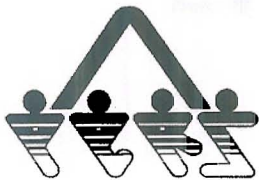


# Legislative Audit and Fiscal Review Committee

May 12, 2010

Presentation by: NDPERS

Sparb Collins



# **PERS 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	

# Retirement – Main

## **Public Employees Retirement Plan**

Chapter 54-52, NDCC

***Employer Contribution:***                      ***4.12%***

***Employee Contribution:***                      ***4.00%***

***Total Retirement Contributions:***    ***8.12%***

**Retirement Formula:**  $FAS * 2\% * YOS$

**Vesting in Disability Benefit:**              180 days

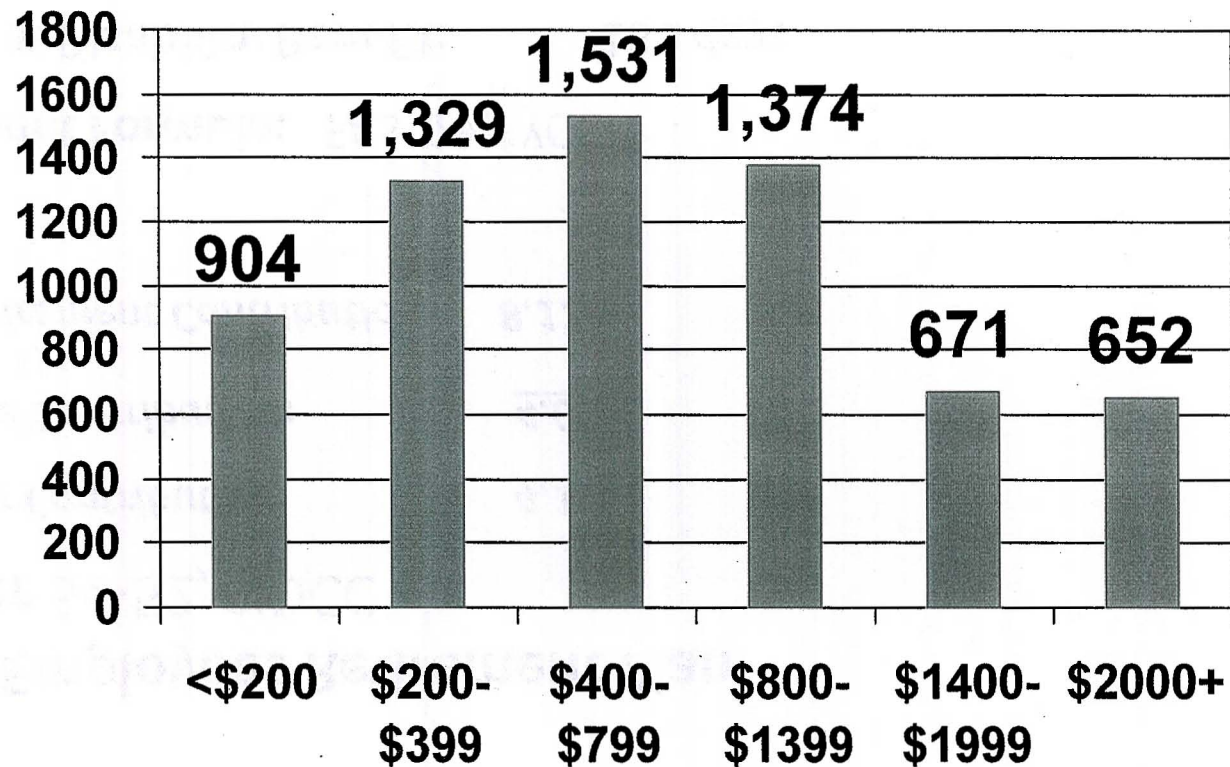
**Vesting in Retirement Benefit:**            36 months

**Normal Retirement:**              Age 65 or Rule of 85

Other plans: Judges, Law Enforcement and HP each have different plan designs

# NDPERS Pensions In Force

Monthly Benefit - July 1, 2009



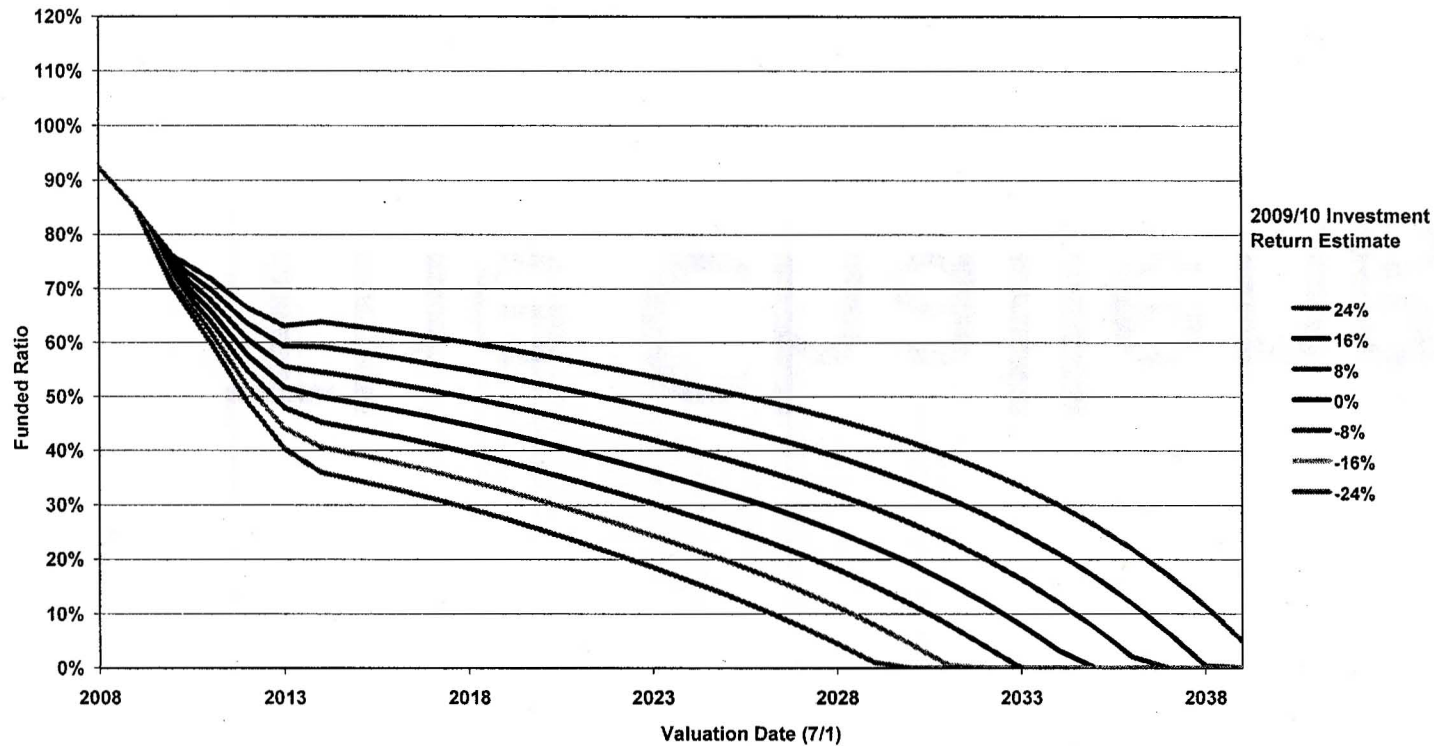
Main System, Judges, Guard, and Law Enforcement Plans

# The Challenge



# Main PERS Plan

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%)



# Our Challenge

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

# The Considerations

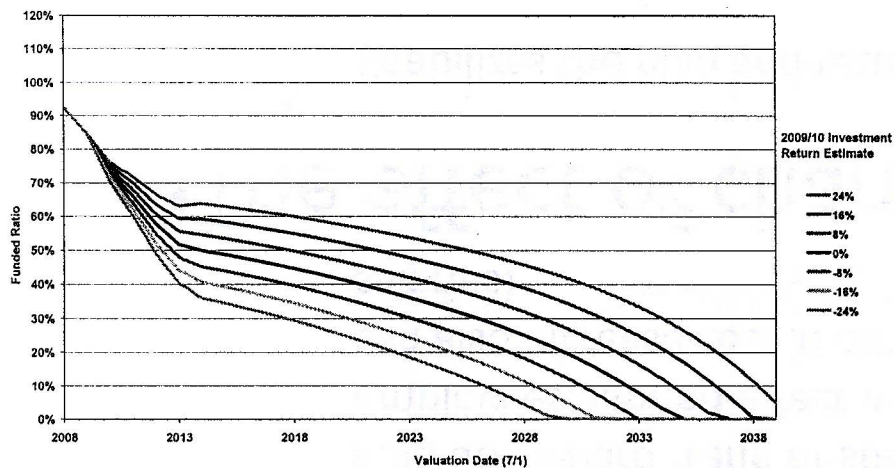




# PERS Reviewed

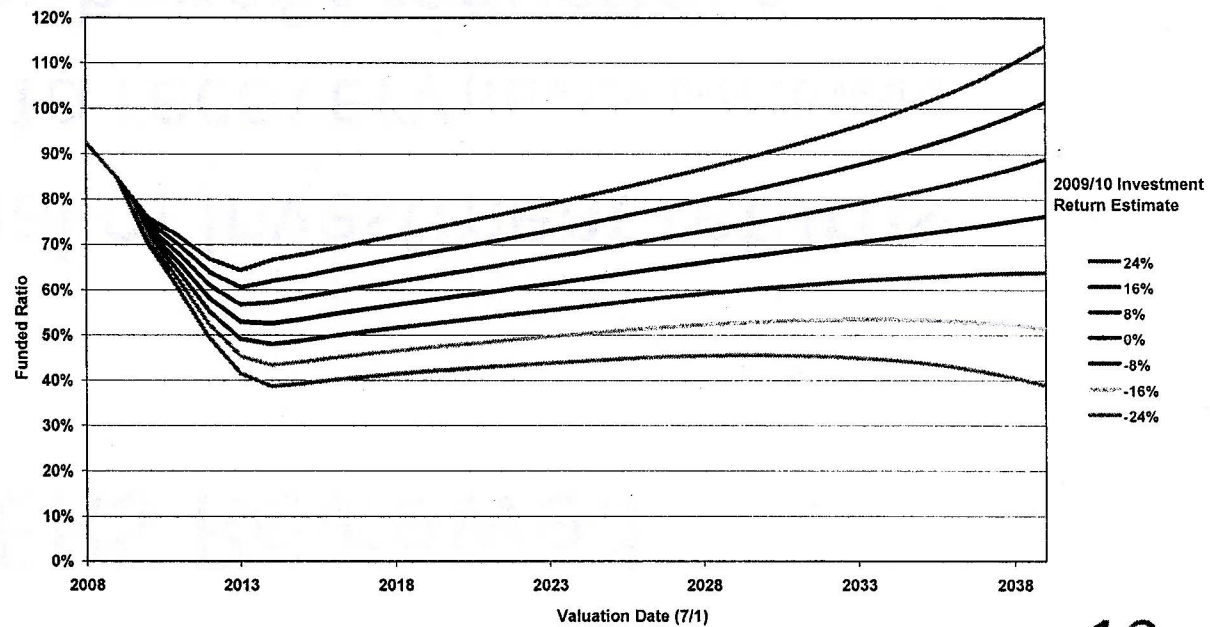
- The potential of investment returns to lead to recovery (11%-12% over 20 years)
- The effect of benefit reductions (Does not stop downward trend or stabilize the plan when applied to new employees, limited effect when applied to all unless dramatic – can also increase cost in other areas such as health insurance and salaries) *Dramatic - get rid of rule of 85 - everyone goes to 65 25% cut in benefits*
- The effect of changing contributions (stabilizes the plan and returns it to 100% over approx 30 years)

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%)

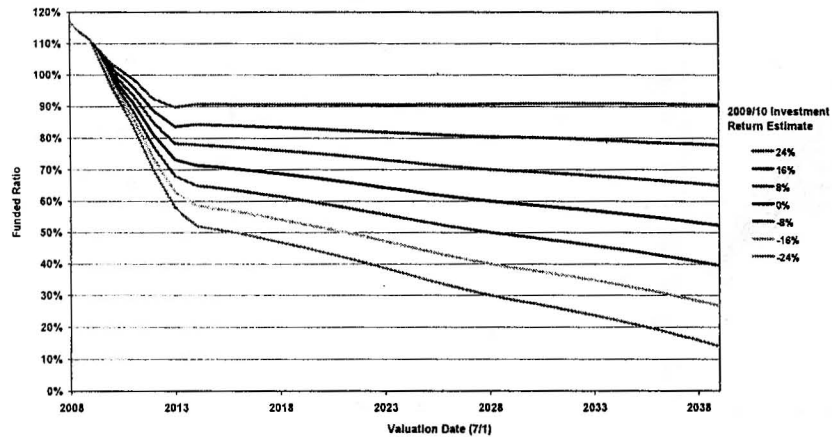


Main 8% increase

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%)

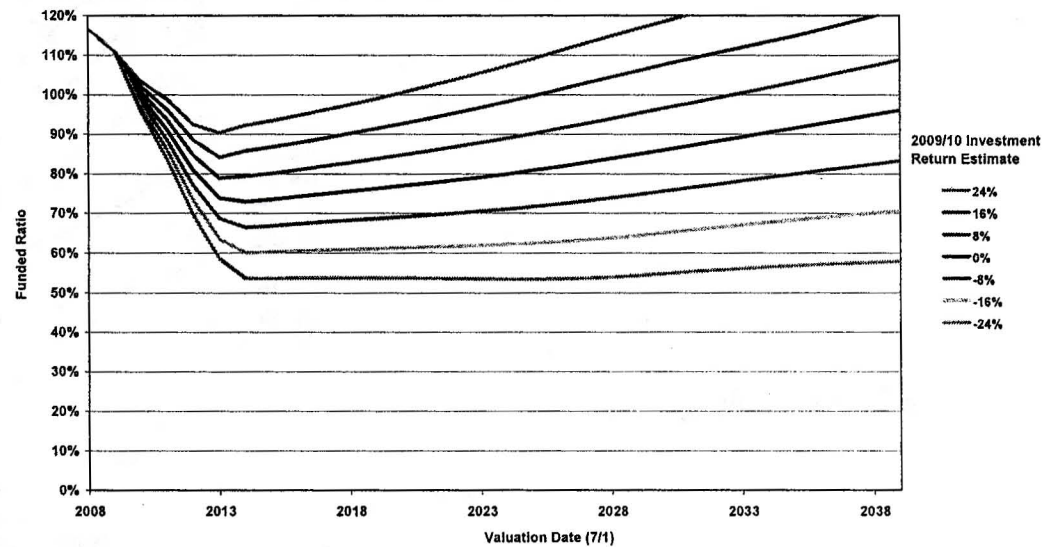


North Dakota Judges  
Projected Funded Ratio  
Actuarial Value of Assets to the Actuarial Accrued Liability  
(Current Plan - No Contribution Increase)  
(Market Return After FY 2010 Always 8.0%)

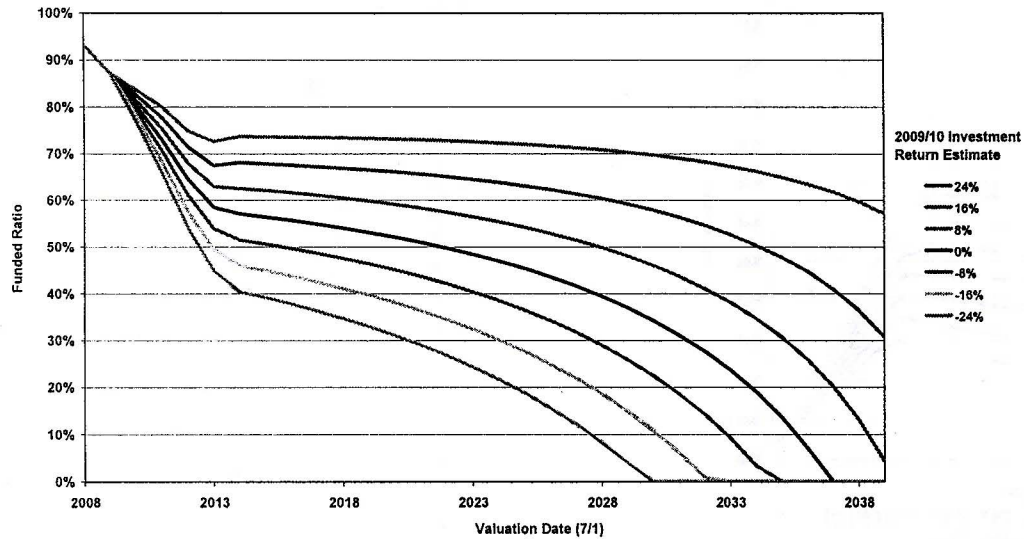


## Judges Plan 8%

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%)

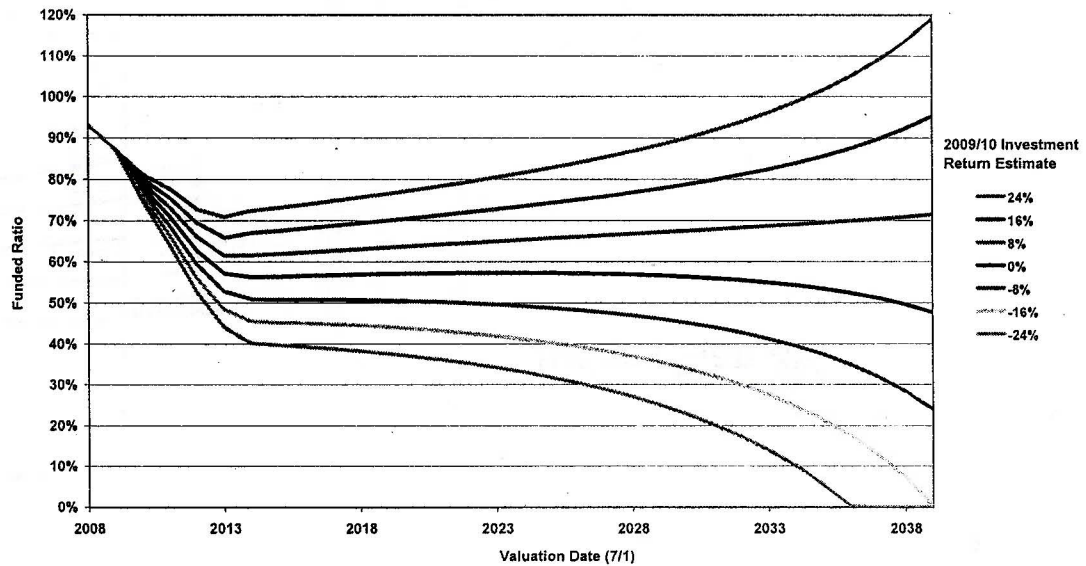


North Dakota Highway Patrolmen's Retirement System  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Current Plan - No Contribution Increase)  
 (Market Return After FY 2010 Always 8.0%)

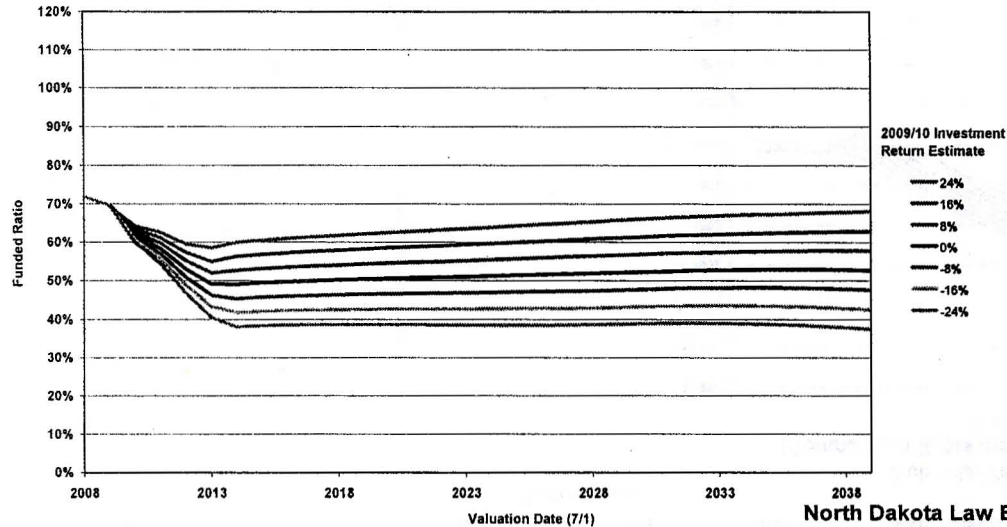


HP – 8% increase

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%)

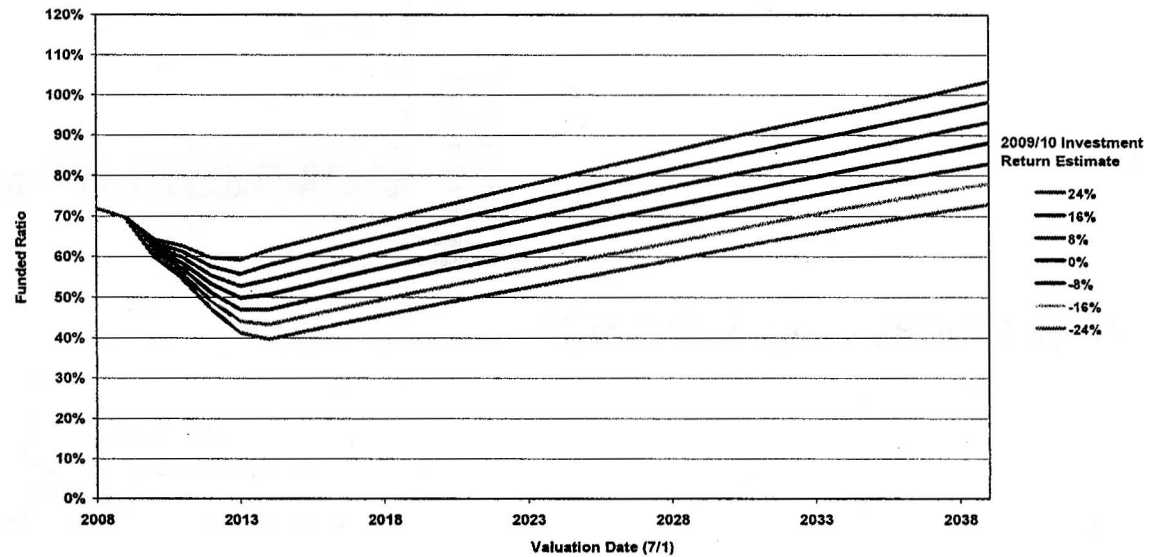


North Dakota Law Enforcement With Prior Main Service  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Current Plan - No Contribution Increase)  
 (Market Return After FY 2010 Always 8.0%)



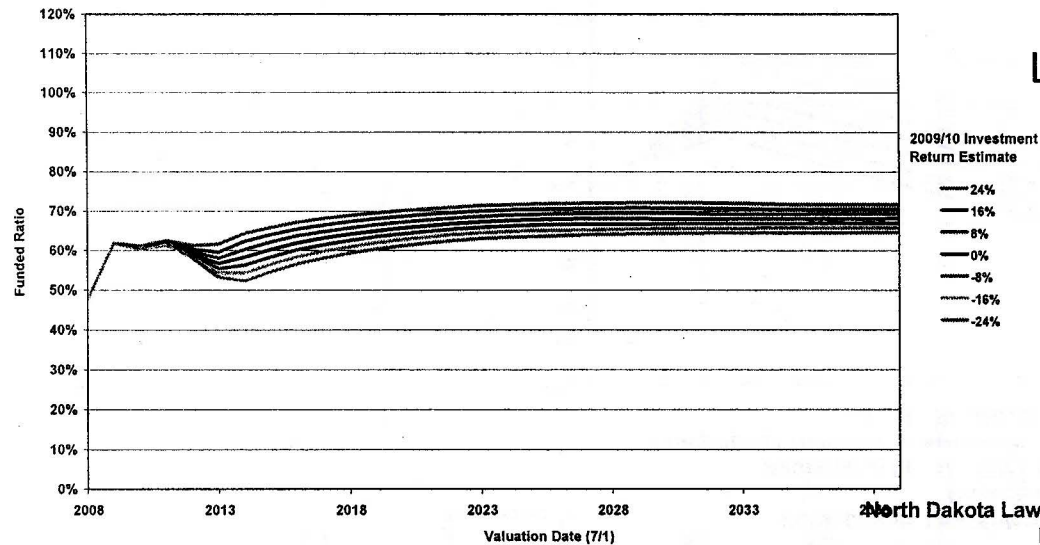
LE with Prior Service 4% Increase

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%)



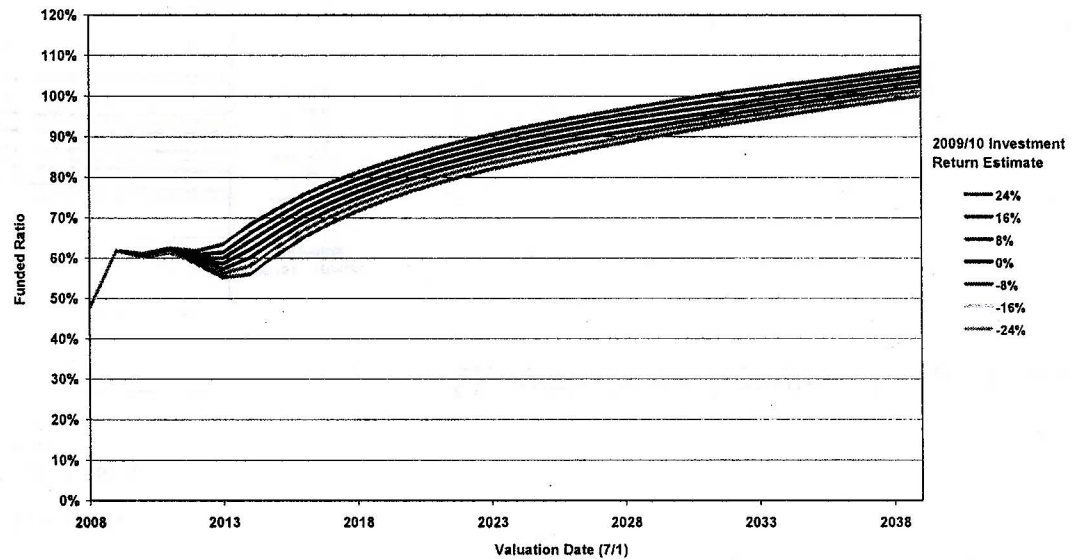


North Dakota Law Enforcement Without Prior Main Service  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Current Plan - No Contribution Increase)  
 (Market Return After FY 2010 Always 8.0%)

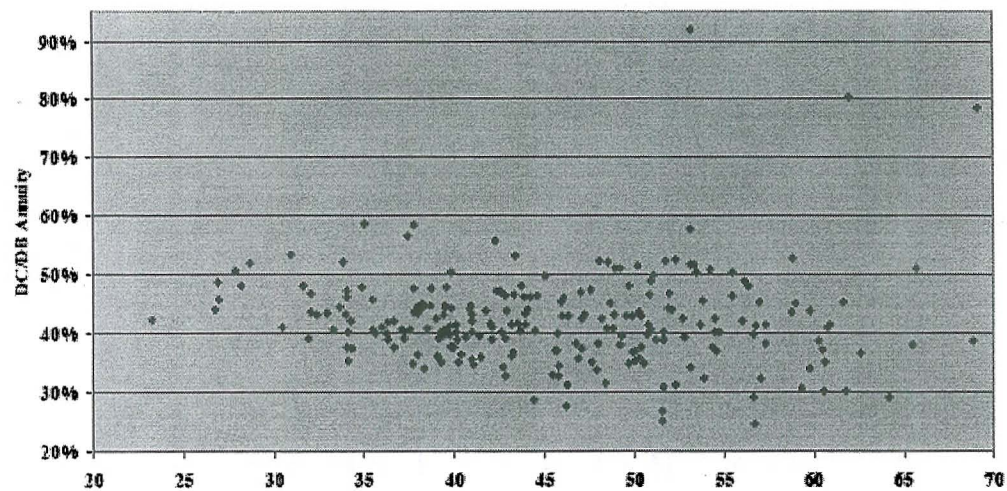


LE without Prior Service 4% Increase

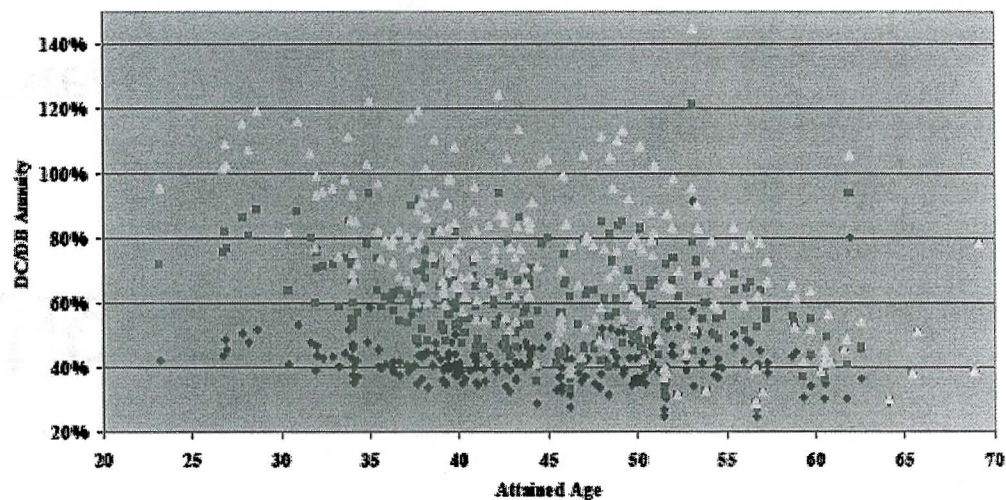
North Dakota Law Enforcement Without Prior Main Service  
 Projected Funded Ratio  
 Actuarial Value of Assets to the Actuarial Accrued Liability  
 (Contribution Rates Increased by 1% Each Year for Four Years Effective 1/1/12)  
 (Market Return After FY 2010 Always 8.0%)



**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**



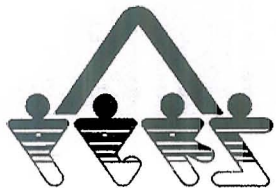
♦ 8.12% Future Contribution Rate   ■ 14.69% Future Contribution Rate   ▲ 20.00% Future Contribution Rate

## Observations:

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



# The Proposals/Options



**Bill #'s 51, 52, and 53 Offer 3 Different options to return the PERS Retirement Funds to 100% funded status in approximately 30 years with an 8% Contribution Increase (LE at 4%)**

<b>Retirement Fund</b>	<b>Bill #51</b> <i>Increase employee contributions*</i>	<b>Bill #52</b> <i>Increase employer contributions*</i>	<b>Bill #53</b> <i>Increase employee and employer contributions equally*</i>
<b>Main</b>	<ul style="list-style-type: none"> <li>8% increase (beginning with a 2% increase in Jan of 2012)</li> <li>Sections 2 &amp; 3 of the bill</li> </ul>	<ul style="list-style-type: none"> <li>8% increase (beginning with a 2% increase in Jan of 2012)</li> <li>Sections 2 &amp; 3 of the bill</li> </ul>	<ul style="list-style-type: none"> <li>4% employee increase and a 4% employer increase (beginning with a 1% increase for both the employer and employee in Jan of 2012)</li> <li>Sections 3, 4 &amp; 5 of the bill</li> </ul>
<b>Judges</b>	<ul style="list-style-type: none"> <li>8% increase (beginning with a 2% increase in Jan of 2012)</li> <li>Section 4 of the bill</li> </ul>	<ul style="list-style-type: none"> <li>8% increase (beginning with a 2% increase in Jan of 2012)</li> <li>Section 4 of the bill</li> </ul>	<ul style="list-style-type: none"> <li>4% employee increase and a 4% employer increase (beginning with a 1% increase for both the employer and employee in Jan of 2012)</li> <li>Section 6 of the bill</li> </ul>
<b>Highway Patrol</b>	<ul style="list-style-type: none"> <li>8% increase (beginning with a 2% increase in Jan of 2012).</li> <li>Section 1 of the bill</li> </ul>	<ul style="list-style-type: none"> <li>8% increase (beginning with a 2% increase in Jan of 2012)</li> <li>Section 1 of the bill</li> </ul>	<ul style="list-style-type: none"> <li>4% employee increase and a 4% employer increase (beginning with a 1% increase for both the employer and employee in Jan of 2012)</li> <li>Sections 1 &amp; 2 of the bill</li> </ul>
<b>Law Enf. W/O</b>	<ul style="list-style-type: none"> <li>4% increase (beginning with a 1% increase in Jan of 2012)</li> <li>Section 5 of the bill</li> </ul>	**	<ul style="list-style-type: none"> <li>.5% employee increase (beginning in Jan of 2012)</li> <li>Section 7 of the bill</li> </ul>
<b>Law Enf. W</b>	<ul style="list-style-type: none"> <li>4% increase (beginning with a 1% increase in Jan of 2012)</li> <li>Section 5 of the bill</li> </ul>	**	<ul style="list-style-type: none"> <li>.5% employee increase (beginning in Jan of 2012)</li> <li>Section 7 of the bill</li> </ul>
<b>DC Plan</b>	<ul style="list-style-type: none"> <li>8% increase (beginning with a 2% increase in Jan of 2012)</li> <li>Section 6 &amp; 7 of the bill</li> </ul>	<ul style="list-style-type: none"> <li>8% increase (beginning with a 2% increase in Jan of 2012)</li> <li>Section 5 &amp; 6 of the bill</li> </ul>	<ul style="list-style-type: none"> <li>4% employee increase and a 4% employer increase (beginning with a 1% increase for both the employer and employee in Jan of 2012)</li> <li>Sections 8 &amp; 9 of the bill</li> </ul>

\*All increases are phased in over 4 years beginning in January of 2012 and ending in January of 2015. Participating temporary employees pay 100%