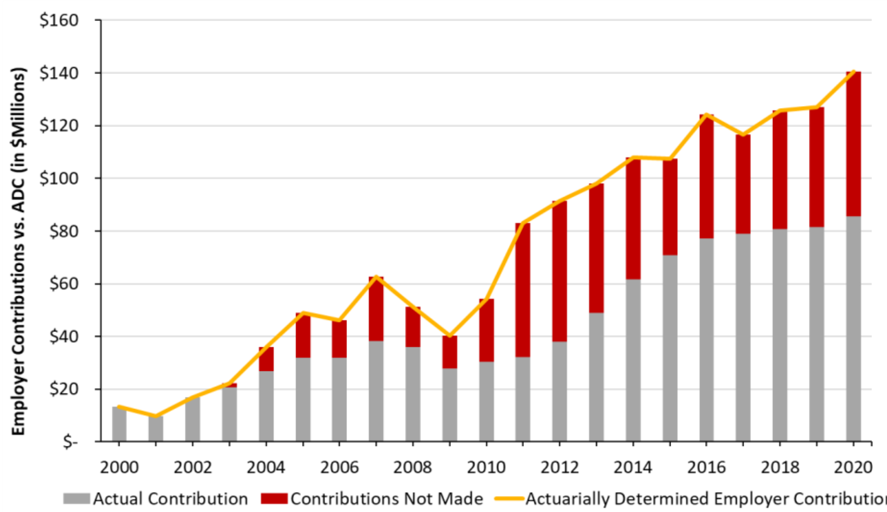
Actuarially Determined Contributions Would Reverse NDPERS Debt Trends

Pension systems like NDPERS need to rely on consistent contributions from government workers and their employers—as well as compounding investment returns—over long periods of time to save the necessary amounts needed to pay the retirement benefits promised to generations of public employees. Unfortunately, consistent funding has not meant adequate funding for NDPERS, which holds over $1.4 billion in unfunded pension liabilities today in part due to the legislature's history of statutorily establishing pension contribution rates less than what NDPERS' actuaries calculate is necessary to achieve full funding over the next few decades—in short, the legislature has been structurally underfunding NDPERS. Moving from an arbitrary statutory contribution rate to an actuarially determined employer contribution (ADEC) is an important needed step for the long-term financial future of NDPERS.

Missed Contributions are Pushing NDPERS Debt Higher

- The North Dakota legislature has historically been reluctant to raise employer contribution rates for NDPERS to a level that meets the actuarially required amount (ADEC).
- NDPERS had a $135 million surplus in FY 2000 but failed to make the ADEC contribution for the last 18 years (2003-2020), with actual employer contributions to NDPERS falling short of ADEC by over $585 million over that period.



How ADEC Saves Taxpayers Long-Term

- Using an ADEC funding policy is an industry best practice that would depoliticize and automate the funding process and make it more adaptable to the plan's experience.
- ADEC funding would limit the impact of missed actuarial assumptions by ensuring the subsequent contributions needed to make up for the lost revenue.
- The contribution increases needed now to meet ADEC pale in comparison to the costs of doing nothing and accepting the continued structural accumulation of high-interest pension debt, The current policy ensures that NDPERS unfunded liabilities will never be paid off, while shifting to ADEC would immediately start a path to full funding.

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