



January 13, 2023

Chairman Schauer and members of the House Government and Veterans Affairs Committee:

Thank you for holding this important hearing and for the opportunity to provide testimony today.

My name is Andrew Nyhus with Americans for Prosperity North Dakota. Americans for Prosperity is the State's largest grassroots organization focused on long-term solutions to country's biggest problems. As you weigh how to best address the issues within the NDPERS system, I urge you to take the following tenants of reform into consideration.

Across the nation, State and municipal pensions are significantly underfunded and pose a substantial liability to taxpayers. These unfunded liabilities arise from unreasonably inflated anticipated returns on investment, underfunding from employees and employers, and unaffordable promises made to employees.

At current, there is a \$1.8 billion unfunded liability in the North Dakota Public Employees Retirement System. This is a common problem for states across this country, but North Dakota stands out among them for the severity of our shortfall. The solution presented in HB 1040 will gradually resolve the issue and prevent the creation of new unfunded liabilities. It is a prudent resolution similar to successful reforms implemented in other states.

Transitioning to a defined contribution plan provides several benefits. First and foremost, predictability. Presently, it is difficult to model the solvency of the fund with any accuracy. HB 1040 will give taxpayers a predictable expenditure that does not create new debts. Meanwhile, employees will gain confidence in their benefits for the long haul.

Every year of inaction adds more unfunded liabilities to the defined benefit plan. This unfairly transfers debt, and the cost to service it, to future taxpayers. With their hands tied, future generations will not be free to determine how to best direct the taxes they pay. Instead, this generation will have obligated the next to pay a debt they did not incur—and that with interest.

Left unchanged, the growing unfunded liability will need to be paid annually out of the State budget. Those appropriations could be three to four times what it costs today. For taxpayers, that is like adding a new State agency that provides no services. HB 1040 fixes this across a 20-year outlay.

To address the challenges certain to come from the *status quo*, now is the time to act and pass HB 1040. This legislation is a right-sized and responsible solution to an issue that will only grow with time and limit our options in the future. There is a window to fix it now and set North Dakota on a sustainable fiscal trajectory for generations to come. We respectfully ask for your support of HB 1040.

Thank you again for holding this hearing on a serious and timely subject. I am grateful for your consideration and the opportunity to testify today.

Andrew Nyhus

A handwritten signature in blue ink, appearing to read "Andrew Nyhus", with a long horizontal line extending to the right.

Americans for Prosperity North Dakota