

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2046

Introduced by

Government and Veterans Affairs Committee

(At the request of the Public Employees Retirement System)

A BILL ~~for an Act to amend and reenact subsection 1 of section 54-52-02.9, subsection 2 of section 54-52-05, subsection 1 of section 54-52-06, subsection 6 of section 54-52.6-02, and section 54-52.6-09 of the North Dakota Century Code, relating to increased employer and employee contributions under the public employees retirement system defined benefit and defined contribution plans; and to provide a penalty~~ for an Act to create and enact a new section to chapter 6-09.4, a new section to chapter 21-10, sections 54-52-02.15 and 54-52.6-02.1, and a new section to chapter 57-38 of the North Dakota Century Code, relating to a legacy sinking and interest fund, a legacy earnings fund, the public employees retirement system main system, membership in the public employees retirement system defined contribution plan, and an income tax relief fund; to amend and reenact section 21-10-12, subsection 4 of section 54-52-01, section 54-52-02.5, subsection 1 of section 54-52-02.9, section 54-52-02.9, subsection 2 of section 54-52-05, subsection 1 of section 54-52-06, and sections 54-52.6-01, 54-52.6-02, and 54-52.6-03 of the North Dakota Century Code, relating to legacy fund definitions and the public employees retirement system retirement plans; to provide for a legislative management study; to provide an appropriation; to provide for a transfer; to provide a statement of legislative intent; to provide for application; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

~~**SECTION 1. AMENDMENT.** Subsection 1 of section 54-52-02.9 of the North Dakota Century Code is amended and reenacted as follows:~~

~~1. Within one hundred eighty days of beginning employment, a temporary employee may elect to participate in the public employees retirement system and receive credit for service after enrollment. Monthly, the temporary employee shall pay to the fund an amount equal to eight and twelve hundredths percent times the temporary employee's present monthly salary. The amount required to be paid by a temporary employee~~

1 increases by two percent times the temporary employee's present monthly salary
2 beginning with the monthly reporting period of January 2012, and; with an additional
3 two percent increase of two percent, beginning with the reporting period of
4 January 2013, and; with an additional increase of two percent, beginning with the
5 monthly reporting period of January 2014; and with an additional increase of
6 one percent, beginning with the monthly reporting period of January 2022.

7 ~~— **SECTION 2. AMENDMENT.** Subsection 2 of section 54-52-05 of the North Dakota Century~~
8 ~~Code is amended and reenacted as follows:~~

9 ~~— 2. — Each member must be assessed and required to pay monthly four percent of the~~
10 ~~monthly salary or wage paid to the member, and such assessment must be deducted~~
11 ~~and retained out of such salary in equal monthly installments commencing with the~~
12 ~~first month of employment. Member contributions increase by one percent of the~~
13 ~~monthly salary or wage paid to the member beginning with the monthly reporting~~
14 ~~period of January 2012, and; with an additional increase of one percent, beginning~~
15 ~~with the monthly reporting period of January 2013, and; with an additional increase of~~
16 ~~one percent, beginning with the monthly reporting period of January 2014; and with an~~
17 ~~additional increase of one-half of one percent, beginning with the monthly reporting~~
18 ~~period of January 2022.~~

19 ~~— **SECTION 3. AMENDMENT.** Subsection 1 of section 54-52-06 of the North Dakota Century~~
20 ~~Code is amended and reenacted as follows:~~

21 ~~— 1. — Each governmental unit shall contribute an amount equal to four and~~
22 ~~twelve-hundredths percent of the monthly salary or wage of a participating member.~~
23 ~~Governmental unit contributions increase by one percent of the monthly salary or~~
24 ~~wage of a participating member beginning with the monthly reporting period of~~
25 ~~January 2012; with an additional increase of one percent, beginning with the reporting~~
26 ~~period of January 2013; and with an additional increase of one percent, beginning with~~
27 ~~the monthly reporting period of January 2014; and with an additional increase of~~
28 ~~one-half of one percent, beginning with the monthly reporting period of January 2022.~~
29 ~~For a participating member who first enrolls after December 31, 2019, the~~
30 ~~governmental unit shall contribute an additional amount equal to one and fourteen~~
31 ~~hundredths percent of the monthly salary or wage of the participating member.~~

1 ~~— **SECTION 4. AMENDMENT.** Subsection 6 of section 54-52.6-02 of the North Dakota-~~
2 ~~Century Code is amended and reenacted as follows:~~

3 ~~— 6. — A participating member who becomes a temporary employee may still participate in-~~
4 ~~the defined contribution retirement plan upon filing an election with the board within~~
5 ~~one hundred eighty days of transferring to temporary employee status. The~~
6 ~~participating member may not become a member of the defined benefit plan as a~~
7 ~~temporary employee. The temporary employee electing to participate in the defined~~
8 ~~contribution retirement plan shall pay monthly to the fund an amount equal to eight~~
9 ~~and twelve hundredths percent times the temporary employee's present monthly~~
10 ~~salary. The amount required to be paid by a temporary employee increases by two~~
11 ~~percent times the temporary employee's present monthly salary beginning with the~~
12 ~~monthly reporting period of January 2012, and, with an additional increase of two~~
13 ~~percent, beginning with the monthly reporting period of January 2013, and, with an~~
14 ~~additional increase of two percent, beginning with the monthly reporting period of~~
15 ~~January 2014; and with an additional increase of one percent, beginning with the~~
16 ~~monthly reporting period of January 2022. The temporary employee also shall also~~
17 ~~pay the required monthly contribution to the retiree health benefit fund established~~
18 ~~under section 54-52.1-03.2. This contribution must be recorded as a member~~
19 ~~contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary~~
20 ~~employee's contributions. A temporary employee may continue to participate as a~~
21 ~~temporary employee until termination of employment or reclassification of the~~
22 ~~temporary employee as a permanent employee.~~

23 ~~— **SECTION 5. AMENDMENT.** Section 54-52.6-09 of the North Dakota Century Code is~~
24 ~~amended and reenacted as follows:~~

25 ~~— **54-52.6-09. Contributions -- Penalty.**~~

26 ~~— 1. — Each participating member shall contribute monthly four percent of the monthly salary-~~
27 ~~or wage paid to the participant, and this assessment must be deducted from the~~
28 ~~participant's salary in equal monthly installments commencing with the first month of~~
29 ~~participation in the defined contribution retirement plan established under this chapter.~~
30 ~~Participating member contributions increase by one percent of the monthly salary or~~
31 ~~wage paid to the participant beginning with the monthly reporting period of~~

January 2012; with an additional increase of one percent, beginning with the reporting period of January 2013; and with an additional increase of one percent, beginning with the monthly reporting period of January 2014; and with an additional increase of one-half of one percent, beginning with the monthly reporting period of January 2022.

~~2. The employer shall contribute an amount equal to four and twelve-hundredths percent of the monthly salary or wage of a participating member. Employer contributions increase by one percent of the monthly salary or wage of a participating member beginning with the monthly reporting period of January 2012; with an additional increase of one percent, beginning with the monthly reporting period of January 2013; and with an additional increase of one percent, beginning with the monthly reporting period of January 2014; and with an additional increase of one-half of one percent, beginning with the monthly reporting period of January 2022. For members first enrolled after December 31, 2019, the employer contribution includes an additional increase of one and fourteen-hundredths percent. 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. Monthly, the employer shall pay such contribution into the participating member's account from the employer's funds appropriated for payroll and salary or any other funds available for such purposes. If the employer fails to pay the contributions monthly, the employer 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 of a month 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 the date the contributions became due, penalty and interest to be paid on delinquent contributions may be waived.~~

~~3. Each employer, at its option, may pay the employee contributions required by this section for all compensation earned after December 31, 1999. The amount paid must be paid by the employer in lieu of contributions by the employee. If the employer decides not to pay the contributions, the amount that would have been paid will continue to be deducted from the employee's compensation. If contributions are paid by the employer, they must be treated as employer contributions in determining tax~~

1 ~~treatment under this code and the federal Internal Revenue Code. Contributions paid-~~
2 ~~by the employer may not be included as gross income of the employee in determining~~
3 ~~tax treatment under this code and the federal Internal Revenue Code until they are~~
4 ~~distributed or made available. The employer shall pay these employee contributions~~
5 ~~from the same source of funds used in paying compensation to the employee. The~~
6 ~~employer shall pay these contributions by effecting an equal cash reduction in the~~
7 ~~gross salary of the employee or by an offset against future salary increases or by a~~
8 ~~combination of a reduction in gross salary and offset against future salary increases.~~
9 ~~Employee contributions paid by the employer must be treated for the purposes of this~~
10 ~~chapter in the same manner and to the same extent as employee contributions made~~
11 ~~before the date on which employee contributions were assumed by the employer. An~~
12 ~~employer shall exercise its option under this subsection by reporting its choice to the~~
13 ~~board in writing.~~

14 **SECTION 1.** A new section to chapter 6-09.4 of the North Dakota Century Code is created
15 and enacted as follows:

16 **Legacy sinking and interest fund - Debt service requirements - Public finance**
17 **authority.**

18 There is created in the state treasury the legacy sinking and interest fund. The fund consists
19 of all moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be
20 spent by the public finance authority pursuant to legislative appropriations to meet the debt
21 service requirements for evidences of indebtedness issued by the authority for transfer to the
22 Bank of North Dakota for allocations to infrastructure projects and programs and the clean
23 sustainable energy fund. Any moneys in the fund in excess of the amounts appropriated from
24 the fund to meet the debt service requirements for a biennium may be appropriated by the
25 legislative assembly for other purposes.

26 **SECTION 2. AMENDMENT.** Section 21-10-12 of the North Dakota Century Code is
27 amended and reenacted as follows:

28 **21-10-12. Legacy fund** ~~-Earnings defined~~definitions.

29 For the purposes of section 26 of article X of the Constitution of North Dakota, ~~the term~~
30 ~~"earnings":~~

1. "Earnings" means net income in accordance with generally accepted accounting principles, excluding any unrealized gains or losses.

2. "Principal" means all moneys in the legacy fund not included in earnings as defined under subsection 1.

SECTION 3. A new section to chapter 21-10 of the North Dakota Century Code is created and enacted as follows:

Legacy earnings fund - State treasurer - Transfers.

1. There is created in the state treasury the legacy earnings fund. The fund consists of all moneys transferred to the fund under subsection 2 and all interest and earnings upon moneys in the fund.

2. Any legacy fund earnings transferred to the general fund at the end of each biennium in accordance with section 26 of article X of the Constitution of North Dakota must be immediately transferred by the state treasurer to the legacy earnings fund.

3. For each biennium subsequent to the biennium in which the legacy fund earnings are transferred under subsection 2, the amount available for appropriation from the legacy earnings fund is six percent of the five-year average value of the legacy fund assets as reported by the state investment board. The average value of the legacy fund assets must be calculated using the value of the assets at the end of each fiscal year for the five-year period ending with the most recently completed even-numbered fiscal year.

4. On July first of each odd-numbered year, from the amount available for appropriation or transfer from the legacy earnings fund for the biennium, the state treasurer shall transfer funding in the following order:

a. The first one hundred million dollars to the legacy sinking and interest fund under section 1 of this Act.

b. The next forty million dollars to the clean sustainable energy fund.

c. The next forty million dollars to the public employees retirement system main system plan under chapter 54-52, but only if the public employees retirement main system plan's actuarial funded ratio as reported for the most recently completed even-numbered fiscal year is less than ninety percent. If the public employees retirement main system plan's actuarial funded ratio is ninety percent or more and then subsequently decreases below ninety percent, the state

1 treasurer may not resume the transfers under this subdivision unless the main
2 system plan's actuarial funded ratio is less than seventy percent.

3 d. Any remaining funds for other purposes as designated by the legislative
4 assembly.

5 5. If the amounts transferred under subsection 2 exceed the amount available for
6 appropriation under subsection 3, the state treasurer shall transfer the excess, within
7 thirty days, as follows:

8 a. Forty percent to the strategic investment and improvements fund to be used in
9 accordance with the provisions of section 15-08.1-08;

10 b. Forty percent to the legacy fund to become part of the principal; and

11 c. Twenty percent to the income tax relief fund under section 12 of this Act.

12 **SECTION 4. AMENDMENT.** Subsection 4 of section 54-52-01 of the North Dakota Century
13 Code is amended and reenacted as follows:

14 4. "Eligible employee" means all permanent employees who are participating members
15 before January 1, 2023, and who meet all of the eligibility requirements set by this
16 chapter and who are eighteen years or more of age, and includes appointive and
17 elective officials under sections 54-52-02.5, 54-52-02.11, and 54-52-02.12 who are
18 participating members before January 1, 2023, and nonteaching employees of the
19 superintendent of public instruction, including the superintendent of public instruction,
20 who ~~elect~~elected to transfer from the teachers' fund for retirement to the public
21 employees retirement system under section 54-52-02.13, and employees of the state
22 board for career and technical education who ~~elect~~elected to transfer from the
23 teachers' fund for retirement to the public employees retirement system under section
24 54-52-02.14. Eligible employee does not include ~~nonclassified~~-state employees who
25 ~~elect to become members of the retirement plan established under chapter 54-52.6~~are
26 first employed after December 31, 2022, and are not participating members, but does
27 include ~~employees of the judicial branch~~supreme court judges and district court
28 judges, employees eligible to participate in a law enforcement retirement plan,
29 participating employees of a political subdivision, and employees of the board of
30 higher education and state institutions under the jurisdiction of the board who are

participating in the teachers' insurance and annuity association of America - college retirement equities fund retirement plan.

SECTION 5. AMENDMENT. Section 54-52-02.5 of the North Dakota Century Code is amended and reenacted as follows:

54-52-02.5. Newly elected and appointed state officials.

After December 31, 1999, ~~a person~~and before January 1, 2023, an individual elected or appointed to a state office for the first time must, from and after the date that ~~person~~individual qualifies and takes office, be a participating member of the public employees retirement system unless that ~~person~~individual makes an election at any time during the first six months after the date the person takes office to participate in the retirement plan established under chapter 54-52.6. After December 31, 2022, an individual elected or appointed to a state office, from and after the date the individual qualifies and takes office, must be a participating member of the retirement plan established under chapter 54-52.6 unless the individual is a participating member under this chapter. As used in this section, the phrase "for the first time" means ~~a person~~an individual appointed, who, after December 31, 1999, does not hold office as an appointed official at the time of that ~~person's~~individual's appointment.

SECTION 6. AMENDMENT. Subsection 1 of section 54-52-02.9 of the North Dakota Century Code is amended and reenacted as follows:

1. Within one hundred eighty days of beginning employment, a temporary employee may elect to participate in the public employees retirement system and receive credit for service after enrollment.

a. Monthly, the state temporary employee shall pay to the fund an amount equal to ~~eight~~twelve and twelve hundredths percent times the temporary employee's present monthly salary. The amount required to be paid by a temporary employee increases by two percent times the temporary employee's present monthly salary beginning with the monthly reporting period of January 2012, and with an additional two percent increase, beginning with the reporting period of January 2013, and with an additional increase of two percent, beginning with the monthly reporting period of January 2014.

b. Monthly, the political subdivision temporary employee shall pay to the fund an amount equal to twelve and twelve hundredths percent times the temporary

employee's present monthly salary. The amount required to be paid by a temporary employee increases by two percent times the temporary employee's present monthly salary beginning with the monthly reporting period of January 2014 and with an additional one percent increase beginning with the reporting period of January 2022.

SECTION 7. AMENDMENT. Section 54-52-02.9 of the North Dakota Century Code is amended and reenacted as follows:

54-52-02.9. Participation by temporary employees.

1. ~~Within~~Before January 1, 2023, within one hundred eighty days of beginning employment, a state temporary employee may elect to participate in the public employees retirement system under this chapter and receive credit for service after enrollment. Within one hundred eighty days of beginning employment, a participating political subdivision temporary employee may elect to participate in the public employees retirement system under this chapter and receive credit for service after enrollment.
 - a. Monthly, the state temporary employee shall pay to the fund an amount equal to twelve and twelve hundredths percent times the temporary employee's present monthly salary. The amount required to be paid by a temporary employee increases by two percent times the temporary employee's present monthly salary beginning with the monthly reporting period of January 2014.
 - b. Monthly, the political subdivision temporary employee shall pay to the fund an amount equal to twelve and twelve hundredths percent times the temporary employee's present monthly salary. The amount required to be paid by a temporary employee increases by two percent times the temporary employee's present monthly salary beginning with the monthly reporting period of January 2014 and with an additional one percent increase beginning with the reporting period of January 2022.
2. If the temporary employee first enrolled:
 - a. Before January 1, 2020, in addition the temporary employee shall pay the required monthly contribution to the retiree health benefit fund established under

section 54-52.1-03.2. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2.

b. After December 31, 2019, the temporary employee shall pay to the fund an additional amount equal to one and fourteen hundredths percent times the temporary employee's present monthly salary.

3. An employer may not pay the temporary employee's contributions. A temporary employee who is a participating member before January 1, 2023, may continue to participate as a temporary employee in the public employees retirement system until termination of employment or reclassification of the temporary employee as a permanent employee. A temporary employee may not purchase any additional credit, including additional credit under section 54-52-17.4 or past service under section 54-52-02.6.

SECTION 8. Section 54-52-02.15 of the North Dakota Century Code is created and enacted as follows:

54-52-02.15. Public employees retirement system main system - Political subdivisions - Legislative management.

1. Effective July 1, 2021, the board shall maintain a plan for political subdivisions that participate in the public employees retirement system main system which is separate from the main plan maintained for the state.
2. During the 2021-22 interim, the legislative management, in consultation with the public employees retirement system, shall prepare for submission to the sixty-eighth legislative assembly legislation to statutorily separate the plan for political subdivisions that participate so the plan funds are not held in trust with the other plans in the public employees retirement system main system.

SECTION 9. AMENDMENT. Subsection 2 of section 54-52-05 of the North Dakota Century Code is amended and reenacted as follows:

2. Each participating member must be assessed and required to pay monthly ~~four~~six percent of the monthly salary or wage paid to the member, and such assessment must be deducted and retained out of such salary in equal monthly installments commencing with the first month of employment. ~~Member~~

a. State participating member contributions increase by one percent of the monthly salary or wage paid to the member beginning with the monthly reporting period of January 2012, ~~and with an additional increase of one percent, beginning with the monthly reporting period of January 2013, and with an additional increase of one percent, beginning with the monthly reporting period of January 2014.~~

b. Political subdivision participating member contributions increase by one percent of the monthly salary or wage paid to the member beginning with the monthly reporting period of January 2014 and with an additional increase of one-half of one percent beginning with the monthly reporting period of January 2022.

SECTION 10. AMENDMENT. Subsection 1 of section 54-52-06 of the North Dakota Century Code is amended and reenacted as follows:

1. Each governmental unit shall contribute an amount equal to ~~four~~six and twelve-hundredths percent of the monthly salary or wage of a participating member.

~~Governmental~~

a. State governmental unit contributions increase by one percent of the monthly salary or wage of a participating member beginning with the monthly reporting period of January 2012; ~~with an additional increase of one percent, beginning with the reporting period of January 2013; and with an additional increase of one percent, beginning with the monthly reporting period of January 2014.~~

b. Political subdivision governmental unit contributions increase by one percent of the monthly salary or wage of a participating member beginning with the monthly reporting period of January 2014 and with an additional increase of one-half of one percent beginning with the monthly reporting period of January 2022.

c. For a participating member who first enrolls after December 31, 2019, the governmental unit shall contribute an additional amount equal to one and fourteen-hundredths percent of the monthly salary or wage of the participating member.

SECTION 11. AMENDMENT. Section 54-52.6-01 of the North Dakota Century Code is amended and reenacted as follows:

54-52.6-01. Definition of terms.

As used in this chapter, unless the context otherwise requires:

1. "Board" means the public employees retirement system board.
2. "Deferred member" means a person who elected to receive deferred vested retirement benefits under chapter 54-52.
3. "Eligible employee" means a permanent state employee, ~~except an employee of the judicial branch or an employee of the board of higher education and state institutions under the jurisdiction of the board,~~ who is eighteen years or more of age ~~and who is in a position not classified by North Dakota human resource management services.~~ If a participating member loses permanent employee status and becomes a temporary employee, the member may still participate in the defined contribution retirement plan. The term does not include a supreme court judge or a district court judge, an employee eligible to participate in a law enforcement retirement plan, an employee of a political subdivision, or an employee of the board of higher education and state institutions under the jurisdiction of the board of higher education who is participating in the teachers' insurance and annuity association of America - college retirement equities fund retirement plan.
4. "Employee" means any person employed by the state, whose compensation is paid out of state funds, or funds controlled or administered by the state or paid by the federal government through any of its executive or administrative officials.
5. "Employer" means the state of North Dakota.
6. "Participating member" means an eligible employee who ~~elects to participate~~ participates in the defined contribution retirement plan established under this chapter.
7. "Permanent employee" means a state employee whose services are not limited in duration and who is filling an approved and regularly funded position and is employed twenty hours or more per week and at least five months each year.
8. "Temporary employee" means a state employee who is not eligible to participate as a permanent employee, who is at least eighteen years old and not actively contributing to another employer-sponsored pension fund.
9. "Wages" and "salaries" means earnings in eligible employment under this chapter reported as salary on a federal income tax withholding statement plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 403(b), 414(h), or

457. "Salary" does not include fringe benefits such as payments for unused sick leave, personal leave, vacation leave paid in a lump sum, overtime, housing allowances, transportation expenses, early retirement, incentive pay, severance pay, medical insurance, workforce safety and insurance benefits, disability insurance premiums or benefits, or salary received by a member in lieu of previously employer-provided fringe benefits under an agreement between an employee and a participating employer. Bonuses may be considered as salary under this section if reported and annualized pursuant to rules adopted by the board.

SECTION 12. AMENDMENT. Section 54-52.6-02 of the North Dakota Century Code is amended and reenacted as follows:

54-52.6-02. Election.

1. The board shall provide an opportunity for each eligible employee who is first employed before January 1, 2023, and who is a member of the public employees retirement system on ~~September 30, 2001, and who has not made a written election under this section~~ June 30, 2023, to transfer to the defined contribution retirement plan ~~before October 1, 2001, to elect~~ by electing in writing to terminate membership in the public employees retirement system and elect to become a participating member under this chapter. Except as provided in section 54-52.6-03, an election made by an eligible employee under this section is irrevocable. ~~The board shall accept written elections under this section from eligible employees during the period beginning on July 1, 1999, and ending 12:01 a.m. December 14, 2001. An eligible employee who does not make a written election or who does not file the election during the period specified in this section continues to be a member of the public employees retirement system.~~ An eligible employee who ~~makes and files a written election~~ transfers to the defined contribution plan under this section ceases to be a member of the public employees retirement system ~~effective twelve midnight December 31, 2001; and~~ becomes a participating member in the defined contribution retirement plan under this chapter ~~effective 12:01 a.m. January 1, 2002;~~ and waives all of that person's rights to a pension, annuity, retirement allowance, insurance benefit, or any other benefit under the public employees retirement system ~~effective December 31, 2001.~~ This section does not affect a person's right to health benefits or retiree health benefits under

chapter 54-52.1. An eligible employee who is first employed and entered upon the payroll of that person's employer ~~after September 30, 2001,~~ may make an election to participate in the defined contribution retirement plan established under this chapter at any time during the ~~first six months after the date of employment. If the board, in its sole discretion, determines that the employee was not adequately notified of the employee's option to participate in the defined contribution retirement plan, the board may provide the employee a reasonable time within which to make that election, which may extend beyond the original six-month decision window~~ period beginning July 3, 2023, and ending 5:00 p.m. December 29, 2023.

2. If an individual who is a deferred member of the public employees retirement system on ~~September 30, 2001~~ December 31, 2022, is re-employed and by virtue of that employment is again eligible for membership in the public employees retirement system under chapter 54-52, the individual may elect in writing to remain a member of the public employees retirement system or if eligible to participate in the defined contribution retirement plan established under this chapter to terminate membership in the public employees retirement system and become a participating member in the defined contribution retirement plan established under this chapter. An election made by a deferred member under this section is irrevocable. The board shall accept written elections under this section from a deferred member during the period beginning on the date of the individual's re-employment and ending upon the expiration of six months after the date of that re-employment. If the board, in its sole discretion, determines that the employee was not adequately notified of the employee's option to participate in the defined contribution retirement plan, the board may provide the employee a reasonable time within which to make that election, which may extend beyond the original six-month decision window. A deferred member who makes and files a written election to remain a member of the public employees retirement system retains all rights and is subject to all conditions as a member of that retirement system. A deferred member who does not make a written election or who does not file the election during the period specified in this section continues to be a member of the public employees retirement system. A deferred member who makes and files a written election to terminate membership in the public employees retirement system

1 ceases to be a member of the public employees retirement system effective on the
2 last day of the payroll period that includes the date of the election; becomes a
3 participating member in the defined contribution retirement plan under this chapter
4 effective the first day of the payroll immediately following the date of the election; and
5 waives all of that person's rights to a pension, an annuity, a retirement allowance,
6 insurance benefit, or any other benefit under the public employees retirement system
7 effective the last day of the payroll that includes the date of the election. This section
8 does not affect any right to health benefits or retiree health benefits to which the
9 deferred member may otherwise be entitled.

- 10 3. An eligible employee who elects to participate in the retirement plan established under
11 this chapter must remain a participant even if that employee returns to the classified
12 service or becomes employed by a political subdivision that participates in the public
13 employees retirement system. The contribution amount must be as provided in this
14 chapter, regardless of the position in which the employee is employed.

15 Notwithstanding the irrevocability provisions of this chapter, if a member who elects to
16 participate in the retirement plan established under this chapter becomes a supreme
17 or district court judge, becomes a member of the highway patrol, becomes employed
18 in a position subject to teachers' fund for retirement membership, or becomes an
19 employee of the board of higher education or state institution under the jurisdiction of
20 the board who is eligible to participate in an alternative retirement program established
21 under subsection 6 of section 15-10-17, the member's status as a member of the
22 defined contribution retirement plan is suspended, and the member becomes a new
23 member of the retirement plan for which that member's new position is eligible. The
24 member's account balance remains in the defined contribution retirement plan, but no
25 new contributions may be made to that account. The member's service credit and
26 salary history that were forfeited as a result of the member's transfer to the defined
27 contribution retirement plan remain forfeited, and service credit accumulation in the
28 new retirement plan begins from the first day of employment in the new position. If the
29 member later returns to employment that is eligible for the defined contribution plan,
30 the member's suspension must be terminated, the member again becomes a member
31 of the defined contribution retirement plan, and the member's account resumes

1 accepting contributions. At the member's option, and pursuant to rules adopted by the
2 board, the member may transfer any available balance as determined by the
3 provisions of the alternate retirement plan into the member's account under this
4 chapter.

5 4. After consultation with its actuary, the board shall determine the method by which a
6 participating member or deferred member may make a written election under this
7 section. If the participating member or deferred member is married at the time of the
8 election, the election is not effective unless the election is signed by the individual's
9 spouse. However, the board may waive this requirement if the spouse's signature
10 cannot be obtained because of extenuating circumstances.

11 5. If the board receives notification from the internal revenue service that this section or
12 any portion of this section will cause the public employees retirement system or the
13 retirement plan established under this chapter to be disqualified for tax purposes
14 under the Internal Revenue Code, then the portion that will cause the disqualification
15 does not apply.

16 6. A participating member who becomes a temporary employee may still participate in
17 the defined contribution retirement plan upon filing an election with the board within
18 one hundred eighty days of transferring to temporary employee status. The
19 participating member may not become a member of the defined benefit plan as a
20 temporary employee. The temporary employee electing to participate in the defined
21 contribution retirement plan shall pay monthly to the fund an amount equal to eight
22 and twelve hundredths percent times the temporary employee's present monthly
23 salary. The amount required to be paid by a temporary employee increases by two
24 percent times the temporary employee's present monthly salary beginning with the
25 monthly reporting period of January 2012, and with an additional increase of two
26 percent, beginning with the monthly reporting period of January 2013, and with an
27 additional increase of two percent, beginning with the monthly reporting period of
28 January 2014. The temporary employee shall also pay the required monthly
29 contribution to the retiree health benefit fund established under section 54-52.1-03.2.
30 This contribution must be recorded as a member contribution pursuant to section
31 54-52.1-03.2. An employer may not pay the temporary employee's contributions. A

temporary employee may continue to participate as a temporary employee until termination of employment or reclassification of the temporary employee as a permanent employee.

7. A former participating member who has accepted a retirement distribution pursuant to section 54-52.6-13 and who subsequently becomes employed by an entity different from the employer with which the member was employed at the time the member retired but which does participate in any state-sponsored retirement plan may, before re-enrolling in the defined contribution retirement plan, elect to permanently waive future participation in the defined contribution retirement plan, whatever plan in which the new employing entity participates, and the retiree health program and maintain that member's retirement status. Neither the member nor the employer are required to make any future retirement contributions on behalf of that employee.

SECTION 13. Section 54-52.6-02.1 of the North Dakota Century Code is created and enacted as follows:

54-52.6-02.1. Membership.

1. All eligible employees are participating members.
2. Effective January 1, 2023, a temporary employee may elect, within one hundred eighty days of beginning employment, to participate in the defined contribution plan under this chapter. The temporary employee electing to participate in the defined contribution retirement plan shall pay monthly to the fund an amount equal to fourteen and twelve-hundredths percent. This contribution must be recorded as a member contribution pursuant to section 54-52.1-03.2. An employer may not pay the temporary employee's contributions. A temporary employee may continue to participate as a temporary employee in the public employees retirement system until termination of employment.

SECTION 14. AMENDMENT. Section 54-52.6-03 of the North Dakota Century Code is amended and reenacted as follows:

54-52.6-03. Transfer of accumulated fund balances.

For an individual who elects to terminate membership in the public employees retirement system under chapter 54-52, the board shall transfer a lump sum amount from the retirement fund to the participating member's account in the defined contribution retirement plan under this chapter. However, if the individual terminates employment prior to receiving the lump sum

transfer under this section, the election made under section 54-52.6-02 is ineffective and the individual remains a member of the public employees retirement system under chapter 54-52 and retains all the rights and benefits provided under that chapter. The board shall calculate the amount to be transferred ~~for persons employed before October 1, 2001,~~ using the two following formulas, and shall transfer the greater of the two amounts obtained:

1. ~~The~~ For a vested or a nonvested individual, an estimate of the actuarial present value of the individual's accumulated benefit obligation under the public employees retirement system based on the assumption that the individual will retire under the earliest applicable normal retirement age, plus interest from January 1, ~~2001~~2024, to the date of transfer, at the rate of one-half of one percent less than the actuarial interest assumption at the time of the election; or
2. ~~The~~ For a nonvested individual, an estimate of the actual employer contribution made, less vested employer contributions made pursuant to section 54-52-11.1, plus compound interest at the rate of one-half of one percent less than the actuarial interest assumption at the time of the election plus the employee account balance.

~~The board shall calculate the amount to be transferred for persons employed after September 30, 2001, using only the formula contained in subsection 2.~~

SECTION 15. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax relief fund.

There is created in the state treasury the income tax relief fund. The fund consists of all moneys deposited in the fund under section 3 of this Act. Moneys in the fund may be spent pursuant to legislative appropriations for individual and corporate income tax relief.

SECTION 16. PUBLIC EMPLOYEES RETIREMENT SYSTEM - ESTIMATE OF ACCUMULATED BALANCE TRANSFER. For the period beginning January 2, 2023, and ending December 29, 2023, upon the request of an individual who is eligible for termination of membership in the public employees retirement system under chapter 54-52 as provided for in subsection 1 of section 54-52.6-02, the public employees retirement system shall estimate the individual's accumulated balance transfer amount by calculating the actuarial present value of the individual's accumulated benefit obligation under the public employees retirement system

1 based on the assumption that the individual will retire under the earliest applicable normal
2 retirement age.

3 **SECTION 17. APPROPRIATION - TRANSFER - GENERAL FUND TO PUBLIC**
4 **EMPLOYEES RETIREMENT SYSTEM FUND.** There is appropriated out of any moneys in the
5 general fund in the state treasury, not otherwise appropriated, the sum of \$100,000,000, which
6 the office of management and budget shall transfer to the public employees retirement system
7 main system plan for state employees for the purpose of reducing the unfunded actuarial
8 liability of the state share of the public employees retirement system main system plan for state
9 employees during the biennium beginning July 1, 2021, and ending June 30, 2023.

10 **SECTION 18. LEGISLATIVE INTENT - OTHER USES OF LEGACY FUND EARNINGS.** It
11 is the intent of the sixty-seventh legislative assembly that the sixty-eighth legislative assembly
12 consider additional allocations from the legacy earnings fund, including allocations to the
13 highway tax distribution fund, value-added agricultural programs, the innovation loan fund to
14 support technology advancement, state building maintenance and improvements, and for other
15 one-time initiatives and projects, including initiatives and projects to diversify the state's
16 economy, to improve the efficiency and effectiveness of state government, and to reduce
17 ongoing general fund appropriations of state agencies.

18 **SECTION 19. LEGISLATIVE MANAGEMENT STUDY - PUBLIC EMPLOYEES**
19 **RETIREMENT SYSTEM RETIREMENT PLANS.**

- 20 1. During the 2021-22 interim, the legislative management shall study the public
21 employees retirement system retirement plans, including:
 - 22 a. Identifying a strategy for the main system plan for political subdivisions reaching
23 full funding within thirty years and considering the governance of this plan;
 - 24 b. Reviewing the financial status of the plans under chapter 54-52; and
 - 25 c. Contracting for actuarial analyses of the plans under chapter 54-52 to determine
26 the feasibility and desirability of remaining open as defined benefit plans versus
27 closing and moving to a defined contribution plan.
- 28 2. The legislative management shall report its findings and recommendations, together
29 with any legislation required to implement the recommendations, to the sixty-eighth
30 legislative assembly.

1 **SECTION 20. APPLICATION.** In implementing section 8 of this Act, effective July 1, 2021,
2 for all current active and retired members of the public employees retirement system main plan,
3 the public employees retirement system board shall calculate separate data on the actuarial
4 accrued liability, actuarial value of assets, and unfunded actuarial liability for the main system
5 plan for state employees and the plan for political subdivisions.

6 **SECTION 21. EFFECTIVE DATE.** Sections 1, 2, 3, and 15 become effective on August 1,
7 2021. Sections 4, 5, 7, 11, 12, 13, 14, and 16 of this Act become effective on January 1, 2023.