

Bill Draft – LC 90112.01 – This bill proposes a percentage increase and 13th check adjustment for PERS & HP retirees that is funded from earnings for the 13th check and from a one time 2 year increase in employer contributions

Proposals	Section
1. Proposes to increase the employer contributions to the PERS and HP retirement plans to fund a 2% increase for retirees. The proposed increase is a one time two year only increase that would pay the increase in that time period instead of amortizing it over 20 years. The increase amount necessary has not been actuarially determined so the bill draft includes a 1.15% increase for PERS and a 5.3% for the HP. These numbers will change when the actuary report is completed Also contributions for the DC plan members are proposed to increase as well to maintain the equity between the two plans	Section 1 for the HP Section 4 for PERS Section 9 for PERS DC
2. The HP plan presently includes an automatic 50% joint and survivor benefit as part of its normal retirement benefit. This proposal would increase the J&S benefit to 100%	Section 3
3. Proposes a 13 th check for members of the PERS and HP retirement plans in January of 2010 if the following conditions are met: <ul style="list-style-type: none"> a. The check will be 50% if the return is greater than 8% and the funded status at market is at least 105% b. The check will be 75% if the return is greater than 9% and the funded status at market is at least 110% 	Section 3 for HP Section 8 for PERS

Proposals	Section
<p>c. The check will be 100% if the return is greater than 10% and the funded status is at least 115%</p> <p>d. No 13th check will be paid if the return is less than 8% or the funded status is less then 105%</p>	
<p>4. Authorizes a 2% increase for PERS and HP Retirees in January of 2011. For Judges it is based on margin and not increased contributions.</p>	<p>Section 3 for HP Section 7 for Judges Section 8 for PERS</p>
<p>5. Expands the incentive provision for PERS members to engage in supplemental retirement savings in the 457 plan to allow a member to buy up to two years of service credit in PERS at termination of employment at 9.12% instead of actuarial cost. The amount of time that can be purchased is limited 2 years and does not apply to the rule of 85.</p>	<p>Section 5</p>
<p>6. Allows participating political subdivisions to elect if they want to provide the 2% retiree increase to their retirees. If they elect not to increase their contributions to pay for the benefit then their retirees will not get the increase.</p>	<p>Section 6</p>

Bill Provisions	Explanation	
<p>A BILL for an Act to create and enact subsection 7 of section 54-52-17.4 of the North Dakota Century Code, relating to purchase of service credit under the public employees retirement system; to amend and reenact section 39-03.1-10, subsection 9 of section 39-03.1-11, sections 39-03.1-11.3, 54-52-06, 54-52-17.5, 54-52-17.11, 54-52-17.13, and subsection 2 of section 54-52.6-09 of the North Dakota Century Code, relating to employer contributions, cost of living adjustments and supplemental retiree payments under the highway patrolmen's retirement system and public employees retirement system.</p>	<p>This bill provides adjustments to retirees in the PERS and HP retirement plans. Two adjustments are proposed. The first is a 13th check that would be paid if the plans rate of return and funded status reach certain benchmarks. The second is a 2% cost of living adjustment in 2011 that would be paid for by a one time, one biennium increase in employer contributions. Participation by political subdivisions in this second provision is optional.</p> <p>This bill also sets the standard HP benefit to include a 100% J&S benefit</p>	
<p>SECTION 1. AMENDMENT. Section 39-03.1-10 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>39-03.1-10. Contributions by the state. The state shall contribute to the fund a sum equal to sixteen and seventy-hundredths percent of the monthly salary or wage of a participating member. <u>State contributions set out under this section shall increase to an amount equal to twenty-two percent from July 1, 2009, through June 30, 2011.</u> If the member's contribution is paid by the state under subsection 2 of section 39-03.1-09, the state shall contribute, in addition, an amount equal to the required member's contribution. The state shall pay the associated employer contribution for those members who elect to exercise their rights under subsection 3 of section 39-03.1-10.1.</p>	<p>This change increases the employer contributions to the HP plan from 16.7% to 22% on a one time basis for two years to pay for a 2% increase in retirement benefits is Section 3 of the bill.</p>	

SECTION 2. AMENDMENT. Subsection 9 to section 39-03.1-11 of the North Dakota Century Code is amended and reenacted as follows:

9. The board shall adopt rules providing for the receipt of retirement benefits in the following optional forms:

- a. An actuarially equivalent joint and survivor one hundred percent option.
- b. An actuarially equivalent life with ten-year or twenty-year certain options.
- c. An actuarially equivalent partial lump sum distribution option with a twelve-month maximum lump sum distribution.

Unless a contributor requests that the contributor receive benefits according to one of these options at the time of applying for retirement, all retirement benefits must be in the form of a lifetime monthly pension, with a fifty one hundred percent option to the surviving spouse.

This change increases the HP standard benefit to include a 100% J&S benefit. Presently the plan standard benefit includes an 50% JS benefit

SECTION 3. AMENDMENT. Section 39-03.1-11.3 of the North Dakota Century Code is amended and reenacted as follows:

39-03.1-11.3. Supplemental retiree benefit payment. ~~If the board determines that the fund has obtained a total return on investments of nine and six hundredths percent or higher for the fiscal year ending June 30, 2007, or June 30, 2008, the~~ The board shall authorize an additional increase the monthly payment equal to seventy five percent of the January retirement allowance following the fiscal yearend to each eligible retiree in pay status as of that January, including joint and survivor and term certain beneficiaries, under this chapter. The board may only make one payment under this section: individual or the individual's beneficiary receiving benefit payments

This section authorizes two increases for HP retirees.

The first increase is a 13th check for members of the HP plan in January of 2010. If the market reaches certain thresholds, then the amount varies as follows:

- The check will be 50% if the return is greater than 8% and the funded status at market is at least 105%
- The check will be 75% if the return is greater than 9% and the funded status at market is at

under this chapter by two percent of the individual's present benefits with the increase payable beginning January, 2011. The board shall also authorize a one time supplemental retiree benefit to each eligible retiree in pay status as of January 1, 2010, including joint and survivor and term certain beneficiaries, based on the one of the following options:

1. No additional payment if the board determines that the fund has obtained a total return on investments equal to, or less than, eight percent for the fiscal year ending June 30, 2009, or the highway patrolmen's retirement system funding ratio is equal to or less than a market value of one hundred and five percent.
2. An additional payment equal to fifty percent of the January retirement allowance following the fiscal year end if the board determines that the fund has obtained a total return on investments greater than eight percent for the fiscal year ending June 30, 2009, and the highway patrolmen's retirement system funding ratio is greater than a market value of one hundred and five percent.
3. An additional payment equal to seventy-five percent of the January retirement allowance following the fiscal year end if the board determines that the fund has obtained a total return on investments greater than nine percent for the fiscal year ending June 30, 2009, and the highway patrolmen's retirement system funding ratio is greater than a market value of one hundred and ten percent.
4. An additional payment equal to one hundred percent of the January retirement allowance following the fiscal year end if the board determines that the fund has obtained a total return on investments greater than ten percent

least 110%

- The check will be 100% if the return is greater than 10% and the funded status is at least 115%
- No 13th check will be paid if the return is less than 8% or the funded status is less than 105%

The bill also authorizes a 2% increase for HP retirees in January of 2011 which is paid for by a one time, two year increase in contributions.

<p><u>for the fiscal year ending June 30, 2009, and the highway patrolmen's retirement system funding ratio is greater than a market value of one hundred and fifteen percent.</u></p>		
<p>SECTION 4. AMENDMENT. Section 54-52-06 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>54-52-06. Employer's contribution to retirement plan. Each governmental unit shall contribute an amount equal to four and twelve-hundredths percent of the monthly salary or wage of a participating member. <u>Employer contributions set out under this section shall increase to an amount equal to five and twenty-five hundredths percent from July 1, 2009, through June 30, 2011.</u> For those members who elect to exercise their rights under section 54-52-17.14, the employing governmental unit, or in the case of a member not presently under covered employment the most recent employing governmental unit, shall pay the associated employer contribution. If the employee's contribution is paid by the governmental unit under subsection 3 of section 54-52-05, the employer unit shall contribute, in addition, an amount equal to the required employee's contribution. Each governmental unit shall pay the contribution monthly, or in the case of an election made pursuant to section 54-52-17.14 a lump sum, into the retirement fund from its funds appropriated for payroll and salary or any other funds available for these purposes. Any governmental unit failing to pay the contributions monthly, or in the case of an election made pursuant to section 54-52-17.14 a lump sum, is subject to a civil penalty of fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due. In lieu of assessing a civil penalty or one percent per month, or both, interest at the actuarial rate of return may be assessed for each month the contributions are delinquent. If contributions are paid within ninety days of</p>	<p>\</p> <p>This change increases the employer contributions to the HP plan from 4.12% to 5.25% on a one time basis for two years to pay for a 2% increase in retirement benefits is Section 5 of the bill.</p>	

<p>the date they became due, penalty and interest to be paid on delinquent contributions may be waived. An employer is required to submit contributions for any past eligible employee who was employed after July 1, 1977, for which contributions were not made if the employee would have been eligible to become vested had the employee participated and if the employee elects to join the public employees retirement system. Employer contributions may not be assessed for eligible service that an employee has waived pursuant to subsection 1 of section 54-52-05. The board shall report to each session of the legislative assembly the contributions necessary, as determined by the actuarial study, to maintain the fund's actuarial soundness.</p>		
<p>SECTION 5. AMENDMENT. Subsection 7 to section 54-52-17.4 of the North Dakota Century Code is created and enacted as follows:</p> <p><u>7. Any member who possesses vested employer contributions in accordance with 54-52-11.1 may purchase one month of service credit for each year of vested employer contributions at termination of employment. The employee shall pay nine and twelve hundredths percent of salary for a purchase made under this subsection. Purchases under this subsection shall be limited to two years of service credit. Service credit purchased under this subsection will not be recognized as service credit for the purpose of computing retirement dates under section 54-52-17.</u></p>	<p>This provision allows a member who has engaged in supplemental retirement savings to purchase service in PERS at a fixed rate of 9.12%. The amount to be purchased is limited to 2 years and does not apply to eligibility for the rule of 85.</p> <p>The purpose of this provision is provide an additional incentive for employees to save for retirement.</p>	
<p>SECTION 6. AMENDMENT. Section 54-52-17.5 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>54-52-17.5. Postretirement adjustments. An individual or the individual's beneficiary who, on July 31, 2004 January 1, 2011, is receiving retirement benefits under</p>	<p>This section increases retiree benefits on January</p>	

<p>subdivision a, c, d, or e of subsection 4 of section 54-52-17 is entitled to receive an increase in benefits equal to six <u>two</u> percent of the individual's present benefits with the increase payable beginning August 1, 2004 <u>January, 2011</u>. <u>Participation by political subdivision employers under this section shall be optional, at the discretion of each political subdivision. If a political subdivision employer chooses not to participate under this section, the employer contribution will not increase during the period from July 1, 2009, through June 30, 2011, as provided under 54-52-06, and the retirees and beneficiaries of the political subdivision will not receive increased benefits under this section. A political subdivision employer election to participate under this section must be made on or before July 1, 2009, if no election is made by the above referenced date, the employer will be presumed to have made an election to not participate.</u></p>	<p>of 2011 by 2% and allows political subdivisions participating in PERS to determine if they want to increase their contributions for 2 years to pay for an increase for their retirees. If they choose not to participate their retirees will not get the 2% adjustment.</p>	
<p>SECTION 7. AMENDMENT. Section 54-52-17.11 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>54-52-17.11. Judges postretirement adjustments. A supreme or district court judge or that person's beneficiary who, on December 31, 2007 <u>January 1, 2011</u>, is receiving retirement benefits under subdivision b of subsection 4 of section 54-52-17, is entitled to receive an increase in benefits equal to two percent of the individual's present benefits with the increase payable beginning <u>January 1, 2008</u>. A supreme or district court judge or that person's beneficiary who, on December 31, 2008, is receiving retirement benefits under subdivision b of subsection 4 of section 54-52-17, is entitled to receive an increase in benefits equal to two percent of the individual's present benefits with the increase payable beginning January 1, 2009 <u>January, 2011</u>. The increases allowed by this section may only be given if the public employees retirement board determines there is actuarial margin sufficient to pay the</p>	<p>This section allows judges to get a 2% increase in benefits in January 2011 if there is sufficient margin in the system to pay for the increase</p>	

increases.

SECTION 8. AMENDMENT. Section 54-52-17.11 of the North Dakota Century Code is amended and reenacted as follows:

54-52-17.13 Supplemental retiree benefit payment. ~~If the board determines that the fund has obtained a total return on investments of nine and six hundredths percent or higher for the fiscal year ending June 30, 2007, or June 30, 2008, the board shall authorize an additional payment equal to seventy five percent of the January retirement allowance following the fiscal yearend to each eligible retiree in pay status as of that January, excluding judicial retirees and beneficiaries, but including joint and survivor and term certain beneficiaries, under this chapter. The board may only make one payment to each retiree under this section. The board shall authorize a one time supplemental retiree benefit to each eligible retiree in pay status as of January 1, 2010, including judicial retirees and beneficiaries, and also including joint and survivor and term certain beneficiaries, based on the one of the following options:~~

1. No additional payment if the board determines that the fund has obtained a total return on investments equal to, or less than, eight percent for the fiscal year ending June 30, 2009, or the public employees retirement system funding ratio is equal to or less than a market value of one hundred and five percent.
2. An additional payment equal to fifty percent of the January retirement allowance following the fiscal yearend if the board determines that the fund has obtained a total return on investments greater than eight percent for the fiscal year ending June 30, 2009, and the public employees retirement system funding ratio is greater than a market value of one hundred and five percent.

The section authorizes a 13th check for members of the PERS plan in January of 2010. If the market reaches certain thresholds, the amount varies as follows:

- The check will be 50% if the return is greater than 8% and the funded status at market is at least 105%
- The check will be 75% if the return is greater than 9% and the funded status at market is at least 110%
- The check will be 100% if the return is greater than 10% and the funded status is at least 115%
- No 13th check will be paid if the return is less than 8% or the funded status is less than 105%

<p>3. <u>An additional payment equal to seventy-five percent of the January retirement allowance following the fiscal yearend if the board determines that the fund has obtained a total return on investments greater than nine percent for the fiscal year ending June 30, 2009, and the public employees retirement system funding ratio is greater than a market value of one hundred and ten percent.</u></p> <p>4. <u>An additional payment equal to one hundred percent of the January retirement allowance following the fiscal yearend if the board determines that the fund has obtained a total return on investments greater than ten percent for the fiscal year ending June 30, 2009, and the public employees retirement system funding ratio is greater than a market value of one hundred and fifteen percent.</u></p>		
<p>SECTION 9. AMENDMENT. Subsection 2 of section 54-52.6-09 of the North Dakota Century Code is amended and reenacted as follows:</p> <p>2. The employer shall contribute an amount equal to four and twelve hundredths percent of the monthly salary or wage of a participating member. <u>Employer contributions set out under this section shall increase to an amount equal to five and twenty-five hundredths percent from July 1, 2009, through June 30, 2011.</u> If the employee's contribution is paid by the employer under subsection 3, the employer shall contribute, in addition, an amount equal to the required employee's contribution. The employer shall pay monthly such contribution into the participating member's account from its funds appropriated for payroll and salary or any other funds available for such purposes. If</p>	<p>This section authorizes the same increase in employer contributions for members of the defined contribution plan also as a one time, two year adjustment.</p>	

<p>the employer fails to pay the contributions monthly, it is subject to a civil penalty of fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the payment became due.</p>		
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