

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

	FTE Positions	General Fund	Other Funds	Total
2025-27 legislative appropriation	42.50	\$0	\$14,054,162	\$14,054,162
2023-25 legislative appropriation	40.50	0	11,353,654	11,353,654
2025-27 appropriation increase (decrease) to 2023-25 appropriation	2.00	\$0	\$2,700,508	\$2,700,508

Item Description

Full-time equivalent 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, including 1 FTE accountant position and 1 FTE benefit enrollment position.

New and vacant FTE pool - The Legislative Assembly transferred \$398,396 for 2 new FTE positions and \$209,521 for estimated savings from vacant FTE positions from the salaries and wages line item to the new and vacant FTE pool line item.

One-time funding - In Section 2 of House Bill No. 1023, the Legislative Assembly identified one-time funding of \$539,595 from special funds for information technology contractual services to automate the PERSLink business system.

Digital accessibility compliance - On April 24, 2024, the United States Department of Justice published the final rule on regulations for Title II of the Americans with Disabilities Act that included accessibility requirements for state and local government websites and applications. The rule provided the requirements must be met by April 24, 2026. On April 20, 2026, the rule was extended for state and local government entities with a total population of 50,000 or more to April 26, 2027.

Main system defined benefit retirement plan closure - In House Bill No. 1040 (2023), the Legislative Assembly closed the main system defined benefit retirement (DB) 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,

Status/Result

The agency hired both positions in July 2025.

The agency has transferred \$442,662 from the new and vacant FTE pool line item to the salaries and wages line item for the cost of the 2 new and vacant FTE positions hired in July 2025.

Through January 2026, PERS had estimated vacant FTE position savings of \$117,037. The agency used \$23,208 for accrued leave payouts and other salary needs. The agency had 2 vacant FTE positions in July and August 2025 and 1 vacant FTE position in September 2025 through January 2026.

The Public Employees Retirement System contracted with Sagitec Solutions at a cost of \$539,595 to automate the PERSLink business system. Through March 2026, PERS spent \$202,348 on the upgrade. The agency anticipates the automation of PERS systems will be an ongoing need and anticipates requesting ongoing funding during the 2027 legislative session to contract with Sagitec Solutions for continual maintenance and automation.

As a result of a federal mandate to update state-controlled website and digital content to comply with digital accessibility provisions of the Americans with Disabilities Act, PERS contracted with Sagitec Solutions for \$304,652 to complete the required work. The agency anticipated the work would be substantially completed by the end of April 2026.

The agency anticipates using \$250,000 from the contingency line item during the 2025-27 biennium and requesting the Legislative Assembly provide a \$54,642 deficiency appropriation during the 2027 legislative session for the remaining cost of the compliance upgrades.

The Public Employees Retirement System completed the closure of the DB plan and opened the new defined contribution plan on January 1, 2025. The ADEC rate for the 2025-27 biennium is 5.92 percent more than the statutory rate.

There were 144 state employees that elected to transfer from the DB plan to the new DC plan, which represents 2.6 percent of state employees that were eligible to transfer. The 2024 DB plan valuation, including an assumption of

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 changed to the actuarially determined employer contribution (ADEC) rate to address the unfunded liability of the DB 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 provided employees hired after December 31, 2024, be enrolled in a new defined contribution (DC) plan. The default employee contribution rate of the new DC plan is 4 percent, and the employee may elect to contribute up to an additional 3 percent.

Section 31 of House Bill No. 1040 amended 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 DB plan beginning in the 2023-25 biennium.

Section 17 of House Bill No. 1040 provided state employees with no more than 5 years of experience who are enrolled in the DB 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. In House Bill No. 1015 (2025), the Legislative Assembly appropriated \$1 million to the Office of Management and Budget for providing the first 2 years of payments to state employees who elected to transfers from the DB plan to the new DC plan.

Section 1 of House Bill No. 1234 (2025) included a transfer of \$25 million from the Strategic Investment and Improvements Fund (SIIF) to the PERS Fund for the purpose of reducing the unfunded liability of the DB plan during the 2025-27 biennium. Section 2 of the bill included legislative intent that the \$25 million appropriated in Section 1 and the \$65 million of the state share of oil and gas tax revenues projected to be deposited in the PERS Fund pursuant to Section 57-51.1-07.5 be used in lieu of PERS charging state governmental units the ADEC rate during the 2025-27 biennium.

Political subdivision participation in new defined contribution plan - House Bill No. 1602 (2025) allows political subdivisions currently participating in the new DC plan to withdraw from the plan at no cost to the political subdivision.

Health insurance coverage legislation - In House Bill No. 1114 (2025), the Legislative Assembly provided for a \$25 per month limit on the cost of insulin or diabetic drugs and supplies for plan participants, resulting in a shift in the cost of the benefit from participants to the health insurance plan. The estimated fiscal impact of the bill was \$833,955 and the estimated monthly premium increase as a result of increased benefits under the health insurance plan was \$2.07 for the 2025-27 biennium.

In House Bill No. 1216 (2025), the Legislative Assembly limited the maximum amount a member of the health insurance plan can be charged for

50 percent of eligible state employees would elect to transfer to the new DC plan. Of the 144 state employees that elected the transfer, 17 employees left state employment and became ineligible for additional contributions, resulting in 127 employees receiving incentive payments in January 2026.

The \$25 million transfer from SIIF to the PERS Fund was completed in July 2025. The \$65 million transfer of oil and gas tax revenues to the PERS Fund is projected to occur in January and February 2027 based on oil and gas tax revenue collections through April 2026.

Through March 2026, four political subdivisions have withdrawn from the new DC plan at no cost to the state or the political subdivision.

The Public Employees Retirement System used funds available in the Health Insurance Reserve Fund for the cost of House Bill Nos. 1114 and 1216 for the 2025-27 biennium. The agency anticipates the cost of the additional health insurance coverage will be included in 2027-29 biennium premiums charged to employers.

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 was \$4,458,088 and the estimated monthly premium increase as a result of increased benefits under the health insurance plan was \$11.05 for the 2025-27 biennium.

Because the Legislative Assembly did not provide funding for these increases, it was anticipated that PERS will use funds available in the federal Health Insurance Reserve Fund established in Section 54-52.1-06 for these increased costs.

Public Employees Retirement System data - The following is a summary of membership of the DB plan:

Public Employees Retirement System Main System Defined Benefit Plan 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
2025	10,443	14,432	14,119	17,898	56,892
2026	9,013	12,176	14,661	18,399	54,249

The total number of participants in the DC plan on January 1, 2026, including participants in the original plan and the new plan, was 4,138, of which 1,184 were active state members, 2,156 were active political subdivision members, 30 were retirees and 768 were deferred members.

Membership of the DB plan has increased 54.4 percent from January 2013 to January 2026, including a decrease of 10 percent for active state members and increases of 18.6 percent for active political subdivision members, 103.2 percent for retirees and beneficiaries, and 141 percent for deferred members.

Since the closure of the DB plan on January 1, 2025, the number of active state members and active political subdivision members in the plan has decreased 13.7 percent and 15.6 percent, respectively.

The following is a summary of the actuarial value of assets of the DB 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%
2024	\$3.96	\$5.85	(\$1.89)	67.7%	6.50%	6.96%
2025	\$4.30	\$6.03	(\$1.73)	71.3%	6.50%	8.72%

The following is a summary of the market value of the DB 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%
2024	\$3.98		9.6%
2025	\$4.40		11.6%