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**Testimony before the House Government and Veterans Affairs Committee  
In opposition to House Bill 1040  
Nick Archuleta, North Dakota United  
January 13, 2023**

Chairman Schauer and members of the Committee, for the record my name is Nick Archuleta, and I am the president of North Dakota United. I rise today on behalf of our 11,500 members to urge a DO NOT PASS recommendation on HB 1040.

Mr. Chairman, you have just heard the numbers shared with you by PERS Executive Director Scott Miller and former ND OMB Director Pam Sharp, relating to what it will cost to close the PERS defined benefit plan to new employees on January 1, 2025. I am not going to rehash what they said because they understand the numbers and methodologies used to arrive at those numbers certainly better than me, and probably better than most people in this room. That said, \$5.547B over the next 20 years is an incredible sum to close a plan that can be saved for far less.

What I will talk about today, though, are our concerns associated with the closure of the PERS Defined Benefit Retirement Plan:

- Closing the defined benefit plan will have a negative impact on the ability of the state and political subdivisions to recruit and retain the resolute and high-quality personnel necessary to deliver the vital services that North Dakota's citizens deserve and depend on every day. On average, according to the Hay Group study, public employees are paid anywhere from 7 to 12 percent less than their similarly trained and experienced counterparts in the private sector. The defined benefit retirement plan and the PERS healthcare plan are key factors to attract good people to public service.
- This legislature cannot bind future legislatures to pay the exorbitant cost for shutting down this plan. We have been tethered to a commodities-based economy since before statehood and we have seen oil and agriculture in very good times as well as in very bad times. What will happen when future legislatures cannot or will not appropriate the funds necessary to keep PERS solvent? We fear that PERS will run out of money and the state will not be able to honor its commitments to current retirees and those currently in the plan.
- The Defined Contribution plan that will be the only choice afforded future state employees is not popular now. According to a recent Human Resource Management Service (HRMS), only 3% percent of state employee survey respondents expressed their preference of a defined contribution plan as opposed to a defined benefit plan. Forty two percent STRONGLY prefer a DB plan.

- According to Milliman, the firm hired by the Retirement Committee to serve as its actuarial expert, DC plans are, “an inefficient use of taxpayer money.”
- The only thing guaranteed about a defined contribution plan is the amount of money that goes into the plan. Less certain is what a retiree gets out, as that depends on factors beyond the control of the participant as we witnessed in real time during the recession of 2008-2009, and in every market downturn since then.

Mr. Chairman and members of the Committee, ND is not the first state to attempt to close down their defined benefit plan. In just over a decade after closing the DB plan for teachers in West Virginia, the closed retirement system was paying out more in benefits than it was bringing in in contributions, which drained the fund and hastened insolvency. Furthermore, the defined contribution plan was inadequate to help teachers build sufficient retirement reserves.

In Alaska, they closed their DB plan for teachers and have witnessed an exodus of teachers from that state. They are considering re-opening their DB plan. Similar results occurred in Michigan.

In Oklahoma, a bill was heard in their legislature to re-open their DB plan. It passed their House but was held by the Senate and wasn't acted upon prior to the adjournment of their legislature. These are cautionary tales that North Dakota can learn from and mistakes that we can avoid.

Our members believe that the narrow charge given the Retirement Committee-to develop a plan to close the PERS DB plan-prevented the Committee from exploring other, less expensive solutions to preserve a plan that public employees prefer and is an efficient use of taxpayer money. While we appreciate the hard work of the Retirement Committee and the opportunity to partake in the rich discussions of the Committee, ND United cannot support the conclusions of the Committee.

Chairman Schauer and members of the committee, for these reasons and the reasons outlined in the testimonies of those who spoke before me, we urge a do not pass on HB 1040.

Thank you for the opportunity to be here today. I am happy to answer any questions.