

January 11, 2023

Dear Chairman, Schauer and members of the House Government and Veterans Affairs Committee:

I am writing my testimony in opposition to closing the North Dakota Public Employees Retirement System (NDPERS) Main Defined Benefit Plan. I am a current participant in the NDPERS Main Plan with Burleigh County. I have read the draft of H.B. #1040/S.B. #1039 and I believe closing the NDPERS Main Defined Benefit Plan to new participants would be detrimental to recruitment for political subdivisions and the state of North Dakota as an employer. I have made my career in the Human Resources field for over twenty-three years now. I am still actively in the Human Resources field as the Human Resource Director for Burleigh County. While I understand the recruitment challenges that Governmental Units face when competing for talent with private employers; I continue to live this challenge every day in my current job; I do not feel that the Governmental Units will gain anything by closing the NDPERS Main Defined Benefit Plan to new hires. I have worked for a couple of larger employers in their employee benefits administration area over my career (Bobcat/Melroe Company & MDU Resources Group, Inc.). I understand the pension funding requirements and the importance of the percentage level of funding in a defined benefit pension plan. I have also experienced what happens when a defined benefit pension plan is closed to new participants. The funding liability for the remaining participants in that pension plan remains, as you already have a certain number of participants that you have the liability of a lifetime annuity benefit that has to be provided by the pension plan. However, you have cut off your main funding source which is the new participant contributions into the pension plan. The funding requirements to the remaining participants of the plan will become an issue. I read where the Legacy sinking and interest fund will have a mechanism that will provide some funding for the NDPERS Main Defined Benefit Plan. However, anything above that funding source will need to come from either the Governmental Units and/or the existing participants in the NDPERS Main Defined Benefits Plan. So as I understand it, there may be extra funding requests made in the future to the Governmental Units (State Agencies and Political Sub Divisions (Counties, etc.)) where they will be required to submit their own fund contributions in order to keep the NDPERS Main Defined Benefit Plan funded at an adequate level. What this will ultimately do is to force the Governmental Units to make a choice and withdraw their participants from the closed NDPERS Main Defined Benefit Plan and enroll those existing participants into the Defined Contribution Plan because they will not be able to afford the extra contributions and payments that are needed in order to keep the closed NDPERS Main Defined Benefit Plan funded. During my career in Human Resources – Employee Benefits, I have witnessed this very thing occur in a few different cooperatives that closed their pension plans. I do not believe this is a fair way to treat the long- time employees that have been loyal to our Governmental Units.

I worked as a State of North Dakota employee for NDPERS two different timeframes within my career. From 2004 to 2006 and from 2019 to 2020. I have been with Burleigh County since 2020. I understand the NDPERS Main Defined Benefit Plan very well. I have been aware of the funding issues since 2004. I also know that there have been numerous suggestions on how to increase the funding levels to the NDPERS Main Plan made over the years. The past legislators refused to fully address the funding suggestions always referring to the next legislative session. Now we are at a critical point for funding the financial liabilities for the NDPERS Main Defined Benefit Plan.

I mentioned that I worked for NDPERS in 2004 and left. I went back to the private sector as I was offered more money. Over the years in the private sector, I made more money than I would have had I stayed at NDPERS as an employee. However, when you become older and your retirement and healthcare needs become more apparent to you and your family, you reconsider whether compensation is everything. Remember, the more compensation you make the more the IRS will take for taxes. I did come back to NDPERS as an employee and then to Burleigh County as an employee for the NDPERS Main Defined Benefit Plan and the healthcare benefits.

The fact of the matter is this: I listened as legislators discussed the reason, they want to close the NDPERS Main Defined Benefit Plan and convert any new hires after that to the Defined Contribution Plan. It was the pension funding, however, they also used employee attraction as a reason to have a defined contribution plan rather than a defined benefit plan. As an HR professional, I do not agree. Your employees have a choice of where they want to work. It is no secret that we have more open jobs in the state of North Dakota than we have people to fill them. If I was a young professional under the age of 26, I really would not care about Health Insurance because I am covered under my parent's health insurance plan. I am also not thinking about my life in retirement. A very small percentage of young employees have retirement at the top of their to do list. The top of that to do list looks more like a car payment, a house payment and daycare for children and also to provide food on the table. Normal household expenses override retirement contributions if the employee has a choice. I have witnessed this both personally and throughout my career. That is not really a bad thing as long as when an employee gets older, they do make retirement contributions into their retirement plan.

Not all employees are comfortable with retirement investments. I know a good share of employees are very scared to even participate because they do not want to choose the wrong investment and lose their hard-earned money. The main difference between a defined benefit plan and a defined contribution plan is who is in charge of the investments. In a defined benefit plan, you are taken care of, and you do not have to pay an investment advisor to manage your investments so you can afford to retire and have a monthly annuity that you can live from. In a defined contribution plan, if you are not educated on investments and watching your investments and rebalancing your account up against the changing market conditions, you will not have enough money saved in your account to get a monthly annuity payment. Even though

you may pay an investment advisor to handle your investments, you are the one that is still liable for the gains and losses on the investments in your defined contribution plan. You will live from the balance in your defined contribution account until it has been depleted.

An employee will have to work longer instead of enjoying retirement. As technology changes; employees toward the end of their careers; do not always adapt well to the technology changes. This could lead to skills gaps in critical positions at Governmental Units.

Converting to a Defined Contribution Plan will only make it easier for an employee to move between employers from the Governmental Unit to the private sector. I highly doubt it will have the talent attraction result that was discussed by the committee that wants to close the NDPERS Main Defined Benefit Plan. What it will do is take the Governmental Unit's advantage of a better benefit package away and make it harder to compete with private industry. The Governmental Units will be forced to pay more in salary in order to fill open positions. Otherwise, those positions will go unfilled. Training costs will increase as employee retention will still be an issue because we just made it easier for an employee that we attracted to go down the street to another employer for a little bit more money. The benefits will remain neutral at that point.

I respectfully oppose closing the NDPERS Main Defined Benefit Plan and I wanted to make my wishes known to you and the rest of the House Government and Veteran Affairs Committee so you can make an informed decision on the retirement plan as it will change how we will need to recruit and pay employees in Governmental Units going forward if the NDPERS Defined Benefit Plan is closed.

Thank you for your time!

Sincerely,

Pamela J. Binder  
Human Resources Career Professional  
MM/HR, MBA, SPHR & SHRM – SCP

[pjbinder@nd.gov](mailto:pjbinder@nd.gov)