

Public Employees Retirement System
Budget No. 192
House Bill No. 1023

	FTE Positions	General Fund	Other Funds	Total
2025-27 legislative appropriations	42.50	\$0	\$14,054,162	\$14,054,162
2025-27 base budget	40.50	0	10,898,654	10,898,654
Legislative increase (decrease) to base budget	2.00	\$0	\$3,155,508	\$3,155,508

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS
Changes to Base Budget

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Reduced funding for base payroll changes (\$22,226) and added funding for the cost to continue salary increases (\$152,826)			\$130,600	\$130,600
Added funding to provide employee salary increases of 3 percent on July 1, 2025, and 3 percent on July 1, 2026			359,837	359,837
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,893 per month			252,222	252,222
Added funding to replace the 2023-25 biennium new and vacant FTE funding pool, including \$980,870 for new positions and \$220,377 for vacant positions			1,201,247	1,201,247
Added funding for 1 FTE accountant position (\$239,016) and 1 FTE benefit enrollment position (\$203,646), of which \$442,662 is for salaries and wages and \$7,500 is for operating expenses	2.00		450,162	450,162
Transferred \$442,662 for 2 new FTE positions from the salaries and wages line item to the new and vacant FTE pool line item and reduced the amount to \$398,396 resulting in the savings as shown			(44,266)	(44,266)
Transferred \$299,316 for estimated savings from vacant FTE positions from the salaries and wages line item to the new and vacant FTE pool line item and reduced the amount to \$209,521 resulting in the savings as shown			(89,795)	(89,795)
Added funding for temporary salaries for an office intern position and board member compensation			45,000	45,000
Added funding for the cost to continue information technology increases			298,906	298,906

Added funding for increased rent costs to provide a total of \$211,692 from special funds			12,000	12,000
Added one-time funding for information technology contractual services to automate the PERSLink business system			539,595	539,595
Total	<u>2.00</u>	<u>\$0</u>	<u>\$3,155,508</u>	<u>\$3,155,508</u>

FTE Changes

The Legislative Assembly approved 42.50 FTE positions for the Public Employees Retirement System (PERS) for the 2025-27 biennium, an increase of 2 FTE positions from the 2023-25 biennium authorized level. The Legislative Assembly added 1 FTE accountant position and 1 FTE benefit enrollment position.

One-Time Funding

The Legislative Assembly appropriated \$539,595 of one-time funding from special funds for information technology contractual services to automate the PERSLink business system.

Other Sections in House Bill No. 1023

New and vacant FTE pool - Section 3 provides PERS may not spend funds appropriated in the new and vacant FTE funding pool line item but may request the Office of Management and Budget to transfer funds to the salaries and wages line item.

Related Legislation

House Bill No. 1015 - Retirement incentive pool - This bill includes a \$1 million general fund appropriation to the Office of Management and Budget for providing payments to state employees who elected to transfer from the PERS main system defined benefit (DB) retirement plan to the new defined contribution (DC). In House Bill No. 1040 (2023), the Legislative Assembly provided state employees with no more than 5 years of experience who are enrolled in the main system DB retirement plan and elect to transfer to the new DC plan between January 1, 2025, through March 31, 2025, are eligible for a \$3,333 additional annual contribution in January 2026, January 2027, and January 2028.

There were 144 state employees that elected to transfer to the new DC plan. The \$1 million appropriation in House Bill No. 1015 is for providing the first two annual incentive payments to the employees who elected the transfer.

House Bill No. 1113 - Deferred compensation plan administrative costs - This bill requires PERS 457 deferred compensation plan participants to pay for administrative costs of the plan and authorizes PERS a continuing appropriation for contribution payments. Currently, the fees are paid through continuing appropriation by using Federal Insurance Contributions Act savings and participant contributions from other PERS plans or insurance reserves.

House Bill No. 1114 - Cost of covered insulin drugs - This bill establishes a \$25 per month out-of-pocket limit on the cost of covered insulin or diabetic drugs and supplies, resulting in a shift in the cost of the benefit from participants to the health insurance plan. The estimated fiscal impact of the bill is \$833,955 and the estimated monthly premium increase as a result of increased benefits under the health insurance plan is \$2.07 for the 2025 27 biennium. The cost of the bill will be paid from the health insurance reserve fund for the 2025-27 biennium.

House Bill No. 1146 - Main system retirement plans - This bill authorizes political subdivisions that are not participating in the PERS main system DB retirement plan to join the new DC retirement plan and clarifies that only state agencies that receive budgetary approval from the Legislative Assembly are required to pay for the actuarially determined employer contribution (ADEC) rate and the incentive payment for state employees to transfer from the DB plan to the new DC plan. The bill allows the Legislative Assembly to transfer funding to the PERS fund that is equal to or greater than the ADEC amount most recently published by the PERS Board, rather than appropriating funding to each state agency to contribute the ADEC amount to PERS.

House Bill No. 1216 - Prescription drug maximum - This bill limits the maximum amount a participant of a health insurance plan can be charged for prescription drugs, resulting in a shift in the cost of the benefit from participants to the state health insurance plan. The estimated fiscal impact of the bill is \$4,458,088 and the estimated monthly premium increase as a result of increased benefits under the health insurance plan is \$11.05 for the 2025 27 biennium. The cost of the bill will be paid from the health insurance reserve fund for the 2025-27 biennium.

House Bill No. 1234 - Main system DB retirement plan unfunded liability - This bill transfers \$25 million from the strategic investment and improvements fund to the PERS fund to reduce the unfunded liability of the PERS main system DB retirement plan. A section of legislative intent is provided that the \$65 million of oil and gas tax revenues projected to be deposited in the PERS fund during the 2025 27 biennium pursuant to North Dakota Century Code Section 57-51.1-07.5 is for reducing the unfunded liability of the PERS main system DB retirement plan.

House Bill No. 1274 - Public safety retirement plan eligibility - This bill expands the eligibility in the PERS public safety DB retirement plan to include correctional officers employed by state agencies and participating political subdivisions.

House Bill No. 1419 - Public safety retirement plan eligibility - This bill expands eligibility in the PERS public safety DB retirement plan to include State Radio dispatchers in state public safety DB retirement plan and allows political subdivisions to offer the public safety DB retirement plan to dispatchers and emergency personnel.

House Bill No. 1602 - Political subdivision participation in new DC retirement plan - This bill allows political subdivisions currently participating in the new DC retirement plan to withdraw from the plan at no cost to the political subdivision.

Senate Bill No. 2120 - Highway Patrol Troopers retirement plan unfunded liability - This bill transfers \$15 million from the strategic investment and improvements fund to the Highway Patrol Troopers' DB retirement plan to reduce the unfunded liability of the plan and increase the funded ratio of the plan.

Senate Bill No. 2160 - Nongrandfathered health insurance plan - This bill required PERS to offer state employees and non-Medicare retirees a nongrandfathered health insurance plan under the federal Patient Protection and Affordable Care Act of 2010 rather than the current grandfathered health insurance plan, beginning January 1, 2027. Political subdivisions would continue to be offered the grandfathered health insurance plan. **Governor Armstrong vetoed this bill, resulting in PERS continuing to offer the current grandfathered health insurance plan to all plan participants.**