

**HOUSE BILL NO. 1575**

Introduced by

Representative Grande

1 A BILL for an Act to create and enact chapter 54-52.7 of the North Dakota Century Code,  
2 relating to a supplemental defined contribution retirement plan for certain employees of the  
3 bureau of criminal investigation; to amend and reenact sections 54-52-14.3 and 54-52-26 of the  
4 North Dakota Century Code, relating to use and investment of public employee retirement funds  
5 and confidentiality of records of the public employees retirement system; to provide a penalty;  
6 to provide an appropriation; and to provide a continuing appropriation.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1. AMENDMENT.** Section 54-52-14.3 of the North Dakota Century Code is  
9 amended and reenacted as follows:

10 **54-52-14.3. Public employee retirement funds - Use and investment.** Any Except  
11 for a supplemental defined contribution retirement plan for state correctional and peace officers  
12 under chapter 54-52.7, any provision of law relating to the use and investment of public  
13 employee retirement funds must be deemed a part of the employment contracts of the  
14 employees participating in any public employee retirement system. All moneys from any source  
15 paid into any public employee retirement system fund created by the laws of this state must be  
16 used and invested only for the exclusive benefit of the members, retirees, and beneficiaries of  
17 that system, including the payment of system administrative costs.

18 **SECTION 2. AMENDMENT.** Section 54-52-26 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20 **54-52-26. Confidentiality of records.** All records relating to the retirement benefits of  
21 a member or a beneficiary under this chapter, chapter 54-52.2, ~~and~~ chapter 54-52.6, and  
22 chapter 54-52.7 are confidential and are not public records. Information and records may be  
23 disclosed, under rules adopted by the board, only to:

Sixty-first  
Legislative Assembly

- 1           1. A person to whom the member has given written consent to have the information  
2           disclosed.
- 3           2. A person legally representing the member, upon proper proof of representation,  
4           and unless the member specifically withholds consent.
- 5           3. A person authorized by a court order.
- 6           4. A member's participating employer, limited to information concerning the member's  
7           years of service credit and years of age. The board may share other types of  
8           information as needed by the employer to validate the employer's compliance with  
9           existing state or federal laws. Any information provided to the member's  
10          participating employer under this subsection must remain confidential except as  
11          provided under subsection 6.
- 12          5. The administrative staff of the retirement and investment office for purposes  
13          relating to membership and benefits determination.
- 14          6. State or federal agencies for purposes of reporting on a service provider's  
15          provision of services or when the employer must supply information to an agency  
16          to validate the employer's compliance with existing state or federal laws.
- 17          7. Member interest groups approved by the board on a third-party blind list basis,  
18          limited to information concerning the member's participation, name, and address.
- 19          8. The member's spouse or former spouse, that individual's legal representative, and  
20          the judge presiding over the member's dissolution proceeding for purposes of  
21          aiding the parties in drafting a qualified domestic relations order under section  
22          54-52-17.6. The information disclosed under this subsection must be limited to  
23          information necessary for drafting the order.
- 24          9. Beneficiaries designated by a participating member or a former participating  
25          member to receive benefits after the member's death, but only after the member's  
26          death. Information relating to beneficiaries may be disclosed to other beneficiaries  
27          of the same member.
- 28          10. The general public, but only after the board has been unable to locate the member  
29          for a period in excess of two years, and limited to the member's name and the fact  
30          that the board has been unable to locate the member.

- 1           11. Any person if the board determines disclosure is necessary for treatment,  
2                   operational, or payment purposes, including the completion of necessary  
3                   documents.
- 4           12. A government child support enforcement agency for purposes of establishing  
5                   paternity or establishing, modifying, or enforcing a child support obligation of the  
6                   member.
- 7           13. A person if the information relates to an employer service purchase, but the  
8                   information must be limited to the member's name and employer, the retirement  
9                   program in which the member participates, the amount of service credit purchased  
10                  by the employer, and the total amount expended by the employer for that service  
11                  credit purchase, and that information may only be obtained from the member's  
12                  employer.

13           **SECTION 3.** Chapter 54-52.7 of the North Dakota Century Code is created and  
14 enacted as follows:

15           **54-52.7-01. Definition of terms.** As used in this chapter, unless the context otherwise  
16 requires:

- 17           1. "Board" means the public employees retirement system board.
- 18           2. "Eligible employee" means a member who is a peace officer as defined in section  
19           12-63-01 and is employed as a peace officer by the bureau of criminal  
20           investigation.
- 21           3. "Employee" means any individual employed by the state, whose compensation is  
22           paid out of state funds, or funds controlled or administered by the state or paid by  
23           the federal government through any of its executive or administrative officials.
- 24           4. "Employer" means the state of North Dakota.
- 25           5. "Governmental unit" means the state of North Dakota.
- 26           6. "Participating member" means an eligible employee who participates in the  
27           supplemental defined contribution retirement plan established under this chapter.
- 28           7. "Permanent employee" means a state employee whose services are not limited in  
29           duration and who is filling an approved and regularly funded position and is  
30           employed twenty hours or more per week and at least five months each year.

1           8. "Salary" means earnings in eligible employment under this chapter reported as  
2           salary on a federal income tax withholding statement plus any salary reduction or  
3           salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or 457.  
4           "Salary" does not include fringe benefits such as payments for unused sick leave,  
5           personal leave, vacation leave paid in a lump sum, overtime, housing allowances,  
6           transportation expenses, early retirement, incentive pay, severance pay, medical  
7           insurance, workforce safety and insurance benefits, disability insurance premiums  
8           or benefits, or salary received by a member in lieu of previously employer-provided  
9           fringe benefits under an agreement between an employee and a participating  
10           employer. Bonuses may be considered as salary under this section if reported and  
11           annualized pursuant to rules adopted by the board.

12           **54-52.7-02. Election.** The board shall provide an opportunity for each eligible  
13           employee to elect to become a participating member under this chapter and for each  
14           participating member under this chapter to cease to be a participating member under this  
15           chapter.

16           **54-52.7-03. Administration.** The board shall administer the defined contribution  
17           retirement plan established under this chapter and the board or vendors contracted for by the  
18           board shall invest the assets of the plan. The board is the fiduciary and the trustee of the plan.  
19           The board has the exclusive authority and responsibility to employ or contract with personnel  
20           and for services that the board determines necessary for the proper administration of and  
21           investment of assets of the plan, including managerial, professional, legal, clerical, technical,  
22           and administrative personnel or services.

23           **54-52.7-04. Direction of investments.** Each participating member shall direct the  
24           investment of the individual's accumulated employer and employee contributions and earnings  
25           to one or more investment choices within available categories of investment provided by the  
26           board.

27           **54-52.7-05. Administrative expenses - Continuing appropriation.** The  
28           administrative expenses of the plan must be paid by the participating members in a manner  
29           determined by the board. The board or vendors contracted for by the board may charge  
30           reasonable administrative expenses and deduct those expenses from a participating member's  
31           account in the defined contribution retirement plan established under this chapter. The board

1 shall place any money deducted in an administrative expenses account with the state treasurer.  
2 The board may also use funds from the payroll clearing account established pursuant to section  
3 54-52.3-03 to pay for consulting expenses. All moneys in the payroll clearing account, not  
4 otherwise appropriated, or so much of the moneys as may be necessary, are appropriated to  
5 the board on a continuing basis for the purpose of retaining a consultant as required for the  
6 administration of this chapter.

7 **54-52.7-06. Participation in other plans.** A participating member may participate in  
8 another public sector retirement benefits plan for simultaneous service rendered to the same  
9 public sector employer.

10 **54-52.7-07. Contributions - Penalty.**

11 1. Except as otherwise provided in this subsection, each participating member shall  
12 contribute monthly two percent of the monthly salary paid to the participant, and  
13 this assessment must be deducted from the participant's salary in equal monthly  
14 installments commencing with the first month of participation in the supplemental  
15 defined contribution retirement plan established under this chapter. However, a  
16 member's contributions to the deferred compensation plan for public employees  
17 under chapter 54-52.2 or other participating employer supplemental Internal  
18 Revenue Code section 457 or 403(b) retirement programs as approved by the  
19 board must be credited, to the extent made, as the member's contribution under  
20 this subsection.

21 2. The employer shall contribute an amount equal to three percent of the monthly  
22 salary of a participating member. The employer shall pay monthly such  
23 contribution into the participating member's account from its funds appropriated for  
24 payroll and salary or any other funds available for such purposes. If the employer  
25 fails to pay the contributions monthly, the employer is subject to a civil penalty of  
26 fifty dollars and, as interest, one percent of the amount due for each month of delay  
27 or fraction thereof after the payment became due.

28 3. The employer contribution under this chapter ceases:

29 a. The first day of the month next following the month in which the participating  
30 member attains the age of sixty-five; or

1           b. When the participating member has a combined total of years of service credit  
2           and years of age equal to eighty-five.

3           **54-52.7-08. Acceptance of rollovers.** The plan may allow a participating member to  
4 transfer or roll over funds from other qualified plans into the member's account under rules  
5 adopted by the board.

6           **54-52.7-09. Vesting.** A participating member is immediately one hundred percent  
7 vested in that member's contributions made to that member's account under this chapter. A  
8 participating member vests in the employer contributions made on that member's behalf to an  
9 account under this chapter according to the following schedule:

- 10           1. Upon completion of two years of service, fifty percent.  
11           2. Upon completion of three years of service, seventy-five percent.  
12           3. Upon completion of four years of service, one hundred percent.

13 A participating member also becomes one hundred percent vested in the employer  
14 contributions upon reaching age sixty-five or when the member has a combined total of years of  
15 service credit and years of age equal to eighty-five.

16           **54-52.7-10. Refund beneficiaries.** A participating or former participating member may  
17 nominate one or more individuals as a refund beneficiary by filing written notice of nomination  
18 with the board. If the participating member or former participating member is married at the  
19 time of the nomination and the participant's spouse is not the refund beneficiary for one  
20 hundred percent of the account, the nomination is not effective unless the nomination is signed  
21 by the participant's spouse. However, the board may waive this requirement if the spouse's  
22 signature cannot be obtained because of extenuating circumstances.

23           **54-52.7-11. Qualified domestic relations orders.**

- 24           1. The board or a vendor contracted for by the board shall apportion a participating  
25 member's account in the supplemental defined contribution retirement plan under  
26 this chapter in accordance with the applicable requirements of any qualified  
27 domestic relations order. The board shall review a domestic relations order  
28 submitted to it to determine if the domestic relations order is qualified under this  
29 section and under rules adopted by the board for determining the qualified status of  
30 domestic relations orders, administering distributions, and apportioning accounts  
31 under the qualified orders. Upon determination of the domestic relations order as

1           qualified, the board shall notify the participating member, the named alternate  
2           payee, and the vendor, if applicable, of its receipt of the qualified domestic  
3           relations order.

4           2. A "qualified domestic relations order" for purposes of this section means any  
5           judgment, decree, or order, including approval of a property settlement agreement,  
6           which relates to the provision of child support, spousal support, or marital property  
7           rights to a spouse, former spouse, child, or other dependent of a participating  
8           member, is made pursuant to a North Dakota domestic relations law, which creates  
9           or recognizes the existence of an alternate payee's right to, or assigns to an  
10           alternate payee the right to, receive all or a part of a participating member's  
11           account in the supplemental defined contribution retirement plan under this  
12           chapter. A qualified domestic relations order may not require the board to provide  
13           any type or form of benefit, or any option, not otherwise allowed under this chapter.  
14           However, a qualified domestic relations order may require distribution from an  
15           account in the supplemental defined contribution retirement plan under this chapter  
16           notwithstanding that the participating member has not terminated eligible  
17           employment. A qualified domestic relations order must specify:

18           a. The name and last-known mailing address of the participating member and  
19           the name and the mailing address of each alternate payee covered by the  
20           order;

21           b. The amount or percentage of the participating member's account to be paid to  
22           each alternate payee;

23           c. The number of payments or period to which the order applies; and

24           d. Each retirement plan to which the order applies.

25           **54-52.7-12. Distributions.**

26           1. A participating member is eligible to receive distribution of that person's  
27           accumulated balance in the plan upon becoming a former participating member.

28           2. Upon the death of a participating member or former participating member, the  
29           accumulated balance of that deceased participant is considered to belong to the  
30           refund beneficiary, if any, of that deceased participant. If a valid nomination of  
31           refund beneficiary is not on file with the board, the board, in a lump sum

1           distribution, shall distribute the accumulated balance to a legal representative, if  
2           any, of the deceased participant or, if there is no legal representative, to the  
3           deceased participant's estate.

4           3. A former participating member may elect one or a combination of several of the  
5           following methods of distribution of the accumulated balance:

6           a. A lump sum distribution to the recipient.

7           b. A lump sum direct rollover to another qualified plan, to the extent allowed by  
8           federal law.

9           c. Periodic distributions, as authorized by the board.

10          d. No current distribution, in which case the accumulated balance must remain in  
11          the plan until the former participating member or refund beneficiary elects a  
12          method or methods of distribution under this section, to the extent allowed by  
13          federal law.

14          A surviving spouse beneficiary may elect one or a combination of several of the  
15          methods of distribution provided in subdivision a, b, or c. A beneficiary who is not  
16          the surviving spouse may only choose a lump sum distribution of the accumulated  
17          balance.

18          4. If the former participating member's vested account balance is less than one  
19          thousand dollars, the board shall automatically refund the member's vested  
20          account balance upon termination of employment. The member may waive the  
21          refund if the member submits a written statement to the board, within one hundred  
22          twenty days after termination, requesting that the member's vested account  
23          balance remain in the plan.

24          **54-52.7-13. Disability benefits.** The board shall allow distribution of the participating  
25          member's vested account balance if the board determines that the participating member has  
26          become totally and permanently disabled. If approved, the disabled member has the same  
27          distribution options as provided in subdivisions a and c of subsection 3 of section 54-52.7-12.  
28          However, if the member chooses the periodic distribution option, the member may receive  
29          distributions only for as long as the disability continues and the member submits the necessary  
30          documentation and undergoes medical testing required by the board, or for as long as the  
31          member participates in a rehabilitation program required by the board, or both. If the board

1 determines that a member no longer meets the eligibility definition, the board shall discontinue  
2 the disability retirement benefit.

3 **54-52.7-14. Board to provide information.** The board shall provide information to  
4 employees who are eligible to elect to become participating members under this chapter. The  
5 information must include at a minimum the employee's current account balance, the  
6 assumption of investment risk under a defined contribution retirement plan, administrative and  
7 investment costs, and coordination of benefits information. Notwithstanding any other provision  
8 of law, the board is not liable for any election or investment decision made by an employee  
9 based upon information provided to an employee under this chapter.

10 **54-52.7-15. State income tax deductions.** For the purposes of state income tax, the  
11 assessment imposed by this chapter on the employee must be treated in accordance with  
12 existing state statutes on state income tax.

13 **54-52.7-16. Exemption from state premium tax.** Premiums, consideration for  
14 annuities, and membership fees are exempt from premium taxes payable pursuant to section  
15 26.1-03-17.

16 **54-52.7-17. Savings clause.** If the board determines that any section of this chapter  
17 does not comply with applicable federal statutes or rules, the board shall adopt appropriate  
18 terminology with respect to that section as will comply with those federal statutes or rules. Any  
19 plan modifications made by the board pursuant to this section are effective until the effective  
20 date of any measure enacted by the legislative assembly providing the necessary amendments  
21 to this chapter to ensure compliance with the federal statutes or rules.

22 **54-52.7-18. Overpayments.** The board has the right of setoff to recover overpayments  
23 made under this chapter and to satisfy any claims arising from embezzlement or fraud  
24 committed by a participating member, deferred member, refund beneficiary, or other person  
25 who has a claim to a distribution or any other benefit from a plan governed by this chapter.

26 **54-52.7-19. Correction of records.** The board shall correct errors in the records and  
27 actions in plans under this chapter and shall seek to recover overpayments and shall seek to  
28 collect underpayments.

29 **SECTION 4. APPROPRIATION.** The funds provided in this section, or so much of the  
30 funds as may be necessary, are appropriated out of any moneys in the general fund in the state  
31 treasury, not otherwise appropriated, and from special funds derived from federal funds and

Sixty-first  
Legislative Assembly

1 other income, to the following agency for the purpose of funding benefit enhancements  
2 contained in this Act, for the biennium beginning July 1, 2009, and ending June 30, 2011, as  
3 follows:

4	<u>Agency</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>Total</u>
5	Attorney general	<u>\$77,995</u>	<u>\$24,630</u>	<u>\$102,625</u>
6	Total	\$77,995	\$24,630	\$102,625