

TESTIMONY OF NDPERS

House Bill 1023

Good afternoon Mr. Chairman, members of the committee, my name is Rebecca Fricke, Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. With me today is Derrick Hohbein, the Chief Operating & Financial Officer of NDPERS. I am here today to provide you with an overview of our agency. Derrick will provide an overview of our work efforts and an overview of our budget request.

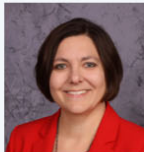
Agency Overview

First let me start by providing an overview of our agency. NDPERS is directed by an eleven member Board composed of the following members:

NDPERS BOARD



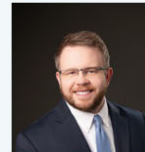
Mike Seminary
Chair



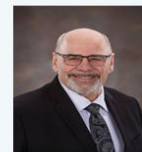
Casey Goodhouse
Member Elected



Adam Miller
Member Elected



Tyler Erickson
Member Elected



Bryan Klipfel
Governor Appointee



Jeffrey Volk
Governor Appointee



Gerald Buck
Governor Appointee



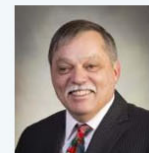
Representative
Greg Stemen



Representative
Jason Dockter

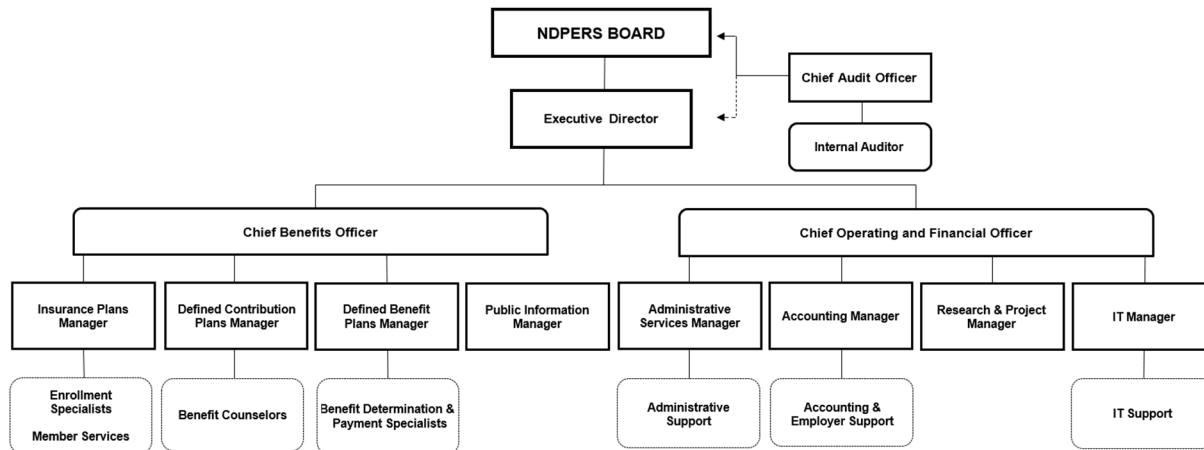


Senator
Kyle Davison



Senator
Dick Dever

The Board oversees a staff that has the following administrative structure:



The Board oversees the administration of the following North Dakota Century Code chapters: 39-03.1 (Highway Patrol Retirement), 52-11 (Job Service Retirement Plan), 54-52 (Main PERS Plan), 54-52.1 (Group Insurance Program), 54-52.2 (Deferred Compensation Plan), 54-52.3 (Pretax Benefits Program), and 54-52.6 (Defined Contribution Retirement Plan). As you can see, the NDPERS program responsibilities fall under two broad categories – retirement and group insurance.

Section 54-52-02 states that the overall mission for the retirement program is “to provide for the payment of benefits to state and political subdivision employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women.” Similarly, section 54-52.1-02 establishes the overall mission for the group insurance plan as follows: “In order to promote the economy and efficiency of employment in the state’s service, reduce personnel turnover, and offer an incentive to high grade individuals to enter and remain in the service of state employment, there is created a uniform group insurance program”.

Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

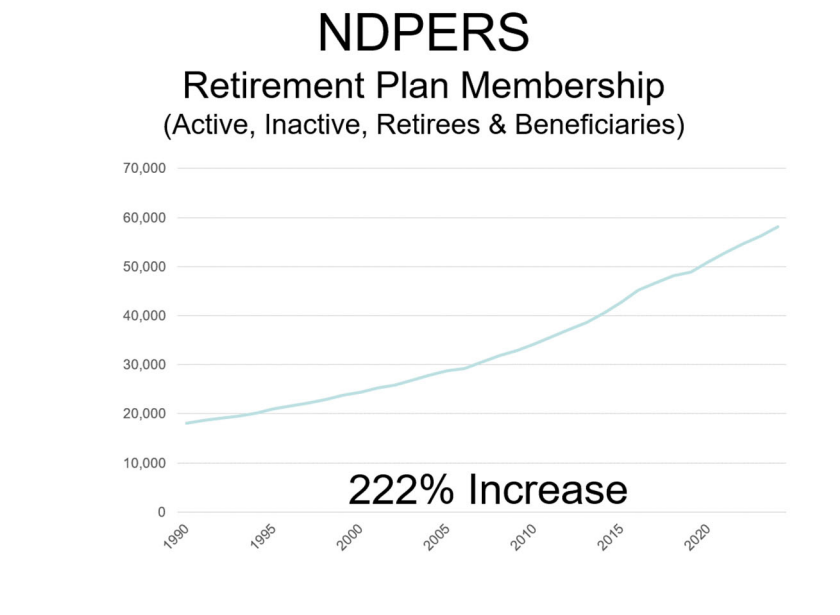
January 2025	RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS								
	<i>TOTAL</i>	<i>Main</i>		<i>Public</i>	<i>Highway</i>	<i>Job</i>	<i>DEFINED</i>	<i>DEFERRED</i>	<i>HEALTH</i>
	<i>RETIREMENT</i>	<i>System</i>	<i>Judges</i>	<i>Safety</i>	<i>Patrol</i>	<i>Service</i>	<i>CONTRIBUTION</i>	<i>COMP</i>	<i>CREDIT</i>
									<i>(RHIC)</i>
PARTICIPATING EMPLOYERS									
State	100	100	1	2	1	1	99	101	100
Counties	52	52		41			49	30	52
School Dist	132	132					116	42	132
Cities	102	102		32			87	62	102
District Health Units	21	21					20	16	21
Others	75	75		6			51	50	75
TOTAL	482							301	482
EMPLOYEES									
State	10,834	10,443	58	84	165	1	83	7,626	6,955
Counties	4,444	3,468		975			1	846	2,979
School Dist	7,638	7,637					1	127	3,442
Cities	3,079	2,389		689			1	571	1,958
District Health Units	267	267						200	175
Others	699	671		28				176	344
Subtotal	26,961	24,875	58	1,776	165	1	86	9,546	15,853
Retirees	14,598	14,119	44	177	119	109	30		14,131
Subtotal	41,559	38,994	102	1,953	284	110	116	9,546	29,984
Deferred Members	18,867	17,898	4	821	57	0	87	8,916	14,835
TOTAL	60,426	56,892	106	2,774	341	110	203	18,462	44,819

NDPERS is responsible for the administration of nine different retirement programs. The Job Service Retirement Plan was assigned to our agency by the 2001 legislative assembly. The Public Safety Plan for political subdivisions was added by the 2003 legislative assembly and is divided into two plans, those with past service and those without.

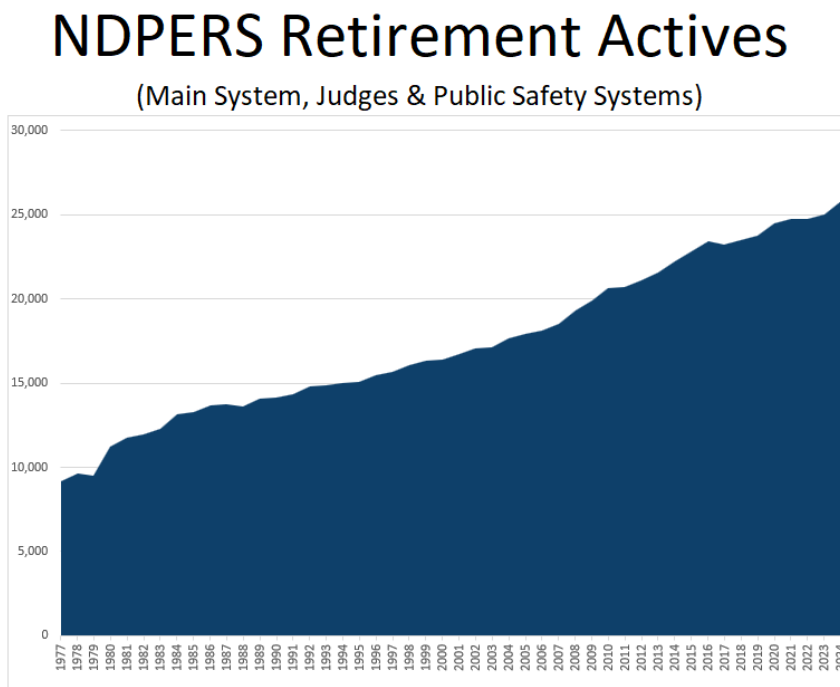
The largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the State, but also to political subdivisions. In this plan, about 40% of the active members are State employees and 60% are political subdivision employees. Effective January 1, 2025, this plan was closed to new participants and a new tier within our existing Defined Contribution plan will be the primary retirement plan for new hires in the future.

School districts are the second largest group followed by counties and cities. We continue to see growth as a result of political subdivisions joining the retirement plan. In the last two years we have added 11 new employer groups into our retirement plans.

Some historical statistics about the retirement plan include membership:



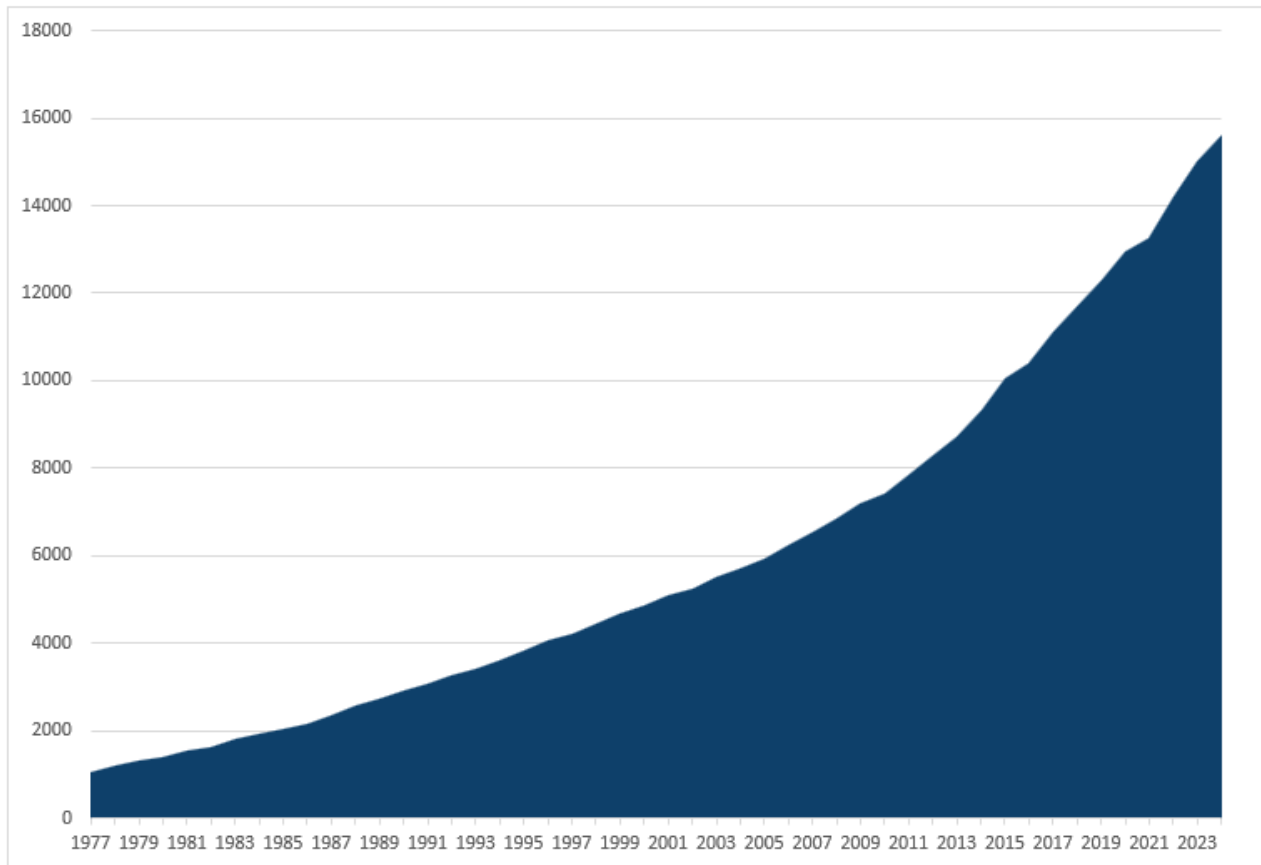
Of this, the number of active members has grown:



The number of retired members has grown as well, and at an even greater rate than our active members:

NDPERS Retirement Retirees

(Main System, Judges & Public Safety Systems)

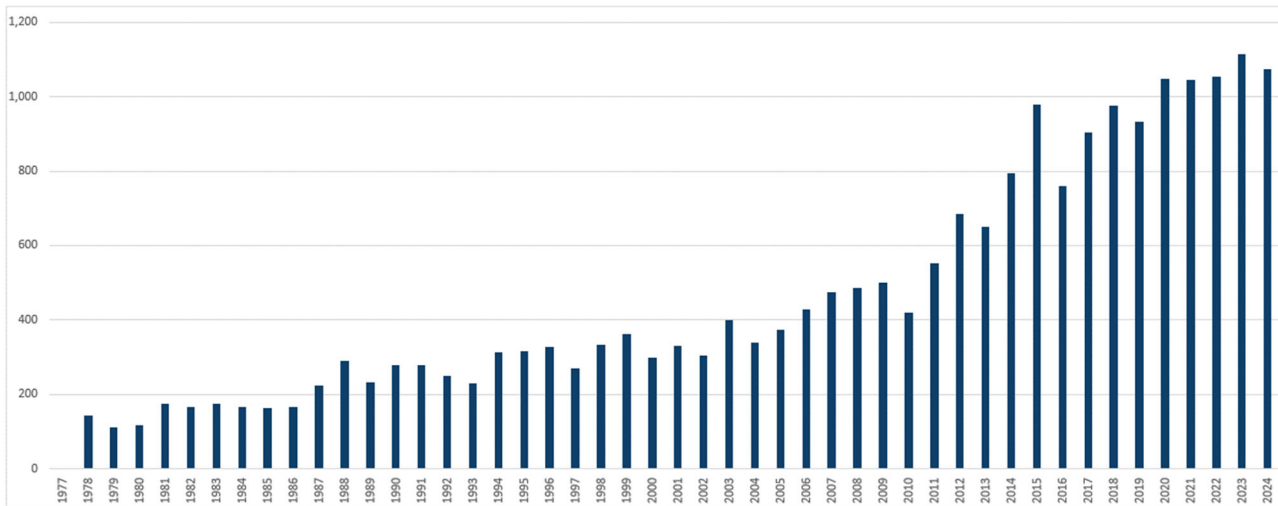


Another interesting statistic about the retirement plan is that since 1977 the NDPERS plan has received approximately \$3.23 billion in contributions and as of the October 2024 we had \$4.50 billion in assets. During that same period we paid out about \$3.46 billion in benefits.

The number of new retirees each year continues to grow. The table below shows that in the last three fiscal years (July – June) there were 1,054, 1,114, and 1073 new retirees.

NDPERS New Pensions

(Main System, Judges & Law Enforcement Systems)

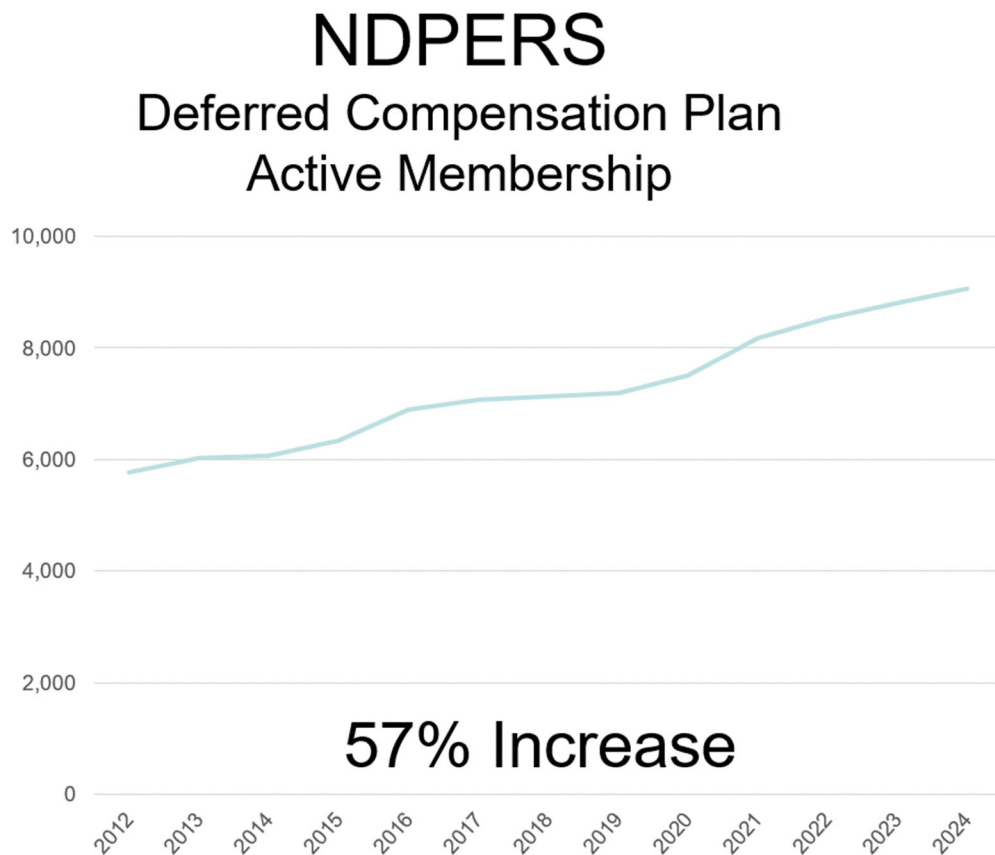


As we look to the future, we see the retired membership continuing to grow and the number of active members reducing due to the closing of the Main System to new participants effective January 1, 2025. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

Main System				
		Age 65	Rule of 85	Total
Currently Eligible as of:	June 30, 2024	1,168	1,011	2,179
Newly Eligible as of:	June 30, 2025	323	249	572
	June 30, 2026	330	260	590
	June 30, 2027	345	284	629
	June 30, 2028	379	251	630
	June 30, 2029	386	264	650
Grand Total		2,931	2,319	5,250

Servicing the present and future needs of the retired membership is a growing challenge for NDPERS. Another challenge is ensuring that new participants in the Defined Contribution Plan are adequately saving for their retirement and making investment selections that will meet their needs throughout their retirement years.

In addition to the administration of the traditional retirement plans, NDPERS administers the 457 Deferred Compensation Plan, which is the state's supplemental savings program. The membership in that program has also grown over the years as shown below:



We are pleased by this growth since it is important that our members have supplemental savings for retirement. During our annual benefit enrollment period conducted each Fall, we include targeted messaging to encourage members to take action to provide for a more secure financial future. In 1999, the Legislature enacted the Portability Enhancement Provision, or PEP, in our Main retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings through the Deferred Compensation Plan.

The investment and recordkeeping services for the NDPERS Companion Plan are currently provided by Empower. The Deferred Compensation Plan offers our members eight other providers to choose from in addition to the PERS Companion Plan:

Bravera Wealth	Jackson National (closed to new entrants)
AXA Equitable (closed to new entrants)	Nationwide Life
Bank of North Dakota	VALIC (closed to new entrants)
Mass Mutual (closed to new entrants)	Waddell & Reed (closed to new entrants)

Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

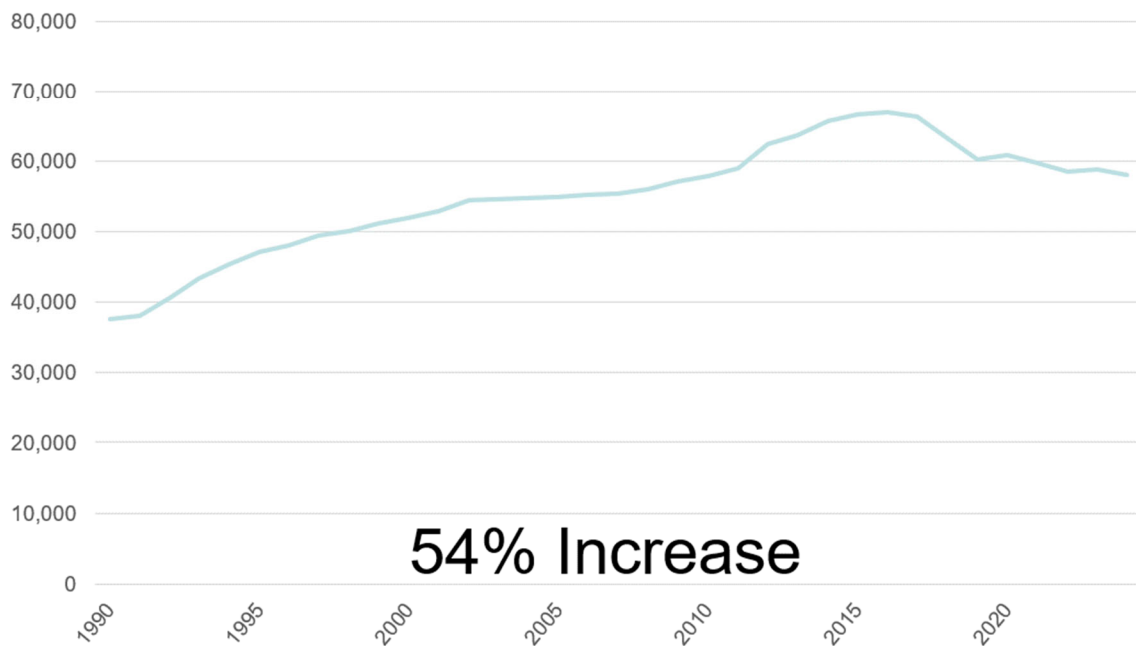
January 2025	GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS					
	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>
PARTICIPATING EMPLOYERS						
State	101	100	101	101	99	89
Counties	26	33				
School Dist	14	5				
Cities	28	28				
District Health Units	19	21	21	21	21	5
Others	32	18				
TOTAL	220	205	122	122	120	94
EMPLOYEES						
State	14,964	15,893	10,438	10,391	15,932	2,802
Legislators	117	134				
Counties	1,395	3,003				
School Dist	703	98				
Cities	658	259				
District Health Units	218	268	108	112	267	57
Others	249	187				
Retirees	6,585	3,083	4,791	4,554		
COBRA	106		50	42		
TOTAL	24,995	22,925	15,387	15,099	16,199	2,859
Covered Lives	59,116					

The group health and life insurance programs have been a part of the agency since the early 1970s. In the late 1990's the Employee Assistance Program, Dental Plan and Vision Plan were added to PERS. The FlexComp Program has been a part of the agency since 1989 and allows members to pretax eligible insurance premiums, dependent care expenses, and medical expenses.

As you will note, the largest responsibility in this area is the health plan. In this program about 60% of members are state employees and 40% are political subdivisions or other groups such as retirees. We continue to focus on compliance with the Affordable Care Act (ACA), which includes maintaining the grandfathered status of the plan, assisting our participating employers with compliance, and conducting a special enrollment each year for temporary employees.

The following table shows the history of the membership in the health plan:

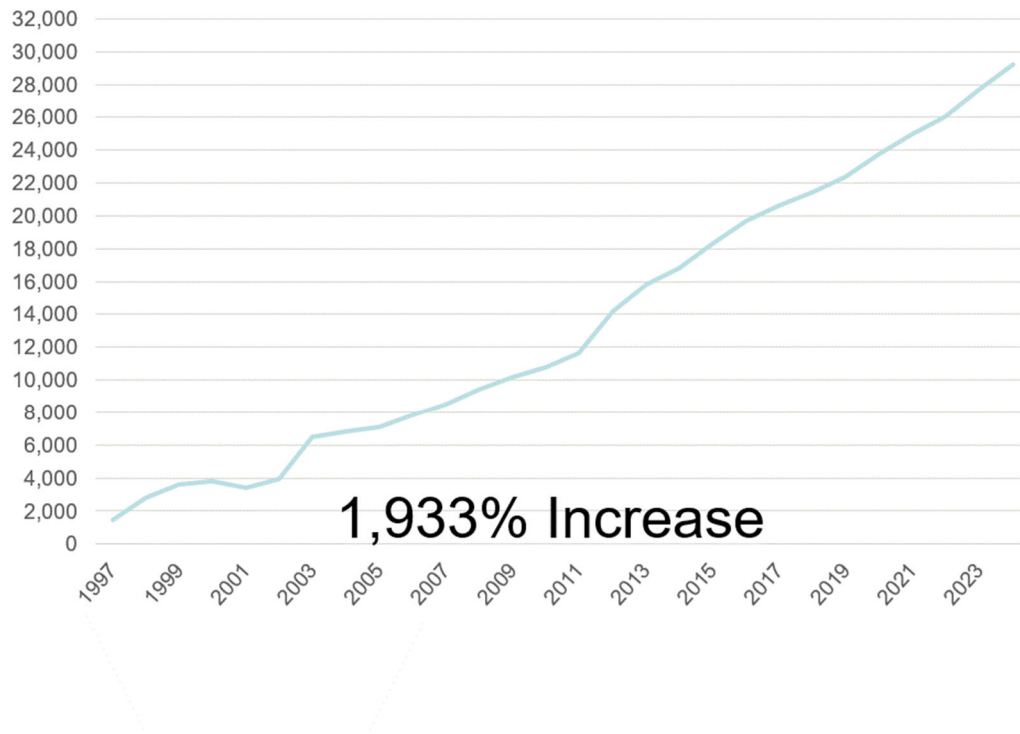
NDPERS Health Plan Membership



This plan was last bid in 2020, and the NDPERS Board awarded the contract to Sanford Health Plan under the same hybrid fully-insured/self-insured arrangement that we have had for many years. However, we are pleased to report that as part of this last renewal, Sanford Health Plan agreed to no longer share in any profits and therefore, NDPERS will receive 100% of these should the claims experience be less than the premiums paid.

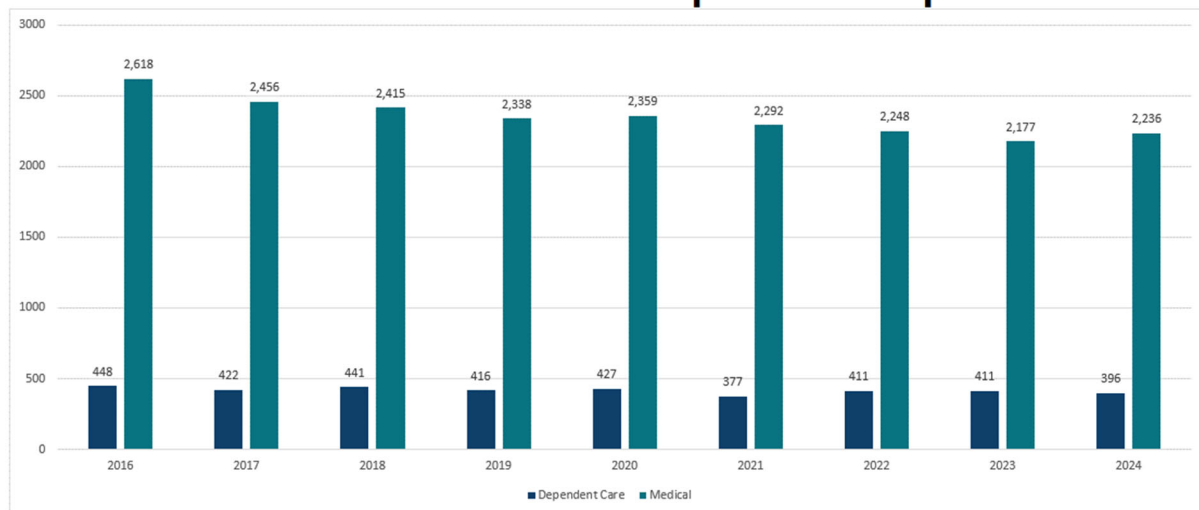
The following table shows the history of the voluntary programs. This program area continues to see significant growth.

NDPERS Voluntary Insurance Plans Membership (Dental and Vision)



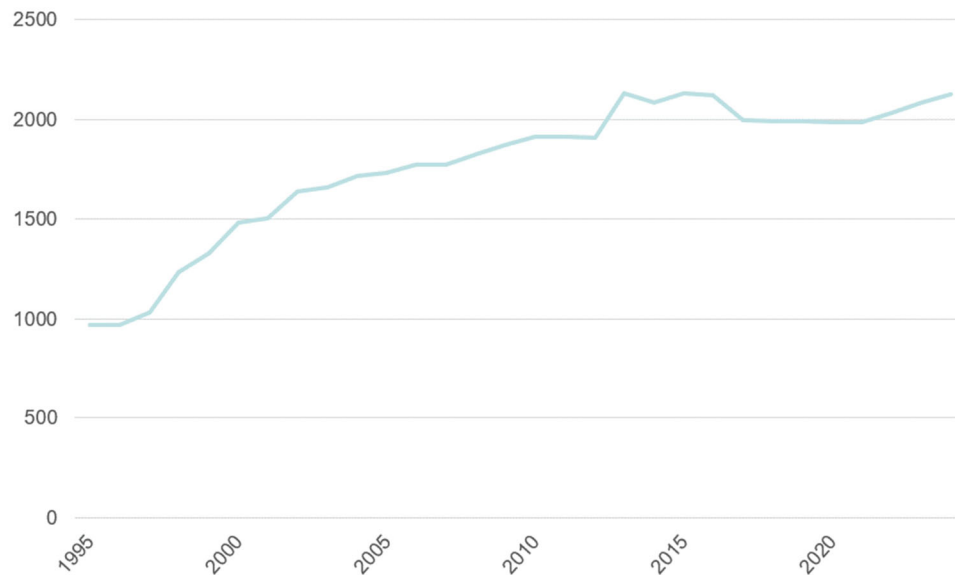
The following tables show the history of the number of members in the FlexComp program:

NDPERS Flexcomp Participation



While we have been serving more members in more programs over time, we have also been serving more employers as they join NDPERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):

NDPERS Participating Employers (All Programs)



As shown above, NDPERS has faced two challenges over the years: the growth of program responsibilities, and the growing membership needs for assistance.

We are also concerned with maintaining the quality of what we do. To that extent, we have sought national review of our systems and other reviews as noted in the following:

- We have received the Public Pension Achievement Award and the Recognition Award for Administration.
- We have received the Certificate of Achievement for Excellence in Financial Reporting for the past 28 years (1996-2023).
- We have had unqualified audit opinions for over 32 years.
- We received favorable IRS determination letters for the PERS and Highway Patrol Retirement Plans.

In addition, we provide our members who request information from our office the opportunity to evaluate our customer service. Our average ratings for the past 8 years show overall satisfaction with our customer service.

The ratings are shown below based on a scale of 1-4, with 4 being the most satisfied:

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022	2,017	3.72	3.48	3.59	3.53
2023	2,287	3.78	3.56	3.69	3.64
2024	2,259	3.77	3.60	3.67	3.63

Work Efforts

Following are some of the major work efforts since we last reported to you in the 2023 session:

- Retirement
 - Closed the Main Defined Benefit Plan to new hires effective January 1, 2025
 - Updated our business system to accommodate Federal W-4P requirement changes
 - Analyzed Federal requirements for the passage of Secure 2.0
 - Went out to bid and selected a new record keeper for our Defined Contribution and Deferred Compensation Companion Plans
 - Implemented contribution increases in our Public Safety Plans to ADEC rates
- Group Insurance
 - Renewed our Medicare Part D contract with the incumbent providers
 - Went out to bid for our Life and Vision Insurance providers and selected the incumbent provider with enhanced benefits at a reduced premium
 - Renewed with Sanford Health Plan to continue the hybrid fully insured/self-insured arrangement that exists today
 - Went out to bid for our FlexComp provider and selected the incumbent provider
 - Went out to bid for our Dental provider and selected the incumbent provider
- Administrative Accomplishments
 - Upgraded the servers that our business system resides on
 - Converted historical microfiche records into an electronic format
 - Implemented a sealed envelope policy in our office
 - Began an initiative to embed forms into correspondence generated by staff
 - Developed a process to allow temporary employees the ability to enroll in health insurance electronically
 - Developed a process to allow employers to do an electronic ACA certification of temporary employees
 - Revamped the login process to provide members a more secure portal
 - Upgraded our call center software

Three-Year Strategic Plan

The agency conducts operates under a Board approved, three year strategic plan. The current strategic plan, with initiatives through 2027 is included below:

Goal	Division(s) Involved	2024	2025	2026	2027
Accuracy Improvement	All NDPERS Staff	In Process	X	X	X
Procedure Manual Documentation	All NDPERS Staff	In Process	X	X	X
Renewal/RFPs	Executive Director Benefits Research & Planning COO/CFO More staff involved and larger work effort for RFP process vs rebid.	DONE	X		X
Vision			X		X
RHIC			In Process	X	X
Medicare Part D			In Process		X
EAP		DONE		X	
Consultant - Actuary			X		X
Consultant - Health Plan		DONE		X	
Health				X	
Dental		DONE	X		X
457/DC Third Party Administrator				X	
Flexcomp Third Party Administrator				X	
Consultant - Dental, Vision, Life				X	
Consultant - Investment		DONE		X	
Life		DONE		X	
Education Campaign		DONE	X	X	X
Employers		DONE	X	X	X
Legislators		DONE	X	X	X
Members					
Succession Planning:	All NDPERS Staff	In Process	X		
Admin Services		X	X		
CFO		X	X		
CBO					
Educational Videos for Website	Communications/Benefits	In Process	X	X	X
Correspondence Embedding	Benefits & IT	In Process	X		
Electronic Records Cleanup	Admin Services/IT	In Process	X		
Develop an Employee Handbook	Admin Services	X	X		
Comprehensive Wizards	All NDPERS Staff	In Process	X		
System Enhancement Backlog	All NDPERS Staff	In Process	X	X	X
Workflow Redesign (BPM)	All NDPERS Staff	X	X	X	X
Lifecycle Training Recordings	All NDPERS Staff	In Process	X	X	
OCR for Scanning Efficiencies	Admin Services/IT	X	X		
Redefining Mission Statement	All NDPERS Staff	DONE			
Death Processing Accuracy Improvement	All NDPERS Staff	In Process	X		
Board Committee Charter & Bylaws Creation	All NDPERS Staff	DONE			
DB Closure Initiative	All NDPERS Staff	In Process	X		
Secure 2.0 & Roth 457 Provisions	All NDPERS Staff	X	X		
Create Board Operational Policies	All NDPERS Staff		X	X	

PERS Budget

2023-25 Budget. The NDPERS budget is all special funds. This biennium we do have one-time funding expenses for which we would like to provide updates.

Last session, NDPERS received \$125,00 to add an additional developer to help us address the backlog of system enhancements our agency has, to develop comprehensive new hire and annual enrollment wizards, and to help us redesign the workflows within our agency.

NDPERS also received some one-time funding as part of HB 1040, which closed the Main Defined Benefit Plan to new hires effective January 1, 2025, and shifts all future enrollees into the Defined Contribution Plan. We received appropriation authority totaling \$125,000 to add an additional developer that was specifically dedicated to this process, and we received \$200,000 in temporary salaries to allow us to successfully make this transition. PERS has used a combination of temporary employees, temporary workload increases for existing staff, and overtime of existing staff to help accommodate this transition.

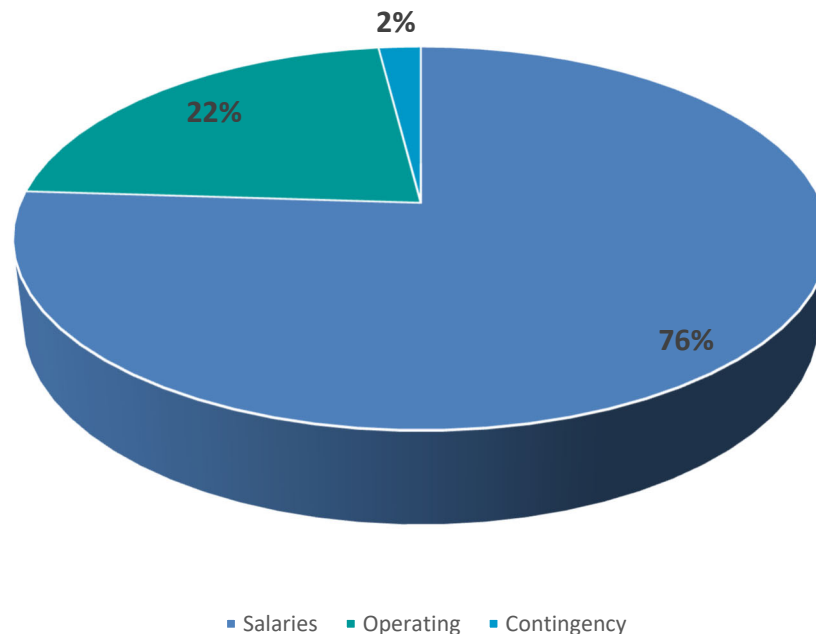
A summary of total expenditures to date are as follows:

Work Effort:	Spent to Date:	Addl. Spend to Biennium End:	Anticipated Total Spend:
Developer	\$ 93,750	\$ 31,250	\$ 125,000
HB 1040 Developer	93,750	31,250	125,000
HB 1040 Temp Salaries	7,641	30,228	37,869
HB 1040 Permanent Salaries	25,466	40,000	65,466

2025-27 Budget. The Governor’s recommendation to state agencies that have over \$10 million in appropriation authority was to submit a 3% reduced budget to focus on efficiencies that create budget savings while improving outcomes for the citizens our agency serves.

The following is a summary comparing the current budget to the Governor’s Recommendation.

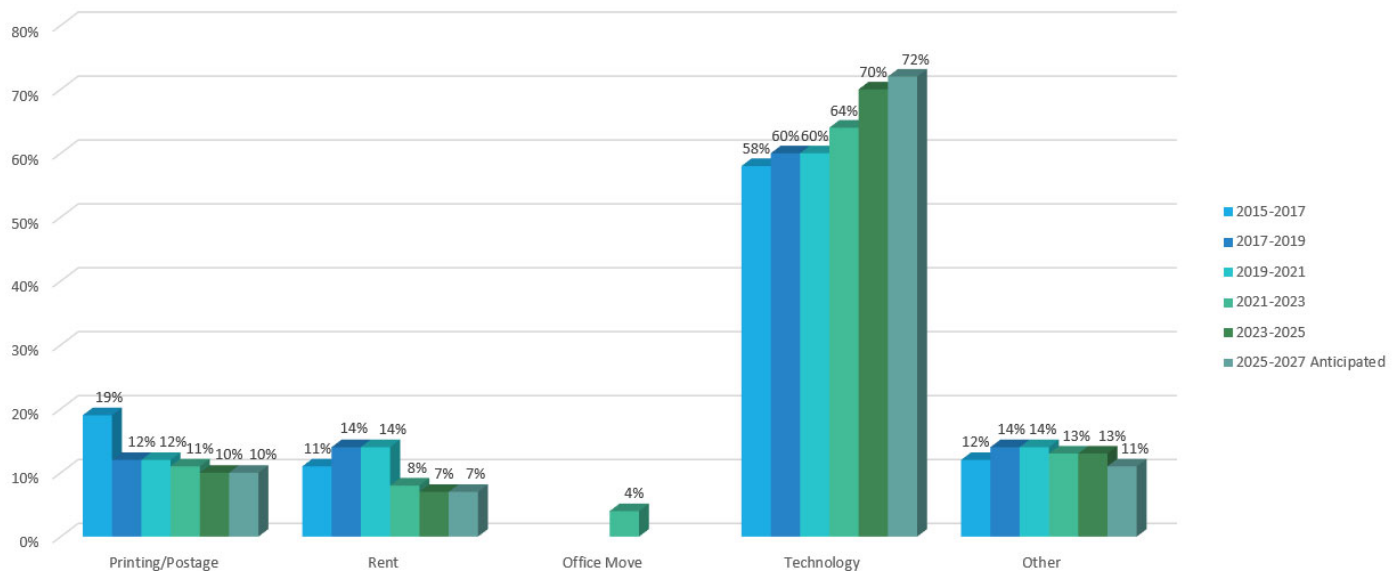
	2023-25 Appropriation	One-Time Expenditures	Adjustments	2025-27 Legislative Base Budget
Salaries & Wages	7,738,479	-	494,013	8,232,492
Operating Expenses	2,542,712	(128,000)	1,450	2,416,162
D.B. Plan Closure	372,027	(327,000)	(45,027)	-
Contingencies	250,000	-	-	250,000
Total Special Funds	10,903,218	(455,000)	450,436	10,898,654
FTE	40.5			40.5



Salaries and Wages

Salaries and wages account for 76% of the base budget and maintains funding for 40.5 FTE and one full time temporary employee. The temporary position is serving as a retirement application processor.

Operating Expenses



Operating expenses account for 22% of the base budget. Looking into our operating line item:

- 72% is IT and shared services related (software, Sagitec, State Wide Cost Allocation)
- 7% is office rent
- 10% is printing and postage
- 11% are all other operating categories

IT is an area that our agency relies on heavily, and the business system is the heart of all the activity that takes place within our office. The costs of IT have continuously gone up, but we've been fortunate to be able to offset a good portion of these increases by working on the licensing arrangement we have with Sagitec – our business system vendor. These costs continue to be the most challenging budgetary constraint our agency experiences.

In July 2021 our agency moved into the WSI building. This allowed us to reduce our office footprint, and reduce our rent by nearly \$80,000 on an ongoing basis. This rent savings was used to offset our technological increases for the current biennium.

Since the legislative mandate in 2017 to become more efficient in our operations regarding our printing and postage costs, we are pleased to say we have reduced our printing and postage expenses by over \$240,000 (a 32% reduction) over the last 8 years. While we continue to explore ways to become more efficient in our operations, there are numerous physical communications we are mandated by law to send. We also know we have a significant retiree population that still prefers to be communicated with through printed materials.

Summary of 3% Budget Reduction:

Unfortunately we feel like we are 3-5 years away with business system upgrades to be in a position to recognize efficiencies to reduce workloads in our office. Our Board has made a decision to try and make significant progress with automating our business system, but the reality is we are not in a position to realize budget savings today without having to reduce services to our membership. An analysis was done of the benefit offerings we have, and in order to comply with a budget reduction our Board decided that reducing staff by 2.0 FTE, plus reducing the funding we have for temporary employees, to discontinue the 457 Deferred Compensation providers outside of the Companion Plan.

The chart below represents the pros and cons of moving forward with a benefit reduction of this nature:

PROS	CONS
Streamline internal operations	Significant member disruption (~11,000 participants)
Increase “buying power” of the Companion Plan	Unknown participant impact
Ensures Fiduciary oversight of participant funds	Some are annuity products

ATTACHMENT 1 – EXECUTIVE RECOMMENDATION

	2025-27 Legislative Base	Executive Recommendation Adjustments	2025-2027 Executive Recommendation	% Increase/ (Decrease)
Salaries & Wages	8,232,492	1,988,906	10,221,398	24.2%
Operating Expenses	2,416,162	850,501	3,266,663	35.2%
Contingencies	250,000	-	250,000	
Total Special Funds	10,898,654	2,839,407	13,738,061	26.1%
FTE	40.5	0.0	40.5	

Analysis of the Executive Recommendation Adjustments:

Restore FTE Authority & Temporary Funding - \$525,968

The Executive Recommendation restored the salary funding (\$441,805), operational funding (\$7,500) and FTE authority (2.0 FTE) to continue allowing the 457 providers in our Deferred Compensation program. It still is a long-term goal of our Board to move all new hires into the Companion Plan, because the ramifications are largely unknown of forcing all participants out of their current provider, the Governor felt this was an important initiative to keep in place.

The Governor also restored part of the agency's temporary funding (\$76,663) so the agency can cover the cost of the 4% salary increases that went into effect on July 1, 2024 as well as the additional 1% Main Plan contribution increases that went into effect on January 1, 2024.

Cost to Continue Operational Inflationary Increases - \$246,289

These costs represent the operational increases we are going to be experiencing next biennium to continue offering the services we do today. These inflationary increases include:

- Rent – NDPERS leases office space from WSI, and we've been notified rent will be increasing by \$1 sq/ft next biennium. This has a total impact to our budget of \$12,006.

- Information Technology – the rest of our operational increases all relate to information technology:
 - NDIT – the Governor included some funding to help offset the rising costs at NDIT, however, the Governor did not fund agency specific initiatives. For PERS, the largest unfunded initiative was increases to our call center staff. In total we are estimating increases from NDIT totaling \$31,050 that were not funded by the Governor.
 - Sagitec – NDPERS utilizes an independent contractor to both license and develop our robust business administration software. The costs to retain qualified developers has been a challenge for our provider, however, we still feel like we get great value for our dollar that is before you today. The proposed increases to our development team is significant, but it equates to roughly \$93.36 an hour. Comparing that to the development work done through NDIT, that still results in a savings of over 55% for our agency.
 - Licensing increase - \$25,800
 - Development increase - \$177,433

One-time Funding to Add a Project Manager & Two Developers - \$539,595

NDPERS has been trying to make significant improvements with automating our business system, and also increase the electronic options our membership has at their disposal. Below is a listing of all the projects currently in motion, and the year the project was initially started:

Initiative	Description	Year Started	% Complete
Termination Wizards	Allows members to apply for retirement benefits electronically in our member portal	2018	35%
New Hire Wizard	Allows members to complete all new hire enrollments in one location, electronically, in our member portal	2022	80%
Annual Enrollment Wizard	Allows members to complete all annual enrollment elections in one location, electronically, in our member portal	2022	80%
Business Process Management	Automates our business system and incorporates the entities business rules into the workflow process	2022	5%

All of these projects independently give our agency a lot of excitement. Trying to make meaningful progress on these initiatives has been difficult, because all of them are significant. We are hoping that by utilizing a project manager (contractor) at the vendor level, and have developers dedicated to these projects will finally help us make meaningful progress on these initiatives. To fully complete these processes, we anticipate it taking 3-5 years, depending on how quickly we can start progressing in these areas. The long term effect will be reduced workloads in our office, increased accuracy, and an enhanced user experience for each and every one of our members.

Funding to Add an Intern & Added Legislators on our Board - \$45,000

Last session, NDPERS had two additional Legislators added to our Board without additional appropriation authority. In addition, the agency is interested in taking advantage of the State's internship program, which is something we have not previously done on an ongoing basis.

Summary of the Executive Recommendation

Wages of \$1,988,906:

- FTE Pool Restoration - \$1,201,247
- Salary increases funded at 3% the first year, and 3% the second year - \$359,837
- Restore full temporary funding - \$130,600
- Health insurance premium increase - \$252,222
- Add intern & Legislator funding - \$45,000

Operating Expenses of \$850,501

- Cost to continue NDIT - \$64,617
- Cost to continue operational increases - \$246,289
- Sagitec Project Manager & Two Developers - \$539,595

Attachment 2 – HOUSE AMENDMENT

	2025-27 Legislative Base	House Adjustments	House Amendment	% Increase
Salaries & Wages	8,232,492	2,297,507	10,529,999	27.9%
Operating Expenses	2,416,162	858,001	3,274,163	35.5%
Contingencies	250,000	-	250,000	
Total Special Funds	10,898,654	3,155,508	14,054,162	29.0%
FTE	40.5	2.0	42.5	

The House did support the following initiatives that were also supported by the Governor:

Wages of \$1,854,845:

- Existing FTE Pool restoration - \$1,201,247
- New & Vacant FTE Pool allocation - \$(134,061)
- Salary increases funded at 3% the first year, and 3% the second year - \$359,837
- Restore full temporary funding - \$130,600
- Health insurance premium increase - \$252,222
- Add intern & Legislator funding - \$45,000

Operating Expenses of \$850,501

- Cost to continue NDIT - \$64,617
- Cost to continue operational increases - \$246,289
- Sagitec Project Manager & Two Developers - \$539,595

In addition, the House did support the 2.0 additional FTE the agency was seeking to ensure the long-term stability of the Defined Contribution Plan.

- **Accounting FTE** for Employer Support - \$239,015 of salary appropriation & \$3,750 of ongoing operational appropriation
- **Enrollment FTE** for Enrollment Support - \$203,647 of salary appropriation & \$3,750 of ongoing operational appropriation

2.0 Additional FTE to Support the Long-Term Success of the DC Plan - \$450,162

Last session, we were extremely lucky to have a really engaged conference committee for our appropriation bill. At the conclusion of last session, we felt confident we had what we needed to not only launch the Defined Contribution 2025 tier, but also sustain it.

As we began the implementation efforts, it became obvious that may not be the case. The new Defined Contribution Plan has strict IRS rules on the participant's requirement to make a one-time, lifetime, irrevocable election into the plan for the up to 3% additional contribution. If this window is missed, there is no opportunity for recourse, and the participant will be "stuck" at the mandatory rates for the entirety of their lifetime.

The success of our ability to communicate with our participants relies on our employers properly reporting new hires in a timely manner. Without an employer notifying NDPERS of a new hire, we have no way of knowing that individual exists, or how to begin our educational efforts.

Last session we willingly sacrificed an accounting position (we originally thought we would need them to help reconcile all the various accounts that will exist in the Defined Contribution Plan), as we were confident in our ability to track our participant funds. As we started implementing the plan, the biggest risk of failure this plan has is the employer not doing their steps in the right sequence, or by the deadlines. We feel like doing a better job of onboarding new authorized agents at the employer level is critical to the long-term success of the plan. Currently, we send out email notifications of the duties to comply with PERS reporting requirements, but having a position and dedicated resource our employers would have to educate them on their responsibilities, help them navigate both the member and employer portals, and educate them on the 30 day window and how they as the employer can help us accelerate the educational effort in the 30 day window we feel is necessary to this plan's success.

Our enrollment team is the thinnest division we have, yet they are the division that is most impacted by the changes with the matching provisions of both the Defined Contribution and Deferred Compensation plans. Previously, all rates were the same for all members of the plan, and with the new plan we know there are more options and matching opportunities available. Unfortunately, after completing the programming effort, we now understand that this also means additional duties our office will need to absorb. Instead of processing retirement once on each member, retirement will need to now be processed twice for anyone who moves off the mandatory contribution rates. Similarly, the matching provisions that extend to the 457 Deferred Compensation plan will create additional entry that didn't previously exist. Having another enrollment staff member to help alleviate the additional workload is another area we feel we need to help ensure we are comfortable and confident with the changes the new plan tier will make in our office.

Suggested Changes to House Amendment

The only initiative our Board was interested in exploring that was not supported by the House was targeted compensation adjustments for Staff.

It's pretty well known that NDPERS had a stressful year in 2024. Not only were we in charge of implementing historical Legislation in 1/3 of the timeframe that other states have, we also did it shorthanded on our Executive Management team. After the Director was dismissed in November 2023, workloads were rearranged in our office to accommodate being down a member of our Executive Management team for the year. Once session is over, we plan on finally recruiting for a Chief Benefits Officer in our organization.

Our Board is seeking targeted compensation adjustments for the Executive Management team to recognize the duties that were permanently reassigned with the Executive Director's position, and get the compensation levels of our Executive Management team in line with similar positions in similar agencies.

It is our understanding that equity is being discussed on a more global basis, and was removed from all agency budgets. We agree with letting the Legislature analyze this initiative on a global basis, and therefore, we do not have any suggested changes to the House Amendment before you today.

The following information is provided as requested:

1. Explain the purpose of the agency and its various divisions/programs – Cite North Dakota Century Code provision and attach an organizational chart.

Response: Included in testimony – pages 1 – 11.

2. Report any audit findings included in the most recent audit and action taken to address each finding.

Response: There we no audit findings for the June 30, 2024 audit

3. Discuss current biennium accomplishments and challenges and next biennium goals and plans.

Response: Included in testimony – pages 13 – 14.

4. Compare the agency's request/recommendation totals, including full-time equivalent (FTE) positions, for the next biennium compared to the current biennium.

Response: We are hoping to increase the FTE count from 40.5 to 42.5 for the 2025-2027 biennium to ensure the long-term stability of the 2025 tier in our Defined Contribution Plan.

5. Discuss any new positions approved for your agency for the 2023 – 2025 biennium by the 2023 Legislative Assembly, the timing of filling the positions, amounts transferred from the OMB pool for the filled positions, and funding appropriated and the amount estimated to be spent for each position for the 2023 – 2025 biennium.

Response: A summary of our new positions, and the funding mechanism for each is below:

Position	Date Filled	FTE Pool Transfer	Funding Appropriated	2023-2025 Biennium Spend
Receptionist	July 1, 2023	\$ 140,411	\$ 140,411	\$ 140,411
Member Services Rep	July 1, 2023	143,371	143,371	143,371
Retirement Processing Lead	July 1, 2023	238,087	238,087	238,087
Counselor	August 14, 2023	137,397	152,519	137,397
DC Plans Manager	December 1, 2023	216,108	362,659	216,108

6. Discuss employee turnover and the number of vacant positions during the 2023-25 biennium to date, the amount of savings relating to the vacant positions and employee turnover to date compared to the vacant position savings removed from your agency's budget by the 2023 Legislative Assembly, the amount of vacant position saving spent for other purposes, and any amounts transferred or anticipated to be transferred from the OMB pool.

Response: The number of vacancies, and how the savings were spent is included below. Due to the vacancy of our Chief Benefits Officer since November, 2023, we do not anticipate requesting additional funds from the FTE pool this biennium.

Fiscal Year 2023:

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Est. Vacancy Savings	35,552	19,903	19,903	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184
Use of vacant position savings:												
Accrued Leave Payouts						17,124						
Extra Overtime Funding	1,072		1,551									
Other (identify)												
Severance Pay for Our Director						45,042						
Total	34,480	19,903	18,352	11,184	11,184	(50,982)	11,184	11,184	11,184	11,184	11,184	11,184
Vacant Positions:	4	2	2	1	1	1	1	1	1	1	1	1

Fiscal Year 2024:

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Anticipated Jan-25	Anticipated Feb-25	Anticipated Mar-25	Anticipated Apr-25	Anticipated May-25	Anticipated Jun-25	Cumulative Total
Est. Vacancy Savings	12,551	17,326	14,255	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	320,802
Use of vacant position savings:													
Accrued Leave Payouts													17,124
Extra Overtime Funding													2,623
Other (identify)													-
Severance Pay for Our Director													45,042
Total	12,551	17,326	14,255	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	256,013
Vacant Positions:	2	2	2	1	1	1	1	1	1	1	1	1	

7. Explain the funding included in each program/line item either in total or by division depending on the size of the agency as follows:
- Amounts included in the base level and their purpose and use; and

b. Amounts included in the request/recommendation and justification for the change from the base level. Discuss changes relating to each line item (salaries and wages, operating expenses, etc.) funding source (general fund, special funds, federal funds), and FTE positions.

Response: Included in testimony – page 16

8. Discuss the purpose and use of any one-time funding items for the current biennium.

Response: Included in testimony – page 15

9. Identify and justify the need for any one-time funding being requested.

Response: Included in testimony – pages 20-21

10. Discuss any fees the agency charges, the appropriateness of the fee amount, fee collections that are deposited in the general fund or a special fund, and any anticipated changes from 2023 legislative session estimates during the 2023-25 biennium and estimated changes for the 2025-27 biennium.

Response: PERS does not charge any fees to agencies at all.

11. Identify any federal state fiscal relief funds remaining to be spent by your agency by December 2026. Provide the amount, the purpose, and a timeline of anticipated expenditures.

Response: PERS does not receive any relief funds at all.

12. Discuss the need for any other sections to be added to the appropriation bill.

Response: If the Legislature is interested in reducing 2.0 FTE to accommodate a benefit reduction by not offering the additional 457 providers in our plan, our Board has requested a statement of Legislative Intent to be added to our appropriation bill to help with the implementation efforts.

13. Discuss any other bills being considered by the Legislative Assembly and their potential budgetary impact on your agency.

Response: There are not any bills currently on our radar that have a budgetary impact on our agency. The Actuarially Determined Employer Contributions (ADEC) and the incentive payments that go into effect on January 1, 2026 from HB 1040 last session will have a budgetary impact, and any health insurance mandates that may be passed will be considerations on our radar this session.

14. Provide a one-page itemized listing any changes your agency is requesting the committee to make to the executive budget recommendation.

Response: Included in testimony – page 24.

15. Provide additional information as necessary.

Response: We appreciate the committee taking the time to learn about our agency & the challenges we are currently facing. If there are any questions any of you have, please let us know!