

TESTIMONY ON HOUSE BILL 1040
Senate State & Local Government Committee
March 9th, 2023

Maureen Storstad, Finance and Administrative Services Director
City of Grand Forks, ND

Chairman Roers and members of the committee, this testimony is written on behalf of Tangee Bouvette, Human Resources Director and myself, Maureen Storstad, Finance and Administrative Services Director for the City of Grand Forks. I want to thank you for the opportunity to provide testimony and express the City of Grand Forks' opposition to this legislation.

The NDPERS retirement system is an excellent defined benefit pension plan and it is our top retention and recruitment tool for the City of Grand Forks.

The City of Grand Forks, in general, has supported previous efforts to support the NDPERS plan to bring this plan to a healthier funding percentage level, and we would continue to support the NDPERS plan if the State were to consider keeping this plan open to new employees. The City of Grand Forks has supported past legislation to incrementally increase contribution rates over the last 12+ years as the City has been able to manage these incremental increases through budget planning.

Conversely, the City of Grand Forks is opposed to House Bill 1040, which would close the NDPERS main plan to new employees. As stated previously, it is the most important recruitment and retention tool that we have as a municipality.

These type of pension plans need to be viewed with a long-term perspective. As long as the plan would remain open, there is not a need to be fully funded today, but to show a plan that reflects a positive trajectory toward becoming fully funded. I believe the State still has this ability with the existing NDPERS main plan as long as it is not closed to new employees.

The narrative that exists to support this bill is that this younger generation of employee doesn't care about defined benefit pensions and that employees just want a benefit that is portable as jobs are seen as short-term ventures. I can tell you that has not been the experience with City of Grand Forks employees. City employees do care about defined benefit pension plans. The City's typical job applicants are individuals that are looking for long-term career paths that can provide financial stability along with work-life integration. Providing for a secure retirement is a key component of a sustainable career for employees providing essential community services.

In reviewing the information presented by Milliman at the July 21st, 2022 interim legislative committee meeting, a baseline was presented along with a revised projection at the newly adopted, more conservative, 6.5% assumed rate of return. This was used in comparison and showed the impact of closing the plan to new employees. It is very expensive to close a defined benefit plan as new employees do not contribute toward funding of the plan as the plan was intended. Therefore, the numbers show, based on performance numbers at the time, the following:

- Keep NDPERS Main Pension Plan open at 6.5% assumed earnings rate:
 - 74% funded after 30 years (basically holds its own, but funding percentage does not improve) (This is with no additional annual cash infusion)
 - 87% funded after 30 years with a positive trajectory (with \$25M additional annual cash infusion)
- Close the NDPERS Main Pension Plan to new employees and same 6.5% assumed earning rate:
 - 43% funded after 30 years (with \$25M additional annual cash infusion)

Based on the data presented and summarized above, it is much more costly to close the NDPERS Main Pension Plan than it would be to keep the plan open to new employees and get the plan on a healthier trajectory toward becoming fully funded.

The City of Grand Forks opposes the closure of the NDPERS Main Pension Plan. We would support making incremental contribution changes to the NDPERS plan and monitoring funding every two years, in order to get this plan on a positive trajectory toward healthier funding. It is for the reasons stated above that we oppose the passage of House Bill 1040 as this bill is not in the best interests of the City of Grand Forks. Thank you for your time and consideration. We respectfully ask for a DO NOT PASS on House Bill 1040.