care costs this issue came to the forefront and has remained there since. If you can add to the critical mass of numbers of people involved in a health insurance program, you can stabilize the cost of that program. And, in fact you can hold the industry to certain kinds of standards around the increasing costs of health care. In addition, the larger the group, it also holds health care costs for those outside of the plan from some insulation for some increasing costs of health care. By virtue of the fact the more people you are able to bring in, costs stabilize over time. The fact today we have public employees involved in a significant group, and we're attempting to move classroom teachers, both retired and future retired, into a retirement health care program. I would anticipate seeing some stabilization in those future costs. ND will never be able to grow a mass large enough just by virtue of population to really hold this cost completely stabilize. In addition, it is important to note approximately 81 percent of retired teachers stay in the state of ND, which provides an economic impact on the state. This is a compromise legislation trying to bring the cost issues down some, while at the same time trying to provide a benefit for both retired teachers and future retired teachers.

A compelling statistic is that in ND today, we have 13 school districts in ND where a teacher can in a 35-40 year career earn above the national average for this profession; we have 35 districts in ND wherein after 35 years of teaching, you cannot earn the starting salary average in Minnesota. I would encourage your DO PASS resolution of SB 2392. (tape 696-1140)

SENATOR ANDRIST: Is this going to contribute to the teacher shortage we've been hearing about?

MAX LAIRD: I hope not. You have to add a number of factors into this equation: declining enrollment; college graduates; average salary; number of people eligible to retire; benefits of retiring; but when we add all of those factors in today, I can't tell you what the future portends. (tape 1140)

SENATOR ANDRIST: Assuming we can't find the \$3.5M in the general fund, would you: a) prefer we kill the bill; b) prefer we attack the other benefit's bill; or c) provide for a payroll deduction of .65 percent for the teachers now working in ND?

MAX LAIRD: My "d" would be to consider the possibility of looking elsewhere in the state's budget. However, I would prefer not to give up either a or b, nor implement c.

SENATOR KRINGSTAD: One of the concerns I have is there is a segment that is not covered in this bill, and that particular area is the university system. There are a number of teachers there who are going to retire under TFFR, but the bulk of the university system is under TIAA CREF.

MAX LAIRD: Many of the University staff are covered under the public employees system. So they in fact will be eligible for the health insurance program under the public employees.

SENATOR NAADEN: Closed the hearing on SB 2392. (tape 1667)

SB 2392 has been referred to the education subcommittee.

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2/12/99

SB 2392 was withdrawn by the sponsors.

1999 TESTIMONY

SB 2392

ND Retirement and Investment Office

*Teachers' Fund for Retirement
State Investment Board*

Scott Engmann
Executive Director

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TESTIMONY ON SB 2392

**SCOTT ENGMANN, EXECUTIVE DIRECTOR
ND RETIREMENT AND INVESTMENT OFFICE**

FEBRUARY 8, 1999

This testimony is presented on behalf of the Teachers' Fund for Retirement (TFFR) Board of Trustees. The TFFR Board is in support of SB2392 which would help retirees pay their health insurance premiums.

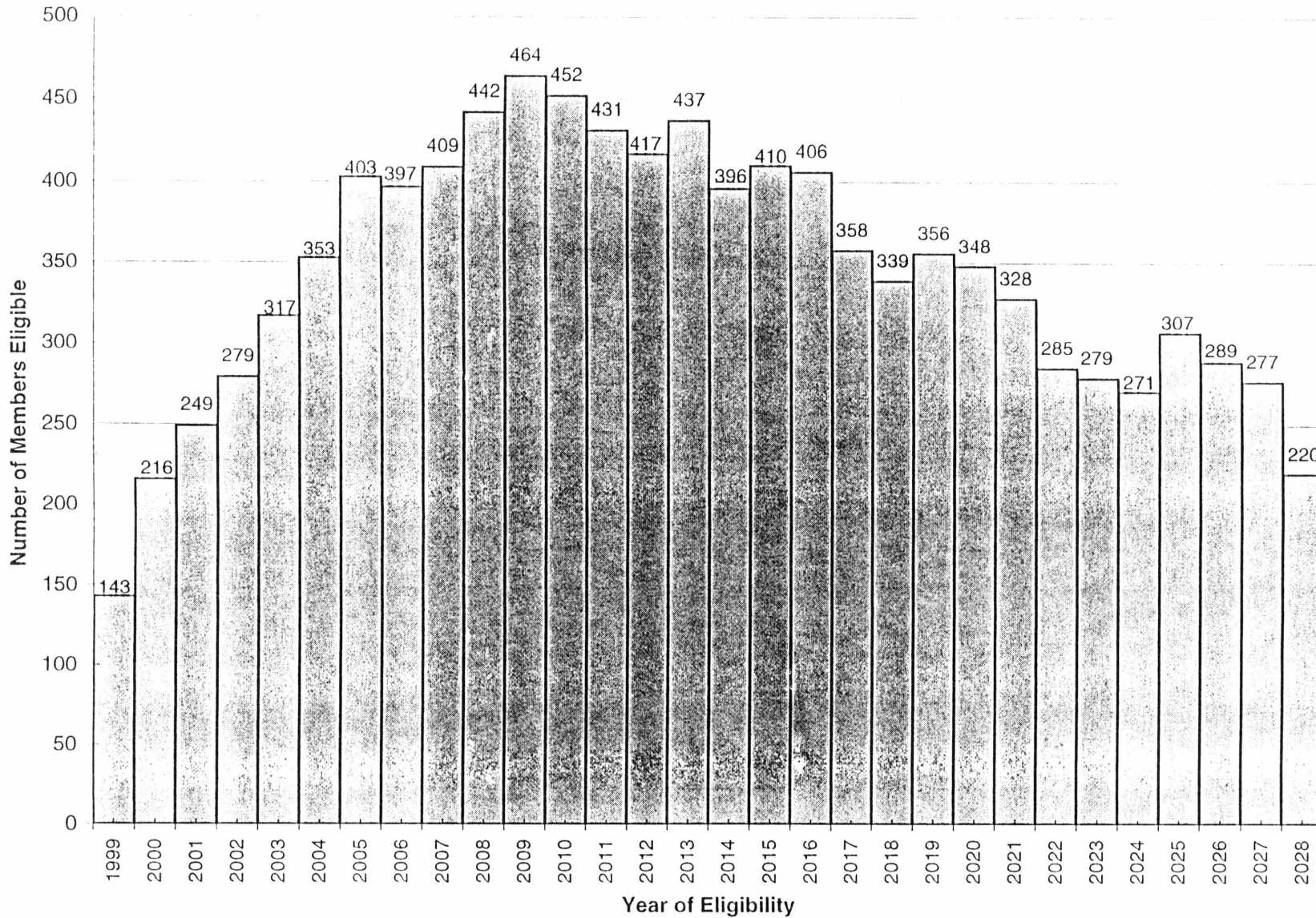
- Creates a teachers' retiree health fund to be administered by the Public Employees Retirement System (PERS) Board.
- Provides retired TFFR members with a monthly credit toward health insurance premiums for the Uniform Group Insurance Program administered by PERS.
- Monthly credit would be \$1.75 multiplied by years of service credit with TFFR and applied monthly. This would reduce the health insurance premiums by \$52.50 for a retired "career" teacher with 30 years of service credit.
- Funding for the bill would come from an ongoing State General Fund appropriation in the amount of approximately \$3,879,200 for the biennium. According to TFFR's actuarial consultants, Watson Wyatt Worldwide, assuming a 60% utilization rate, the funding rate needed to provide this benefit would be .65 percent of TFFR members' annual salaries which were \$298.4 million as of the 7/1/98 actuarial valuation.
- State contributions would be made after September 1, 1999 and the monthly credits would be applied for coverage after December 31, 1999.

The TFFR Board recognizes that one of the greatest burdens facing current fund retirees and future retirees is the rising cost of health care. The Board also understands that many active members that are eligible to retire are not doing so because of the cost of health care. In fact, there are currently 438 TFFR members who are eligible to retire, but have not yet done so. (See attached TFFR Member Retirement Eligibility Profile.) This unfortunate situation keeps individuals on the job long after they should be and keeps jobs from opening up for younger people, forcing them to leave the state.

The TFFR Board requests your favorable consideration of SB2392.

ND Retirement and Investment Office

TFFR Member Retirement Eligibility Profile (as of July 1 of each year)



Notes

- 1) Data taken from current active and inactive vested member population of 10,939 members for the 30 year period from 1999 through 2028.
- 2) **Eligible to retire** is when members reach Rule of 85 or age 65, whichever occurs first.
- 3) Through 1998 fiscal year, 438 members were eligible to retire, but have not yet retired.
- 4) After 2028 fiscal year, 223 members will be eligible to retire.

1. The greatest threat to retiring is the cost of health insurance.

a. All evidence points to large increases again. We have had a short ~~time~~ ^{TIME} with modest increases, but that time is past.

Public employees enjoy a real benefit. Retirement with help to pay the cost of health insurance. \$4.50 times the years of public employment to deduct from the cost.

Superintendents can negotiate retirement with school boards for the cost of health insurance.

I come before you to plead for those who do not have this protection. - the classroom teacher. Salary averages for North Dakota teachers are 50th in the U.S.A. There is no protection here.

The Superintendents had their annual meeting in Bismarck in January. I discussed this bill with one superintendent. He said he had three classroom teachers in school who said they would like to retire. They can't afford the cost of health insurance.

This is a very modest request. I plead for your support to right a great wrong to people we trust with our children and grand children.

NORTH DAKOTA
RETIRED TEACHERS ASSOCIATION

P.O. Box 447, Bismarck, ND 58502-0447
Telephone 701-224-1815

TESTIMONY ON
SB 2392
2-8-99

Mr. Chairman and members of the Committee, my name is Tom Tupa, and I am representing over 2700 members who belong to the ND Retired Teachers Association, or approximately 63% of TFFR annuitants. I am here in strong support for SB 2392.

For you Committee members who have served in previous sessions, this is not a new topic. For those who are new to the legislative process, this bill, in one form or another, has been here before.

Time has changed many things, but the issue of prefunded health insurance for current and future retired teachers remains the same. In the past, current and retired teachers were given a host of reasons why prefunded teacher health insurance did not pass.

Prefunded health insurance is a goal of the TFFR board. It is also a goal of NDEA. And it is a primary goal of NDRTA. The TFFR board in mid-1998 conducted a survey of its members on a number of issues including prefunded health care. Almost 21% of the respondents chose prefunded health care as the number "1" response finishing behind the multiplier increase and the annuity adjustment.

Additionally, there were a number of written comments from the survey:

“I don’t want a lower benefit because of health insurance credits.”

“Health care should be your number one concern and nursing home care.”

“There are too many teachers and no jobs. Too many rural schools are closing their doors.”

“I feel that there is a need to explain clearly the meaning of the question.”

The last comment was in response to several questions including one on health care. And, the one question that generated the most comments, was the one on health care. That, I think is reflective of the interest in prefunded health care from the surveyed group of actives and retirees.

NDRTA is aware of the cost associated with this bill. However, in the long term, we believe this bill can be cost effective. The cost, in fact, may be higher if we do not act today. Beginning in the year 2000, over 200 teachers are expected to qualify for retirement. Then each year for the next 10 years it will increase and top out at about 500 potential retirees per year for about 5 years. Then, for the next 17 years it is expected to taper off to about 250 per year.

If the projected retirees are unable to retire because they will not have the availability of health insurance, they will stay in the school systems at their salaries and continue to get increases -- as they should. We contend the State or the school district could generate a cost savings if the higher paid teacher were replaced with a

younger teacher at a lesser salary, even when you back out the cost of establishing a prefunded health care plan for current and future retirees.

What we are saying is, if implemented, there could be a savings to the State or the district if we start planning today for what is going to be taking place over the next 20, or 30 years.

Presently, many school administrators get buyouts including health insurance when they retire. When support staff of a school district that participates in the PERS plan retires, he or she may get the \$4.50 per month credit per year of service upon retirement. The group in the middle - the classroom teacher - is often times left out. We do however, understand that some school districts do give health coverage to retiring teachers, but only up to the age of Medicare. After that the retiree has to pick up the supplement to Medicare.

SB 2392 provides a reasonable benefit to teachers who have dedicated their lives to the youth of North Dakota. Mr. Chairman and members of the committee, I ask for your favorable consideration of SB 2392, and urge a Do Pass recommendation.

If there are any questions, I will do my best to answer them.

SB 2392
2/10/99

①

**TESTIMONY ON SB 2392
SENATE APPROPRIATIONS COMMITTEE
FEBRUARY 10, 1999
by Dr. Wayne G. Sanstead, State Superintendent
(701) 328-4572
Department of Public Instruction**

Mr. Chairman and members of the committee:

My name is Dr. Wayne G. Sanstead and I am the State Superintendent for the Department of Public Instruction and a member of the Teachers Fund for Retirement Board of Directors. I am here to speak in favor of the establishment of a North Dakota Retiree Health Benefits Trust Fund.

I know that currently most teachers in our state cannot afford to retire. Even though the TFFR retirement plan continues to improve the benefits available to teachers, the fact remains that there are hundreds of teachers who are eligible to retire that have not done so. I believe, sad to say, that this number will continue to grow. The primary reason these teachers are not retiring is due to a lack of health insurance. Making the decision to retire is a difficult one. But add to that the burden of ever escalating health care costs and insurance premiums, and you have teachers who will continue their employment well beyond their eligibility for our state retirement benefits.

SB 2392 would provide an incentive for teachers who are eligible to retire since it would help to defray the cost of their health insurance premiums under the NDPERS plan. Career teachers at the top of the salary scale could retire in dignity after 30+ years of teaching and be replaced with teachers at the beginning of the salary scale. This alone would help to defray some of the costs of providing this benefit and, in my view, would also be a benefit to our school districts.

On the average, about 200 teachers retire each year. If even 50 more teachers would retire each year, and \$40,000 salaries are replaced with \$20,000 salaries, it would save the school districts \$1 million per year, or \$2 million each biennium. The more teachers that retire, the more in savings there would be to the school districts.

I am certain that more teachers would be able to retire if the post retirement health insurance benefits found in SB 2392 are passed, so I strongly urge you to give favorable consideration to SB 2392.

SB 2392
2/10/99 ②

NORTH DAKOTA
RETIRED TEACHERS ASSOCIATION

P.O. Box 447, Bismarck, ND 58502-0447
Telephone 701-224-1815

TESTIMONY ON
SB 2392
2-10-99

Mr. Chairman and members of the Committee, my name is Tom Tupa, and I am representing over 2700 members who belong to the ND Retired Teachers Association. I am here in strong support for SB 2392.

For Committee members who have served in previous sessions, this is not a new topic. For those who are new to the legislative process, this bill, in one form or another, has been here before.

Time has changed many things, but the issue of prefunded health insurance for current and future retired teachers remains as important today as it did in previous sessions. Prefunded health insurance is a goal of the TFFR board. It is also a goal of NDEA. And, it is a primary goal of NDRTA.

In mid - 1998, the TFFR board asked UND to conduct a survey of its members on a number of issues including prefunded health care. Almost 21% of the respondents chose prefunded health care as the number "1" response finishing behind the multiplier increase and the annuity adjustment.

Additionally, there were a number of written comments from the survey:

“I don’t want a lower benefit because of health insurance credits.”

“Health care should be your number one concern and nursing home care.”

“There are too many teachers and no jobs. Too many rural schools are closing their doors.”

“I feel that there is a need to explain clearly the meaning of the question.”

The last comment was in response to several questions including one on health care. And, the one question that generated the most comments, was the one on health care. That, is reflective of the interest in prefunded health care from the surveyed group of actives and retirees.

NDRTA is well aware of the cost associated with this bill. But, in the long term, we believe this bill can be very cost effective.

Currently, there are about 450 teachers eligible to retire in this State. Beginning in the year 2000, an additional 200 teachers are expected to qualify for retirement. Then, each year for the next 10 years it will increase and top out at about 450 potential retirees per year for about 5 years. Following that period, for the next 17 years, retiree numbers are expected to taper off to about 250 per year.

If the projected retirees are unwilling or unable to retire because they will not have access to health insurance through a prefunded plan, they may stay in the school systems at their salaries and continue to get increases - as they should. NDRTA contends the State or the school districts could generate a cost savings if the higher

paid teacher were replaced with a younger teacher at a lesser salary - even when you back out the cost of a prefunded health care plan for retirees.

(I have attached an illustration of how money could be saved by employing lesser paid teachers to replace the higher salaried retiring teacher.)

What we are saying is, if districts who have no buyout plan now implement this program, and districts who presently have some sort of buyout plan in place coordinate this program, there could be a healthy savings to the State or the district. The savings could then be applied to the educational needs at the local level. We need to plan today for what is going to be taking place over the next 20 or 30 years.

Presently, many school administrators are offered health insurance when they retire. When the support staff of a school district (or a State employee) participating in the PERS plan retires, he or she may get a \$4.50 credit per month/per year of service upon retirement. The group that is left out of this picture is the classroom teacher.

We also understand some (not all) school districts offer health coverage or a cash sum as an incentive to get teachers to retire. For those who take the health option, it is generally up to the age of Medicare. After that the retiree has to pick up the supplement to Medicare out of his or her own pocket.

There is an additional side benefit to SB 2392 which cannot be priced - younger teachers staying in ND and moving into teaching positions in the smaller communities around the State.

SB 2392 provides a reasonable benefit to teachers who have dedicated their entire professional career to teaching the youth of North Dakota. Mr. Chairman and members of the committee, I ask for your favorable consideration of SB 2392, and urge a Do Pass recommendation.

Thank you Mr. Chairman and members of the Committee. If there are any questions, I will do my best to answer them.

NDRTA INFO SHEET
2-10-99

- * Approximately 600 teachers are currently eligible for retirement
- * Approximately 200 more will become eligible this next year
- * Approximate teacher salary at retirement time is \$30,000 per year
- * Approximate salary for new teacher is \$20,000 per year

* Assumptions:

300 teachers @ \$30,000 retire from service	\$9,000,000
300 teachers @ \$20,000 hired to replace retirees	\$6,000,000
Savings to school districts per year	\$3,000,000
Cost of pre funded teacher health care (annual)	\$1,900,000
Net savings to districts (annual)	\$1,100,000



ND Retirement and Investment Office

*Teachers' Fund for Retirement
State Investment Board*

Scott Engmann
Executive Director

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February 11, 1999

Senator David E. Nething
Chairman
Senate Appropriations Committee
State Senate
State Capitol
Bismarck, ND

RE: SB2392

Senator Nething, during yesterday's hearing on SB2392, a number of requests for information were made. This information is contained below.

Senator Naaden asked for the annual dollar cost for the benefit increases contained in SB2069.

The costs are:	Increase in the multiplier to 1.88% - \$6.2 million	
	Annuity increase (\$2.00/1.00)	- \$2.9 million
	Total	\$ 9.1 million

These costs would be paid from actuarial reserves (margin) in the Fund that were created because of positive investment returns earned above the actuarial earning assumption. These increases would be made if SB2069 passes the House.

Senator Andrist asked for the cost of SB2392 if eligibility for the health care credit benefit began at age 65, instead of at retirement age.

Our actuary determined that the cost would be .52% of annual compensation if the utilization rate was 60%. That would be a 20% reduction from the current bill cost of .65%. The biennial cost in dollars would be reduced to \$3,103,360.

Senator Naaden asked for cost projection changes to SB2069 if SB2392 was paid out of the Fund reserves.

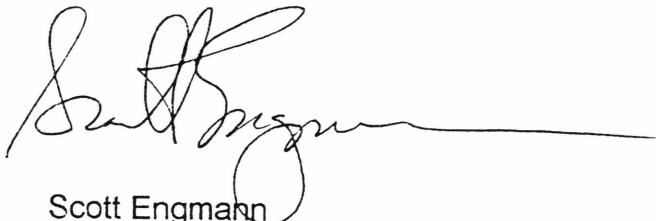
The cost for the increase to all annuitants contained in SB2069 is .93%. If the cost for SB2392 (.65%) was taken from Fund reserves, it would be taken from the .93% leaving .28% left to fund an annuity increase. The result would be a reduction in the formula for the annuity increase. The reduction would be from \$2.00 per year of service plus \$1.00 per year of retirement to \$.60 per year of service plus \$.30 per year of retirement. The average increase would drop from \$70 per month to \$21 per month.

On behalf of the Teachers' Fund for Retirement Board I request that the Committee not consider this option. The Board supports SB2392 only if it is funded without using Trust Fund reserves.

Senator Robinson asked a series of questions about teacher salaries.

Attached is a table showing final annual salaries for TFFR members who retired during the years 1990 through 1999 by increments of service credit. Please note that TFFR data includes administrators as well as class room teachers.

If the Committee has additional questions please contact me.



Scott Engmann
Executive Director

C: Tom Tupa
Max Laird
Larry Klundt

North Dakota Teachers' Fund for Retirement
Average High Salary for 1990 thru 1999 Retirees

Service Credit ==>>	< 10	10 - 14	15 - 19	20 - 24	25-29	30 - 34	35 or more	TOTAL	30 or more
1990									
NUMBER OF RETIREES	7	11	13	21	61	98	70	281	168
AVERAGE HIGH SALARY	16,140	18,414	21,819	25,943	26,651	28,735	33,241	28,159	30,613
AVERAGE YEARS OF SERVICE	5.058	12.746	17.595	21.95	27.825	32.048	38.263	29.828	34.638
1991									
NUMBER OF RETIREES	8	14	15	18	26	50	32	163	82
AVERAGE HIGH SALARY	2,658	15,181	19,877	26,492	27,913	33,173	38,807	28,436	35,372
AVERAGE YEARS OF SERVICE	3.829	13.188	17.331	22.801	26.924	32.144	38.373	27.121	34.575
1992									
NUMBER OF RETIREES	8	13	9	13	32	47	73	195	120
AVERAGE HIGH SALARY	13,416	16,877	20,908	23,123	29,341	33,613	34,725	30,098	34,289
AVERAGE YEARS OF SERVICE	6.31	12.796	17.855	23.371	27.375	31.895	38.601	30.124	35.974
1993									
NUMBER OF RETIREES	8	7	18	8	18	30	25	114	55
AVERAGE HIGH SALARY	14,411	13,762	20,862	29,162	29,804	38,588	48,253	32,639	42,981
AVERAGE YEARS OF SERVICE	5.146	11.869	17.632	22.653	27.527	33.013	38.429	26.925	35.475
1994									
NUMBER OF RETIREES	4	19	18	30	62	81	71	285	152
AVERAGE HIGH SALARY	16,874	15,064	27,661	29,950	31,489	33,620	38,536	32,146	35,916
AVERAGE YEARS OF SERVICE	5.375	12.461	17.617	22.446	27.616	32.39	39.418	29.415	35.673
1995									
NUMBER OF RETIREES	14	17	14	26	46	58	42	217	100
AVERAGE HIGH SALARY	13,812	16,792	24,757	29,565	34,351	36,635	37,664	31,709	37,067
AVERAGE YEARS OF SERVICE	5.825	12.244	16.887	22.255	27.569	32.437	37.712	26.904	34.653
1996									
NUMBER OF RETIREES	6	11	10	27	34	54	50	192	104
AVERAGE HIGH SALARY	15,807	19,891	24,039	34,120	31,359	37,595	40,527	34,364	39,005
AVERAGE YEARS OF SERVICE	5.659	11.895	17.435	22.693	27.512	31.865	38.345	28.777	34.980
1997									
NUMBER OF RETIREES	14	9	9	9	25	21	9	96	30
AVERAGE HIGH SALARY	15,206	17,882	25,831	25,968	33,182	41,236	45,555	30,682	42,532
AVERAGE YEARS OF SERVICE	7.928	13.007	18.252	22.717	27.826	31.73	38.07	23.973	33.632
1998									
NUMBER OF RETIREES	12	18	12	24	58	105	62	291	167
AVERAGE HIGH SALARY	12,661	20,935	26,251	28,918	34,012	38,246	40,931	34,584	39,243
AVERAGE YEARS OF SERVICE	4.694	12.09	17.599	22.305	27.566	32.108	38.461	28.781	34.467
1999									
NUMBER OF RETIREES	11	5	4	15	22	41	17	115	58
AVERAGE HIGH SALARY	18,831	19,174	32,722	35,418	37,088	40,585	46,652	36,853	42,363
AVERAGE YEARS OF SERVICE	7.014	13.472	16.798	22.908	27.239	31.78	37.366	26.894	33.417



North Dakota Education Association • Box 5005 • Bismarck 58502-5005 • Phone 701-223-0450 • Fax 701-224-8535

February 12, 1999

Senator David E. Nething
Chairman
Senate Appropriations Committee
State Senate
State Capitol
Bismarck, ND

RE: SB 2392

NDEA does not support funding SB 2392 with any of the margin in Teachers Fund for Retirement. Those funds are already committed for much needed improvements in the retirement benefits for teachers as proposed in SB 2069.

SB 2392 needs to be funded by general fund appropriations as is the intent of the bill. We would encourage the Senate Appropriations Committee to not use any of the funds from SB 2069 for this purpose.

Thank you for your consideration of this request.

Sincerely,



Joseph A. Westby
Executive Director