

**Public Employees Retirement System  
Budget No. 192  
Senate Bill No. 2023**

	FTE Positions	General Fund	Other Funds	Total
2023-25 legislative appropriation	40.50 <sup>1</sup>	\$0	\$10,903,218 <sup>2</sup>	\$10,903,218 <sup>3</sup>
2021-23 legislative appropriation	<u>35.50</u>	<u>0</u>	<u>10,217,396</u>	<u>10,217,396</u>
2023-25 appropriation increase (decrease) to 2021-23 appropriation	5.00	\$0	\$685,822	\$685,822

<sup>1</sup>The Legislative Assembly authorized the Public Employees Retirement System (PERS) an FTE benefit manager position and FTE counselor position beginning in the 2023-25 biennium only if the Legislative Assembly closed the main system defined benefit retirement plan to new hires. The contingency was met as the plan was closed in House Bill No. 1040 (2023).

<sup>2</sup>The Legislative Assembly appropriated \$327,000 of one-time funding for temporary salaries (\$200,000), third-party developer costs to modify the PERSLink business system (\$125,000), and new FTE position chairs (\$2,000) for the 2023-25 biennium only available if the Legislative Assembly closed the main system defined benefit retirement plan to new hires. The contingency was met as the plan was closed in House Bill No. 1040.

<sup>3</sup>This amount does not include any transfers of appropriation authority from the Office of Management and Budget funding pools for targeted market equity adjustments, retirement contribution increases, or new and vacant FTE positions.

**Item Description**

**Full-time equivalent changes** - The Legislative Assembly approved 40.50 FTE positions for PERS for the 2023-25 biennium, an increase of 5 FTE positions from the 2021-23 biennium, as follows:

FTE Position Description	FTE Position	Other Funds
Retirement processing lead	1.00	\$215,357
Receptionist	1.00	125,711
Member services representative	1.00	162,317
Benefit manager <sup>1</sup>	1.00	294,451
Counselor <sup>1</sup>	1.00	186,659
Total	5.00	\$984,495

<sup>1</sup>The \$481,110 added for an FTE benefit manager position and FTE counselor position was only available if the Legislative Assembly closed the main system defined benefit retirement plan to new hires. The contingency was met as the plan was closed in House Bill No. 1040.

**Targeted market equity** - The Legislative Assembly appropriated \$82.5 million, of which \$45.1 million is from the general fund, to the Office of Management and Budget for a targeted market equity pool to be distributed to state agencies.

**New and vacant FTE funding pool** - The Legislative Assembly reduced \$1,201,247 of 2023-25 biennium special fund appropriation authority for PERS for the new and vacant FTE funding pool, of which \$980,870 was for new FTE positions and \$220,377 was for estimated vacant salary savings.

**Status/Result**

The FTE receptionist and FTE member services representative positions were filled by temporary PERS employees who were converted to permanent FTE positions in July 2023. The FTE retirement processing lead position was filled in July 2023 by an existing PERS staff member. The FTE counselor position was hired in August 2023 and the benefit manager position was hired in December 2023.

In November 2023, the executive director position became vacant. The chief benefits officer was appointed as the new executive director. The agency anticipates searching for a new chief benefits officer in early 2025.

The Public Employees Retirement System received \$430,937 of special fund authority for targeted market equity increases. Equity increases were provided to 21 employees.

Through January 2024, PERS received \$875,374 from the new and vacant FTE funding pool to fill 5 new FTE positions and had estimated vacant FTE position savings of \$120,094. The agency used \$64,789 of the savings for other purposes, including accrued leave payouts and overtime salary funding. The

**One-time funding** - In Section 2 of Senate Bill No. 2023, the Legislative Assembly identified one-time funding of \$455,000 from other funds for PERS for the 2023-25 biennium, as follows:

	<b>Other Funds</b>
Temporary salaries to close the main system defined benefit retirement plan <sup>1</sup>	\$200,000
Third-party developer costs to upgrade the PERSLink business system	125,000
Third-party developer costs to modify the PERSLink business system due to the closure of the main system defined benefit retirement plan <sup>1</sup>	125,000
New FTE position chairs <sup>1</sup>	5,000
<b>Total</b>	<b>\$455,000</b>

<sup>1</sup>The \$327,000 of one-time funding added for temporary salaries (\$200,000), third-party developer costs to modify the PERSLink business system (\$125,000), and new FTE position chairs (\$2,000 of the \$5,000) was only available if the Legislative Assembly closed the main system defined benefit retirement plan to new hires. The contingency was met as the plan was closed in House Bill No. 1040.

**Main system defined benefit plan closure** - In House Bill No. 1040, the Legislative Assembly closed the main system defined benefit retirement plan to new hires beginning January 1, 2025. The bill increased employer contributions by 1 percent beginning January 1, 2024, resulting in total employer contributions of 8.12 percent for employees hired on or before December 31, 2019. For employees hired after December 31, 2019, the employer contribution rate is 9.26 percent, which includes the 1.14 percent that was reallocated from the retiree health insurance credit beginning in the 2019-21 biennium. Employee contributions remain at 7 percent, of which 4 percent is paid by the state on behalf of employees.

Beginning January 1, 2026, the employer contribution rate for state agencies will change to the actuarially determined employer contribution (ADEC) rate to address the unfunded liability of the main system defined benefit plan over a closed period of 31.5 years. The state will pay for the political subdivision portion of the unfunded liability.

House Bill No. 1040 provides employees hired after December 31, 2024, be enrolled in a new defined contribution plan. The default employee contribution rate of the new defined contribution plan is 4 percent and the employee may elect to contribute up to an additional 3 percent.

Section 31 of House Bill No. 1040 amends North Dakota Century Code Section 57-51.1-07.5 to provide \$65 million of the state share of oil and gas tax revenues be deposited in the PERS fund for the main system plan beginning in the 2023-25 biennium. Section 35 of the bill provides for a \$135 million transfer from the strategic investment and improvements fund (SIIF) to the PERS fund for the purpose of reducing the unfunded liability of the PERS main system plan during the 2023-25 biennium.

number of vacancies in the agency has ranged from one to four with an average monthly vacancy rate of 1.4 FTE positions.

Through March 2024, PERS has spent \$26,746 on temporary and overtime salaries. In March 2024, PERS hired a temporary marketing intern. The agency anticipates spending the entire \$200,000 for temporary and overtime salaries by the end of the 2023-25 biennium.

The Public Employees Retirement System contracted with Sagitec Solutions at a cost of \$125,000 for a software developer to continue work started in previous bienniums to upgrade the PERSLink business system to a business process management system. The agency may request the 2025 Legislative Assembly appropriate funding for additional system enhancements during the 2025-27 biennium.

The Public Employees Retirement System contracted with Sagitec Solutions at a cost of \$125,000 to modify the PERSLink business system to prepare for the closure of the main system defined benefit retirement plan and establishing the new defined contribution plan.

The Public Employees Retirement System has purchased a chair for each of the 5 new FTE positions hired during the 2023-25 biennium.

The Public Employees Retirement System has reported to the Legislative Management's Retirement Committee during the 2023-24 interim that PERS will not be prepared to close the main system defined benefit retirement plan and open the new defined contribution plan prior to January 1, 2025. The committee has received progress reports from PERS and PERS vendors, and testimony from counties, cities, and schools regarding potential challenges with the transition to the new defined contribution plan. The Public Employees Retirement System has reported on the information campaign conducted by the agency pursuant to House Bill No. 1547.

The ADEC rate for the 2025-27 biennium will be based on the July 1, 2024, actuarial valuation, which is expected to be finalized in October 2024.

The \$135 million transfer from SIIF to the PERS fund was completed in August 2023. The \$65 million transfer of oil and gas tax revenues to the PERS fund is projected to occur in February 2025 based on current oil and gas tax revenue collections.

In sections 33 and 34 of House Bill No. 1040, the Legislative Assembly provided for two Legislative Management studies related to the main system defined benefit retirement plan.

Section 3 of House Bill No. 1547 (2023) provides during the 2023-25 biennium, PERS shall conduct an informational campaign to educate current and prospective state employees of the transition from the defined benefit retirement plan to the defined contribution retirement plan.

In House Bill No. 1548 (2023), the Legislative Assembly provided for the PERS main system defined benefit retirement plan be closed to new hires effective on a date before January 1, 2025, if PERS certifies to the Legislative Council that the main system defined benefit retirement plan is ready to be closed to new hires and employees can enroll in the new defined contribution plan.

**Employer retirement contribution pool** - In Section 1 of Senate Bill No. 2393 (2023), the Legislative Assembly appropriated \$12.5 million, of which \$5.5 million is from the general fund and \$7 million is from other funds, to the Office of Management and Budget for an employer retirement contribution pool, related to the increased cost of employer contribution increases in House Bill No. 1040, House Bill No. 1183 (2023), and House Bill No. 1309 (2023).

Section 17 of Senate Bill No. 2393 identified the additional contributions for each agency. Of the total, \$10 million, including \$4.2 million from the general fund and \$5.8 million from other funds, relates to House Bill No. 1040.

In House Bill No. 1541 (2023), the Legislative Assembly appropriated \$58,283 from the general fund to the Legislative Council for the cost of the 1 percent employer retirement contribution increase in House Bill No. 1040.

In House Bill No. 1542 (2023), the Legislative Assembly appropriated \$347,518, of which \$343,245 is from the general fund and \$4,273 is from other funds, to the judicial branch for the cost of the 1 percent employer retirement contribution increase in House Bill No. 1040.

**Peace officer retirement** - In House Bill No. 1183, the Legislative Assembly expanded the definition of peace officer to individuals employed by the state, allowing peace officers to transfer from the PERS main system defined benefit retirement plan to the public safety defined benefit retirement plan. This bill does not include peace officers employed by the Highway Patrol who are enrolled in the Highway Patrol defined benefit retirement plan.

In House Bill No. 1309, the Legislative Assembly adjusted retirement vesting and multiplier provisions for peace officers of the public safety defined benefit plan.

**Health insurance coverage legislation** - In House Bill No. 1095 (2023), the Legislative Assembly established a comprehensive medication management program to require health carriers to provide coverage for licensed pharmacists to provide comprehensive medication management to eligible enrollees who elect to participate in the program.

Funding for the employer retirement contribution pool was distributed in July 2023. The 1 percent employer contribution increase became effective January 1, 2024.

The Public Employees Retirement System implemented the changes from House Bill Nos. 1183 and 1309 effective August 1, 2023, and indicated there were no significant concerns with the implementation.

The Public Employees Retirement System, Sanford Health, Insurance Department, and insurance companies are in the process of determining the cost of the comprehensive medication management program authorized in House Bill No. 1095. The program is expected to be available beginning in January 2025, resulting in 6 months of costs for the program to be paid from the PERS health insurance reserve fund during the 2023-25 biennium. The cost of the program for

In House Bill No. 1411 (2023), the Legislative Assembly expanded the PERS health insurance plan to provide coverage for prosthetic limbs, sockets, and other related services.

In Senate Bill No. 2140 (2023), the Legislative Assembly expanded the PERS health insurance plan to provide coverage for insulin drug and medical supplies benefits. The bill provides out-of-pocket costs for a 30-day supply of covered insulin drugs or covered medical supplies is limited to \$25 per pharmacy or distributor. The bill included an expiration date of July 31, 2025.

**Public Employees Retirement System data** - The following is a summary of membership of the PERS main system plan:

Public Employees Retirement System Main System Membership					
Membership as of January 1	Active State Members	Active Political Subdivisions Members	Retirees and Beneficiaries	Deferred Members	Total
2013	10,014	10,264	7,214	7,634	35,126
2014	10,437	11,511	7,907	8,304	38,159
2015	10,536	12,097	8,628	9,503	40,764
2016	10,783	12,750	9,291	10,733	43,557
2017	10,605	12,965	9,790	11,654	45,014
2018	10,237	13,119	10,957	12,186	46,499
2019	10,073	13,343	11,759	13,267	48,442
2020	9,998	13,693	12,117	14,000	49,808
2021	10,553	15,101	13,259	13,887	52,800
2022	10,361	15,253	14,000	15,020	54,634
2023	10,038	14,304	12,910	16,188	53,440
2024	10,090	14,443	13,665	17,074	55,272

the 2025-27 biennium will be included in the health insurance premium rate negotiated by PERS and Sanford Health.

The provisions of House Bill No. 1411 and Senate Bill No. 2140 were implemented in July 2023. The cost of the additional coverage will be paid from the PERS health insurance reserve fund for the 2023-25 biennium and will be included in the 2025-27 biennium health insurance premium rate negotiated by PERS and Sanford Health. The 2023-25 biennium cost and 2025-27 biennium rate are not yet known.

Pursuant to Section 4 of Senate Bill No. 2140, PERS will submit a bill to the 2025 Legislative Assembly to repeal the expiration date for insulin drug and medical supplies benefits coverage and provide information on the utilization and costs of the coverage.

Membership of the PERS main system plan has increased 57.4 percent from January 2013 to January 2024, including increases of 0.8 percent for active state members, 40.7 percent for active political subdivision members, 89.4 percent for retirees and beneficiaries, and 123.7 percent for deferred members.

The following is a summary of the actuarial value of the PERS main system plan:

Actuarial Value (Amounts Shown in Billions)						
Value as of June 30	Actuarial Value of Assets	Actuarial Accrued Liability	Surplus (Unfunded Liability)	Actuarial Funded Ratio	Assumed Rate of Return	Actuarial Rate of Return
2013	\$1.63	\$2.65	(\$1.02)	61.5%	8.00%	3.93%
2014	\$1.84	\$2.87	(\$1.03)	64.1%	8.00%	12.20%
2015	\$2.03	\$2.98	(\$0.95)	68.1%	8.00%	10.01%
2016	\$2.18	\$3.30	(\$1.12)	66.1%	8.00%	6.59%
2017	\$2.53	\$3.62	(\$1.09)	69.9%	8.00%	8.98%
2018	\$2.75	\$3.84	(\$1.09)	71.6%	7.75%	9.22%
2019	\$2.95	\$4.14	(\$1.19)	71.3%	7.50%	8.64%
2020	\$3.11	\$4.55	(\$1.44)	68.3%	7.00%	7.26%
2021	\$3.37	\$4.80	(\$1.43)	70.3%	7.00%	10.38%
2022	\$3.55	\$5.30	(\$1.75)	67.0%	6.50%	7.43%
2023	\$3.68	\$5.56	(\$1.88)	66.3%	6.50%	6.00%

The following is a summary of the market value of the PERS main system plan:

Market Value of Assets (Amounts Shown in Billions)			
Value as of June 30	Market Value of Assets	Annual Percentage Change in Market Value	
2013	\$1.90	12.8%	
2014	\$2.21	16.4%	
2015	\$2.30	3.8%	
2016	\$2.32	1.2%	
2017	\$2.62	12.7%	
2018	\$2.85	8.7%	
2019	\$2.96	4.0%	
2020	\$3.01	1.6%	
2021	\$3.75	24.6%	
2022	\$3.44	(8.2%)	
2023	\$3.63	5.4%	