



**Senate Government and Veterans Affairs Committee  
TESTIMONY IN SUPPORT OF HB1134**

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Chairman Dever, members of the Senate Government and Veterans Affairs Committee, for the record my name is Josh Askvig from the North Dakota Education Association (NDEA). On behalf of our 8,800 members including current public school teachers, retired teachers, students going into the profession of education, and also education support professionals (teacher aides, clerical staff, custodial staff, bus drivers, etc...), I rise today in support of HB1134.

Before I get into the reasons for our support I want to go on record stating our appreciation to the TFFR Board and staff, under the leadership of TFFR Board President and Minot teacher Mike Guessner and Deputy Executive Director Fay Kopp. As some of you know, HB1134 is the result of a very inclusive and exhaustive process facilitated by the TFFR Board and its staff, for which they should be highly commended. The way TFFR conducted this activity should be a model for all agencies in state government.

As you know from previous testimony in this committee, the NDEA believes that retirement should be a reward for a life's work. In order for it to be rewarding, your retirement funds must be safe and secure to retire. One should not have to fret about if they will have enough to get through the remaining days of his/her life, but should enjoy retirement with family and friends. That is why providing retirement security is the right thing to do. The best way to provide retirement security is to ensure that ALL North Dakotans have strong defined benefit retirement plans.

As the NDEA studied the TFFR funding shortfall we judged all efforts to fix this problem on four criteria: 1) we want to preserve the defined benefit for current and future members; 2) we want to avoid drastic benefit changes; 3) we want to minimize member contribution increases; and 4) we want to maintain the two percent multiplier. **HB 1134 meets these objectives!**

The Representative Assembly, the ultimate governing body of the NDEA, voted in overwhelming support of the TFFR approach to fixing the funding problem at its Representative Assembly in April 2010. Members accepted the contribution increase contemplated in this bill as their part of a solution to this problem. They further accepted that a decrease in the benefit, which is manifested in the raising of the unreduced retirement age, is also necessary for them to be a part of the solution to this problem. NDEA members support the "grandfathering" language as the only fair means of giving vested members of TFFR within ten years of the current unreduced retirement age an opportunity to prepare for a change in their retirement plans.

NDEA members could have taken the easy road and voted for no change for currently vested members, passing the solution to this problem on to future generations of teachers who would never know the benefits that current members are prepared to sacrifice to keep for them. However, they realize that in spite of significant efforts in recent years by the Legislative Assembly, North Dakota teacher salaries are likely to remain in the bottom 10 percent of the nation for years to come. They believe that one of the ways to compensate for those low salaries is to have a viable, sustainable defined benefit retirement plan. HB1134 helps to assure that benefit will be there for current and future generations of North Dakota teachers.

This defined benefit plan is good not only for teachers, but it is good for local North Dakota economies as well. As you can see on the attached handout from the National Institute on Retirement Security (NIRS), a non-partisan, not-for-profit organization established to contribute to informed

policymaking by fostering a deep understanding of the value of retirement security, estimates that in 2006, for every dollar that was invested in PERS and TFFR, the state got back \$9.33 in economic activity. That's because our retirees tend to stay in this state when they retire. Having a safe and secure retirement when they stay here, they continue to own houses, purchase automobiles, refrigerators and other consumer goods that stimulate business growth, especially in our smaller communities. NIRS also estimates that each dollar paid out in the state pension plans generated \$1.24 of economic activity in the state. A solid defined benefit retirement plan enables our retired teachers to be six times less likely than those who do not have a defined benefit retirement to require public assistance in their retirement, according to NIRS.

Mr. Chairman and members of the committee I would be remiss if I didn't mention our concerns about an amendment the other chamber added. We ask that you remove the House amendment contained in Section 2 subsection 2 on page 2 line 20. This language undermines locally agreed contracts and also causes potential tax implications for our members and school districts.

For example, West Fargo school district pays both the employer and employee share of the TFFR contributions. When this was agreed to it was done in lieu of some salary increases. This amendment negates the local agreement and will likely increase the taxable wages for about 4,000 TFFR members and 93 school districts. I have attached an example that TFFR helped us calculate regarding West Fargo. As you can see from that attachment, it could cost just the school district roughly \$49,000 a year, the cost of about 1 teacher. Further, a teacher making \$40,000 would end up paying an additional \$219.37 per year in taxes as well. It is clear this isn't good for schools, it isn't good for teachers, and we ask that it be removed.

In closing, the members of the NDEA voted overwhelmingly to support the solution to the TFFR funding problem as found in HB1134. Our members willingness to accept a contribution increase, which results in a reduction in

take-home pay, as well as a willingness to accept a benefit reduction in the form of increasing the age for an unreduced retirement is indicative of their desire to preserve the current TFFR defined benefit retirement program. Additionally, the Interim Legislative Employee Benefits and Programs Committee voted unanimously to give this legislation a FAVORABLE recommendation to the 62<sup>nd</sup> Legislative Assembly.

Again, the NDEA asks that you remove the language in Section 2 subsection 2 and then urges the committee to give it a DO PASS recommendation.

Thank you for your time today and I would be happy to answer any questions.