

2023 HOUSE EDUCATION

HB 1150

2023 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau AB Room, State Capitol

HB 1150
1/16/2023

Relating to an exception to membership in the teachers' fund for retirement for retired military personnel
--

4:00 PM

Chairman Heinert opened the hearing. Members present: Chairman Heinert, Vice Chairman Schreiber-Beck, Representatives Conmy, Dyk, Heilman, Hoverson, Jonas, Longmuir, Marschall, Murphy, Novak, and Timmons. Absent: Representatives Hager and Hauck.

Discussion Topics:

- First year qualification option
- Exemption introduction
- School Board negotiation

Representative Paul Thomas- Bill Sponsor, spoke in support

Ron Chittum, Bottineau Resident- spoke on-line via TEAMS in Support

Janilyn Murtha, Executive Director, ND Retirement and Investment Office- Opposition # 13539

Nick Archuleta, President, ND United- spoke in opposition

Aimee Copas, Executive Director, ND CEL- Opposition #13435

Closed hearing at 4:34 PM.

Kathleen Davis, Committee Clerk
By Bev Monroe

2023 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau AB Room, State Capitol

HB 1150
1/17/2023

Relating to an exception to membership in the teachers' fund for retirement for retired military personnel
--

Chairman Heinert opened the hearing at 3:18 PM.

Members present: Chairman Heinert, Vice Chairman Schreiber-Beck, Representatives Conmy, Dyk, Hager, Hauck, Heilman, Hoverson, Jonas, Longmuir, Marschall, Murphy, Novak, and Timmons.

Discussion Topics:

- Committee Action

Rep. Murphy moved a DO NOT PASS on HB 1150. Seconded by **Rep. Dyk**.

Further discussion on bill.

Roll Call Vote:

Representatives	Vote
Representative Pat D. Heinert	N
Representative Cynthia Schreiber-Beck	Y
Representative Liz Conmy	Y
Representative Scott Dyk	Y
Representative LaurieBeth Hager	Y
Representative Dori Hauck	Y
Representative Matt Heilman	N
Representative Jeff A. Hoverson	N
Representative Jim Jonas	Y
Representative Donald W. Longmuir	Y
Representative Andrew Marschall	N
Representative Eric James Murphy	Y
Representative Anna S. Novak	Y
Representative Kelby Timmons	Y

10-4-0 Motion Carries. **Rep. Hauck** will carry the bill.

Chairman Heinert closed the hearing on HB 1150 at 3:24 PM.

Kathleen Davis, Committee Clerk by Bev Monroe

REPORT OF STANDING COMMITTEE

HB 1150: Education Committee (Rep. Heinert, Chairman) recommends **DO NOT PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1150 was placed on the Eleventh order on the calendar.

2023 SENATE STATE AND LOCAL GOVERNMENT

HB 1150

2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee
Room JW216, State Capitol

HB 1150
3/9/2023

Relating to an exception to membership in the teachers' fund for retirement for retired military personnel.

9:00 AM Chair Roers opened the hearing. Present: Chair Roers, Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger.

Discussion Topics:

- Teaching opportunities
- Liability
- Rule of 90

Rep Thomas, Dist 6, bill sponsor testified in support #23327.

Ron Chittum, testified via TEAMS in support with no written testimony.

Janilyn Murtha, ND Teachers Fund for Retirement office, testified opposed #23273.

Dr. Aimee Copas, Dir ND Council Educational Leaders, testified opposed #22975.

Nick Archuleta, ND United, testified opposed with no written testimony.

9:44 AM Chair Roers closed the hearing.

Pam Dever, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee
Room JW216, State Capitol

HB 1150
3/10/2023

Relating to an exception to membership in the teachers' fund for retirement for retired military personnel.

10:57 AM Chair Roers opened committee work. Present: Chair Roers, Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger.

Discussion Topics:

- Committee action

Sen Lee moved a DO NOT PASS.

Sen Braunberger seconded the motion.

Senators	Vote
Senator Kristin Roers	Y
Senator Jeff Barta	Y
Senator Ryan Braunberger	Y
Senator Sean Cleary	AB
Senator Judy Estenson	Y
Senator Judy Lee	Y

ROLL CALL VOTE: YES – 5 NO – 0 Absent – 1 Motion PASSED

Sen Estenson will carry the bill.

11:00 AM Chair Roers adjourned the meeting.

Pam Dever, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1150: State and Local Government Committee (Sen. K. Roers, Chairman)
recommends **DO NOT PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB
1150 was placed on the Fourteenth order on the calendar. This bill does not affect
workforce development.

TESTIMONY

HB 1150



1 HB 1150

2 Testimony in Opposition

3 Chairman Heinert and members of the House Education committee, my name is Dr.
4 Aimee Copas, and I am the Executive Director for the North Dakota Council of
5 Educational Leaders representing school leaders across North Dakota.

6 Our opposition has nothing to do with the tremendous and unending respect that
7 NDCEL holds for all our individuals who serve our country. Our opposition is purely
8 from the standpoint of our position of protecting the TFFR fund and activities that are
9 in the best interest of ensuring the fund continues a pathway toward being fully funded
10 and one of those pathways as has been recommended continually by the SIB board and
11 those hired by our state to work as investors is to resist exemptions to those who are to
12 be in the fund.

13 TFFR is a very healthy fund, large in part to smart decisions made by the legislature
14 regarding infusions of dollars about 10 and 12 years ago and that each session as
15 exemptions are requested (regardless of how seemingly harmless they might be) they have
16 been denied. As a result of those fiscally sound decisions by the legislature, TFFR is very
17 healthy, especially as you consider it next to the other defined benefit plan in the state –
18 PERS which is under tremendous scrutiny this session. Furthermore, this was vetted by
19 the TFFR board, and they felt that exceptions are not congruent with their fiduciary duty
20 to the fund. The time to even consider these types of changes would be more appropriate
21 when the fund is 100% funded, not when it is still climbing back to fully funded status.

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Copas-----Government Lead and Special Projects: Kevin Hoherz



1 We would ask that this body recommend and continue to carry forth the tradition of
2 decisions that are in the best interest of the fund. It has been stated that once you open
3 the door to exemptions it is much like a crack in the Hoover Dam – if one drop of water
4 gets through the crack, it is hard to stop future leaks.

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Copas-----Government Lead and Special Projects: Kevin Hoherz

House Bill 1150
North Dakota Retirement and Investment Office (RIO) on behalf of the
Teachers' Fund for Retirement Board of Trustees
Opposition Testimony related to HB 1150 before the House Education
Committee
Representative Pat. D. Heinert, Chair
Representative Cynthia Schreiber-Beck, Vice Chair

Janilyn Murtha, JD, MPAP – Executive Director

I. Introduction

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers' Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

TFFR is a qualified defined benefit public pension plan. The program is managed by a seven-member board of trustees which consists of the State Treasurer, State Superintendent, two active teachers, two retired teachers and one school administrator all appointed by the Governor.

The plan covers North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions (43%) and investment earnings (57%). During the past decade, active membership has increased 16.4% from 10,138 to over 11,800 participants, while retirees and beneficiaries have increased 26.0% from 7,489 to over 9,400.

Our 2022 actuarial valuation projects the TFFR plan to reach 100% fully funded status by 2044. The successful funding path is largely attributable to the statutory changes to the plan, including the creation of a tiered benefit structure and increase in contributions passed by the Legislature in 2011.¹

II. Opposition Testimony relating to HB 1150

Opposition to HB 1150 should, in no way, be misconstrued as a lack of support for military veterans. The TFFR Board stands in staunch support of its military veterans and holds them and their service in the highest regard. The opposition of HB 1150 relates only to the concern that creating exemptions to retirement plan participation will erode the viability of the TFFR plan.

The TFFR Board of Trustees believes that defined benefit plans provide a valuable recruitment and retention tool for government entities when managed correctly and funded appropriately.

¹ H.B. 1134, 62nd N.D. Legislative Assembly (2011-2013).

TFFR employers are largely school districts which employ both TFFR and Public Employee Retirement System (PERS) members. The TFFR Board recognizes that public pension reform is a major topic under consideration by the 68th Legislative Assembly. H.B. 1039 and H.B. 1040 have been introduced and involve closing the PERS Main Defined Benefit Plan due to concerns over that plans unfunded liability. During the testimony of several individuals at the hearings on those bills last week it was noted that the PERS Main Defined Benefit Plan and the TFFR plan are currently on distinctly different funding paths. While the TFFR plan is projected to reach fully funded status by 2044,² the PERS Main Defined Benefit Plan is not projected to reach 100% fully funded status.³ The TFFR Board recognizes that TFFR's funding success is largely attributable to the plan design and contribution changes adopted by the Legislature through H.B. 1134 in 2011. We note that the changes proposed by HB 1039 and HB 1040 reflect an attempt to correct a funding shortfall for the PERS Main Defined Benefit Plan and hope that the public policy implications of these bills do not extend to defined benefit plans that are projected to reach 100% fully funded status such as the TFFR plan

The passing of H.B. 1134 in 2011 reflected a concerted effort on the part of our many members, stakeholder groups, and legislators to seek solutions and compromise on plan design changes that would support the TFFR program as a viable and valuable recruitment tool for our North Dakota educators. The success of those compromises is evidenced through TFFR's improved funding status and increased membership. Any exemption, including the one proposed in H.B. 1150, erodes the viability of the plan and the compromises reached in 2011.

In addition to these public policy implications there is an actuarial and fiscal impact to the fund and its administration. So long as the exemptions were not expanded, our actuaries estimated a relatively small group of our members would qualify resulting in a delay of approximately one week to reach fully funded status. Further, we have estimated an increased cost of approximately \$5000 in the next biennium to track and administer this exemption.

III. Summary

The TFFR Board observes that the legislature must pursue some type of change to address the PERS Main Defined Benefit Plan funding shortfall due in part to inaction in prior years. No action is needed to address the funding status of TFFR because of the actions taken by this legislature in 2011. We respectfully submit that the introduction of exemptions of any kind to participation in the fund by licensed teachers, regardless of how much we support and value those individuals, will nonetheless erode the work accomplished by the 62nd Legislative Assembly to the detriment of the retirement plan for all North Dakota educators. For these reasons the TFFR Board of Trustee's opposes H.B. 1150.

² 10-26-22 ND Legislature Employee Benefits Programs Committee meeting, Presentation by the Segal Group, Inc. regarding the July 1, 2022, actuarial valuation of TFFR, p. 28, 29.

³ 10-26-22 ND Legislature Employee Benefits Programs Committee meeting, Presentation by GRS regarding the July 1, 2022, actuarial valuation of PERS Main System, p. 33.



1 HB 1150

2 Testimony in Opposition

3 Chair Roers and members of the Senate Government committee, my name is Dr.

4 Aimee Copas, and I am the Executive Director for the North Dakota Council of

5 Educational Leaders representing school leaders across North Dakota.

6 Our opposition has nothing to do with the tremendous and unending respect that

7 NDCEL holds for all our individuals who serve our country. Our opposition is purely

8 from the standpoint of our position of protecting the TFFR fund and activities that are

9 in the best interest of ensuring the fund continues a pathway toward being fully funded

10 and one of those pathways as has been recommended continually by the SIB board and

11 those hired by our state to work as investors is to resist exemptions to those who are to

12 be in the fund.

13 TFFR is a very healthy fund, large in part to smart decisions made by the legislature

14 regarding infusions of dollars about 10 and 12 years ago and that each session as

15 exemptions are requested (regardless of how seemingly harmless they might be) they have

16 been denied. As a result of those fiscally sound decisions by the legislature, TFFR is very

17 healthy, especially as you consider it next to the other defined benefit plan in the state –

18 PERS which is under tremendous scrutiny this session. Furthermore, this was vetted by

19 the TFFR board, and they felt that exceptions are not congruent with their fiduciary duty

20 to the fund. The time to even consider these types of changes would be more appropriate

21 when the fund is 100% funded, not when it is still climbing back to fully funded status.

NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education for all students in North Dakota.

Executive Director: Aimee Copas-----Government Lead and Special Projects: Kevin Haberz



1 We would ask that this body recommend and continue to carry forth the tradition of
2 decisions that are in the best interest of the fund. It has been stated that once you open
3 the door to exemptions it is much like a crack in the Hoover Dam – if one drop of water
4 gets through the crack, it is hard to stop future leaks.

*NDCEL is the strongest unifying voice representing and supporting administrators and educational leaders in pursuit of quality education
for all students in North Dakota.*

Executive Director: Aimee Conas-----Government Lead and Special Projects: Kevin Haberz

House Bill 1150
North Dakota Retirement and Investment Office (RIO) on behalf of the
Teachers' Fund for Retirement Board of Trustees
Opposition Testimony related to HB 1150 before the Senate State and Local
Government Committee
Senator Kristin Roers, Chair
Senator Jeff Barta, Vice Chair

Janilyn Murtha, JD, MPAP – Executive Director

I. Introduction

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

TFFR is a qualified defined benefit public pension plan. The program is managed by a seven-member board of trustees which consists of the State Treasurer, State Superintendent, two active teachers, two retired teachers and one school administrator appointed by the Governor.

The plan covers North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions (43%) and investment earnings (57%). During the past decade, active membership has increased 16.4% from 10,138 to over 11,800 participants, while retirees and beneficiaries have increased 26.0% from 7,489 to over 9,400.

Our 2022 actuarial valuation projects the TFFR plan to reach 100% fully funded status by 2044. The successful funding path is largely attributable to the statutory changes to the plan, including the creation of a tiered benefit structure and increase in contributions passed by the Legislature in 2011.¹

II. Opposition Testimony relating to HB 1150

Opposition to HB 1150 should, in no way, be misconstrued as a lack of support for military veterans. The TFFR Board stands in staunch support of its military veterans and holds them and their service in the highest regard. The opposition of HB 1150 relates only to the concern that creating exemptions to retirement plan participation will erode the viability of the TFFR plan.

The TFFR Board of Trustees believes that defined benefit plans provide a valuable recruitment and retention tool for government entities when managed correctly and funded appropriately.

¹ H.B. 1134, 62nd N.D. Legislative Assembly (2011-2013).

TFFR employers are largely school districts which employ both TFFR and Public Employee Retirement System (PERS) members. The TFFR Board recognizes that public pension reform is a major topic under consideration by the 68th Legislative Assembly. H.B. 1040 proposes closing the PERS Main Defined Benefit Plan due to concerns over that plans unfunded liability. During the testimony of several individuals at the hearings on H.B. 1040 and related bills it was noted that the PERS Main Defined Benefit Plan and the TFFR plan are currently on distinctly different funding paths. While the TFFR plan is projected to reach fully funded status by 2044,² the PERS Main Defined Benefit Plan is not projected to reach 100% fully funded status.³ The TFFR Board recognizes that TFFR's funding success is largely attributable to the plan design and contribution changes adopted by the Legislature through H.B. 1134 in 2011. We note that the changes proposed by HB 1040 reflect an attempt to correct a funding shortfall for the PERS Main Defined Benefit Plan and hope that the public policy implications of these bills do not extend to defined benefit plans that are projected to reach 100% fully funded status such as the TFFR plan.

The passing of H.B. 1134 in 2011 reflected a concerted effort on the part of our many members, stakeholder groups, and legislators to seek solutions and compromise on plan design changes that would support the TFFR program as a viable and valuable recruitment tool for our North Dakota educators. The success of those compromises is evidenced through TFFR's improved funding status and increased membership. Any exemption, including the one proposed in H.B. 1150, erodes the viability of the plan and the compromises reached in 2011.

In addition to these public policy implications there is an actuarial and fiscal impact to the fund and its administration. So long as the exemptions were not expanded, our actuaries estimated a relatively small group of our members would qualify resulting in a delay of approximately one week to reach fully funded status.⁴ Further, we have estimated an increased cost of approximately \$5000 in the next biennium to track and administer this exemption.

III. Summary

The TFFR Board observes that the legislature must pursue some type of change to address the PERS Main Defined Benefit Plan funding shortfall due in part to inaction in prior years. No action is needed to address the funding status of TFFR because of the actions taken by this legislature in 2011. We respectfully submit that the introduction of exemptions of any kind to participation in the fund by licensed teachers, regardless of how much we support and value those individuals, will nonetheless erode the work accomplished by the 62nd Legislative Assembly to the detriment of the retirement plan for all North Dakota educators. The House Education subcommittee concurred with the position of the TFFR Board, and gave H.B. 1150 a Do Not Pass recommendation of 10-4-0. The committee recommendation was ultimately overturned on the House floor and H.B. 1150 passed 54-37. The TFFR Board of Trustee's opposes H.B. 1150 and respectfully requests a Do Not Pass recommendation.

² 10-26-22 ND Legislature Employee Benefits Programs Committee meeting, Presentation by the Segal Group, Inc. regarding the July 1, 2022, actuarial valuation of TFFR, p. 28, 29.

³ 10-26-22 ND Legislature Employee Benefits Programs Committee meeting, Presentation by GRS regarding the July 1, 2022, actuarial valuation of PERS Main System, p. 33.

⁴ 6-21-22 ND Legislature Employee Benefits Programs Committee meeting, actuarial analysis of proposed legislation.



North Dakota House of Representatives

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Representative Paul J. Thomas

District 6
P.O. Box 162
Velva, ND 58790-0162
paulthomas@ndlegis.gov

COMMITTEES:
Industry, Business and Labor
Agriculture, Chairman

March 8, 2023

Chair Roers and members of the Senate State and Local Government Committee

I am Representative Paul Thomas representing District 6 in North Central North Dakota. Bill number 1150 simply exempts a retired military service member who has served at least 20 years in any branch of the armed forces of the United States on full-time active duty and retired with full military retirement benefits before becoming a licensed teacher to be exempt from participating in the TFFR if they are in their first year of teaching.

A constituent in District 6 who is currently teaching asked me to bring this bill to the Legislature. In conversations with this retired military member as well as conversations I have previously had with school administrators in my district concerning the difficulty in hiring teachers piqued my interest to introduce this bill. I believe retired military personal in our region may have a growing interest in bringing their skill sets to potentially be teachers at our Career and Technical Education Centers. It is my understanding from the hearing and report we had in Employee Benefits Committee that this will have negligible effect on the solvency of the TFFR fund due to the very limited number of participants that will qualify for this narrow exemption.