

Rep. Mike Lefor

HB 1342 Testimony

Good Morning Chairman Kasper and members of the Government and Veterans Affairs committee, for the record my name is Mike Lefor and I represent District 37 – Dickinson in the House.

Today, I bring HB 1342 to you for your consideration. For the past three years, I have served as chair of the Employee Benefits Programs Committee. The reports we received regarding the unfunded liability of our PERS plan is concerning. HB 1342 attempts to change the downward trend. At this time, I will grow through the bill with you. On page one, line thirteen you will note the increase in the temporary employee percentage is an update in code. Lines 16-20 updates code as well, it is my understanding the temporary employee pays all the contributions. Lines 19-20 reflects the increased percentage. (Defined Benefit Plan)

Section two updates code and provides for an increase in the contribution percentage for permanent employee contributions to the defined benefit plan.

Section three updates code and increases the employer contribution to the defined benefit plan.

Section four updates code and increases the temporary employee contribution to the defined contribution plan.

Section five increases the permanent employee contributions to the defined contribution plan.

Section six updates code and reflects the increase in employer contributions to the defined contribution plan.

Section seven reflects a cash infusion into the plan from the general fund from legacy earnings. The cash infusion is \$24 million. In addition, you will note the temporary employees rate of increase is two percent as they pay all. Permanent employer and permanent employee contribution increases are 1% each.

You will note the cash infusion in this bill is a one-time appropriation. I am bringing this bill forward for a few reasons.

1. The plan is no longer on track to be 100% funded.
2. The current unfunded liability is \$1.44 billion and growing.
3. The current funded ratio is 68.3%, one of the lowest in the country.
4. Based on an actuarial from GRS, these increases could lead the fund to be 100% funded by the year 2067.
5. By increasing the percentage, the result for those in the defined contribution plan will enjoy a 13.11% increase in their retirement benefits over twenty years.

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I have attached a graph to my testimony showing the effect of HB 1342 on the PERS retirement plan as opposed to if the current scenario going forward. Separately, I have forwarded legislation that would continue the \$24 million per biennium cash infusion, if that were to be followed, the plan would reach 90% funded in 31 years.

It is often stated that we do not want to bind future legislative assemblies, the fact of the matter is that inaction will result in a growing deficit to the plan as reflected in the chart. We need to invest in our promise to our state's employees.

I thank you for your time and your consideration of HB 1342. I would be happy to answer questions.

**Main System Projected Funded Ratio as of July 1, 2020
Based on Updated Assumptions Adopted by the Board
Under Baseline and Alternate Scenario (1.00% Increase to both Employee and Employer
Contributions beginning January 1, 2022 and \$24 Million Cash Infusion on July 1, 2021)**

