TESTIMONY OF SCOTT MILLER

House Bill 1501 – Soybean Council Privatization

Good Morning, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I am here to testify in opposition to House Bill 1501.

The reason the NDPERS Board is opposed to this bill relates to the actuarial impact the bill has on the Main PERS plan. The Soybean Council has six employees, all of which participate in the Main PERS plan. The benefits to which those employees are entitled will be frozen as of July 1, 2024, when the Council becomes non-public. However, those benefits have not yet been fully paid for by the Soybean Council – our plan is only about 65% funded on a market value of assets basis. As such, the Main PERS plan should be made whole before the Soybean Council is permitted to transition to a private entity.

We have similar experience with political subdivisions. Political subdivisions can join the Main PERS plan upon execution of our participation agreement. That agreement has a specific reference to North Dakota Administrative Code section 71-02-08-02, which must be followed if the political subdivision ever seeks to exit participation.

> Any political subdivision may discontinue participation in the fund if the following requirements are met:
> 1. The political subdivision must provide the board with a copy of a resolution adopted by the governing authority authorizing the termination of participation in the fund.
> 2. Upon receiving a copy of the written resolution, an actuarial study must be done by the plan's actuary to determine the accrued benefit of all vested employees minus allocated assets from the date of participation. The interest assumption used must be two hundred basis points less than the plan's interest assumption used for funding purposes. The withdrawal liability must include an administrative expense assessment of five percent.
> 3. Any costs incurred by the fund, resulting from a political subdivision ceasing participation, including the actuarial fee study and the withdrawal liability, must be assessed against the political subdivision and paid in full before a political subdivision terminates its participation.
> 4. All employees of a political subdivision that has terminated participation in the fund must not be eligible for future benefit accruals or improvements granted to employees or former employees of participating governmental units after the date the employer's participation ceases.

5. An employee who is not vested at the time an employer ceases participation has the option of taking a refund or rollover of the employee's contribution plus interest.

We would suggest a similar process be followed to ensure the Main PERS Plan is not detrimentally affected by the Soybean Council's privatization. The NDPERS Board would be neutral regarding this bill if the Main PERS Plan were made whole.

We have asked our actuary for an analysis of this bill, and as of the date I wrote this testimony we did not have that analysis. I would be happy to update the Committee once I receive that analysis.