



RETIREMENT COMMITTEE

Tuesday, April 30, 2024
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Jason Dockter, Chairman, called the meeting to order at 10:00 a.m.

Members present: Representatives Jason Dockter, Jorin Johnson, Mike Lefor, Scott Louser, SuAnn Olson, Mitch Ostlie, Brandy Pyle, Bernie Satrom, Austen Schauer, Greg Stemen; Senators Randy A. Burckhard, Dick Dever, Karen K. Krebsbach*, Dean Rummel, Shawn Vedaa, Mark F. Weber

Members absent: None

Others present: Senator Brad Bekkedahl, Williston, member of the Legislative Management

DeAnn Ament, Public Finance Authority; Jessica Cameron Mitchell, PFM Financial Advisors, LLC; Vasudevan Sridharan and Maik Mueller, Sagitec Solutions, LLC; and Kelly Bush, Dan Morrison, Amy Butterfield, and Michela Palmer, Empower

See Appendix A for additional persons present.

*Attended remotely

It was moved by Senator Burckhard, seconded by Representative Schauer, and carried on a voice vote that the minutes of the February 7, 2024, meeting be approved as distributed.

Chairman Dockter noted the committee previously approved ~~two~~ directives to:

- Request approval from the Chairman of Legislative Management to form a subcommittee to make recommendations to the full committee regarding concerns the Public Employees Retirement System (PERS) wishes to have addressed; and
- Recommend the PERS ~~b~~Board seek an Attorney General opinion to interpret the use of the word "shall" in North Dakota Century Code Section 54-52-02.15.

Chairman Dockter noted a consensus was reached among various groups, making it unnecessary to form a subcommittee or seek an Attorney General opinion.

PUBLIC FINANCE AUTHORITY

Ms. DeAnn Ament, Executive Director, Public Finance Authority, presented information (Appendix B) regarding current bond rates; and market conditions; and future bonding options. She ~~noted~~reviewed:

- ~~There are several~~The types of bonds ~~types~~, including appropriation, moral obligation, revenue, and general obligation bonds.
- ~~Various~~The types of bonds issued by North Dakota ~~with~~and the corresponding issuer credit ratings.
- The different benefits of tax-exempt and taxable bonds.

Ms. Jessica Cameron Mitchell, Managing Director, PFM Financial Advisors, LLC, presented information (Appendix C) regarding pension obligation bonds, and the potential risk and budget savings if pension obligation bonding is used to address the unfunded liability of the PERS defined benefit (DB) retirement plan. She noted pension obligation bonds:

- Are a risk-bearing arbitrage strategy between the cost of financing and the long-term return on investment.
- May create budgetary cash flow savings by reducing the unfunded liability associated with a plan and replacing the unfunded actuarially accrued liability amortization payments with lower levels of debt service.
- Carry several risks, including failing to achieve the target investment rate that would create cost savings.

In response to a question from a committee member, Ms. Mitchell noted:

- ~~she was~~ She is not recommending North Dakota issue pension obligation bonds to address the unfunded liability of the DB retirement plan. ~~Instead, her~~
- Her intent is to provide general education regarding how a pension obligation bond strategy may work.
- ~~She noted it~~ It would take more analysis and discussion to formulate a recommendation as to whether issuing pension obligation bonds is the correct strategy for the state.

The committee discussed using bonding to address the unfunded liability of the DB retirement plan. Some members expressed concerns with using certain types of bonds, while others noted that receiving additional information regarding bonding in the current market would be helpful. The committee requested Ms. Mitchell work with the Public Finance Authority and PERS to provide the committee with additional information regarding bonding in the current market, including scenarios based on applicable assumptions, at the next committee meeting.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Agency Update

Mr. Derrick Hohbein, Chief Operating and Financial Officer, Public Employees Retirement System, presented information (Appendix D) regarding implementing House Bill No. 1040 (2023). He noted:

- PERS is editing the new defined contribution (DC) retirement plan document.
- PERS is coordinating with political subdivision programmers regarding the transition to the new DC retirement plan.
- On March 12, 2024, the PERS ~~b~~Board approved a draft administrative rule to define "state governmental unit" and "state employer" as state entities that receive budget approval from the Legislative Assembly, including entities with continuing appropriation authority, for purposes of clarifying employer obligations and determining employee eligibility. The draft rule will be presented to the Administrative Rules Committee for approval.
- Effective July 1, 2024, Empower will replace TIAA as the new recordkeeping service provider for the DC retirement plan.

Vendor Update

Mr. Vasudevan Sridharan, Executive Director, and Mr. Maik Mueller, Deputy Manager, Sagitec Solutions, LLC, presented an update (Appendix E) regarding the status of the PERS system upgrades and programming changes necessary to transition to the new DC retirement plan. Mr. Mueller noted:

- The new DC retirement plan was created in PERSLink.
- The modification rules for enrollment in the new DC retirement plan, including the employee contribution

election, are completed, along with payroll reporting interface file changes to accommodate employer contribution matching.

- System validation of the actuarially determined employer contribution ~~(ADEG)~~ rates for the DB retirement plan is partially completed.

~~The committee continued its discussion regarding using bonding to address the unfunded liability of the DB retirement plan. Some members expressed concerns with using certain types of bonds, while others noted that receiving additional information regarding bonding in the current market would be helpful.~~

Mr. Kelly Bush, Executive Sponsor, Government Markets, Mr. Dan Morrison, Executive Vice President, Head of Government Markets, Ms. Amy Butterfield, Lead Consultant, Implementation, and Ms. Michela Palmer, Lead Communications Strategist, Government Markets, Empower, presented information (Appendix F) regarding services provided, experience with government defined contribution plans, conversion strategy from TIAA to Empower, member engagement, and plans for the administration of the new DC retirement plan. They noted:

- The conversion from TIAA to Empower is expected to be completed by July 1, 2024.
- In preparation for the transition to the new DC retirement plan, Empower will engage members ~~in various ways, including~~ using on-site education, presentations, brochures, emails, postcards, service center support, and web messaging.
- Engagement efforts will include a focus on plan features, investment options, account management, and the benefits of using the ~~deferred compensation~~ DC plan.

In response to a question from a committee member, Mr. Hohbein ~~explained that~~ noted a political subdivision with its own deferred compensation plan has the option of maintaining that plan or joining the PERS deferred compensation plan.

A committee member noted the Administrative Rules Committee recognizes the importance of aligning the effective date of administrative rule changes relating to PERS with the timeline for transition to the new DC retirement plan on January 1, 2025.

In response to a question from a committee member, Ms. Rebecca Fricke, Executive Director, Public Employees Retirement System, noted the process to change administrative rules relating to PERS is underway and timely moving forward.

No further business appearing, Chairman Dockter adjourned the meeting at 1:58 p.m.

Beth Dittus
Counsel

Levi Kinnischtzke
Senior Fiscal Analyst

ATTACH: 6