

HOUSE BILL NO. 1209

Introduced by

Representatives M. Ruby, Dockter, O'Brien, Schauer

Senators Anderson, Dever

1 A BILL ~~for an Act to amend and reenact section 54-52-02.9, 54-52-06, 54-52-06.5, and~~
2 ~~54-52.6-09 of the North Dakota Century Code, relating to public employees retirement system~~
3 ~~employer and temporary employee contribution rates; and to provide an effective date.~~ for an Act
4 to provide for a legislative management study of the public employees retirement system
5 defined benefit and defined contribution retirement plans.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 ~~— **SECTION 1. AMENDMENT.** Section 54-52-02.9 of the North Dakota Century Code is~~
8 ~~amended and reenacted as follows:~~

9 ~~— **54-52-02.9. Participation by temporary employees.**~~

10 ~~— 1. Within one hundred eighty days of beginning employment, a temporary employee may~~
11 ~~elect to participate in the public employees retirement system and receive credit for~~
12 ~~service after enrollment. Monthly, the temporary employee shall pay to the fund an~~
13 ~~amount equal to eight and twelve hundredths four percent times the temporary~~
14 ~~employee's present monthly salary. The amount required to be paid by a temporary~~
15 ~~employee increases by two percent times the temporary employee's present monthly~~
16 ~~salary beginning with the monthly reporting period of January 2012, and with an~~
17 ~~additional two percent increase, beginning with the reporting period of January 2013,~~
18 ~~and with an additional increase of two percent, beginning with the monthly reporting~~
19 ~~period of January 2014 plus the amount of the employer contribution under~~
20 ~~subdivision a of subsection 1 of section 54-52-06.~~

21 ~~— 2. If the temporary employee first enrolled:~~

22 ~~— a. Before January 1, 2020, in addition the temporary employee shall pay the~~
23 ~~required monthly contribution to the retiree health benefit fund established under~~

~~section 54-52.1-03.2. This contribution must be recorded as a member
contribution pursuant to section 54-52.1-03.2.~~

~~b. After December 31, 2019, the temporary employee shall pay to the fund an
additional amount equal to one and fourteen hundredths percent times the
temporary employee's present monthly salary.~~

~~3. An employer may not pay the temporary employee's contributions. A temporary
employee may continue to participate as a temporary employee in the public
employees retirement system until termination of employment or reclassification of the
temporary employee as a permanent employee. A temporary employee may not
purchase any additional credit, including additional credit under section 54-52-17.4 or
past service under section 54-52-02.6.~~

~~**SECTION 2. AMENDMENT.** Section 54-52-06 of the North Dakota Century Code is
amended and reenacted as follows:~~

~~**54-52-06. Employer's contribution to retirement plan – Report to the legislative
assembly.**~~

~~1. Each~~

~~a. As determined by actuarial valuations, each governmental unit shall contribute an
amount equal to four and twelve hundredths percent of the monthly salary or
wage of a participating member. Governmental unit contributions increase by one
percent of the monthly salary or wage of a participating member beginning with
the monthly reporting period of January 2012; with an additional increase of one
percent, beginning with the reporting period of January 2013; and with an
additional increase of one percent, beginning with the monthly reporting period of
January 2014 on a level percent of compensation basis for all employees
sufficient under the actuarial valuation to meet both the normal cost plus the
actuarially determined amount required to amortize the unfunded accrued liability
over a closed period of either twenty years, or a period less than twenty years as
established by the board taking into account the recommendation of the plan's
actuary.~~

~~b. For a participating member who first enrolls after December 31, 2019, the
governmental unit shall contribute an additional amount equal to one and~~

1 fourteen-hundredths percent of the monthly salary or wage of the participating
2 member.

3 ~~—2.— For those members who elect to exercise their rights under section 54-52-17.14, the~~
4 ~~employing governmental unit, or in the case of a member not presently under covered~~
5 ~~employment the most recent employing governmental unit, shall pay the associated~~
6 ~~employer contribution. If the employee's contribution is paid by the governmental unit~~
7 ~~under subsection 3 of section 54-52-05, the employer unit shall contribute, in addition,~~
8 ~~an amount equal to the required employee's contribution. Each governmental unit~~
9 ~~shall pay the contribution monthly, or in the case of an election made pursuant to~~
10 ~~section 54-52-17.14 a lump sum, into the retirement fund from the governmental unit's~~
11 ~~funds appropriated for payroll and salary or any other funds available for these~~
12 ~~purposes. Any governmental unit failing to pay the contributions monthly, or in the~~
13 ~~case of an election made pursuant to section 54-52-17.14 a lump sum, is subject to a~~
14 ~~civil penalty of fifty dollars and, as interest, one percent of the amount due for each~~
15 ~~month of delay or fraction thereof after the payment became due. In lieu of assessing~~
16 ~~a civil penalty or one percent per month, or both, interest at the actuarial rate of return~~
17 ~~may be assessed for each month the contributions are delinquent. If contributions are~~
18 ~~paid within ninety days of the date the contributions became due, penalty and interest~~
19 ~~to be paid on delinquent contributions may be waived.~~

20 ~~—3.— An employer is required to submit contributions for any past eligible employee who~~
21 ~~was employed after July 1, 1977, for which contributions were not made if the~~
22 ~~employee would have been eligible to become vested had the employee participated~~
23 ~~and if the employee elects to join the public employees retirement system. Employer~~
24 ~~contributions may not be assessed for eligible service that an employee has waived~~
25 ~~pursuant to subsection 1 of section 54-52-05.~~

26 ~~—4.— The board shall report to each session of the legislative assembly the contributions~~
27 ~~necessary, as determined by the actuarial study, to maintain the fund's actuarial~~
28 ~~soundness.~~

29 ~~—SECTION 3. AMENDMENT. Section 54-52-06.5 of the North Dakota Century Code is~~
30 ~~amended and reenacted as follows:~~

~~1 — **54-52-06.5. Reduction in member and employer contributions – Stabilization reserve**~~
~~2 **account.**~~

~~3 — 1. The required increase in the amount of member and employer contributions under~~
~~4 sections 54-52-02.9, 54-52-05, 54-52-06, 54-52-06.1, 54-52-06.3, 54-52.6-02, and~~
~~5 54-52.6-09 and in the amount of employer contributions under section 54-52-06.1~~
~~6 must be reduced to the rate in effect on July 1, 2013, effective on the July first that~~
~~7 follows the first valuation of the public employees retirement system main system~~
~~8 showing a ratio of the actuarial value of assets to the actuarial accrued liability of the~~
~~9 public employees retirement system main system that is equal to or greater than one~~
~~10 hundred percent.~~

~~11 — 2. Under subdivision a of subsection 1 of section 54-52-06:~~

~~12 — a. During the fiscal year an employer's contribution to the plan in combination with a~~
~~13 member's contribution may not be less than the actuarially determined normal~~
~~14 cost for that fiscal year. After the close of any fiscal year, if the plan's actuary~~
~~15 determines the actuarial valuation of the fund contains excess valuation assets~~
~~16 and is more than one hundred twenty percent funded, the board shall account for~~
~~17 fifty percent of the excess valuation assets in a stabilization reserve account.~~
~~18 After the close of a fiscal year, if the plan's actuary determines the actuarial~~
~~19 valuation of the fund has a valuation asset deficiency and an unfunded actuarial~~
~~20 accrued liability, the board shall use any valuation assets in the stabilization~~
~~21 reserve account, to the extent available, to limit the decline in the fund's funding~~
~~22 ratio to not more than two percent.~~

~~23 — b. The board may not suspend contributions to the system unless:~~

~~24 — (1) The retirement system actuary, based on the annual valuation, determines~~
~~25 continuing to accrue excess earnings could result in disqualification of the~~
~~26 system's tax-exempt status under the provisions of the Internal Revenue~~
~~27 Code; and~~

~~28 — (2) The board determines the receipt of additional contributions required under~~
~~29 this subsection would conflict with the board's fiduciary responsibility.~~

~~30 — **SECTION 4. AMENDMENT.** Section 54-52.6-09 of the North Dakota Century Code is~~
~~31 amended and reenacted as follows:~~

~~54-52.6-09. Contributions -- Penalty.~~

~~1. Each participating member shall contribute monthly four percent of the monthly salary or wage paid to the participant, and this assessment must be deducted from the participant's salary in equal monthly installments commencing with the first month of participation in the defined contribution retirement plan established under this chapter. Participating member contributions increase by one percent of the monthly salary or wage paid to the participant beginning with the monthly reporting period of January 2012; with an additional increase of one percent, beginning with the reporting period of January 2013; and with an additional increase of one percent, beginning with the monthly reporting period of January 2014.~~

~~2. a. The employer shall contribute an amount equal to four and twelve hundredths percent of the monthly salary or wage of a participating member. Employer contributions increase by one percent of the monthly salary or wage of a participating member beginning with the monthly reporting period of January 2012; with an additional increase of one percent, beginning with the monthly reporting period of January 2013; and with an additional increase of one percent, beginning with the monthly reporting period of January 2014. the employer contribution rate under subdivision a of subsection 1 of section 54-52-06.~~

~~b. For members first enrolled after December 31, 2019, the employer contribution includes an additional increase of one and fourteen hundredths percent. If the employee's contribution is paid by the employer under subsection 3, the employer shall contribute, in addition, an amount equal to the required employee's contribution.~~

~~c. Monthly, the employer shall pay such contribution into the participating member's account from the employer's funds appropriated for payroll and salary or any other funds available for such purposes. If the employer fails to pay the contributions monthly, the employer is subject to a civil penalty of fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction of a month after the payment became due. In lieu of assessing a civil penalty or one percent per month, or both, interest at the actuarial rate of return may be~~

1 assessed for each month the contributions are delinquent. If contributions are
2 paid within ninety days of the date the contributions became due, penalty and
3 interest to be paid on delinquent contributions may be waived.

4 ~~3. Each employer, at its option, may pay the employee contributions required by this~~
5 ~~section for all compensation earned after December 31, 1999. The amount paid must~~
6 ~~be paid by the employer in lieu of contributions by the employee. If the employer~~
7 ~~decides not to pay the contributions, the amount that would have been paid will~~
8 ~~continue to be deducted from the employee's compensation. If contributions are paid~~
9 ~~by the employer, they must be treated as employer contributions in determining tax~~
10 ~~treatment under this code and the federal Internal Revenue Code. Contributions paid~~
11 ~~by the employer may not be included as gross income of the employee in determining~~
12 ~~tax treatment under this code and the federal Internal Revenue Code until they are~~
13 ~~distributed or made available. The employer shall pay these employee contributions~~
14 ~~from the same source of funds used in paying compensation to the employee. The~~
15 ~~employer shall pay these contributions by effecting an equal cash reduction in the~~
16 ~~gross salary of the employee or by an offset against future salary increases or by a~~
17 ~~combination of a reduction in gross salary and offset against future salary increases.~~
18 ~~Employee contributions paid by the employer must be treated for the purposes of this~~
19 ~~chapter in the same manner and to the same extent as employee contributions made~~
20 ~~before the date on which employee contributions were assumed by the employer. An~~
21 ~~employer shall exercise its option under this subsection by reporting its choice to the~~
22 ~~board in writing.~~

23 ~~**SECTION 5. EFFECTIVE DATE.** This Act becomes effective January 1, 2022.~~

24 **SECTION 1. LEGISLATIVE MANAGEMENT STUDY - PUBLIC EMPLOYEES**
25 **RETIREMENT SYSTEM DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS.** During
26 the 2021-22 interim, the legislative management shall develop a plan for new hires under the
27 public employees retirement system main system to participate in the defined benefit plan and
28 to close the defined benefit plan to new entries effective January 1, 2024. Upon approval of the
29 chairman of the legislative management, the study may use the services of a third-party
30 contractor to assist in the study. The legislative management shall report its findings and

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- 1 recommendations, together with any legislation required to implement the recommendations, to
- 2 the sixty-eighth legislative assembly.