

Testimony in Support of Senate Bill No. 2239

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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
- 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
- Consultant notes
 - Under existing funding methodology, the Main PERS plan is projected to become insolvent in 2103
 - New ADEC requirement will have the Main PERS plan 100% funded by 2054
 - Current projections are that the ADEC will increase both the state and political subdivision employer contribution by 4.6%



SB 2239 – Cost – 40 years

Contributions to the DB Plan			
	Present Value of Total Employer Contributions for 2023 to 2064 ¹	Difference from Baseline	Difference from Baseline - ADEC Funding
Baseline	\$2,416,398,387		
Baseline - ADEC Funding	\$3,220,815,771	\$804,417,384	
Bill 883 - 6.50% Investment Return	\$3,459,133,331	\$1,042,734,944	\$ 238,317,560



Comparison to HB 1140

- This is the present value of how much MORE expensive over the next 22 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 2045 ¹	Difference from Baseline	Difference from Baseline - ADEC Funding
Baseline	\$1,628,872,628		
Baseline - ADEC Funding	\$2,451,546,855	\$822,674,227	
Bill 280 - 6.50% Investment Return	\$3,237,625,450	\$1,608,752,821	\$ 786,078,595
Bill 280 - 5.50% Investment Return	\$4,494,009,269	\$2,865,136,641	\$ 2,042,462,414
Bill 280 - 4.50% Investment Return	\$6,165,090,492	\$4,536,217,864	\$ 3,713,543,637



Credentialed Actuaries

The board shall arrange for actuarial and medical advisers for the system. The board shall cause a qualified, competent actuary to be retained on a consulting basis. The actuary shall make an annual valuation of the liabilities and reserves of the system and a determination of the contributions required by the system to discharge its liabilities and pay the administrative costs under this chapter, and to recommend to the board rates of employer and employee contributions required, based upon the entry age normal cost method, to maintain the system on an actuarial reserve basis; once every

- 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 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.



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



Over \$200 Million

- NDPERS currently pays out over \$200 million in benefits to DB retirees in the State of North Dakota. Every year.
- Total retirement payments to all beneficiaries are over \$236 million per year.
- Total employer contributions last year were just under \$97 million. Clearly, the return on those contributions is massive.

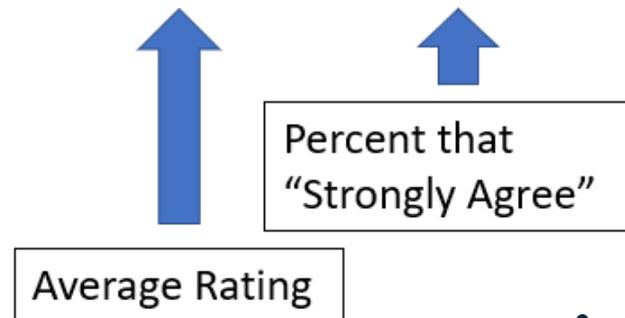


2.87%

- 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

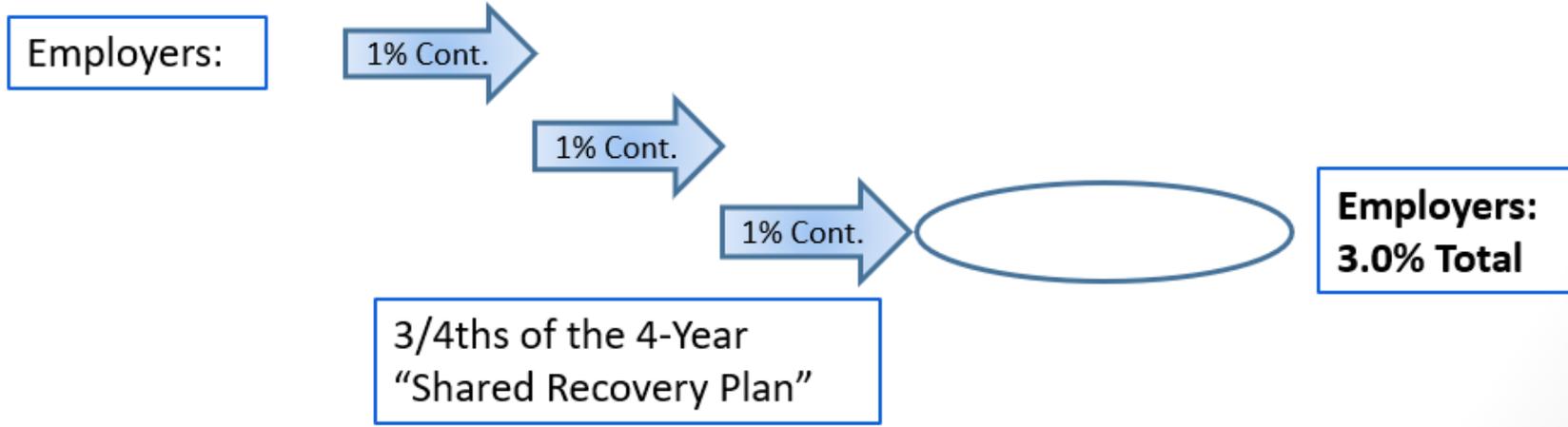
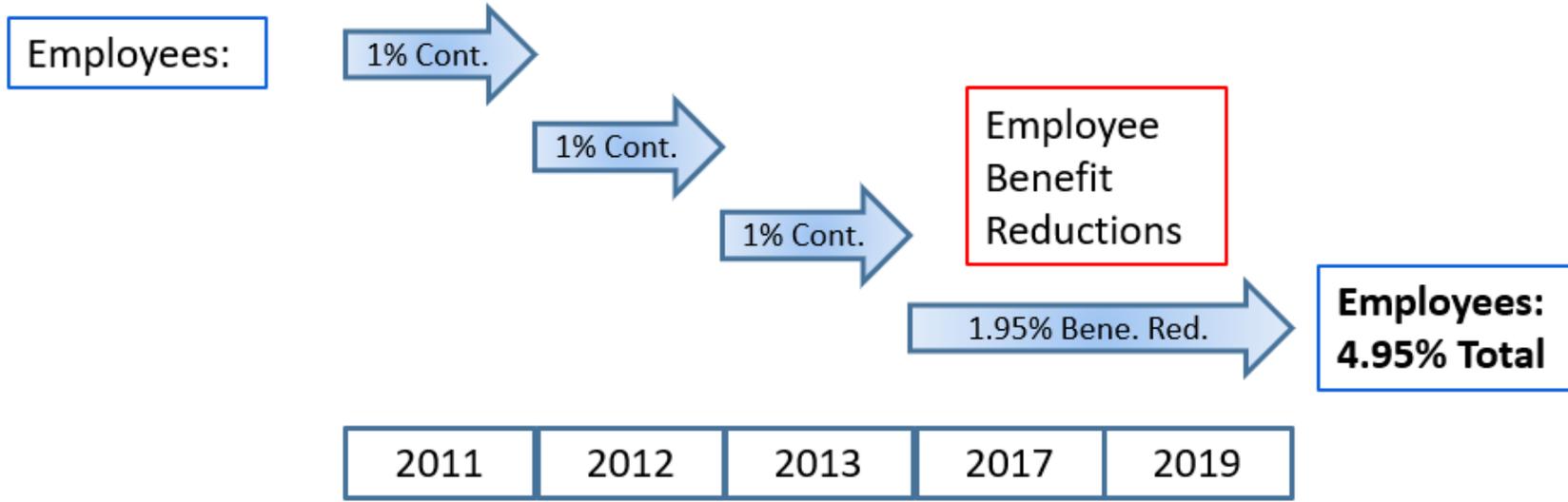


75%

- 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?



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