

# PERS Update

## Retirement Plan

Legislative Employee Benefits Committee - April 2010

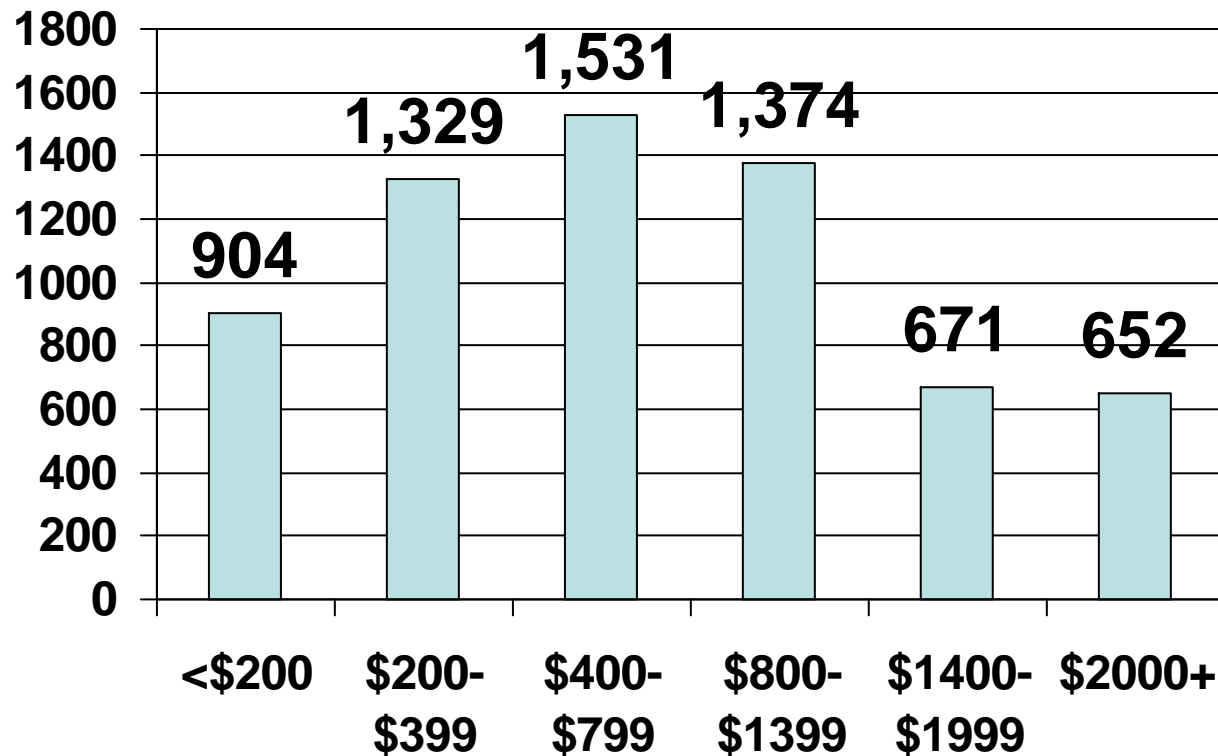
# Membership

## EMPLOYEES

State	10,650	52%
Counties	3,329	16%
School Dist	4,875	24%
Cities	1,225	6%
Others	481	2%
Legislators	0	
Retirees	7,218	26%
total active	20,560	74%
total members	27,778	

# NDPERS Pensions In Force

Monthly Benefit - July 1, 2009

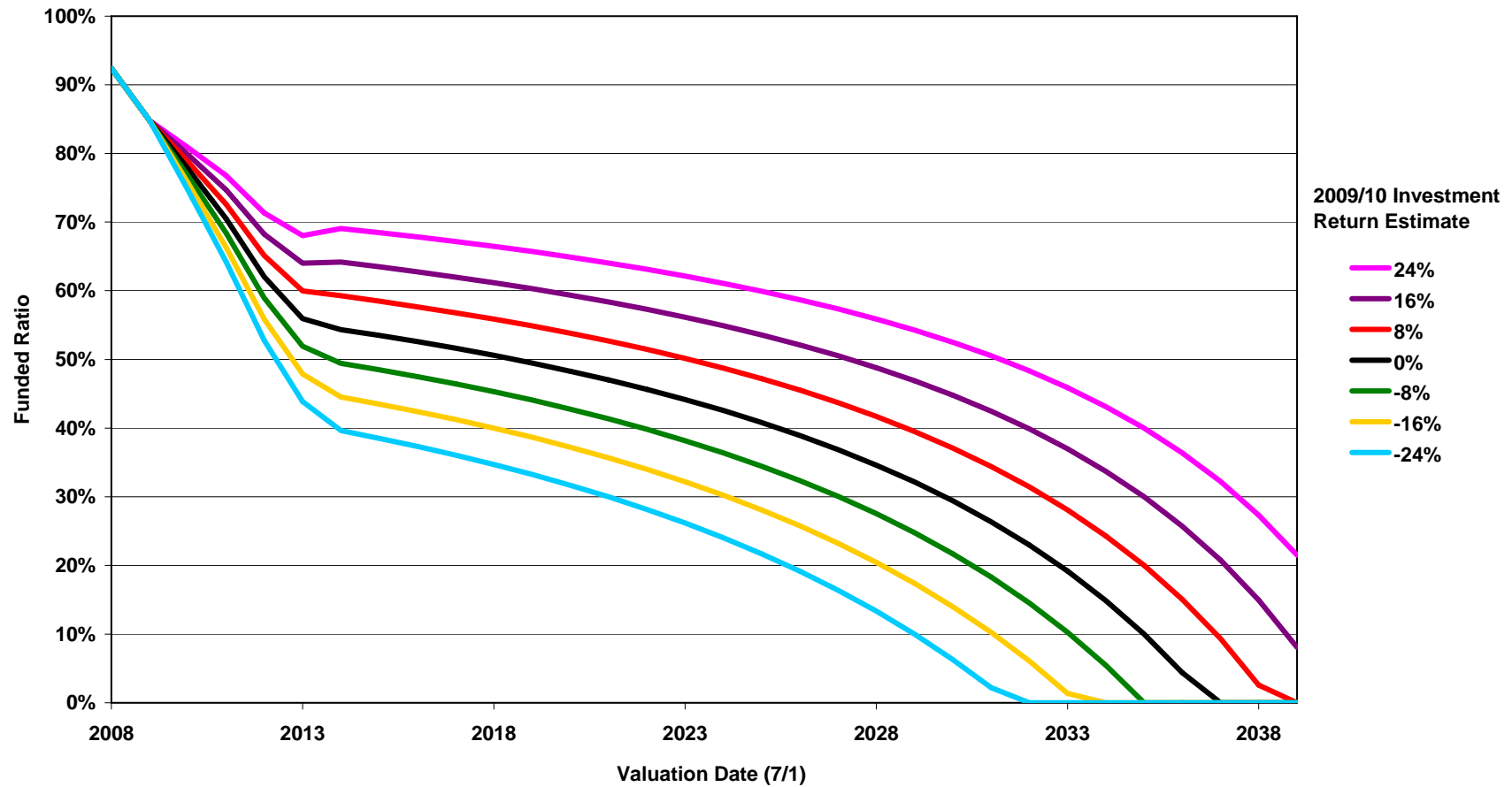


Main System, Judges, Guard, and Law Enforcement Plans

# The Challenge

RETIREMENT SYSTEM  
Actuarial Report & Studies

**North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
(Market Return After FY 2010 Always 8.0%)**



- Additional Issue

- Experience Study

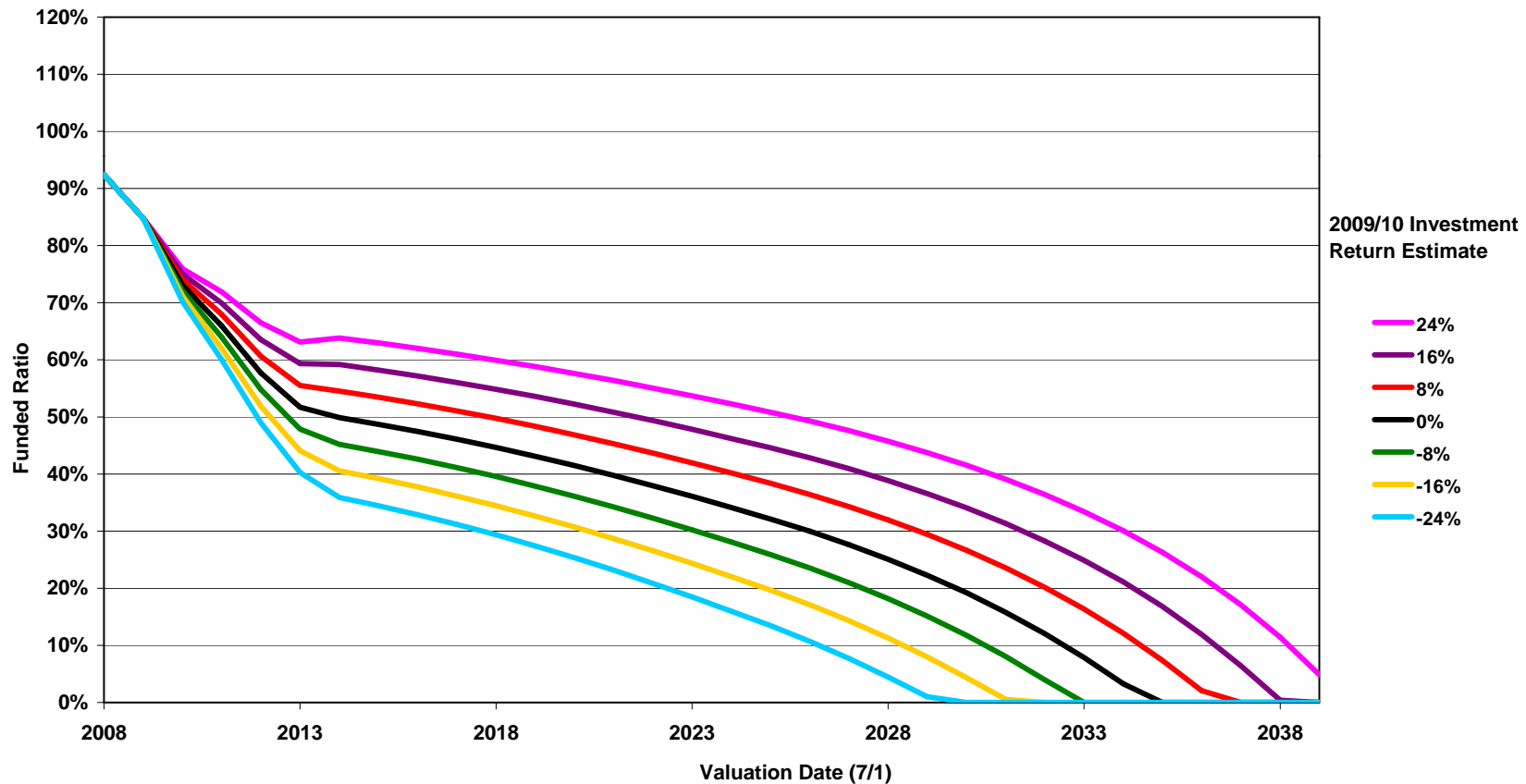
- Tests underlying economic and demographic assumptions
    - Most significant
      - Mortality

- Conclusion

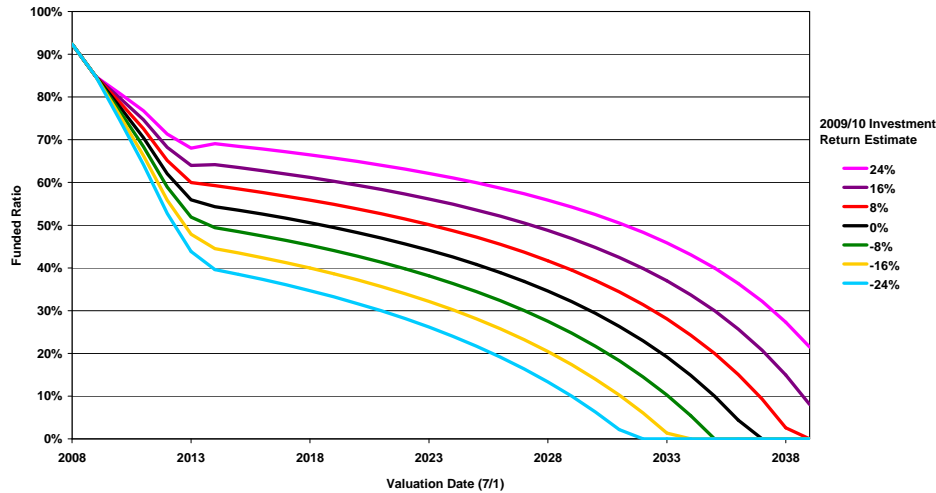
- We are living longer

# Main System – Proposed Assumptions

North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
Current Plan - No Contribution Increase  
(Market Return After FY 2010 Always 8.0%)



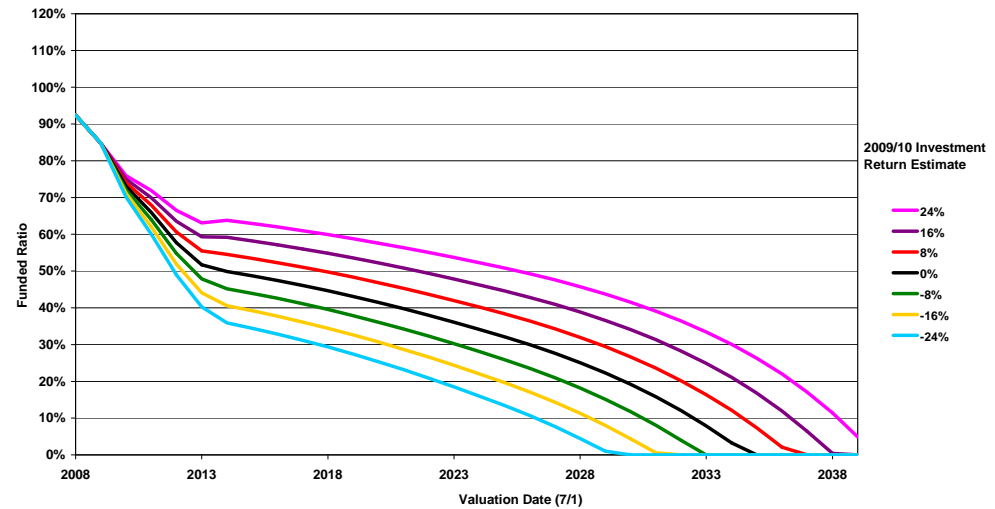
North Dakota Main System  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Market Return After FY 2010 Always 8.0%)



## NDPERS Current/Proposed

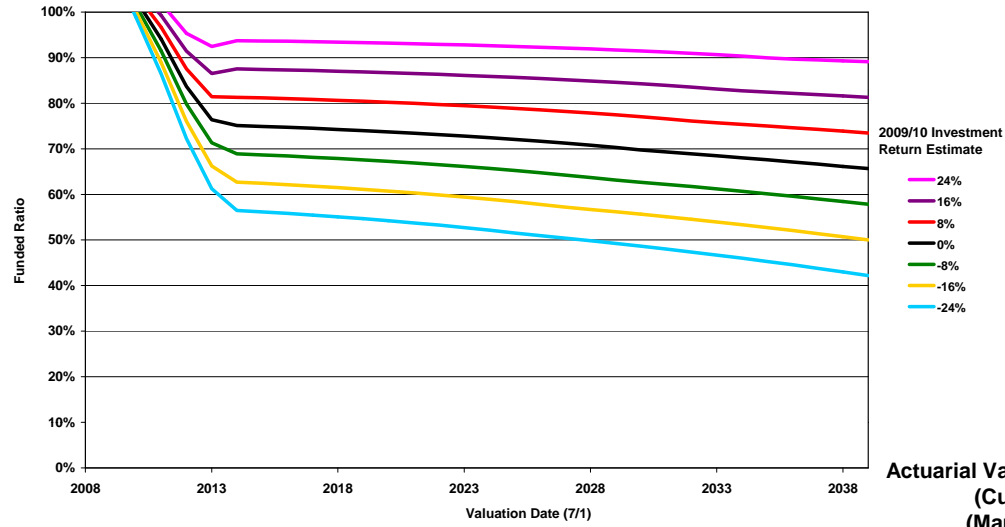
5 year Experience Review  
 – most significant change  
 is mortality assumption

North Dakota Main System  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 Current Plan - No Contribution Increase  
 (Market Return After FY 2010 Always 8.0%)



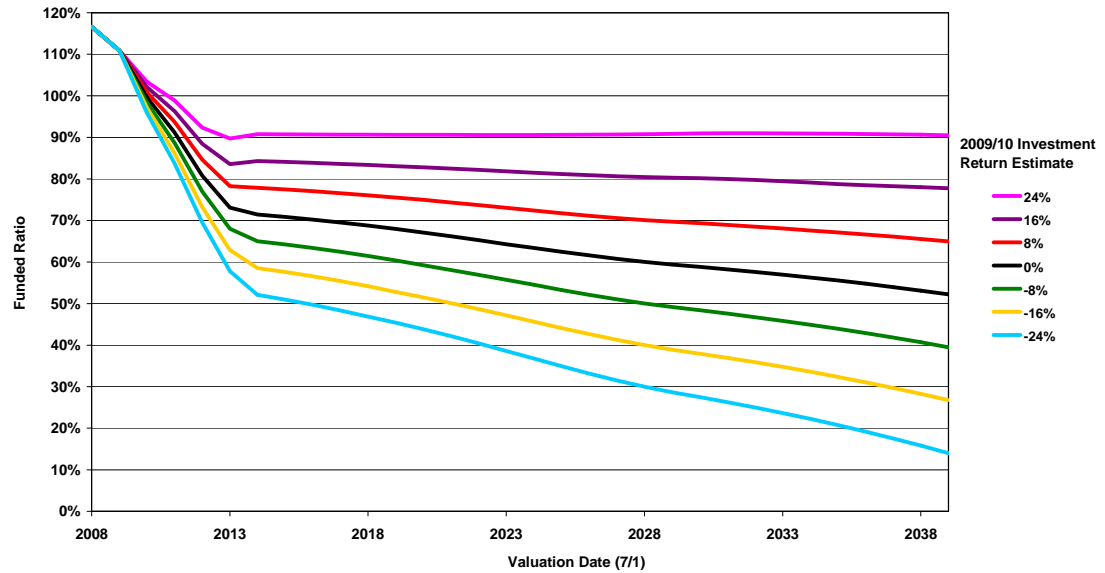


North Dakota Judges  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
(Current Plan - No Contribution Increase)  
(Market Return After FY 2010 Always 8.0%)

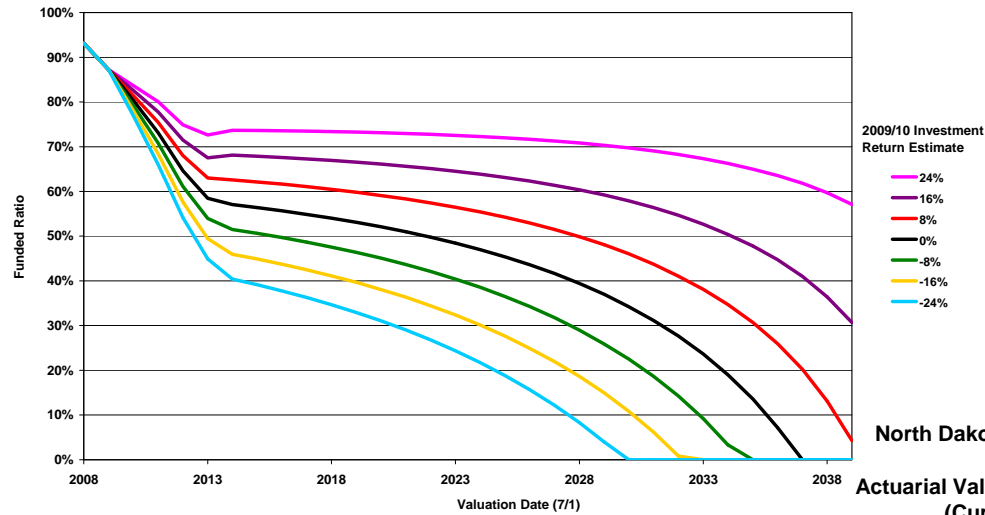


Judges

North Dakota Judges  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
(Current Plan - No Contribution Increase)  
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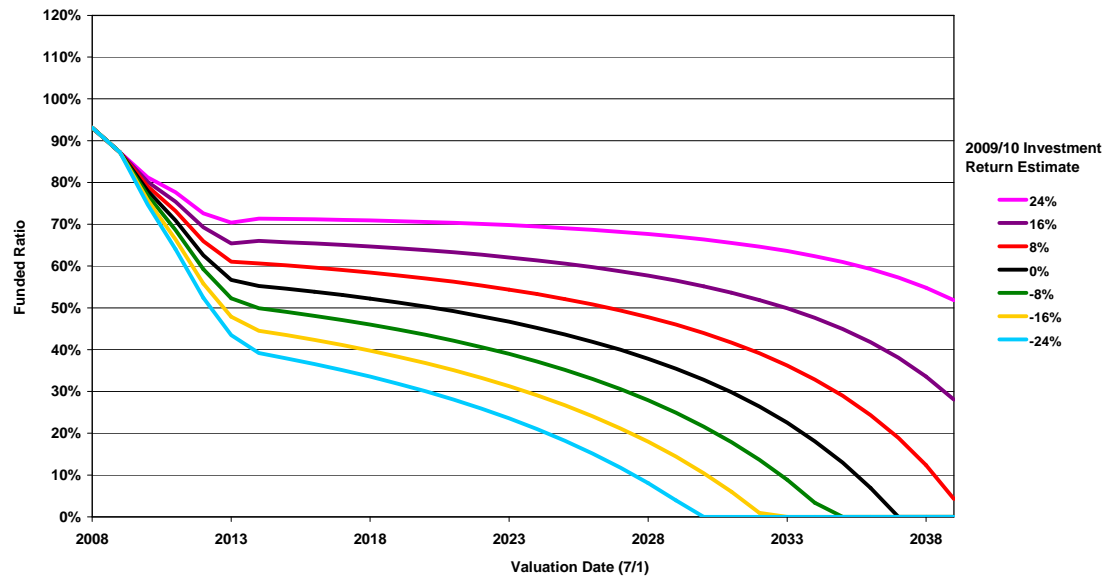


North Dakota Highway Patrolmen's Retirement System  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Current Plan - No Contribution Increase)  
 (Market Return After FY 2010 Always 8.0%)



HP System

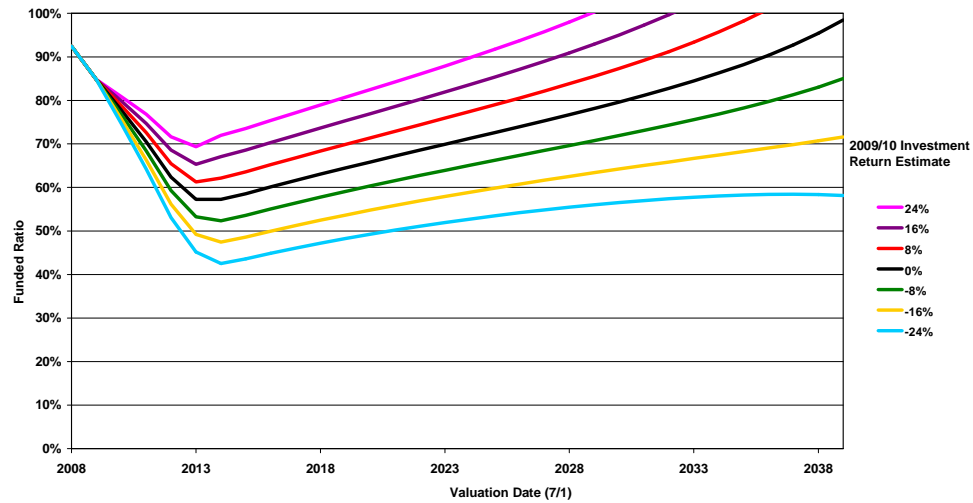
North Dakota Highway Patrolmen's Retirement System  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Current Plan - No Contribution Increase)  
 (Market Return After FY 2010 Always 8.0%)



# Our Challenge

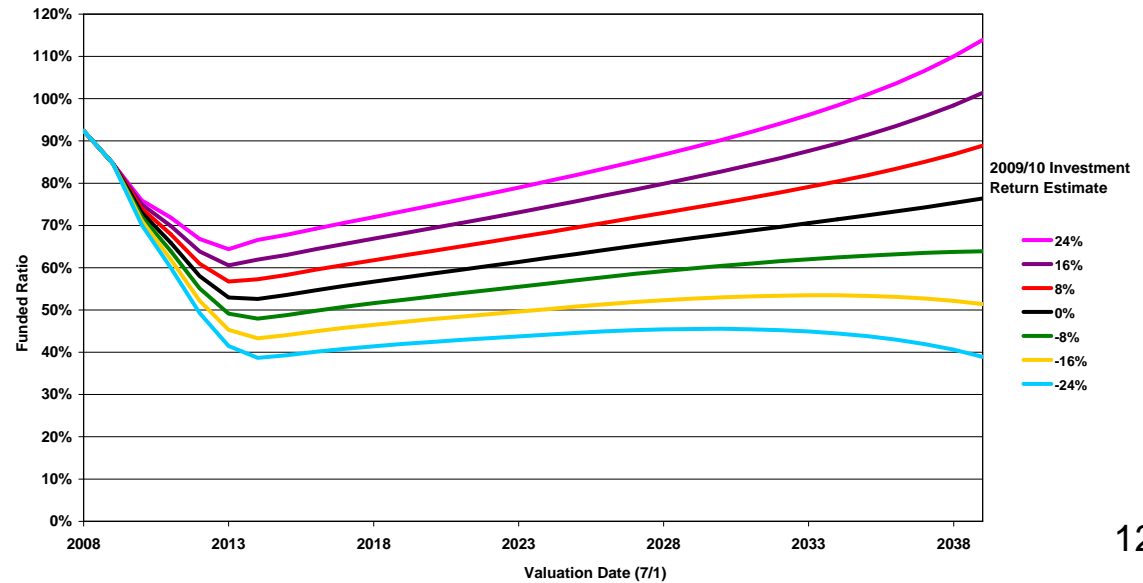
- To stop the downward trend
- To stabilize the fund
- To improve the funded status

**Projected Funded Ratio**  
**Actuarial Value of Assets to the Actuarial Accrued Liability**  
 (Contribution Rates Increased by 2% Per Year from 1/1/2012 to 1/1/2016)  
 (Market Return After FY 2010 Always 8.0%)

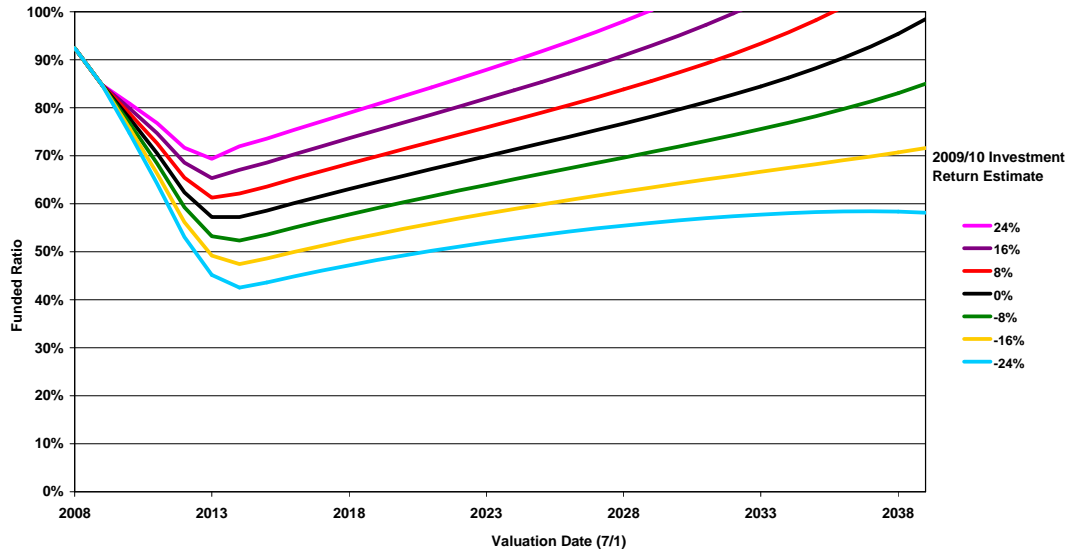


Main 8% increase

**North Dakota Main System**  
**Projected Funded Ratio**  
**Actuarial Value of Assets to the Actuarial Accrued Liability**  
 (Contribution Rates Increased by 2% Per Year from 1/1/2012 to 1/1/2015)  
 (Market Return After FY 2010 Always 8.0%)

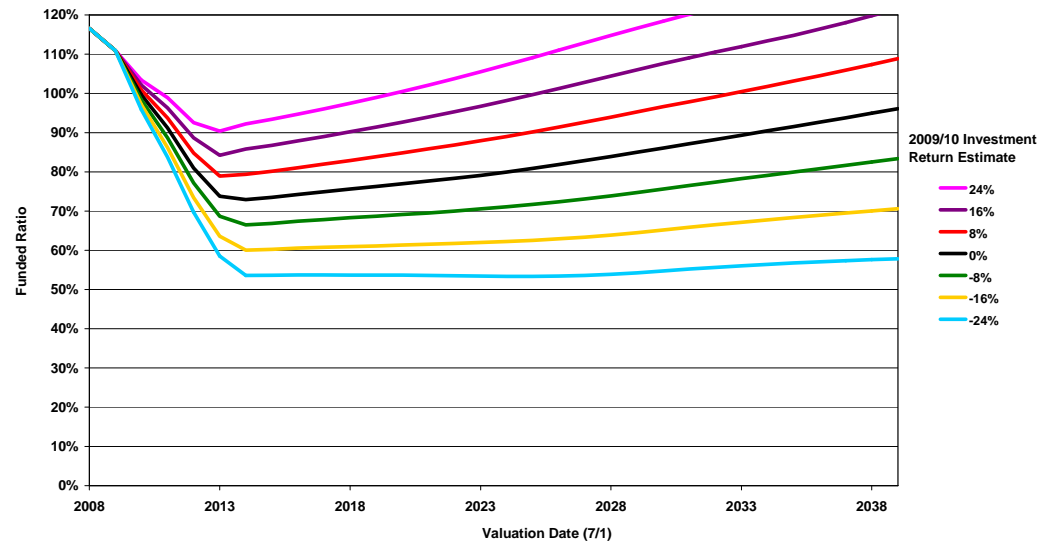


**Projected Funded Ratio**  
**Actuarial Value of Assets to the Actuarial Accrued Liability**  
 (Contribution Rates Increased by 2% Per Year from 1/1/2012 to 1/1/2016)  
 (Market Return After FY 2010 Always 8.0%)

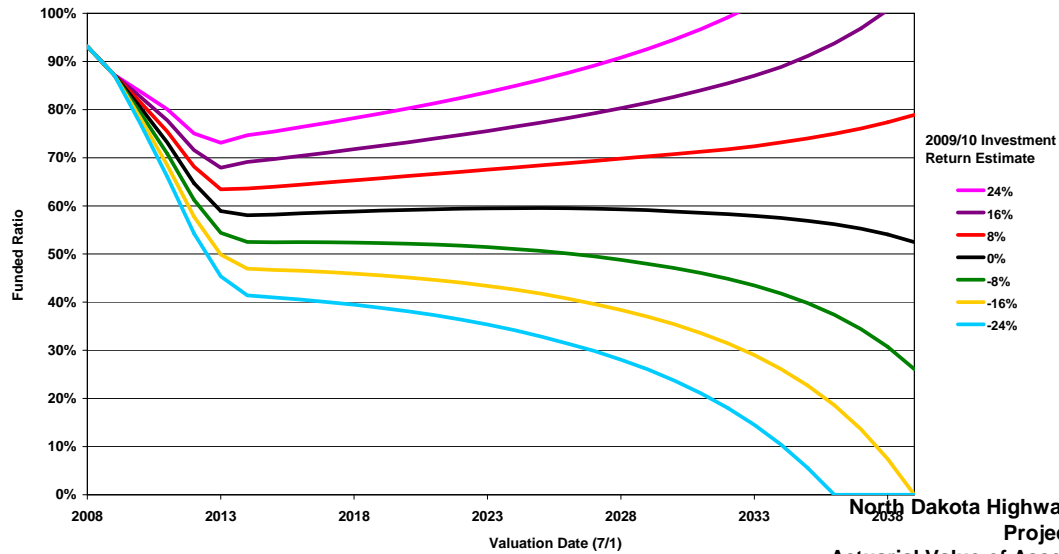


Judges Plan 8%

**North Dakota Judges**  
**Projected Funded Ratio**  
**Actuarial Value of Assets to the Actuarial Accrued Liability**  
 (Contribution Rates Increased by 2% Each Year for Four Years Effective 1/1/2012)  
 (Market Return After FY 2010 Always 8.0%)

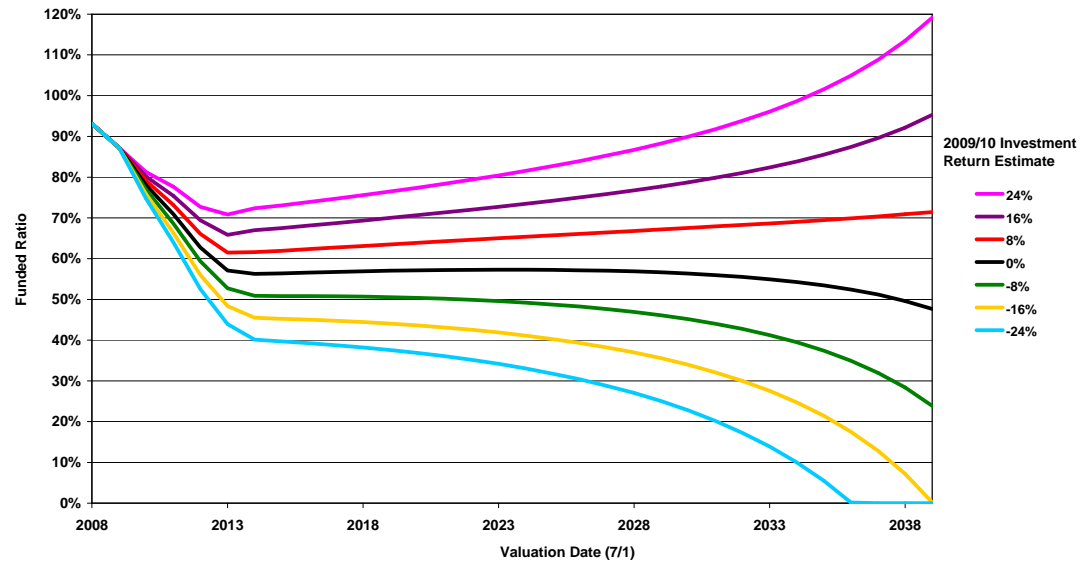


**North Dakota Highway Patrolmen's Retirement System**  
**Projected Funded Ratio**  
**Actuarial Value of Assets to the Actuarial Accrued Liability**  
**(Contribution Rates Increased by 2% Per Year from 1/1/2012 to 1/1/2016)**  
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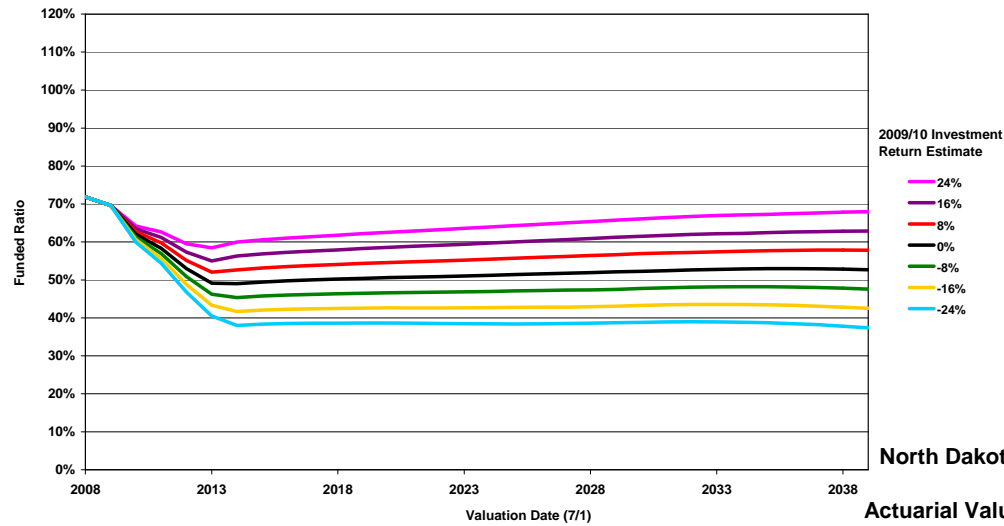


HP – 8% increase

**North Dakota Highway Patrolmen's Retirement System**  
**Projected Funded Ratio**  
**Actuarial Value of Assets to the Actuarial Accrued Liability**  
**(Contribution Rates Increased by 2% Each Year for Four Years Effective 1/1/2012)**  
**(Market Return After FY 2010 Always 8.0%)**

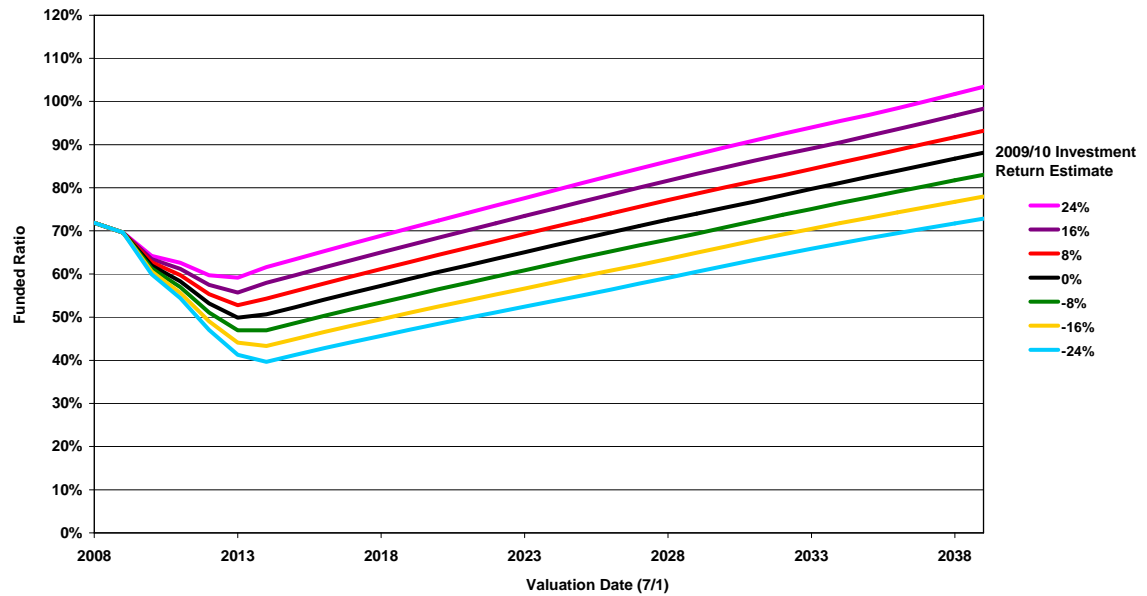


North Dakota Law Enforcement With Prior Main Service  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Current Plan - No Contribution Increase)  
 (Market Return After FY 2010 Always 8.0%)

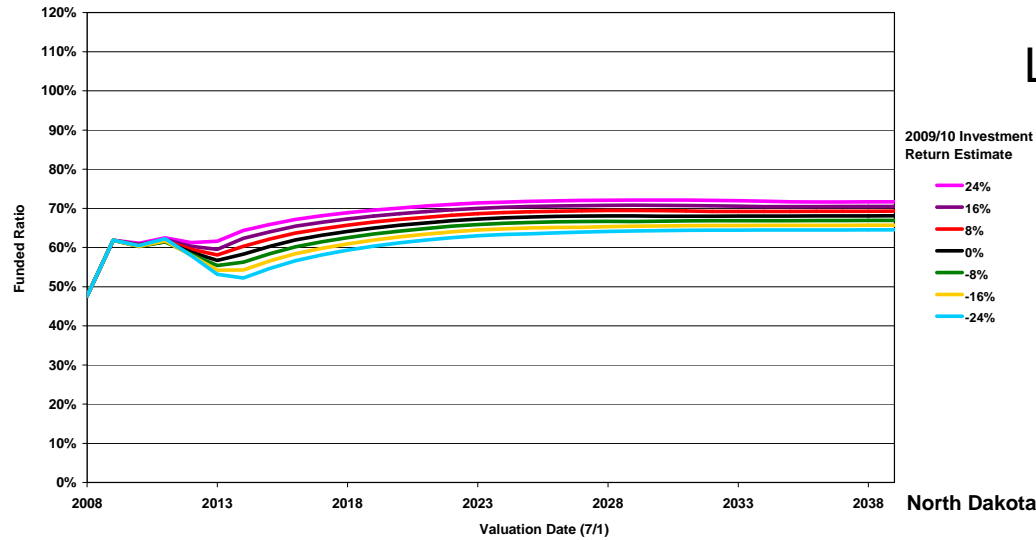


LE with Prior Service 4% Increase

North Dakota Law Enforcement With Prior Main Service  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Contribution Rates Increased by 1% Each Year for Four Years Effective 1/1/2012)  
 (Market Return After FY 2010 Always 8.0%)

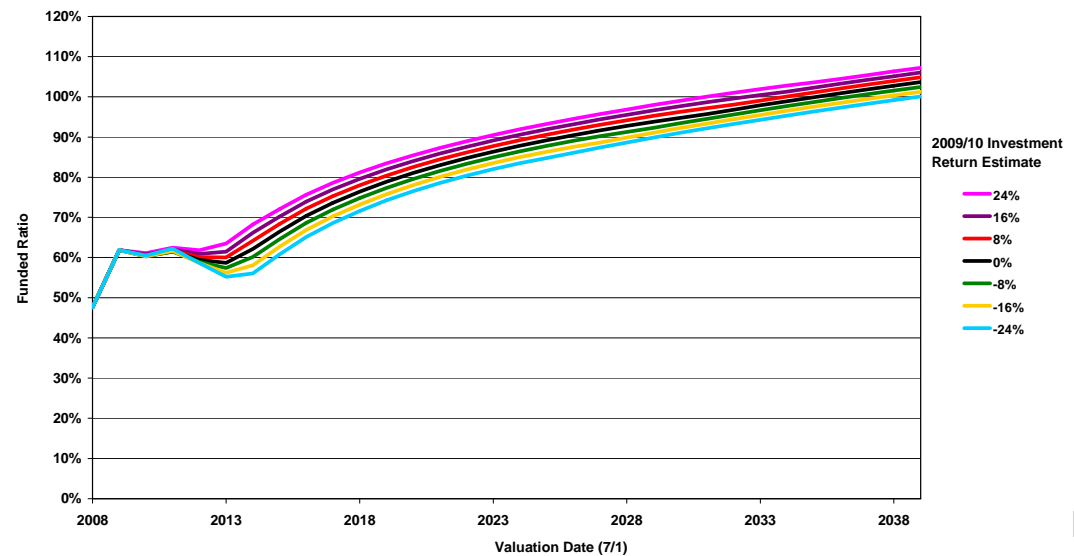


North Dakota Law Enforcement Without Prior Main Service  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Current Plan - No Contribution Increase)  
 (Market Return After FY 2010 Always 8.0%)



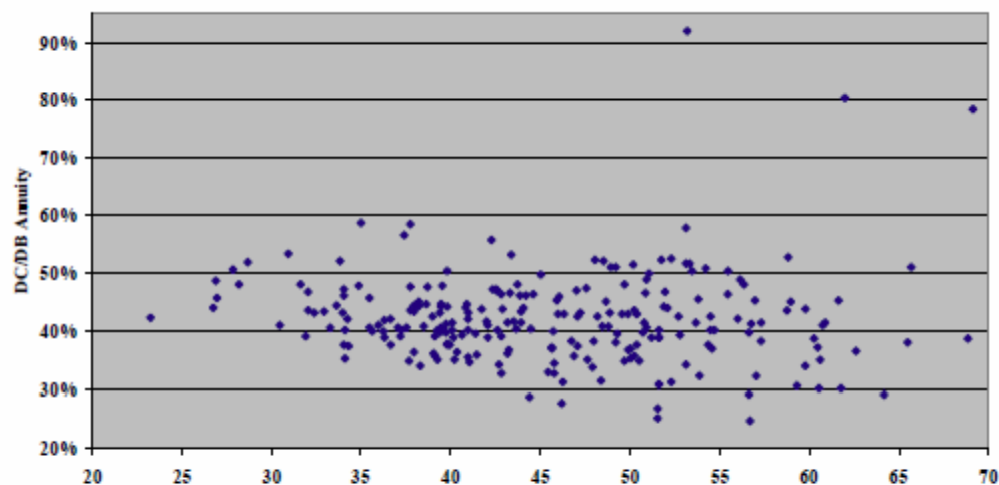
LE without Prior Service 4% Increase

North Dakota Law Enforcement Without Prior Main Service  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
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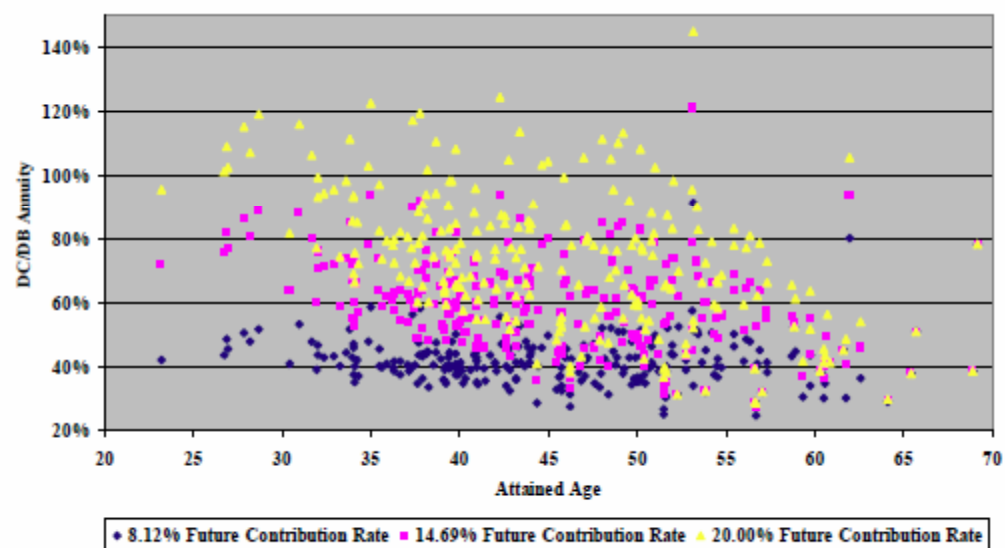




**Exhibit III**  
Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit  
With 8.12% Future Contribution Rate



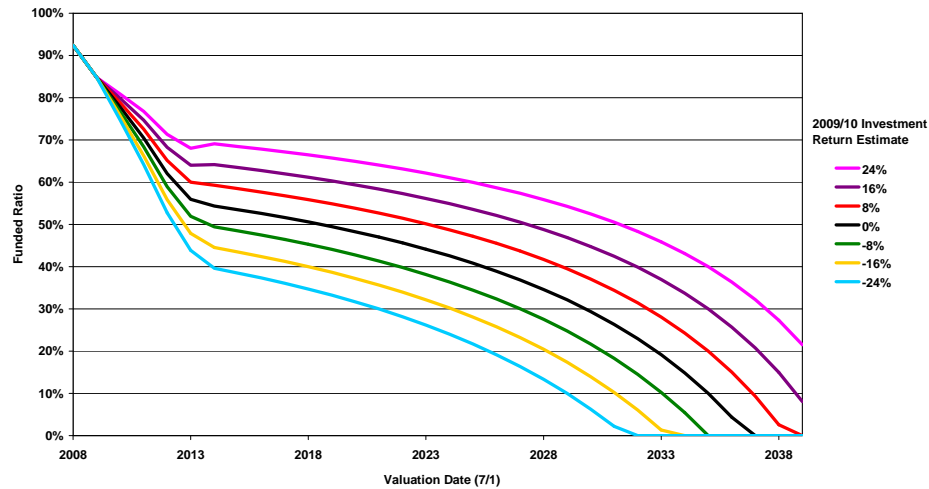
**Exhibit IV**  
Ratio of Projected DC Account (Converted to an Annuity) to DB Benefit



# Observations:

- *8% gets all systems back to 100%*
- *8% helps DC plan members recover*

North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
(Market Return After FY 2010 Always 8.0%)

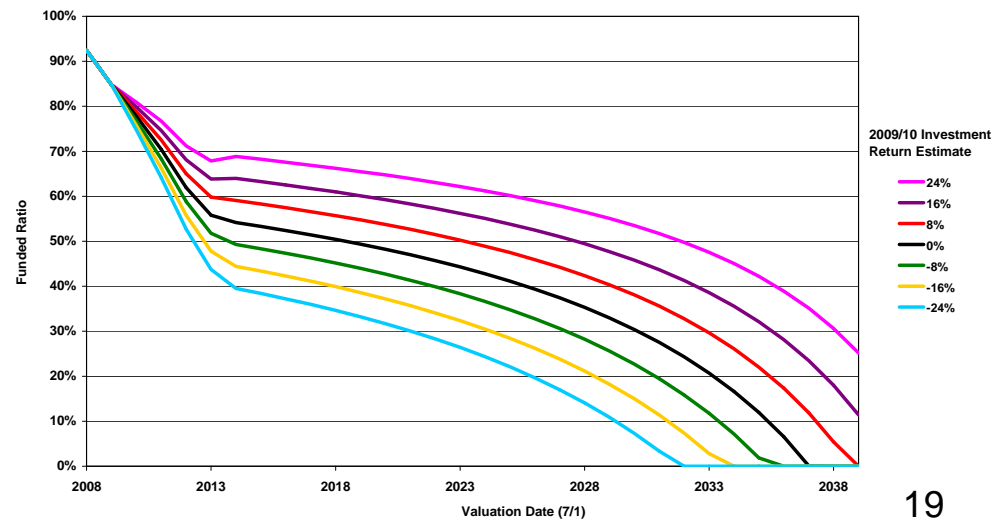


PERS looked at Benefit reductions for New members (Comparing that to our existing plan with no changes)

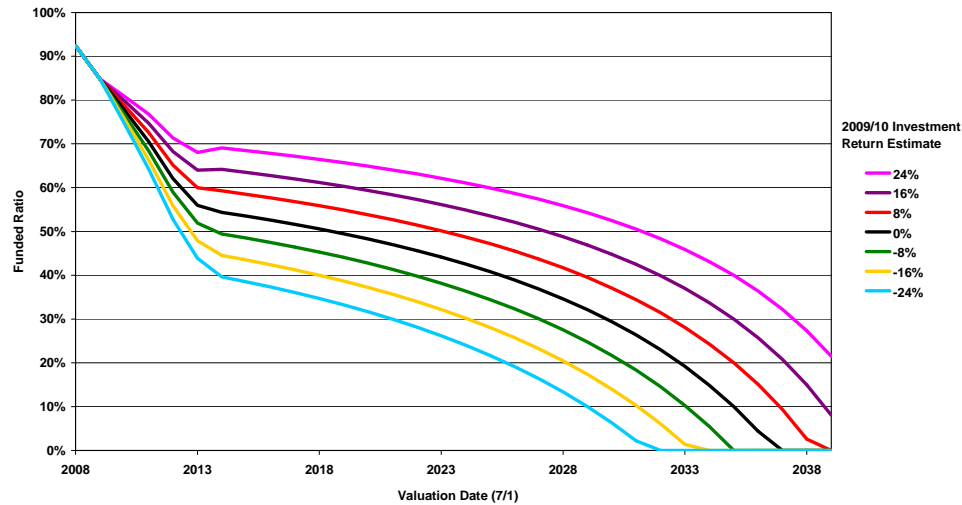
## Benefit Reduction – New Members

- Change Rule of 85 to Rule of 90
- Reduce multiplier from 2.0% to 1.9%
- Eliminate PEP
- Change crediting rate from 7.5% to 5.0%
- No more service purchases
- Increase vesting from 3 years to 5 years
- Eliminate retiree health credit (divert Normal Cost contributions to pension plan)

North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
Benefit Reductions Apply Only to New Hires  
(Market Return After FY 2010 Always 8.0%)



North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
(Market Return After FY 2010 Always 8.0%)

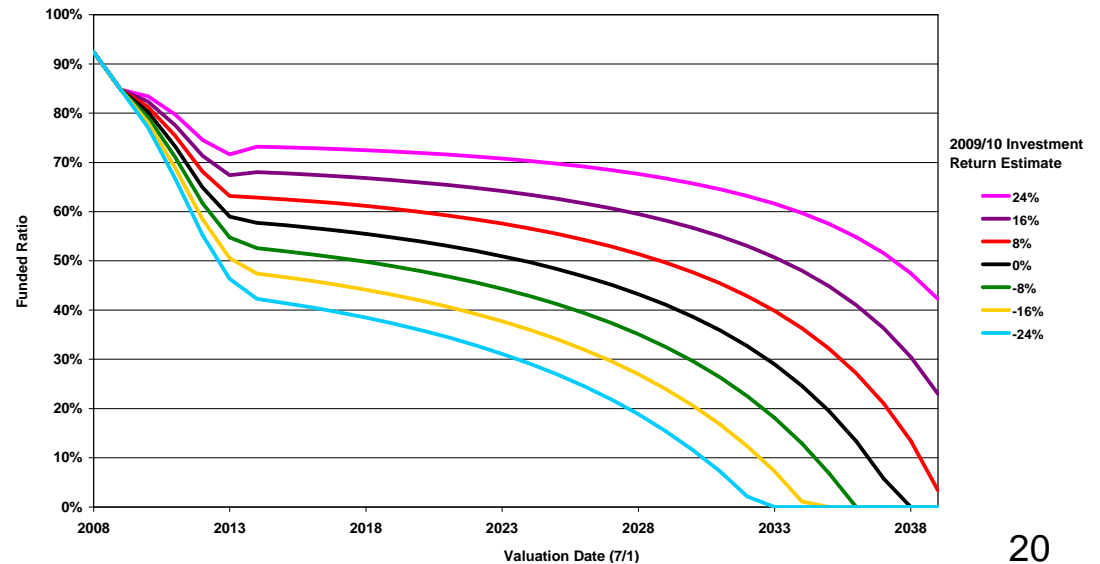


PERS reviewed Benefit Reduction for all members (Comparing that to our with no changes)

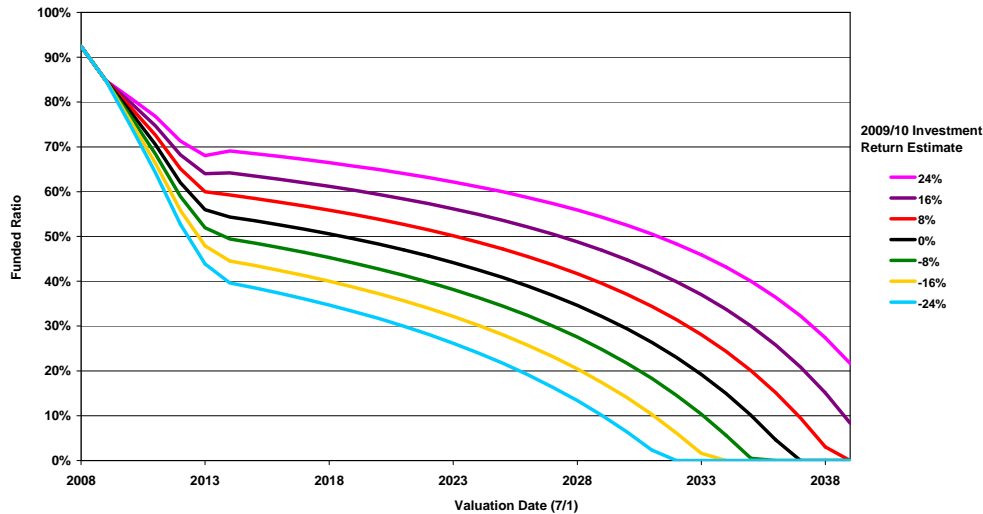
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North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
Benefit Reductions Apply to All Non-retired Members  
(Market Return After FY 2010 Always 8.0%)



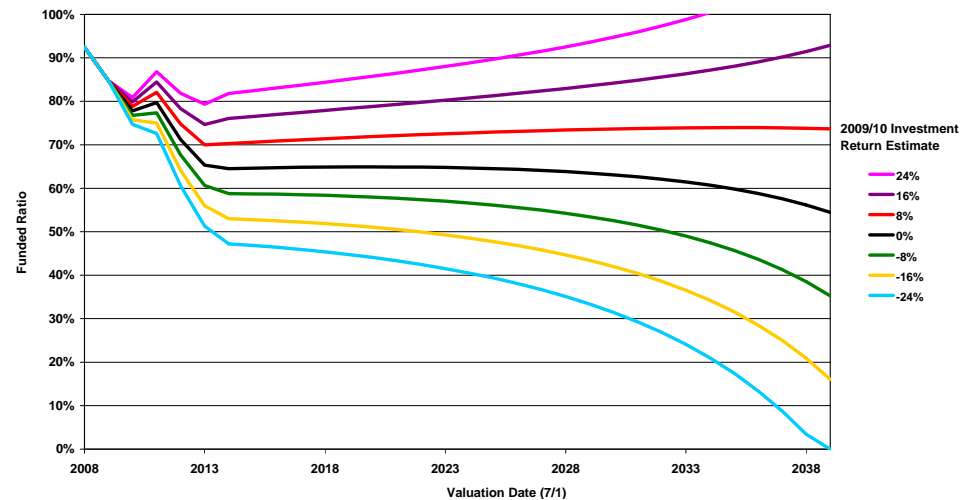
North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
(Current Plan - No Contribution Increase)  
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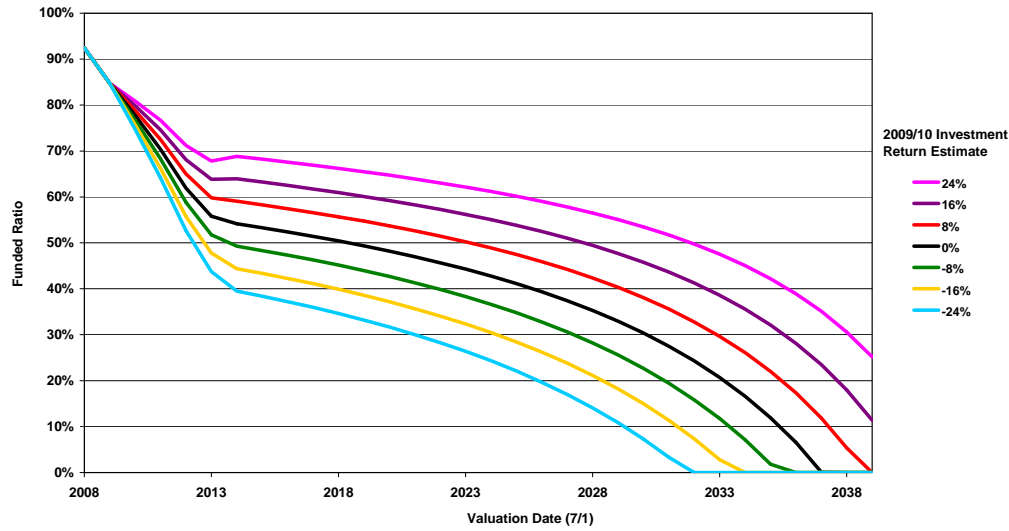
Benefit Reduction – all members (Comparing that to our plan with no changes)

- Eliminate the Rule – only have age 65 for normal retirement
- Reduce multiplier from 2.0% to 1.5%
- Eliminate PEP
- Change crediting rate from 7.5% to 5.0%
- No more service purchases
- Increase vesting from 3 years to 5 years
- Eliminate retiree health credit (divert Normal Cost contributions to pension plan)

North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
No Rule of 85 - 1.5% Formula Applies to All Non-retired Members  
(Market Return After FY 2010 Always 8.0%)



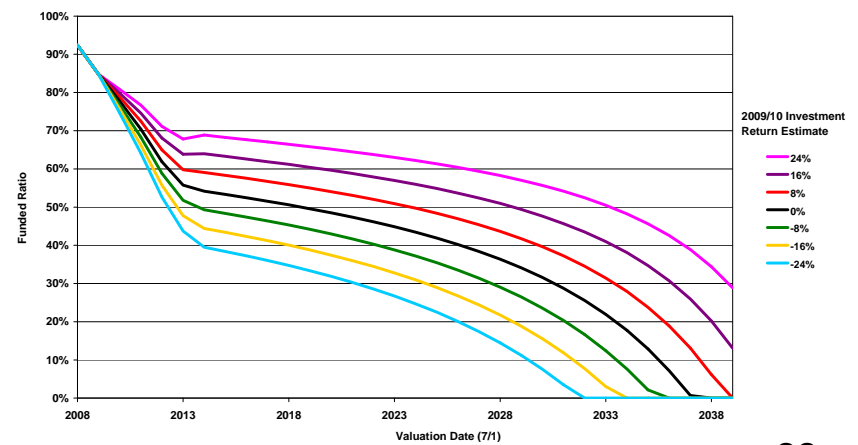
North Dakota Main System  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
Benefit Reductions Apply Only to New Hires  
(Market Return After FY 2010 Always 8.0%)



Benefit Reduction – new members only (Comparing that to our plan with no changes)

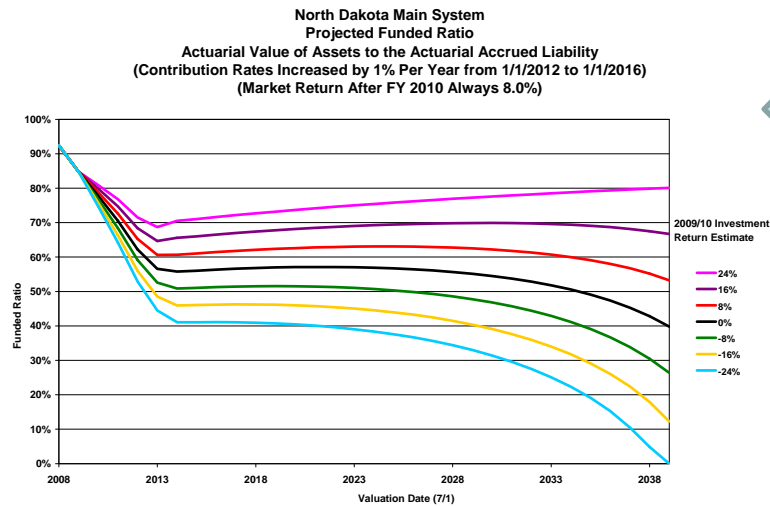
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North Dakota Main System  
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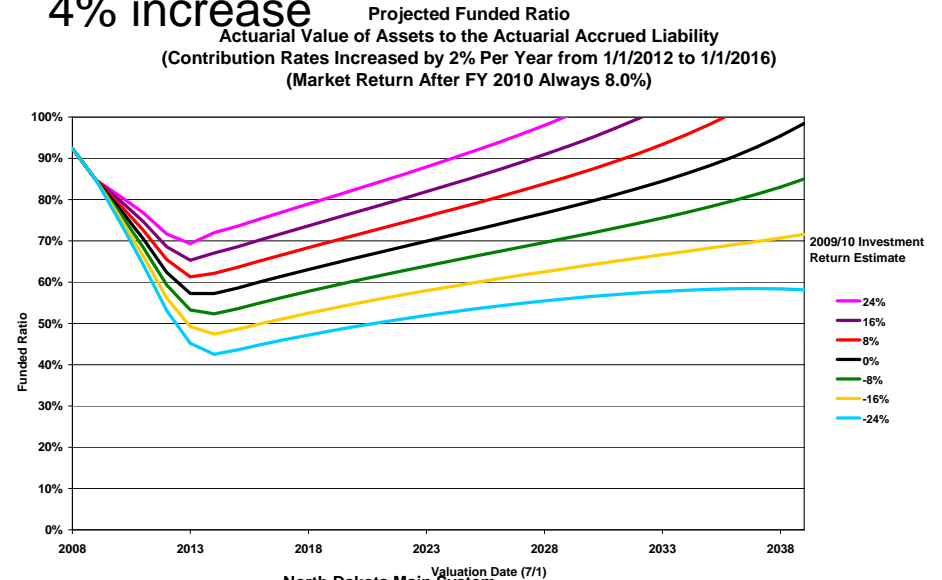


# PERS Modeled contribution increases or 4% and 8%

## Increases phased in over 4 years beginning in January of 2012



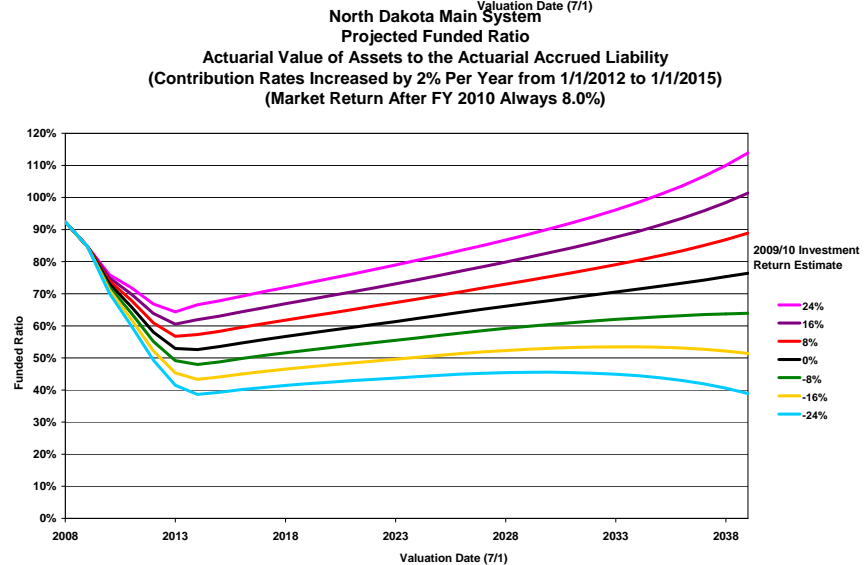
4% increase



8% increase

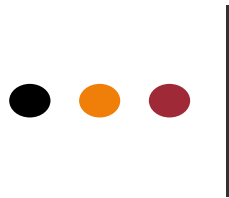


8% increase (with assumption changes)



# The Considerations

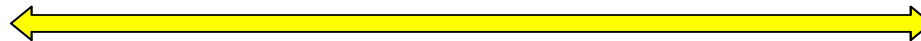




# Legal Considerations?

## MEMBER BENEFIT CHANGES

Red (clearly illegal)



Green (clearly legal)

RETIREES	ACTIVE AND INACTIVE EMPLOYEES					NEW EMPLOYEES
No Benefit Changes	Vested Retirement Eligible (Normal)	Vested Retirement Eligible (Early)	Vested Accrued Benefits	Vested Future Benefits	Nonvested Any Benefits	Any Benefits
6,466	1,056	1,068	7,667		1,698	700 per yr (est.)

**Average Paid and Average Charges by Age Group for PERS  
Active Plan Members - 2009**

Age	Paid	Charges
<5	2,229.54	3,570.88
5-17	1,594.33	2,690.45
18-24	2,532.52	4,075.67
25-44	3,279.03	5,525.08
45-54	4,563.11	7,450.89
55-64	6,581.41	10,451.57
65+	10,908.98	15,957.63

- 55-64 cost are 2.0 times more than the 24-44 group
- 55-64 cost are 1.44 times more than the 45-54 group