

TESTIMONY OF SCOTT MILLER

Senate Bill 2043 – Highway Patrol Retirement Plan Contribution Increase

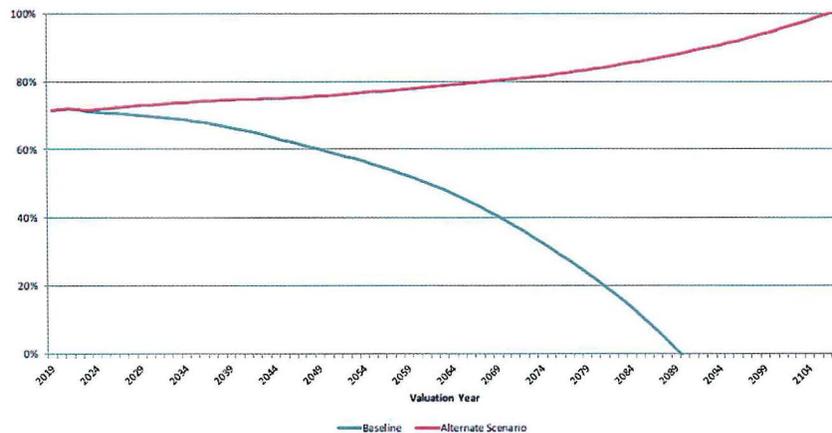
Good Morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I appear before you today in support of Senate Bill 2043.

Senate Bill 2043 proposes to increase the employer contribution to the Highway Patrol Retirement Plan by 2% a year for two consecutive years, starting in January of 2022. The Highway Patrol asked the NDPERS Board to submit this bill on their behalf, and the Employee Benefits Programs Committee gave it a favorable recommendation.

The reason for this bill is that the Highway Patrol Plan is significantly underfunded and is never projected to become 100% funded. In fact, the Highway Patrol Plan is projected to run out of money to pay benefits in 2090. The Plan would then become a pay-as-you-go retirement plan, completely dependent on Legislative appropriations every biennium to pay benefits.

The current statutory contribution rate of 19.70% is 14.07% below the Actuarially Determined Contribution (ADC) rate of 33.77% (note the Highway Patrol does not participate in Social Security, and so this is their only retirement plan, with a higher multiplier than the Main PERS Plan). Two, 2.0% increases will not be a miracle cure for this plan – we would still be over 10% below the ADC rate. However, instead of running out of money to pay benefits in 2090, the Plan would be on course to becoming fully funded in 2107, as you can see in the below graph.

Highway Patrol Projected Funded Ratio
Based on Updated Assumptions Adopted by the Board
Under Baseline and Alternate Scenario (Additional 2.00% Employer Contribution
Beginning January 1, 2022 and Another 2.00% Beginning January 1, 2023)



I have provided additional information on the plan for the Committee's use below. This concludes my testimony. I ask for your favorable consideration of this bill. I would be happy to answer any questions you may have.

PLAN	VESTING	CONTRIBUTION RATE	FAS	RULE	EARLY RETIREMENT	NORMAL RETIREMENT	BENEFIT CALCULATION FAS X Multiplier X YOS
Highway Patrol	120 months or age 55 while actively employed	13.3% - EE 19.7% - ER 1.14% - RHIC	Highest 36 of last 180 mo. averaged as of 12/31/2019 or 3 highest 12-mo consecutive periods	80	50 6% reduction/year	55 or Rule of 80 (Mandatory retirement at age 60)	3.6% Multiplier for the first twenty-five (25) years 1.75% Multiplier for years above twenty-five (25)

HP Contributions	Date of Change				
	1/1/2014	1/1/2013	1/1/2012	8/1/2009	Prior to 8/1/2009
Employee*	13.30%	12.30%	11.30%	10.30%	10.30%
Employer	19.70%	18.70%	17.70%	16.70%	16.70%
RHIC	1.14%	1.14%	1.14%	1.14%	1.00%
Total	34.14%	32.14%	30.14%	28.14%	28.00%

*State pickup of employee contribution is 4%

PERS Investment Returns (Net of Fees)	Calendar									
	Year Ending									
	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
PERS Actual (Net of Fees)	12.2%	18.0%	-4.1%	17.2%	7.1%	0.5%	6.0%	16.6%	13.4%	-0.8%
PERS Policy Benchmark	12.0%	17.4%	-3.2%	14.2%	7.2%	0.1%	5.2%	15.3%	12.5%	0.4%

PERS Investment Returns (Net of Fees)	Fiscal Year									
	Ending									
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011
PERS Actual (Net of Fees)	3.4%	5.5%	9.2%	13.1%	0.3%	3.5%	16.4%	13.4%	-0.1%	21.3%
PERS Policy Benchmark	3.2%	6.4%	7.9%	11.9%	0.6%	2.2%	15.7%	11.8%	1.1%	20.6%

PERS Investment Returns (Net of Fees)	5 Years	10 Years	20 Years	30 Years
	Ending	Ending	Ending	Ending
	12/31/2020	12/31/2020	12/31/2020	12/31/2020
PERS Actual (Net of Fees)	9.77%	8.34%	6.61%	8.35%
PERS Policy Benchmark	9.27%	7.88%	6.60%	8.21%

PERS Investment Returns (Net of Fees)	5 Years	10 Years	20 Years	30 Years
	Ending	Ending	Ending	Ending
	6/30/2020	6/30/2020	6/30/2020	6/30/2020
PERS Actual (Net of Fees)	6.20%	8.38%	6.61%	8.35%
PERS Policy Benchmark	5.90%	7.93%	6.60%	8.21%

	Valuation as of July 1, 2019	Valuation as of July 1, 2020
Actuarial Accrued Liability		
Active Members	\$ 40,020,230	\$ 46,649,707
Inactive Members (Vested and Non-Vested)	5,567,673	7,185,842
Retired Members and Beneficiaries	60,727,127	65,448,347
Total	106,315,030	119,283,896
Actuarial Value of Assets	\$ 80,902,296	\$ 84,875,194
Unfunded Actuarial Accrued Liability	\$ 25,412,734	\$ 34,408,702
Funded Ratio (Actuarial Value of Assets)	76.1%	71.2%