

Good morning, Chairman Schauer and members of the Government and Veterans Affairs Committee, for the record, my name is Mike Lefor and I serve District 37 - Dickinson in the House.

I bring HB 1146 to you for your consideration. Last session, the assembly passed HB 1040 which closed the PERS main defined benefit retirement plan to new hires and replaced it with a new defined contribution plan. For the past year and a half, the leadership team and staff with North Dakota PERS has done an outstanding job in meeting all the things that needed to be done to execute on the change.

The bill which I am bringing to you today provides clarification in certain areas. It does the following:

1. Allows Political Subdivisions not currently participating in NDPERS to join the new defined contribution plan and offer the plan to their existing and future employees. Without this change, political subdivisions will not be able to offer NDPERS to employees other than their peace and corrections officers through the Public Safety plan. It allows more portability and competitiveness within political subdivisions as many are part of the NDPERS retirement, so employees moving within subdivisions can maintain their PERS plan.
2. Clarifies the definition of state employer and which state governmental unit applies only to those state entities that receive their budget approval from the legislative assembly. This is important in determining the state entities that will be responsible for paying the actuarially determined employer contribution. (ADEC).
3. It is also necessary to identify the eligible state employees, for the no more than 5 years incentive window and the employers that must pay the required incentive for those that elect to transfer Without this

clarification, the funding of the ADEC and the incentive would result in those state entities that the Legislative Assembly does not provide budget approval could result in budget deficiencies for these small employers without a remedy for providing funding to them.

4. A retroactive emergency clause to section 2 was added in Section 7. The need for this is due to the special election window passed in HB1040. House Bill 1040 required an election window which began January 1, 2025, and ends March 31, 2025. In order for NDPERS to appropriately administer the window to the eligible population, including the appropriate employer, to be required to pay the corresponding incentive, this clarification is necessary. (These items are found in Sections 2, 4, 6 and 7.)
5. In Section 5, it clarifies that the investment options available to members of the Defined Contribution Plan must include both in-plan and out-of-plan annuities. Previously the language was specific to in-plan annuities.

That is a summary of the bill. HB1040 was landmark legislation passed by this assembly last session and provides the clarity needed to move forward. With that I ask the committee to give a "Do Pass" recommendation to the House floor and I will be happy to answer any questions you may have.