11-13 Proposed Change in Employee Retirement Benefits
Report to Interim HE Committee, August 2010

The PERS Board has directed PERS to prepare three different options for legislative consideration for both PERS defined benefit and defined contribution participants for all state agency personnel, including NDUS employees who participate in the PERS defined benefit plan, but excluding NDUS defined contribution employees that participate in the TIAA-CREF defined contribution plan. Each option would call for increased retirement contributions of 2% on 1/1/12, 2% on 1/1/13, 2% on 1/1/14 and 2% on 1/1/15 with: 1.) 100% paid by the employer; 2.) 100% paid by the employee; and, 3.) 50% employer and 50% employee paid. In the legislation being developed by PERS, these increases would be applied uniformly across all PERS defined benefit participants (both state agency and NDUS participants), as well as the 400+ state agency employees who participate in the defined contribution plan. It would not address NDUS employees who participate in the SBHE defined contribution plan with TIAA-CREF.

As a point of information, the NDUS has approximately 4,615 employees (e.g. faculty, research, administrators and upper level professional staff) who participate in the TIAA-CREF defined contribution plan and 2,475 employees (e.g. trade, technical, support, and some professional staff) who participate in the PERS defined benefit plan. Retirement contribution rates are currently as follows:

	Employer Paid	Employee Paid
PERS defined benefit	9.26% 1/	0%
TIAA-CREF, 2 year or less of service (asst. professor, instructor, research personnel, and lecturers, and professional staff	4.50%	0.50%
TIAA-CREF, 3-10 years of service (asst. professor, instructor, research personnel, and lecturers, and professional staff	9.50%	1.50%
TIAA CREF, 10 years or less of service (professor, assoc. professor, executive and administrative staff)	9.50%	1.50%
TIAA-CREF, over 10 years of service (all positions)	10.0%	2.0%

1/ with 0.26% for retiree health care

The recommended increased contributions are the result of significant investment market losses experienced by PERS. In order to avoid reducing future retirement benefits, a contribution increase is required in order to restore the plans funded status to appropriate levels. Separate actuarial analyses completed by both PERS and the NDUS on their separate defined contribution plans suggest that defined contribution plan participants are in the same, if not a worse position, relative to retirement benefits, as a result of recent market losses. Thus, the recommendation is to treat both groups of employees – defined benefit and defined contribution - the same in any proposed contribution change.

In developing the 11-13 budget request, the SBHE also considered three options: 1.) 100% paid by the employer; 2.) 100% paid by the employee; and, 3.) 50% employer and 50% employee paid. The final budget request is based on a 50%/50% cost share model for 18 months of the biennium, and as a result, includes $3.8 million in state general funds to support the 50% employer-share. $1.4 million of the $3.8 million normally would have been passed along to students in the form of tuition increases under the state/student shares model, but since the budget request again limits tuition increases, student cost increases are being shifted in part from the student to the state. Employees would see a like increase in the amount of out-of-pocket contributions they would need to make to the plans.

It should be noted that these figures do not include NDSU Extension and Research, which are handled differently for budgeting purposes and would be included in the state agency cost calculations. The above costs also does not include that portion of the cost that would need to be covered by other sources for positions paid in whole or in part by other fund sources (e.g. grant and contract, auxiliaries, etc.). In addition, it should be noted that costs increase more in future biennia as increases continue through 1/1/15 and must be sustained for a full 24 months of the biennium, as opposed to 18 months in 11-13.

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