

# **TESTIMONY OF DERRICK HOHBEIN**

## **House Bill 1234 – SIIF Fund Transfer to Main Plan**

Good Morning, Madam Chair and members of the committee. My name is Derrick Hohbein and I am the Chief Operating/Financial Officer of the North Dakota Public Employees Retirement System, or NDPERS. I appreciate the committee taking the time to analyze House Bill 1234, which would infuse a lump sum cash deposit into the Main Defined Benefit Plan. I am here today on behalf of the NDPERS Board in support of the bill.

Section 1 would transfer \$135 Million from the Strategic Investment and Improvements Fund to the Main Defined Benefit Plan for the purpose of reducing the unfunded liability on the plan. The analysis from our consultant is also included at the end of my testimony.

Some observations we'd share:

1. If both HB 1234 and HB 1146 pass the Senate chamber, this lump sum cash infusion does exceed the ~\$90 Million in Actuarially Determined Employer Contributions (ADEC) that the fund needs to receive next biennium. Passing HB 1234 would eliminate the 6.02% ADEC increase to State employers that would otherwise be effective January 1, 2026.
2. HB 1040 that was passed during the 68<sup>th</sup> Legislative Session included a fixed date that the Main plan will be funded on (2056). Receiving this lump sum cash infusion will not get the Main Plan funded any earlier, but it will reduce the amounts future Legislative Assemblies will need to collect to ensure the stability of the plan into the future.

Madam Chair, I appreciate the committee taking the time to learn more about the impact this bill will have to our state. This concludes my testimony, and I'd be happy to answer any questions the committee may have.



February 4, 2025

Representative Austen Schauer, Chair  
Legislative Employee Benefits Programs Committee  
North Dakota State Government

**Re: North Dakota Public Employees Retirement System Legislative Studies**

Dear Representative Schauer:

In accordance with your request, we have analyzed the impact of Bill No. 25.0432.02000 on the North Dakota Public Employees Retirement System (NDPERS). Our review is actuarial in nature; we are not attorneys and cannot provide legal advice.

**Systems Affected**

North Dakota Public Employees Retirement System (Main System)

**Summary**

Bill No. 25.0432.02000

Establishes that \$135 million be transferred from the strategic investment and improvements fund to the North Dakota Public Employees Retirement System Fund during the biennium beginning July 1, 2025 and ending June 30, 2027 to reduce the Main System unfunded liability.

**Actuarial Impact of Bill 0432 on NDPERS**

Based on the valuation projection as of July 1, 2024 which assumes (1) no change to the current funding policy, (2) no changes to benefit provisions, and (3) no gains or losses and all actuarial assumptions from the 2024 valuation are realized, the Main System is expected to have a funded ratio of 69.1 percent in 2026 and to reach 100 percent funded in 2056.

Based on the Alternate Scenario projections of the Main System results as of July 1, 2024, with the provisions proposed in the bill, which assumes (1) a cash infusion of \$135 million on January 1, 2026, (2) the additional State employer Actuarially Determined Employer Contribution (ADEC) of 5.92% percent of pay will not be contributed during the 2025 to 2027 biennium, (3) no changes to benefit provisions, and (4) no gains or losses and all actuarial assumptions from the 2024 valuation are realized, the funded ratio of the Main System is projected to improve from 69.1 percent to 70.6 percent in 2026 and reach a 100 percent funded ratio in 2056.



Standalone and as written, Bill 432 does not appear to excuse State employers from having to contribute an additional fixed percent of pay to cover the ADEC. However, House Bill 1146 provides the legislative assembly with the ability to transfer a lump sum during the biennium in lieu of charging the additional ADEC rate to State employers. Based on our understanding of House Bill 1146 and input from NDPERS, we have assumed that State employers will not contribute the additional 5.92 percent of pay during the 2025 – 2027 biennium, but are still responsible for employer contributions of 8.12 percent of pay plus an additional 1.14 percent of pay for members hired after 2019.

Note that this letter is not intended to be an analysis of House Bill 1146.

By contributing \$135 million, rather than additional State ADEC contributions (expected to be approximately \$44 million per year) future ADEC requirements are expected to be reduced slightly. In effect, the State is contributing more than the ADEC, which reduces the unfunded liability.

The following graphs and exhibits provide additional information on the projected funded ratio for the Main System:

- Graph I: Comparison of Projected Funded Ratios for the Main System under Baseline Scenario and the scenario with the additional cash infusion
- Table I: Funded Ratio Projection Results under the Baseline and the scenario with the additional cash infusion from 2024 to 2056

Projected funded ratios are based on the actuarial value of assets.

### **Policy Issue Analysis**

#### **Benefits Policy Issues**

- Adequacy of Retirement Benefits

No Impact.

- Competitiveness

No Impact.

- Benefits Equity and Group Integrity

No Impact.

- Purchasing Power

No impact.

- Preservation of Benefits

The cash infusion to the Main System will improve financial stability and the members' promised benefits will be more secure than without the additional funding.

- Portability

No impact.

- Ancillary Benefits

No impact.

- Social Security

No impact



### **Funding Policy Issues**

- Actuarial Impacts

As previously noted, the additional cash infusion required by the bill will have a positive actuarial impact on the funded status of the Main System.

- Investment Impacts

The change required by the bill is expected to have a positive impact on the net cash flow of the System in the year the cash infusion is received.

### **Administration Issues**

- Implementation Issues

No impact.

- Administrative Costs

The cash infusion is intended to replace the additional State employer ADEC contribution during the biennium, which is expected to reduce administrative complexity and cost.

- Needed Authority

The Bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to implement the changes made by the Bill.

- Integration

No impact.

- Employee Communications

No impact.

Representative Austen Schauer  
Legislative Employee Benefits Programs Committee  
February 4, 2025  
Page 5

**Disclosures and Additional Information**

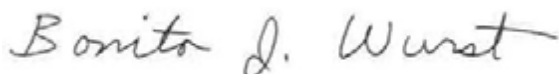
We have reviewed the bill and provided an actuarial impact analysis as well as a policy issue analysis. However, the policy issue analysis should not be considered to be comprehensive and there may be additional benefits policy or administration issues that are not discussed in this letter.

The signing actuaries are independent of the North Dakota Public Employees Retirement System.

Bonita J. Wurst and Abra D. Hill are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Please let us know if you have any questions or would like to discuss the results of this analysis further.

Sincerely,  
Gabriel, Roeder, Smith & Company



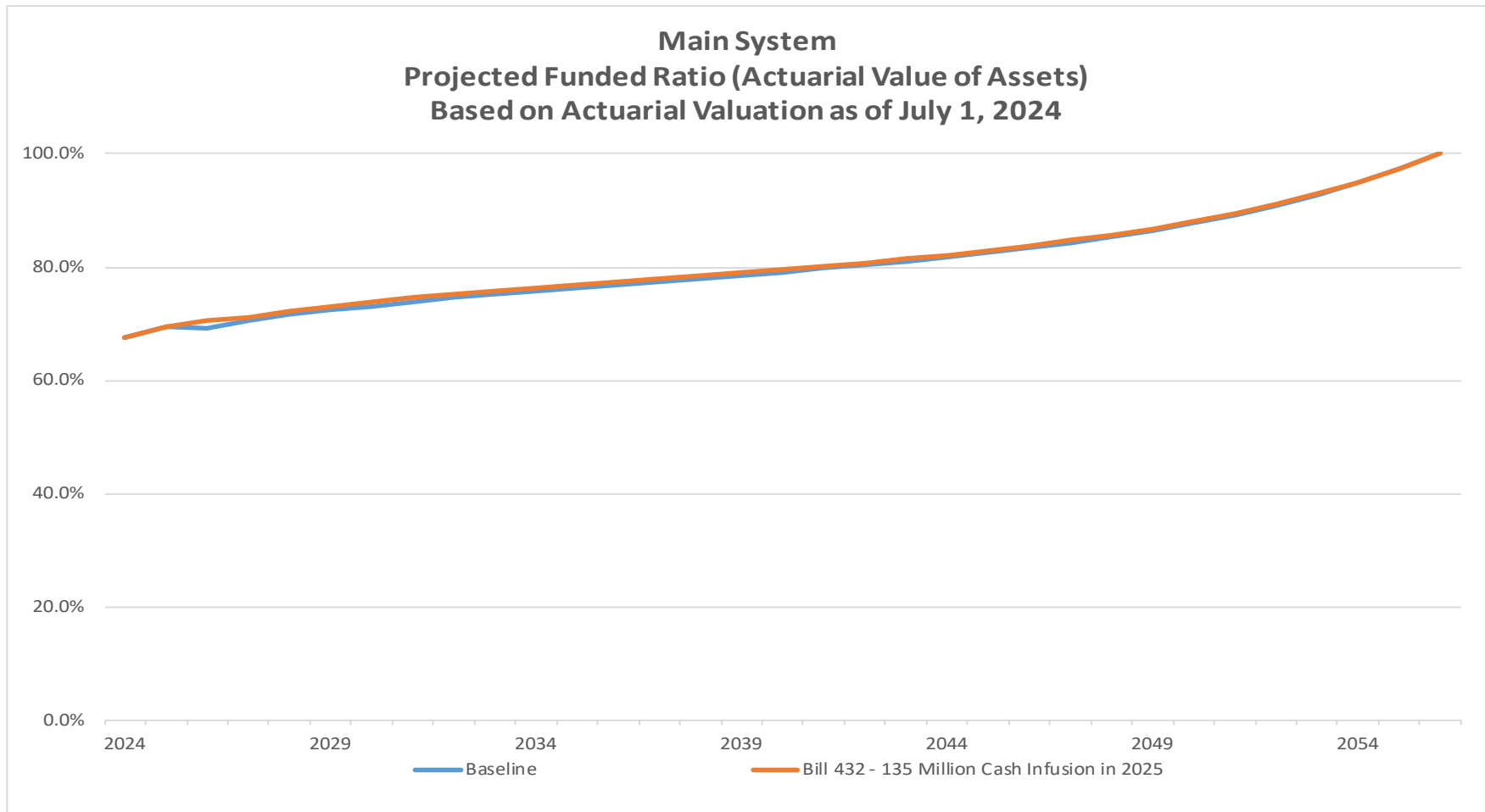
Bonita J. Wurst, ASA, EA, MAAA, FCA  
Senior Consultant



Abra D. Hill, ASA, MAAA, FCA  
Consultant

cc: Rebecca Fricke, NDPERS  
Joshua Murner, GRS

# Projected Funded Ratios under Baseline and Bill 432 Based on July 1, 2024 Actuarial Valuation



# Projected Funded Ratios under Baseline and Bill 432

## During 2025-2027 Biennium

### Based on July 1, 2024 Actuarial Valuation

Year	Baseline Scenario	One-Time Infusion During 2025-2027 Biennium \$135 million *
2025	69.4%	69.4%
2026	69.1%	70.6%
2027	70.5%	71.2%
2028	71.5%	72.3%
2029	72.4%	73.1%
2030	73.1%	73.8%
2031	73.9%	74.6%
2032	74.6%	75.2%
2033	75.2%	75.8%
2034	75.8%	76.4%
2035	76.4%	77.0%
2036	76.9%	77.4%
2037	77.5%	78.0%
2038	78.0%	78.5%
2039	78.6%	79.0%
2040	79.1%	79.6%
2041	79.8%	80.2%
2042	80.4%	80.8%
2043	81.1%	81.5%
2044	81.8%	82.2%
2045	82.6%	83.0%
2046	83.4%	83.8%
2047	84.3%	84.7%
2048	85.3%	85.7%
2049	86.5%	86.8%
2050	87.8%	88.0%
2051	89.2%	89.5%
2052	90.8%	91.0%
2053	92.7%	92.9%
2054	94.8%	94.9%
2055	97.2%	97.3%
2056	100.0%	100.0%

\* Cash infusion is in lieu of additional ADEC contributions during the 2025-2027 biennium.