

House Bill 1040
Total Cash Outlays Over 20 Years
To Close Defined Benefit Plan

Strategic Investment and Improvements Fund	\$240,000,000
Legacy Fund Earnings	630,000,000
Increased Actuarial Determined Employer Contribution (ADEC)	3,721,508,761
Additional ADEC based on DC payroll (cannot be paid with Fed. funds)	946,665,405
Total Cash Outlays	<u>\$5,538,174,166</u>

Approximate ADEC Funding Splits

General Fund	\$2,749,720,000
Special Funds	1,584,400,000
Federal Funds	334,000,000
	<u>\$4,668,120,000</u>

Notes:

1. The above cash outlays are from the original HB 1040 GRS actuarial analysis. HB 1040 as amended pushes payment of ADEC out one year and the cost of that is about \$40 million higher than the cash outlays shown above.
2. The Reason Foundation is not an actuary and does not have North Dakota's data.
3. TIAA is not an actuary and does not have North Dakota's data.
4. Milliman **IS** an actuary, but was not requested to perform an actuarial analysis on HB 1040 or the amended bill.
5. GRS is a licensed actuary on contract with the State of North Dakota to perform actuarial analyses and performed the actuarial analysis for the original HB 1040 and HB 1040 as amended.
6. GRS's actuarial analysis 2/1/2023 : *"The above discussion suggests that if the plan is closed, (1) it may not be possible to develop a portfolio that earns 6.5% return throughout the life of the plan, and (2) at some point, the asset allocation will be changed and lower returns should be expected. We have included alternate lower investment assumptions of 5.5% and 4.5% in our analysis. There is no way to quantitatively determine the actual closure cost of a defined benefit plan. In reality, the asset allocation would most likely be changed gradually over time and costs will be different than shown for a number of reasons. For example, if we assume an investment return rate of 6.5% for 10 years, 5.5% for the next 10 years, 4.5% for the next 10 years and 3.5% thereafter, the liabilities would be equivalent to assuming an investment return rate of 4.4% for the entire period."*

Comparison of Total Cash Outlays Between SB 2239 and HB 1040

	Senate Bill 2239	House Bill 1040
General Fund Transfer	\$250,000,000	\$0
S.I.I.F Transfer	0	240,000,000
Legacy Earnings Fund	0	630,000,000
State Increased ADEC*	843,522,478	4,668,174,166
Political Subs Increased ADEC*	936,798,920	
Total Cash Outlays to get to Full Funding	\$2,030,321,398	\$5,538,174,166
Approximate Funding Split of State's Increased ADEC		
General Fund	\$421,761,239	\$2,749,774,166
Special Funds	320,538,542	1,584,400,000
Federal Funds	101,222,697	334,000,000
	\$843,522,478	\$4,668,174,166

Notes: Return assumption for SB2239 is 6.5% on an open plan.

Return assumption for HB 1040 is 4.5% on a closed plan.

*ADEC = Actuarial Determined Employer Contribution

ADEC numbers provided by GRS, the actuarial firm that performed the actuarial analyses for both SB2239 and HB1040.