

Department 192 - Public Employees Retirement System
Senate Bill No. 2023

Executive Budget Comparison to Base Level

| | General Fund | Other Funds | Total |
|--------------------------|---------------------|--------------------|--------------|
| 2023-25 Executive Budget | \$0 | \$11,922,516 | \$11,922,516 |
| 2023-25 Base Level | 0 | 9,855,296 | 9,855,296 |
| Increase (Decrease) | \$0 | \$2,067,220 | \$2,067,220 |

Selected Budget Changes Recommended in the Executive Budget

| | General Fund | Other Funds | Total |
|--|---------------------|--------------------|--------------|
| 1. Adds funding for 1 FTE retirement processing position, of which \$214,632 is for salaries and wages and \$725 is for operating expenses. | \$0 | \$215,357 | \$215,357 |
| 2. Adds funding for 1 FTE receptionist position, of which \$124,986 is for salaries and wages and \$725 is for operating expenses. | \$0 | \$125,711 | \$125,711 |
| 3. Adds funding for 2 FTE positions to close the main system defined benefit retirement plan to new hires, of which \$478,760 is for salaries and wages and \$2,350 is for operating expenses. | \$0 | \$481,110 | \$481,110 |
| 4. Adds one-time funding for temporary staff to close the main system defined benefit retirement plan to new hires to provide total funding for temporary salaries of \$570,664. | \$0 | \$200,000 | \$200,000 |
| 5. Adds one-time funding to contract with a developer for the closure of the main system defined benefit retirement plan to new hires. | \$0 | \$125,000 | \$125,000 |
| 6. Adds one-time funding to contract with a developer to upgrade the PERSLink business system. | \$0 | \$125,000 | \$125,000 |
| 7. Adds one-time funding for new FTE position chairs. | \$0 | \$5,000 | \$5,000 |

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

Selected Bill Sections Recommended in the Executive Budget

Appropriation line item transfers - Section 3 would allow the Public Employees Retirement System (PERS) to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.

Contingent appropriation - Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

Continuing Appropriations

Public Employees Retirement System - Various sections - For benefit payments, investments, and actuarial and technical consulting for each program area.

Deficiency Appropriations

Transfer to the PERS fund - The executive budget includes a recommendation to transfer \$250,000 from the general fund to the PERS fund as a 2021-23 biennium supplemental appropriation to reduce the unfunded liability of the main system defined benefit retirement plan.

Significant Audit Findings

The audit for PERS conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the period ending June 30, 2021, did not identify any significant audit findings.

The *Schedules of Employer Allocations and Pension Amounts by Employer* prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

The other postemployment benefits schedule prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

Major Related Legislation

House Bill No. 1039 - This bill closes the main system defined benefit plan to new hires beginning January 1, 2024, provides a one-time transfer of \$250 million from the general fund to the PERS fund to reduce the unfunded liability of the main system defined benefit plan; provides for a transfer of \$70 million rather than approximately \$48 million from legacy fund earnings to PERS each biennium; creates a defined contribution plan with 4 percent employee and 4.12 percent employer contribution rates; provides for an optional additional 3 percent employee and 3 percent employer matching contributions provided through the PERS 457 deferred compensation plan; and requires employer contribution rates for the defined benefit plan to be based on the actuarially determined employer contribution rates, of which the state would be responsible for the state and political subdivision employer shares.

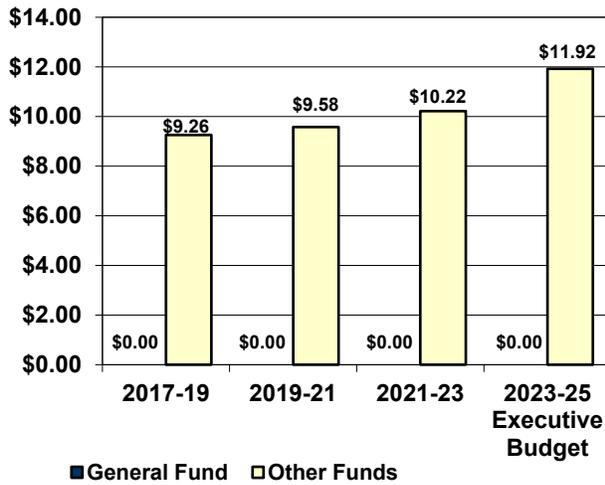
House Bill No. 1040 - This bill is identical to House Bill No. 1039 except House Bill No. 1040 would become effective beginning January 1, 2025, instead of January 1, 2024.

House Bill No. 1146 - This bill requires PERS to provide coverage for the expenses of the diagnosis of infertility, fertility treatment, and standard fertility preservation services if recommended and medically necessary. The bill is effective through July 31, 2025, and would require PERS to submit a bill for introduction during the 2025 legislative session to repeal the expiration date of this bill to extend coverage of fertility benefits to all group and individual health insurance policies.

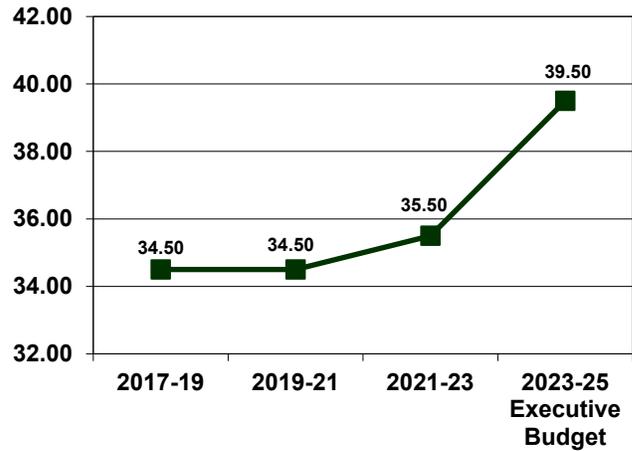
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing Other Funds Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|---|-------------|-------------|-------------|-------------|--------------------------|
| Ongoing other fund appropriations | \$9,496,373 | \$9,258,390 | \$9,346,196 | \$9,855,296 | \$11,467,516 |
| Increase (decrease) from previous biennium | N/A | (\$237,983) | \$87,806 | \$509,100 | \$1,612,220 |
| Percentage increase (decrease) from previous biennium | N/A | (2.5%) | 0.9% | 5.4% | 16.4% |
| Cumulative percentage increase (decrease) from 2015-17 biennium | N/A | (2.5%) | (1.6%) | 3.8% | 20.8% |

Major Increases (Decreases) in Ongoing Other Fund Appropriations

2017-19 Biennium

- Underfunded salaries and wages (\$150,000)
- Reduced funding for printing and postage costs for newsletters (\$29,752) and annual benefit statements (\$33,220) (\$62,972)
- Reduced funding for hosting costs for a mobile application (\$43,000)

2019-21 Biennium

- Adjusted funding for IT operating expenses (\$230,519)

2021-23 Biennium

- Added funding for an FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses \$195,291
- Added funding for a temporary receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses \$154,370
- Reduced funding for rent to provide a total of \$272,925. The reduction was due to less space being needed because a number of employees are teleworking. (\$80,865)

2023-25 Biennium (Executive Budget Recommendation)

- Adds funding for 1 FTE retirement processing position, of which \$214,632 is for salaries and wages and \$725 is for operating expenses. \$215,357
- Adds funding for 1 FTE receptionist position, of which \$124,986 is for salaries and wages and \$725 is for operating expenses. \$125,711
- Adds funding for 2 FTE positions to close the main system defined benefit retirement plan to new hires, of which \$478,760 is for salaries and wages and \$2,350 is for operating expenses. \$481,110

One-Time Other Funds Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|-------------------------------------|----------------|----------------|----------------|----------------|---|
| One-time other funds appropriations | \$177,370 | \$0 | \$230,000 | \$362,100 | \$455,000 |

Major One-Time Other Funds Appropriations

2017-19 Biennium

1. None

2019-21 Biennium

- | | |
|-------------------------------------|-----------|
| 1. IT risk assessment | \$40,000 |
| 2. Upgrade business system software | \$190,000 |

2021-23 Biennium

- | | |
|--|-----------|
| 1. Upgrade benefit enrollment software | \$104,500 |
| 2. Upgrade PERSLink business system | \$257,600 |

2023-25 Biennium (Executive Budget Recommendation)

- | | |
|---|-----------|
| 1. Temporary staff to close the main system defined benefit retirement plan to new hires | \$200,000 |
| 2. Contract costs for a developer for the closure of the main system defined benefit retirement plan to new hires | \$125,000 |
| 3. Contract costs for a developer to upgrade the PERSLink business system | \$125,000 |

Public Employees Retirement System - Budget No. 192
Senate Bill No. 2023
Base Level Funding Changes

| | Executive Budget Recommendation | | | |
|--|--|-------------------------|------------------------|--------------|
| | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 35.50 | \$0 | \$9,855,296 | \$9,855,296 |
| 2023-25 Ongoing Funding Changes | | | | |
| Adds funding for the cost to continue salary increases | | | \$53,963 | \$53,963 |
| Salary increase | | | 508,874 | 508,874 |
| Health insurance increase | | | 210,904 | 210,904 |
| Adds funding for an FTE retirement processing position | 1.00 | | 215,357 | 215,357 |
| Adds funding for an FTE receptionist position | 1.00 | | 125,711 | 125,711 |
| Adds funding for FTE positions to close the defined benefit plan | 2.00 | | 481,110 | 481,110 |
| Adds funding for IT rate increases | | | 16,301 | 16,301 |
| Total ongoing funding changes | 4.00 | \$0 | \$1,612,220 | \$1,612,220 |
| One-time funding items | | | | |
| Adds funding for temporary staff to close the defined benefit plan | | | \$200,000 | \$200,000 |
| Adds funding for a developer for the closure of the defined benefit plan | | | 125,000 | 125,000 |
| Adds funding for a developer to upgrade the PERSLink business system | | | 125,000 | 125,000 |
| Adds funding for new FTE position chairs | | | 5,000 | 5,000 |
| Total one-time funding changes | 0.00 | \$0 | \$455,000 | \$455,000 |
| Total Changes to Base Level Funding | 4.00 | \$0 | \$2,067,220 | \$2,067,220 |
| 2023-25 Total Funding | 39.50 | \$0 | \$11,922,516 | \$11,922,516 |
| <i>Federal funds included in other funds</i> | | | \$0 | |
| <i>Total ongoing changes as a percentage of base level</i> | 11.3% | | 16.4% | 16.4% |
| <i>Total changes as a percentage of base level</i> | 11.3% | | 21.0% | 21.0% |

Other Sections in Public Employees Retirement System - Budget No. 192

| | Executive Budget Recommendation |
|-----------------------------------|---|
| Appropriation line item transfers | Section 3 would allow PERS to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section. |
| Contingent appropriation | Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires. |

**SENATE BILL NO. 2023
(Governor’s Recommendation)**

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; to provide a contingent appropriation; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys from special funds derived from income for the purpose of defraying their expenses, for the biennium beginning July 1, 2023, and ending June 30, 2025, as follows:

| | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|--------------------------------|-------------------|--|----------------------|
| Salaries and Wages | \$7,209,060 | \$1,792,119 | \$9,001,179 |
| Operating Expenses | 2,396,236 | 275,101 | 2,671,337 |
| Contingencies | <u>250,000</u> | <u>0</u> | <u>250,000</u> |
| Total All Funds | \$9,855,296 | \$2,067,220 | \$11,922,516 |
| Less Estimated Income | <u>9,855,296</u> | <u>2,067,220</u> | <u>11,922,516</u> |
| Total General Fund | \$ 0 | \$ 0 | \$ 0 |
| Full-time Equivalent Positions | 35.50 | 4.00 | 39.50 |

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2021-23</u> | <u>2023-25</u> |
|---------------------------------------|----------------|----------------|
| Upgrade for Benefit Enrollment System | \$104,500 | \$0 |
| Upgrade Perslink to BPM | 257,600 | 0 |
| Closure of Defined Benefit Plan | 0 | 203,000 |
| Additional Development Resources | <u>0</u> | <u>125,000</u> |
| Total Special Funds | \$362,100 | \$328,000 |

The 2023-25 one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023 and ending June 30, 2025.

SECTION 3. APPROPRIATION LINE ITEM TRANSFERS. Upon approval of the board, the public employees retirement system may transfer from their contingency line item in section 1 of this Act to all other line items. The agency shall notify the office of management and budget of each transfer made pursuant to this section.

SECTION 7. CONTINGENT APPROPRIATION. Section 1 of this Act includes a contingent appropriation of \$809,110, and contingent authority for two FTE positions effective only if the sixty-eight legislative assembly approves legislation to close the defined benefit plan.