# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M

ROLL NUMBER

DESCRIPTION

2046

2007 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2046

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2046

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 1/18/07

Recorder Job Number: 1372

| Committee Clerk Signature Veronica Sparling |
|---|

Minutes:

All members of the committee were present.

Sen. Dever, Chairman, opened the hearing on SB 2046 and mentioned that there was a fiscal note on the bill of 10 million dollars, $96, 000 from the state.

Faye Kopp, Deputy Executive Director of ND Retirement and Investment Office, the agency that administers the Teachers' Fund For Retirement, introduced the bill. She was testifying on behalf of the Teachers' Fund For Retirement Board in favor of SB 2046. See attachment # 1.

Senator Nelson asked if 15 years ago tier one people were basically at pier two levels. Over the last 15 years of TFFR the benefits have been increased to where they are now. So they are where they were at 15 years ago.

Faye responded that was true with the exception of the 2% multiplier. That would remain in place for the tier two employees. That provision is the same. However that 2% isn't as valuable to them as it is for the current members because it's spread out over about 5 year final average salary. The 2% using a 5 year final average salary comes to about1.9%. The other provisions would be more what they were like 10-15 years ago. Sections 4 and 5 are to maintain qualification status with the federal government.

Senator Dever mentioned that this fiscal note is ongoing. Faye confirmed that.

Senator Lee asked about the rule of 90 and 88 and when we switched from one to the other.

Faye responded that we have had the rule of 85 since 1989. We had the rule of 90 before the rule of 85. The State Public Employees Retirement System did have the rule of 88.

Senator Dever mentioned that this bill comes to us because of recent changes in the stock market. He asked if the fund would be in trouble without this bill.

Faye said the fund is not in crisis, this is to plan ahead. It would decline without changes being made.

Senator Oehlke asked how much a participant in the plan can contribute.

Faye responded that under current law an employee contributes 7.75% of their current salary so there is no maximum dollar amount. Under this bill an employer would contribute 8.75%, no cap.

Senator Oehlke asked whether employees may contribute more than 7.75% at this time.

Faye responded that they may not.

Senator Lee asked what would happen if someone retired in her school district and then went to work part time in Minnesota.

Faye responded that they would still get their TFFR retirement benefits, and would get their salary from Minnesota and possibly build up their retirement plan in that state as well.

Senator Lee asked if each of the two states has its own retirement plan or is it a national retirement plan.

Faye responded that each has its own plan; it's not a national plan.

Senator Horne expressed concern that the teachers in the future will have to work longer and get less in retirement. It seems it will be hard to hire new teachers if that is the case.

Faye said that even though they are working longer, people are living longer too. Benefits will be somewhat less but will feel somewhat the same because it is under the 2% multiplier. She doesn't feel it will affect recruitment because new teachers are not looking that closely at the benefits offered.

Senator Nelson mentioned that Social Security has also changed the age of receiving benefits from 65 to 67. With people living longer we can't assume that everything is going to stay the way it is. We assumed a rolling average of 5%. 911 changed that and we had to recover from the negative 8%.

Senator Lee asked when the changes were made, were they made with the assumption that everything would stay the same?

Faye responded they did assume an 8% return but also thought the fund could weather the ups and downs. No one could anticipate the three down years.

Senator Nelson remarked that the TFFR has a much more elderly group as members as compared to the PERS fund.

Support: - Nancy Sand, ND Education Association, spoke in support of the bill. She did express concern about the increased cost to the school district employers. She feels this will make a difference for young people entering the teaching field. She feels it is important to educate new teachers about retirement and benefits.

Senator Dever asked if the average teachers' salary in ND is about 37,000.00 and asked what the cost to the school district would be.

Nancy said the 37,000.00 was probably the 2005-2006 figure, and that the districts have a variety of ways to fund teacher salaries. She is also hopeful that the provisions in SB 2200 will provide money for increased salaries.

Senator Lee asked if some districts pay all or part of the employee contribution as part of their compensation package.

Nancy responded that some districts do. Some pay a flat dollar amount, and if they are on that system, they have been grandfathered in, the others are on a percentage. Some of them with a flat dollar amount have chosen to increase the amount. Some districts pay all of it, some pay part of it.

Senator Lee mentioned that the average compensation for ND teachers, that is benefits and salary, is over $50.000.00. She wanted that to go on record.

Senator Horne asked if the additional cost to teachers of $300.00 would apply only to new teachers.

Nancy said if the amount the district had to pay was increased, it could result in less money being available for teacher salaries and that would be across the board.

Nancy explained that the eligibility for vesting, the time they can retire, and the requirement by the school board to pay the additional 1% applies to every teacher.

Senator Horne asked if he were teaching, this could cause a $300.00 average increase in what he could put into the fund.

Nancy replied there is no increase required on behalf of the teacher. The increase is for the employer and the school district.

Support: - Ken Tupa, representing the North Dakota Retired Teachers Association, spoke in favor of SB 2046. See attachment #2.

Senator Nelson mentioned there had been no increase for retirees for awhile. She asked when an increase is anticipated.

Ken responded that in 2001 money was so tight and everyone had to make a sacrifice; there was a small increase in 2002. There hasn't been one since. It will be revisited in the future when the fund improves.

Support: - Doug Johnson, Executive Director of the North Dakota Council of Educational Leaders, spoke in support of the bill. He said when the bill was reviewed by their membership in September they voted in favor of the bill to keep the fund viable in the future. The one change they would suggest would be that the 1% increase in employers' contribution would be accounted for in determining the minimum salary for districts that are paying both sides of the district. (Mentioned on tape at 45:32)

Opposition: -

Neutral: - Bev Neilson, Assistant to the Executive Director of the ND School Board Association, spoke in a neutral position on SB 2046. She recognizes the need to keep this fund healthy. She wanted to mention a few things to consider if they do decide to pass this bill. One concern of school boards is that the 10 million dollars won't be going to salaries or to support staff. If PERS increases do pass, employees in school districts who are members of PERS will be picking that up as well. Teachers understand that this 1% will not be going to salaries but a lot of times that opinion doesn't make its way down to the local negotiating units and boards get beat up pretty badly. It's rarely included when they say that the board gave them a 3% increase. It does not include these types of required increases. If you pass this increase on to the board, she is hoping they will look at other expenses that are coming through on bills that will add expenses to school districts.

Bev also mentioned that we actually pay TFFR on TFFR. The retirement benefit gets added on and retirement is paid on it again. This makes the benefit continue to grow which eats away at the money available for other things. Paying retirees their retirement benefits plus a salary when they come back is not ideal but it was a compromise they made because of the shortage of available teachers. The eighty million dollars proposed by the Governor's Commission on Educational Improvement is a windfall for schools, but the first 35 million goes to pay for equity leaving 45 million. Now nearly 10 million dollars will go for this which leaves 35 million which is about what is available every biennium. The windfall gets eaten away. She asked that they keep that in mind in whatever committee they are serving as well as in their deliberations on the floor.

Senator Dever said he understands that we can't reduce benefits but if the fund improves to a certain point the 1% can be backed off or reversed.

Bev said that she wasn't sure. It has never happened and may even be impossible.

Opposition: -

Neutral: -

Chairman Dever closed the hearing on SB 2046.

Committee will act on this bill at a later date.

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2046

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Hearing Date: 1/25/07

Recorder Job Number: 1952

| Committee Clerk Signature | Veronica Sparling |
|---|---|

Minutes:

All members of the committee were present.

Chairman Dever opened discussion on SB 2046.

Senator Nelson explained the “heartburn” is with the tiered system. The main reason for this bill is to get the fund back into a stable position so somewhere down the line retirees can have a raise.

Senator Dever remarked that the 1% will be assessed against the employer.

Senator Nelson said that is the “heartburn.” It doesn’t seem right that the additional 1% falls to the employer to pay.

Senator Lee asked how the problem could be fixed and not just the symptom. Can the law be changed?

Senator Nelson responded that Wayne said it is a constitutional issue. There was discussion about how a plan takes a down market harder when it is not on a rolling-years set up, but it also recovers faster.

Senator Dever asked without the bill, where are we long term?

Senator Nelson said without the bill, the fund is in trouble.

Senator Oehlke said it is down 5 million.

Senator Nelson said without the bill, it is in trouble, with the bill it will look good in 2016.

There was discussion on the fund as is, and the fund with the bill. If it is not changed, there will be a big problem in 30 years.

Senator Dever asked if anyone offered any amendments.

Senator Lee said that Doug Johnson asked that the committee consider counting the additional 1% towards the minimum salary. That was the only thing she had noted as a potential amendment. She said both the Employee Benefits Committee and the Retirement Committee trustees have come forward and recommended this for passage. They have done a lot of research. She would trust their input and would like to see it passed.

Senator Dever said if they are adding 1%, minimum salary is $22,500.00 then you are talking about $225.00.

Senator Lee feels that is an Education Committee discussion.

Senator Dever said it is only dealing with $22,500.00 so he thinks retirement should be ..

(I could not hear the tape.)

Senator Lee made a motion to pass SB 2046 and rerefer it to Appropriations Committee.

Senator Oehlke seconded the motion.

Roll Call Vote: Yes 6 No 0 Absent 0

Carrier: Nelson

# FISCAL NOTE
**Requested by Legislative Council**
04/23/2007

Amendment to: SB 2046

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| **Revenues** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Expenditures** | $0 | $0 | $28,000 | $5,000 | $50,000 | $0 |
| **Appropriations** | $0 | $0 | $28,000 | $5,000 | $50,000 | $0 |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|---|---|---|---|---|---|---|---|---|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| $0 | $0 | $0 | $3,000 | $0 | $2,769,000 | $6,000 | $0 | $4,944,000 |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB2046 (with Conf Com amendments adopted 4/20/07) requires employer contributions on re-employed retirees; and beginning 7/1/08 increases employer contributions by .50% and reduces benefits for new hires. Estimated fiscal impact is $2.8 million for 2007-09, and $5 million for 2009-11 biennium.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 3 increases TFFR employer contributions from 7.75% to 8.25% on all active members' salaries beginning 7/1/08 ($2.2 million for 2007-09 biennium). Sections 10 and 11 require employer contributions of 7.75% on all reemployed retirees' salaries beginning 7/1/07 and 8.25% beginning 7/1/08 ($0.6 million for 07-09 biennium). Total approximately $2.8 million for 2007-09 biennium, and $5.0 million for 2009-11 biennium. Estimates are based on assumptions and calculations from TFFR's actuarial consultant. Fiscal impact may be more or less depending on number and actual salary paid to active and retired members.

Section 15 provides $5,000 special funds appropriation for TFFR to implement this bill.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

None.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Total expenditures by state, counties, and school districts resulting from increased employer contribution rates are estimated at $2.8 million for 2007-09 biennium.

5 state agencies or institutions currently employ about 100 TFFR participating members (1%) and would be required to pay the increased employer contributions of approximately $28,000 for the 2007-09 biennium. Youth Correctional Center ($7,560), School for Deaf ($4,760), School for Blind ($3,640), Division of Independent Study ($7,560), and Career and Technical Education ($4,480).

13 counties currently employ 13 county superintendents (0.13%) who are TFFR participating members and would be required to pay the increased employer contributions of approximately $3,000 for the 2007-09 biennium.

226 school districts, special education units, vocational centers, and other public education entities employ the majority of TFFR participating members (98.87%) and would be required to pay the increased employer contributions of $2.769 million for the 2007-09 biennium and $4.944 million for the 2009-11 biennium.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 15 provides a $5,000 special funds appropriation for TFFR for system programming and other administrative costs to implement provisions of the bill (2007-09 only).

A general fund appropriation increase would also be required for the five state agencies and institutions affected by this bill. Estimated amount of appropriations is $28,000 for 2007-09 biennium (see above Expenditures). However, HB 1078, which allows Career and Tech Ed employees to elect to transfer from TFFR to PERS has been approved, therefore increased appropriations to CTE for SB 2046 may not be needed.

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| **Name:** | Fay Kopp | **Agency:** | ND Retirement & Investment Office |
| **Phone Number:** | 328-9895 | **Date Prepared:** | 04/23/2007 |

# FISCAL NOTE

**Requested by Legislative Council**
03/28/2007

Amendment to: SB 2046

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| **Revenues** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Expenditures** | $0 | $0 | $20,274 | $0 | $21,929 | $0 |
| **Appropriations** | $0 | $0 | $20,274 | $0 | $21,929 | $0 |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|---|---|---|---|---|---|---|---|---|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| $0 | $0 | $0 | $0 | $0 | $571,051 | $0 | $0 | $617,678 |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB2046 (with House amendments 3/27/07) requires employer contributions of 7.75% on reemployed retirees' salaries, and incorporates federal tax law changes. Fiscal impact to state, school districts, and other TFFR employers is estimated to be $591,325 for 2007-09 biennium.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sections 4 and 5 require employer contributions of 7.75% on re-employed retirees' salaries (estimate 175 retirees X 7.75% X $21,800 average retiree salary X 2 years = $591,325 for 2007-09 biennium.

Fiscal impact may be more or less depending on actual number of re-employed retirees and actual salary paid to retirees.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

None.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Total expenditures by state, school districts, and other TFFR employers is estimated to be $591,325 for 2007-09 biennium.

2 state agencies or institutions (Division of Independent Study and School for the Deaf) currently employ 6 retirees and would be required to pay employer contributions. (estimate 6 retirees X 7.75% X 21,800 average retiree salary X 2 years = $20,274 for 2007-09 biennium.

School districts, special education units, vocational centers, counties, and other public education entities employ retirees and would be required to pay employer contributions. (estimate 169 X 7.75% X 21,800 average retirees salary X 2 years = $571,051 for the 2007-09 biennium.

Fiscal impact may be more or less depending on actual number of re-employed retirees and actual salary paid to retirees.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

A general fund appropriation increase may be needed if state agencies or institutions (who have TFFR members), employ TFFR retirees in the future. Estimate $20,274 for 2007-09 biennium.

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| **Name:** | Fay Kopp | **Agency:** | ND Retirement & Investment Office |
| **Phone Number:** | 328-9895 | **Date Prepared:** | 03/28/2007 |

# FISCAL NOTE

**Requested by Legislative Council**
03/13/2007

Amendment to: SB 2046

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| **Revenues** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Expenditures** | $0 | $0 | $90,998 | $5,000 | $94,513 | $0 |
| **Appropriations** | $0 | $0 | $90,998 | $5,000 | $94,513 | $0 |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|---|---|---|---|---|---|---|---|---|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| $0 | $0 | $0 | $11,829 | $0 | $8,996,994 | $12,287 | $0 | $9,344,532 |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB2046 increases TFFR employer contributions by 1%, requires employer contributions on reemployed retirees, and reduces benefits for new TFFR members employed after 7/1/07. Fiscal impact to state, counties, and schools is estimated to be $9.1 million ($9,099,821) for 2007-09 biennium.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sec 3 increases TFFR employer contributions from 7.75% to 8.75% on all active members' salaries (estimate $420 million annual salaries X 1% = $4.2 million for 2007-08). Sec 10 and 11 require employer contributions of 8.75% on all reemployed retirees' salaries (estimate 175 retirees X 8.75% X $21,800 average retiree salary = $0.3 million for 2007-08). Total approximately $4.5 million in increased employer retirement contributions for 2007-08. Total $9.1 million ($9,099,821) for 2007-09 biennium. Estimates are based on assumptions and calculations from TFFR's actuarial consultant.

Section 15 provides $5,000 special funds appropriation for TFFR to implement this bill.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

None.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Total expenditures by state, counties, and school districts resulting from increased employer contribution rates to TFFR are estimated at $9.1 million ($9,099,821) for 2007-09 biennium.

5 state agencies or institutions currently employ 100 TFFR participating members (1%) and would be required to pay the increased employer contributions. They are Career and Tech Ed, Div. of Independent Study, School for Blind, School for Deaf, and Youth Correctional Center. $9,099,821 X 1% state entities = $90,998 for 2007-09 biennium.

13 counties currently employ 13 county superintendents who are TFFR participating members (0.13%) and would be required to pay the increased employer contributions. $9,099,821 X 0.13% counties = $11,830 for the 2007-09 biennium.

226 school districts, special education units, vocational centers, and other public education entities employ the majority of TFFR participating members (98.87%) and would be required to pay the increased employer contributions. $9,099,821 X 98.87% school districts = $8,996,994 for the 2007-09 biennium.

Estimates are based on assumptions and calculations from TFFR's actuarial consultant.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 15 provides a $5,000 special funds appropriation for TFFR for system programming and other administrative costs to implement provisions of the bill (2007-09 only).

A general fund appropriation increase would also be required for the five state agencies and institutions affected by this bill. Estimated amount of appropriations is $90,998 for 2007-09 biennium (see above Expenditures). However, HB 1078, which allows CTE employees to elect to transfer from TFFR to PERS has been approved, therefore increased appropriations to CTE for SB2046 may not be needed.

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|---|---|---|---|
| **Name:** | Fay Kopp | **Agency:** | ND Retirement & Investment Office |
| **Phone Number:** | 328-9895 | **Date Prepared:** | 03/13/2007 |

# FISCAL NOTE
**Requested by Legislative Council**
01/16/2007

**REVISION**

Bill/Resolution No.: SB 2046

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| **Revenues** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Expenditures** | $0 | $0 | $96,984 | $5,000 | $100,703 | $0 |
| **Appropriations** | $0 | $0 | $96,984 | $5,000 | $100,703 | $0 |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|---|---|---|---|---|---|---|---|---|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| $0 | $0 | $0 | $12,608 | $0 | $9,588,793 | $13,091 | $0 | $9,956,501 |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB2046 increases TFFR employer contributions by 1%, requires employer contributions on reemployed retirees, and reduces benefits for new teachers and administrators hired after 7/1/07. Fiscal impact to state, counties, and school districts is estimated to be $9,698,385 for 2007-09 biennium.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sec 3 increases TFFR employer contributions from 7.75% to 8.75% on all active members' salaries (estimate $420 million annual salaries X 1% = $4.2 million for 2007-08). Sec 10 and 11 require employer contributions of 16.5% on all reemployed retirees' salaries (estimate 175 retirees X 16.5% X $21,800 average retiree salary = $0.6 million for 2007-08). Total approximately $4.8 million in increased employer retirement contributions for 2007-08. Total $9,698,385 for 2007-09 biennium. As salaries for active and reemployed retirees increase, the amount of employer contributions to TFFR will increase.

Section 15 provides $5,000 special funds appropriation for TFFR to implement this bill.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

None.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Total expenditures by state, counties, and school districts resulting from increased employer contribution rates to TFFR are estimated at $9,698,385 for 2007-09 biennium.

5 state agencies or institutions currently employ 100 TFFR participating members (1%) and would be required to pay the increased employer contributions. They are Career and Tech Ed, Div. of Independent Study, School for Blind, School for Deaf, and Youth Correctional Center. $9,698,385 X 1% state entities = $96,984 for 2007-09 biennium.

13 counties currently employ 13 county superintendents who are TFFR participating members (0.13%) and would be

required to pay the increased employer contributions. $9,698,385 X 0.13% counties = $12,608 for the 2007-09 biennium.

226 school districts, special education units, vocational centers, and other public education entities employ the majority of TFFR participating members (98.87%) and would be required to pay the increased employer contributions. $9,698,385 X 98.87% school districts = $9,588,793 for the 2007-09 biennium.

Estimates are based on assumptions and calculations from TFFR's actuarial consultant.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 15 provides a $5,000 special funds appropriation for TFFR for system programming and other administrative costs to implement provisions of the bill (2007-09 only).

A general fund appropriation increase would also be required for the five state agencies affected by this bill. Estimated amount of appropriations is $96,984 for 2007-09 biennium (see above Expenditures).

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| **Name:** | Fay Kopp | **Agency:** | ND Retirement & Investment Office |
| **Phone Number:** | 328-9895 | **Date Prepared:** | 01/16/2007 |

# FISCAL NOTE

**Requested by Legislative Council**
12/26/2006

Bill/Resolution No.: SB 2046

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|---|---|---|---|---|---|---|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| **Revenues** | $0 | $0 | $0 | $0 | $0 | $0 |
| **Expenditures** | $0 | $0 | $96,984 | $5,000 | $100,703 | $0 |
| **Appropriations** | $0 | $0 | $0 | $5,000 | $0 | $0 |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|---|---|---|---|---|---|---|---|---|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| $0 | $0 | $0 | $12,608 | $0 | $9,588,793 | $13,091 | $0 | $9,956,501 |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB2046 increases TFFR employer contributions by 1%, requires employer contributions on reemployed retirees, and reduces benefits for new teachers and administrators hired after 7/1/07. Fiscal impact to state, counties, and school districts is estimated to be $9,698,385 for 2007-09 biennium.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sec 3 increases TFFR employer contributions from 7.75% to 8.75% on all active members' salaries (estimate $420 million annual salaries X 1% = $4.2 million for 2007-08). Sec 10 and 11 require employer contributions of 16.5% on all reemployed retirees' salaries (estimate 175 retirees X 16.5% X $21,800 average retiree salary = $0.6 million for 2007-08). Total approximately $4.8 million in increased employer retirement contributions for 2007-08. Total $9,698,385 for 2007-09 biennium. As salaries for active and reemployed retirees increase, the amount of employer contributions to TFFR will increase.

Section 15 provides $5,000 special funds appropriation for TFFR to implement this bill.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

None.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Total expenditures by state, counties, and school districts resulting from increased employer contribution rates to TFFR are estimated at $9,698,385 for 2007-09 biennium.

5 state agencies or institutions currently employ 100 TFFR participating members (1%) and would be required to pay the increased employer contributions. They are Career and Tech Ed, Div. of Independent Study, School for Blind, School for Deaf, and Youth Correctional Center. $9,698,385 X 1% state entities = $96,984 for 2007-09 biennium.

13 counties currently employ 13 county superintendents who are TFFR participating members (0.13%) and would be required to pay the increased employer contributions. $9,698,385 X 0.13% counties = $12,608 for the 2007-09

biennium.

226 school districts, special education units, vocational centers, and other public education entities employ the majority of TFFR participating members (98.87%) and would be required to pay the increased employer contributions. $9,698,385 X 98.87% school districts = $9,588,793 for the 2007-09 biennium.

Estimates are based on assumptions and calculations from TFFR's actuarial consultant.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Section 15 provides a $5,000 special funds appropriation for TFFR for system programming and other administrative costs to implement provisions of the bill (2007-09 only).

A general fund appropriation increase would be required for the five state agencies affected by this bill.

| | | | |
|---|---|---|---|
| **Name:** | Fay Kopp | **Agency:** | ND Retirement & Investment Office |
| **Phone Number:** | 328-9895 | **Date Prepared:** | 12/29/2006 |

Date : 1-25-07
Roll Call Vote # : ~~2046~~ 1

## 2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
## BILL/RESOLUTION NO. 2046

**Senate** Government and Veteran Affairs **Committee**

☐ Check here for Conference Committee

**Legislative Council Amendment Number** ____________

**Action Taken** do pass and re refer

**Motion Made By** Lee **Seconded By** Oehlke

| Senators | Yes | No | Senators | Yes | No |
|---|---|---|---|---|---|
| Senator Dick Dever - Chairman | ✓ | | Senator Robert Horne | ✓ | |
| | | | | | |
| | | | | | |
| Senator Dave Oehlke – VC | ✓ | | Senator Richard Marcellais | ✓ | |
| | | | | | |
| | | | | | |
| Senator Judy Lee | ✓ | | Senator Carolyn Nelson | ✓ | |
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**Total** **(Yes)** 6 **No** 0

**Absent** 0

**Floor Assignment** Nelson

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

## REPORT OF STANDING COMMITTEE

**SB 2046: Government and Veterans Affairs Committee (Sen. Dever, Chairman)** recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2046 was rereferred to the **Appropriations Committee**.

2007 SENATE APPROPRIATIONS

SB 2046

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2046

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 02-05-07

Recorder Job Number: 2822

| Committee Clerk Signature | Alice Delzer |
|---|---|

Minutes:

**Chairman Holmberg** opened the hearing on SB 2046 at 8:00 am on February 6, 2007 regarding Teacher Fund Retirement. During the hearing **Vice Chairman Grindberg** conducted the hearing as Chairman Holmberg had to leave to testify regarding another bill.

**Faye Kopp, Deputy Executive Director North Dakota Retirement and Investment Office** presented written testimony (1) and gave oral testimony in support of SB 2046. She also explained the attachments she handed out.

**Senator Grindberg** asked the committee to refer to the fiscal note on this bill.

**Senator Seymour** had questions regarding the contributions employees pay.

**Senator Robinson** had questions regarding unfunded liability and if the board is content with this issue.

**Senator Bowman** had questions regarding property tax increase to local school districts.

**Senator Kilzer** asked about the board considering paying half and half for future teachers.

**Senator Wardner** had questions regarding retirement.

**Bev Nielson, NDSBA** gave oral testimony in support of SB 2046.

**Nancy Sand, NDEA** gave oral testimony in support of SB 2046.

**Senator Grindberg** closed the hearing on SB 2046.