

Testimony in Support of Senate Bill No. 2239

Scott Miller, Executive Director



SB 2239 – Overview

- Requires participating employers to pay the Actuarially Determined Employer Contribution effective January 1, 2024, for employees in the Main PERS plan
 - ADEC to be determined by the NDPERS actuary based on a closed 30.5-year amortization period
- Participating employee contribution goes up 1%
- **Gives employees a choice** – Opens the existing Defined Contribution (DC) plan to all new state employees
- Makes a one-time cash infusion into the Main PERS plan of \$250 million, from the general fund
- Current projections are that the ADEC will increase both the state and political subdivision employer contribution by 4.0% the first year



SB 2239 – Cost – 40 years

Contributions to the DB Plan			
	Present Value of Total Employer Contributions for 2023 to 2054 ¹	Difference from Baseline	Difference from Baseline - ADEC Funding
Baseline	\$2,054,029,609		
Baseline - ADEC Funding	\$2,905,376,593	\$851,346,984	
Bill 883 - 6.50% Investment Return	\$2,985,766,408	\$931,736,799	\$ 80,389,815

This includes the \$250 million cash infusion



Comparison to HB 1140

- This is the present value of how much MORE expensive over the next 23 years it will be to close the Defined Benefit plan and have all new employees go into the new Defined Contribution plan, than it is to maintain the current DB plan
- Unfortunately, you cannot require future Legislatures to maintain adequate funding

Contributions to the DB Plan and DC Plan			
	Present Value of Total Employer Contributions for 2023 to 2046 ¹	Difference from Baseline	Difference from Baseline - ADEC Funding
Baseline	\$1,681,415,635		
Baseline - ADEC Funding	\$2,489,470,983	\$808,055,347	
Bill 280 - 6.50% Investment Return	\$3,287,166,589	\$1,605,750,953	\$ 797,695,606
Bill 280 - 5.50% Investment Return	\$4,560,649,023	\$2,879,233,388	\$ 2,071,178,041
Bill 280 - 4.50% Investment Return	\$6,257,016,726	\$4,575,601,091	\$ 3,767,545,744



Credentialed Actuaries

“The Board shall cause a **qualified, competent actuary** to be retained on a consulting basis.” NDCC section 54-52-04(4).

“As determined **by actuarial valuations**, each state governmental unit shall contribute” the Actuarially Determined Contribution Rate. HB 1040.

- NDCC section 54-52-04(4), above, requires the NDPERS Board to retain and use a credentialed actuary to do these analyses.
- The Retirement Committee did not have Milliman, its actuary, analyze these bills.
- Any alternative numbers you may have seen are not from a credentialed actuary.
 - The Reason Foundation does not have actuaries on staff, and do not have our data
- The NDPERS Board could not rely on anyone other than a credentialed actuary to do these analyses, both from a statutory perspective and a fiduciary responsibility perspective. Why is anyone listening to any other numbers?



Tax Dollar Efficiency

Traditional defined benefit plans - advantages

- Efficient use of taxpayer dollars
 - The Retirement Committee's own actuarial expert called Defined Benefit plans an "efficient use of taxpayer dollars"
 - Milliman Presentation to Retirement Committee, slide 16, April 11, 2022
 - Milliman cited a study that showed that employees receive about twice the retirement benefit in a DB plan for the same cost as a DC plan

Traditional defined contribution plans - disadvantages

- Inefficient use of taxpayer money

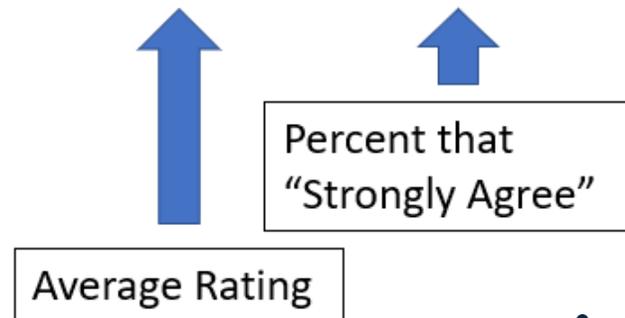


2.87%

- The percent of new employees that elected to join the DC plan from 2013-2017 when it was open and available to all new state employees
- Only 2.36% of 20-somethings elected to join the DC plan at that time
- Current state employees also strongly prefer a DB plan:

Based on the information provided, I prefer to have a defined contribution (DC) retirement plan rather than a defined benefit (DB) retirement plan.* *As stated earlier in this survey a DC plan is similar to the well-known 401(k) and a DB plan is commonly referred to as a pension.	3840	2.18	3%
Based on the information provide, I prefer to have a Defined benefit (DB) Retirement Plan rather than a Defined Contribution (DC) Retirement Plan.* *As defined earlier in this survey a DB is commonly referred to as a pension and a DC is similar to the well-known 401(k).	3858	3.95	42%

Source: 2022 HRMS Survey of Current State Employees

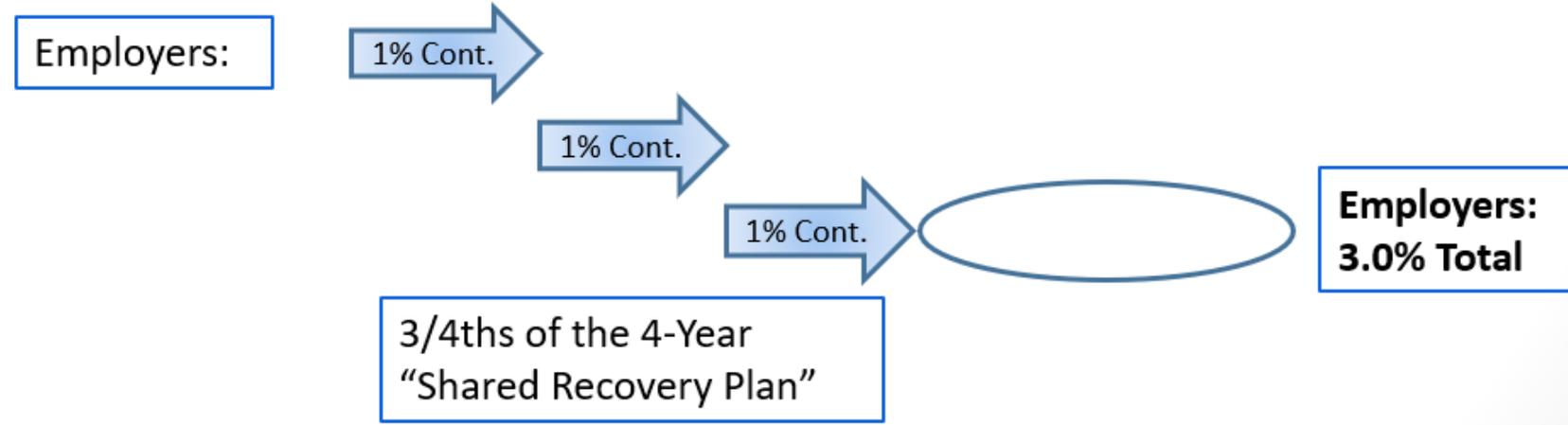
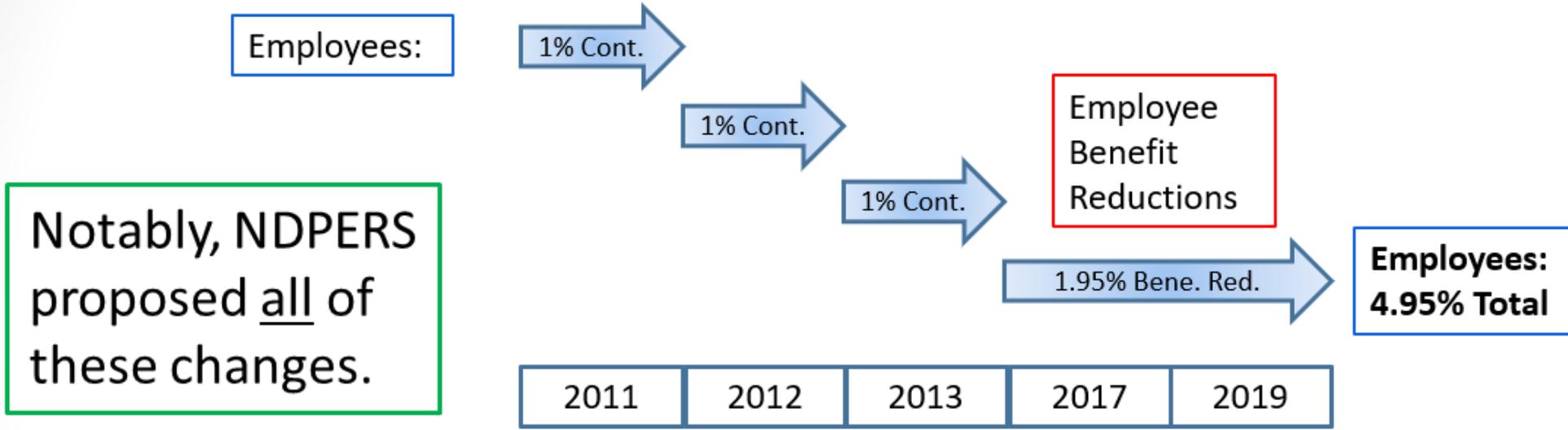


75%

- The percent of DC plan members who came back to the DB plan when given the opportunity to do so
- Those members agreed to pay an extra 2% of employee compensation to come back to the DB plan



Employees Did Their Part



Questions?



Email scottmiller@nd.gov

Call (701) 328-3901

