

**2021 HOUSE APPROPRIATIONS**

**HB 1023**

**Department 192 - Public Employees Retirement System**  
**House Bill No. 1023**

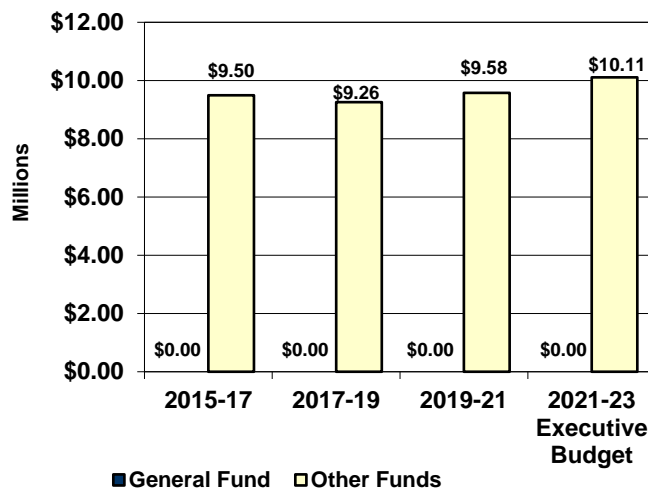
**Executive Budget Comparison to Prior Biennium Appropriations**

	FTE Positions	General Fund	Other Funds	Total
2021-23 Executive Budget	35.50	\$0	\$10,108,112	\$10,108,112
2019-21 Legislative Appropriations	34.50	0	9,576,196	9,576,196
Increase (Decrease)	1.00	\$0	\$531,916	\$531,916

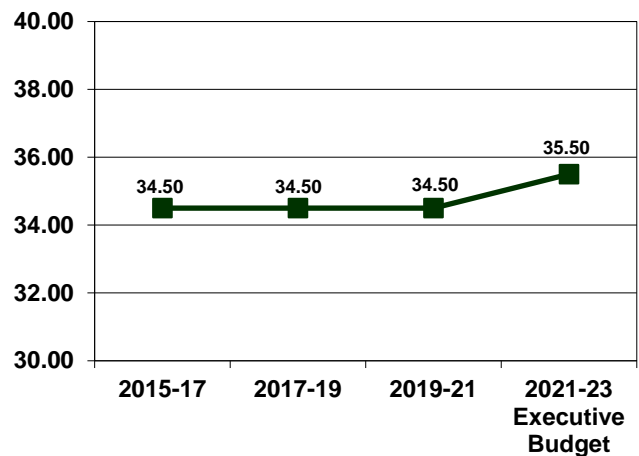
**Ongoing and One-Time Other Funds Appropriations**

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2021-23 Executive Budget	\$9,746,012	\$362,100	\$10,108,112
2019-21 Legislative Appropriations	9,346,196	230,000	9,576,196
Increase (Decrease)	\$399,816	\$132,100	\$531,916

**Agency Funding**



**FTE Positions**



**Executive Budget Comparison to Base Level**

	General Fund	Other Funds	Total
2021-23 Executive Budget	\$0	\$10,108,112	\$10,108,112
2021-23 Base Level	0	9,346,196	9,346,196
Increase (Decrease)	\$0	\$761,916	\$761,916

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

**Executive Budget Highlights**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$169,434 is for salary increases, \$1,850 is for health insurance increases, and \$33,330 is for retirement increases	\$0	\$204,614	\$204,614
2. Adds funding for 1 FTE receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses	\$0	\$154,370	\$154,370
3. Removes funding for 1 FTE internal auditor position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses	\$0	(\$195,291)	(\$195,291)
4. Adds funding for 1 FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses	\$0	\$195,291	\$195,291
5. Adds funding for a marketing intern, of which \$37,427 is for salaries and \$11,378 is for related operating expenses	\$0	\$48,805	\$48,805

6. Adjusts funding for information technology expenses, including the reduction of \$21,242 for mobile application software and the addition of \$21,277 of other information technology operating expenses	\$0	\$35	\$35
7. Reduces funding for rent	\$0	(\$80,865)	(\$80,865)
8. Adds funding for Microsoft Office 365 license expenses	\$0	\$4,076	\$4,076
9. Adds <b>one-time funding</b> to upgrade benefit enrollment software	\$0	\$104,500	\$104,500
10. Adds <b>one-time funding</b> to upgrade the PERSLink business system	\$0	\$257,600	\$257,600

### **Other Sections Recommended to be Added in the Executive Budget (As Detailed in the Attached Appendix)**

**Contingencies line item** - Section 3 would provide, upon approval of the board, the Public Employees Retirement System may transfer from the contingencies line item in Section 1 of the bill to all other line items.

### **Continuing Appropriations**

**Public Employees Retirement System** - Various sections - For benefit payments, investments, and actuarial and technical consulting for each program area.

### **Significant Audit Findings**

The audit for the Public Employees Retirement System conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the period ending June 30, 2019, did not identify any significant audit findings.

The schedule of employer allocations and pension amounts by employer prepared for the Public Employees Retirement System and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2019, did not identify any significant audit findings.

The other post-employment benefits schedule prepared for the Public Employees Retirement System and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2019, did not identify any significant audit findings.

### **Major Related Legislation**

**Senate Bill No. 2042** - Increases employer contributions to the Public Employees Retirement System defined benefit and defined contribution plans by 5.12 percent to provide total employer contributions of 12.24 percent. The state also pays 4 percent of the employee share of retirement contributions, for total employer contributions of 16.24 percent.

**Senate Bill No. 2043** - Increases employer contributions to the Highway Patrolmen's retirement system by 4 percent to provide total employer contributions of 23.7 percent.

**Senate Bill No. 2045** - Allows the Public Employees Retirement System Board to charge reasonable administrative expenses and deduct those expenses from a participating member's account in the deferred compensation plan. The board is required to deposit vendor fines and fees collected and any money deducted from a participating member's account in an administrative expenses account. The bill provides the board a continuing appropriation from the administrative expenses account for the purpose of retaining a consultant as required for administrative expenses of the deferred compensation plan.

**Senate Bill No. 2046** - Increases employer and employee contributions to the Public Employees Retirement System defined benefit and defined contribution plans by 1 percent to provide employer contributions of 8.12 percent and employee contributions of 8 percent. The state pays 4 percent of the employee share of retirement contributions, resulting in total employer contributions of 12.12 percent and total employee contributions of 4 percent.

**Public Employees Retirement System - Budget No. 192**  
**House Bill No. 1023**  
**Base Level Funding Changes**

	<b>Executive Budget Recommendation</b>			
	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2021-23 Biennium Base Level</b>	34.50	\$0	\$9,346,196	\$9,346,196
<b>2021-23 Ongoing Funding Changes</b>				
Base payroll changes			\$68,781	\$68,781
Salary increase			169,434	169,434
Health insurance increase			1,850	1,850
Retirement contribution increase			33,330	33,330
Adds funding for 1 FTE receptionist position	1.00		154,370	154,370
Removes funding for 1 FTE internal auditor position	(1.00)		(195,291)	(195,291)
Adds funding for 1 FTE accountant position	1.00		195,291	195,291
Adds funding for a marketing intern			48,805	48,805
Reduces funding for mobile application software			(21,242)	(21,242)
Adds funding for information technology operating expenses			21,277	21,277
Reduces funding for rent			(80,865)	(80,865)
Adds funding for Microsoft Office 365 license expenses			4,076	4,076
Total ongoing funding changes	1.00	\$0	\$399,816	\$399,816
<b>One-time funding items</b>				
Adds funding to upgrade benefit enrollment software			\$104,500	\$104,500
Adds funding to upgrade the PERSLink business system			257,600	257,600
Total one-time funding changes	0.00	\$0	\$362,100	\$362,100
<b>Total Changes to Base Level Funding</b>	1.00	\$0	\$761,916	\$761,916
<b>2021-23 Total Funding</b>	35.50	\$0	\$10,108,112	\$10,108,112
<i>Total ongoing changes as a percentage of base level</i>	2.9%		4.3%	4.3%
<i>Total changes as a percentage of base level</i>	2.9%		8.2%	8.2%

**Other Sections in Public Employees Retirement System - Budget No. 192**

	<b>Executive Budget Recommendation</b>
Contingencies line item transfers	Section 3 would provide, upon approval of the Public Employees Retirement System Board, the Public Employees Retirement System office may transfer from the contingencies line item in Section 1 of the bill to all other line

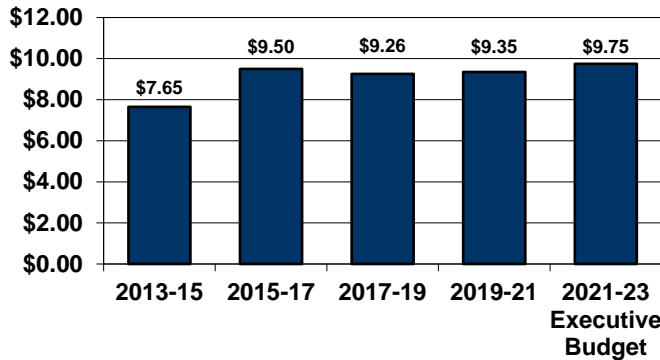


## Department 192 - Public Employees Retirement System

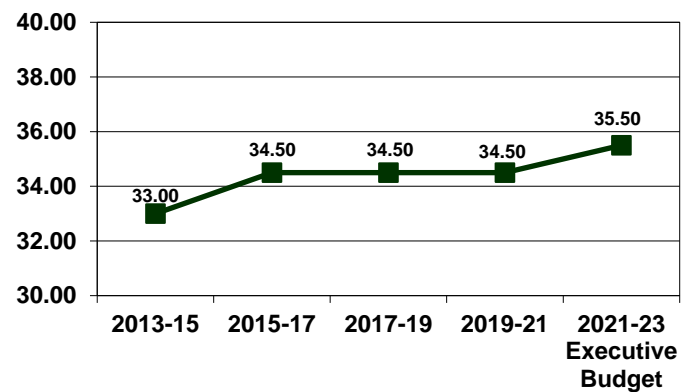
## Historical Appropriations Information

## Ongoing Other Funds Appropriations Since 2013-15

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2013-15	2015-17	2017-19	2019-21	2021-23 Executive Budget
Ongoing other funds appropriations	\$7,650,450	\$9,496,373	\$9,258,390	\$9,346,196	\$9,746,012
Increase (decrease) from previous biennium	N/A	\$1,845,923	(\$237,983)	\$87,806	\$399,816
Percentage increase (decrease) from previous biennium	N/A	24.1%	(2.5%)	0.9%	4.3%
Cumulative percentage increase (decrease) from 2013-15 biennium	N/A	24.1%	21.0%	22.2%	27.4%

## Major Increases (Decreases) in Ongoing Other Funds Appropriations

## 2015-17 Biennium

1. Added funding for 1 FTE chief financial officer position	\$216,069
2. Added funding for 0.50 FTE benefit support position	\$51,346
3. Added funding for additional workload due to the portability of retiree health credit	\$43,052
4. Added funding for general operating expenses increases	\$134,470
5. Added funding for PERSLink system refinements	\$147,000
6. Added funding for website redesign	\$90,080
7. Added funding for a secure reception area	\$27,500
8. Added funding for additional temporary support salaries	\$122,352
9. Added funding for desktop support services	\$75,580

## 2017-19 Biennium

1. Adjusted funding for salaries and wages	(\$150,000)
2. Reduced funding for printing and postage costs for newsletters (\$29,752) and annual benefit statements (\$33,220)	(\$62,972)
3. Reduced funding for hosting costs for a mobile application	(\$43,000)

## 2019-21 Biennium

1. Adjusted funding for information technology operating expenses	(\$230,519)
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## 2021-23 Biennium (Executive Budget Recommendation)

1. Adds funding for 1 FTE receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses	\$154,370
2. Removes funding for 1 FTE internal auditor position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses	(\$195,291)

3. Adds funding for 1 FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses	\$195,291
4. Adds funding for a marketing intern, of which \$37,427 is for salaries and \$11,378 is for related operating expenses	\$48,805
5. Reduces funding for rent	(\$80,865)

**GOVERNOR'S RECOMMENDATION FOR THE  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
AS SUBMITTED BY THE  
OFFICE OF MANAGEMENT AND BUDGET**

**SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys from special funds derived from income for the purpose of defraying their expenses, for the biennium beginning July 1, 2021, and ending June 30, 2023, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$6,652,604	\$450,159	\$ 7,102,763
Operating Expenses	2,443,592	54,157	2,497,749
Capital Assets	0	257,600	257,600
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total All Funds	\$9,346,196	\$761,916	\$10,108,112
Less Estimated Income	<u>9,346,196</u>	<u>761,916</u>	<u>10,108,112</u>
Total General Fund	\$ 0	\$ 0	\$ 0
Full-time Equivalent Positions	34.50	1.00	35.50

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-EIGHTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding items approved by the sixty- sixth legislative assembly for the 2019-21 biennium and the 2021-23 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
IT Risk Assessment	\$ 40,000	\$ 0
Upgrade Business System	190,000	0
Upgrade PERSLink to BPM	0	257,600
Additional Development Resources	<u>0</u>	<u>104,500</u>
Total Special Funds	\$230,000	\$362,100

The 2021-23 one-time funding amounts are not a part of the entity's base budget for the 2023-25 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-eighth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2021 and ending June 30, 2023.

**SECTION 3. APPROPRIATION LINE ITEM TRANSFERS.** Upon approval of the board, the public employees retirement system may transfer from their contingency line item in section 1 of this Act to all other line items. The agency shall notify the office of management and budget of each transfer made pursuant to this section.

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division

Brynhild Haugland Room, State Capitol

HB1023

1/12/2021

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.

10:11 **Chairman Vigesaa** opened the meeting. Members present: Chairman Vigesaa, Vice Chairman Brandenburg, Representative Kempenich, Representative Howe, Representative Meier, Representative Bellew and Representative Mock.

### Discussion Topics:

Appropriation request for the 2021-2023 biennium budget.

Inactive and active members

Customer service

Work efforts

10:15 **Scott Miller, Executive Director - ND Public Employees Retirement System** –Presentation. Testimony #342.

10:54 **Derrick Hohbein, Chief Financial Officer – ND Public Employees Retirement System** – Presentation. Testimony #356.

11:25 **Chairman Vigesaa** adjourned the meeting.

*Sheri Lewis, Committee Clerk*

## TESTIMONY OF NDPERS

### HOUSE BILL 1023

Good morning Mr. Chairman, members of the committee, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System or PERS, and am here today to provide you with an overview of our agency as well as our work efforts.

With me today is Derrick Hohbein, our Chief Operating/Financial Officer, and he will provide you an overview of our budget request.

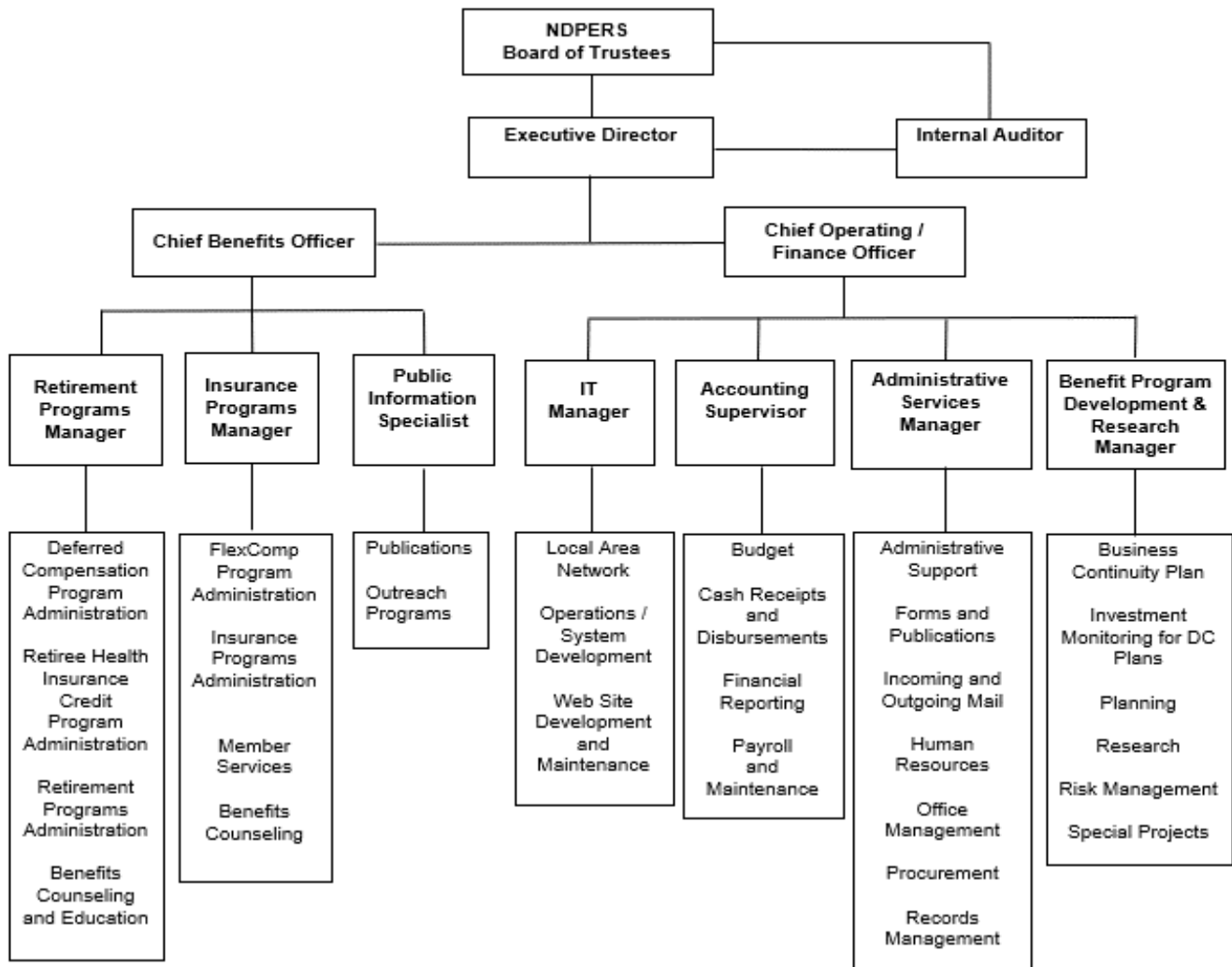
#### **Agency Overview**

First let me start by providing an overview of our agency. PERS is directed by a nine member Board composed of the following members:

Chair (appointed by Governor)	Mona Rindy
Appointed by Attorney General	Troy Seibel
State Health Officer	Dirk Wilke
Elected	Kim Wassim
Elected	Casey Goodhouse
Elected	Adam Miller
Elected Retiree	Yvonne Smith
Legislative Appointee	Senator Tim Mathern
Legislative Appointee	Representative Jason Dockter

The Board oversees a staff that has the following administrative structure:

# Organizational Chart



The Board oversees the administration of the following North Dakota Century Code chapters: 39-03.1 (Highway Patrol Retirement), 52-11 (Job Service Retirement Plan), 54-52 (Main PERS Plan), 54-52.1 (Group Insurance Program), 54-52.2 (Deferred Compensation Plan), 54-52.3 (Pretax Benefits Program), and 54-52.6 (Defined Contribution Retirement Plan). As you can see, the PERS program responsibilities fall under two broad categories – retirement and group insurance.

Section 54-52-02 states that the overall mission for the retirement program is “to provide for the payment of benefits to state and political subdivision employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women.” Similarly, section 54-52.1-02 establishes the overall mission for the group insurance plan as follows: “In order to promote the economy and efficiency of employment in the state’s service, reduce personnel turnover, and offer an incentive to high grade individuals to enter and remain in the service of state employment, there is created a uniform group insurance program”.

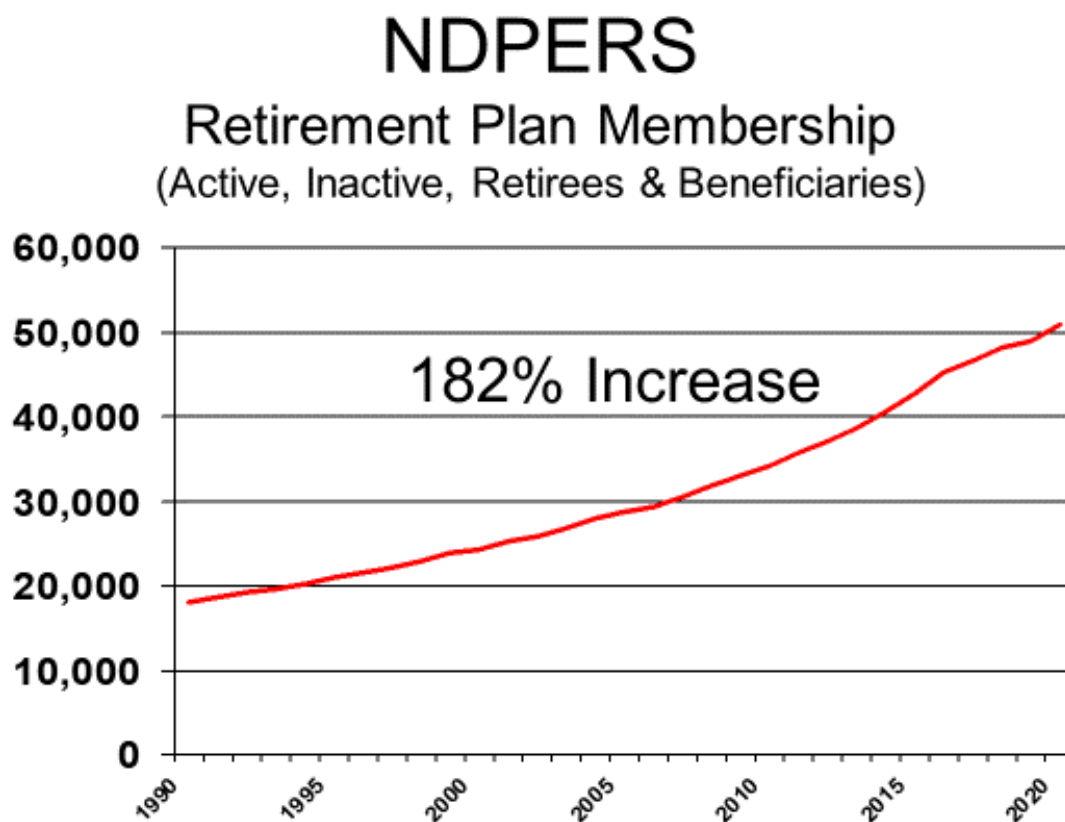
Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

January 2020	<b>RETIREMENT PROGRAMS</b> <b>MANAGED AND ADMINISTERED BY NDPERS</b>								
	<b>TOTAL</b>	<b>Main</b>		<b>Public</b>	<b>Highway</b>	<b>Job</b>	<b>DEFINED</b>	<b>DEFERRED</b>	<b>HEALTH</b>
	<b>RETIREMENT</b>	<b>System</b>	<b>Judges</b>	<b>Safety</b>	<b>Patrol</b>	<b>Service</b>	<b>CONTRIBUTION</b>	<b>COMP</b>	<b>CREDIT</b>
									<b>(RHIC)</b>
<b>PARTICIPATING EMPLOYERS</b>									
State	95	95	1	2	1	1	95	95	95
Counties	52	52		18				32	52
School Dist	127	127		2				18	127
Cities	92	91		15				37	92
Others	81	80		1				36	81
	<b>447</b>							<b>218</b>	<b>447</b>
<b>EMPLOYEES</b>									
State	10,363	9,998	57	74	140	6	88	6,024	10,363
Counties	4,243	3,736		505			2	778	4,243
School Dist	6,948	6,945		2			1	74	6,948
Cities	2,570	2,238		329			3	345	2,570
Others	785	774		10			1	291	785
Subtotal	24,909	23,691	57	920	140	6	95	7,512	24,909
Retirees	12,674	12,117	58	125	136	185	53		12,471
Subtotal	<b>37,583</b>	<b>35,808</b>	<b>115</b>	<b>1,045</b>	<b>276</b>	<b>191</b>	<b>148</b>	<b>7,512</b>	<b>37,380</b>
Deferred Members	13,310	12,856	2	409	42	1			
	<b>50,893</b>	<b>48,664</b>	<b>117</b>	<b>1,454</b>	<b>318</b>	<b>192</b>	<b>148</b>	<b>7,512</b>	

As you can see, PERS is responsible for the administration of 9 different retirement programs. The Job Service Retirement Plan was assigned to our agency by the 2001 legislative assembly. The Public Safety Plan for political subdivisions was added by the 2003 legislative assembly and is divided into two plans, those with past service and those without. This plan has since been expanded to cover certain State employees and, most recently, was expanded to include firefighters during the 2017 session.

The optional defined contribution plan for non-classified state employees was assigned to our agency in 1999. Eligibility for this plan was expanded to provide new State employees with this option effective August 1, 2013 through July 31, 2017. The other retirement programs have been a part of PERS since the 1980's. You will note the largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the State, but also to political subdivisions. In this plan, about 42% of the active members are State employees and 58% are political subdivision employees. School districts are the second largest group followed by counties and cities. We continue to see growth as a result of political subdivisions joining the retirement plan. In the last two years we have added 20 new employer groups into our Defined Benefit plans, which shows that this continues to be an effective recruiting tool for our state.

Some historical statistics about the retirement plan include membership:

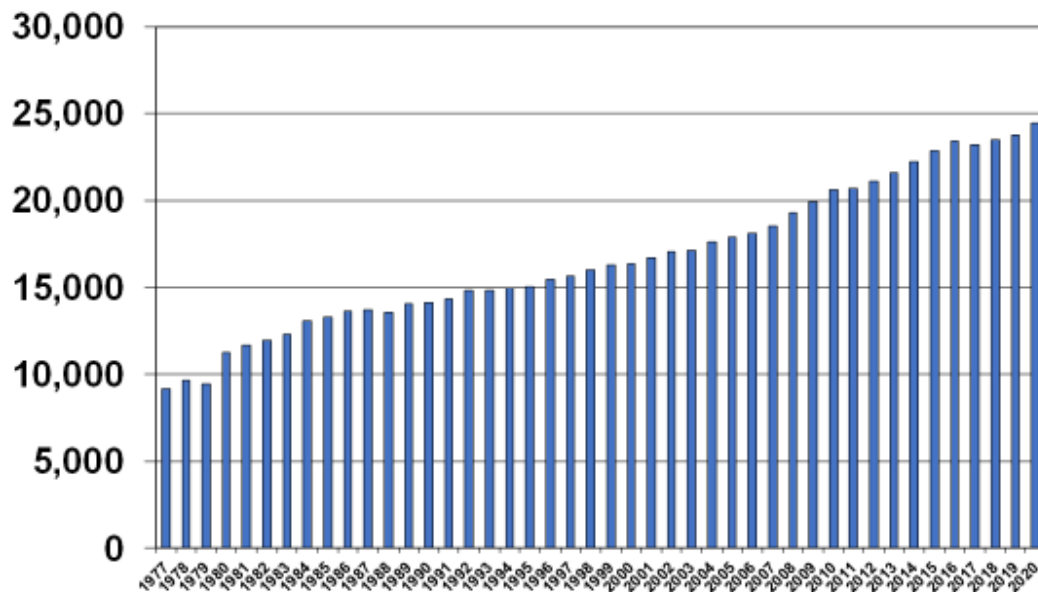




Of this, the number of active members has grown:

## NDPERS Retirement Actives

(Main System, Judges & Public Safety Systems)

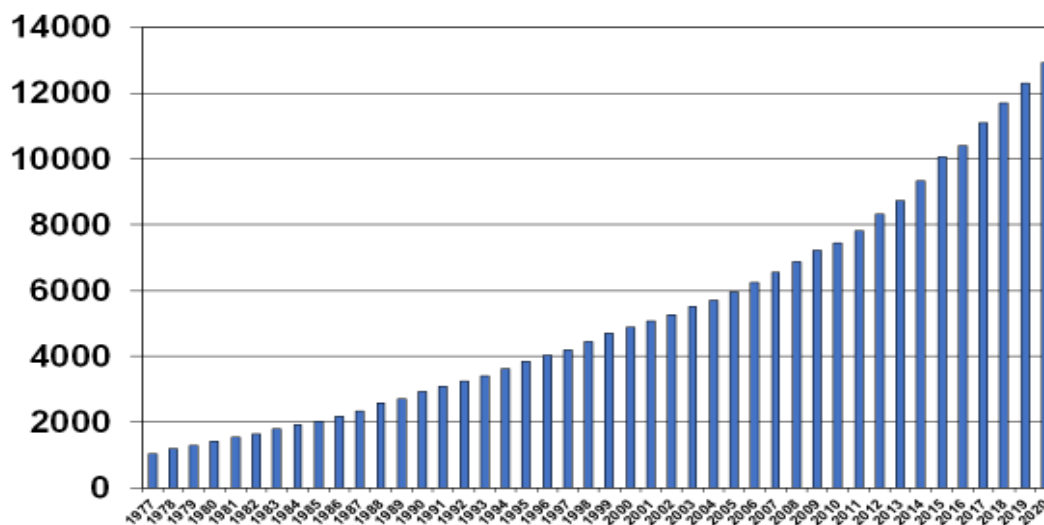


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The number of retired members has grown as well, and at an even greater rate than our active members:

## NDPERS Retirement Retirees

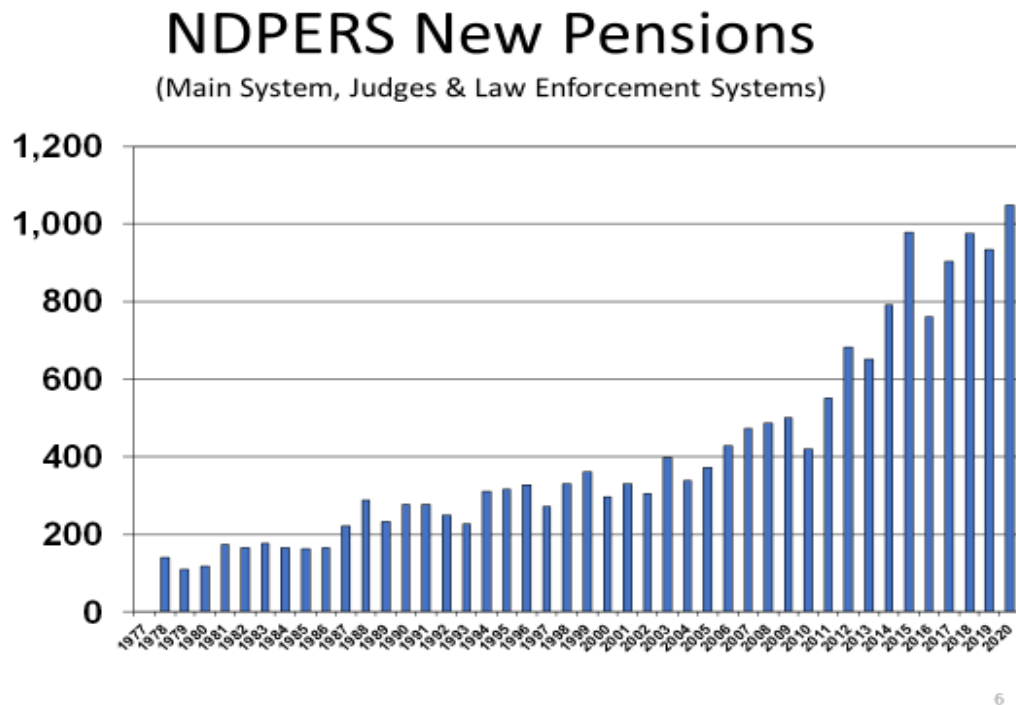
(Main System, Judges & Public Safety Systems)



3

Another interesting statistic about the retirement plan is that since 1977 the PERS plan has received approximately \$2.31 billion in contributions and as of the last fiscal year (July 2020) we had \$3.15 billion in assets. During that same period we paid out about \$2.42 billion in benefits.

The number of new retirees each year continues to grow. The table below shows that in the last three fiscal years (July – June) there were 977, 933, and 1049 new retirees.



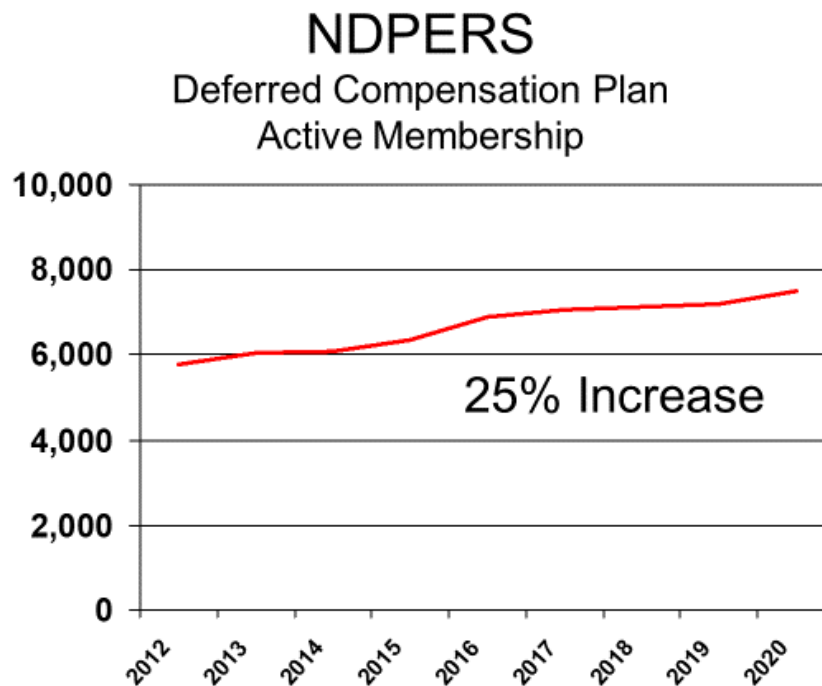
As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

	Age 65	Rule of 85	Total
Currently eligible as of January 2021	1,085	1,234	2,319
Newly eligible in 2022	303	335	638
2023	326	298	624
2024	313	304	617
2025	390	303	693
2026	377	286	663

Servicing the present and future needs of the retired membership is a growing challenge for PERS.

In addition to the administration of the traditional retirement plans, PERS administers the 457 Deferred Compensation Plan, which is the state's supplemental savings program.

The membership in that program has also grown over the years as shown below:



We are pleased by this growth since it is important that our members have supplemental savings for retirement. During our annual benefit enrollment period conducted each Fall, we include targeted messaging to encourage members to take action to provide for a more secure financial future. In 1999, the Legislature enacted the Portability Enhancement Provision, or PEP, in our retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings through the Deferred Compensation Plan. There are currently over 7,275 retirement plan members receiving PEP.

The investment and recordkeeping services for the PERS Companion Plan are currently provided by TIAA. The Deferred Compensation Plan offers our members eight other providers to choose from in addition to the PERS Companion Plan:

American Trust Center  
 AXA Equitable (closed to new entrants)  
 Bank of North Dakota  
 Mass Mutual (closed to new entrants)

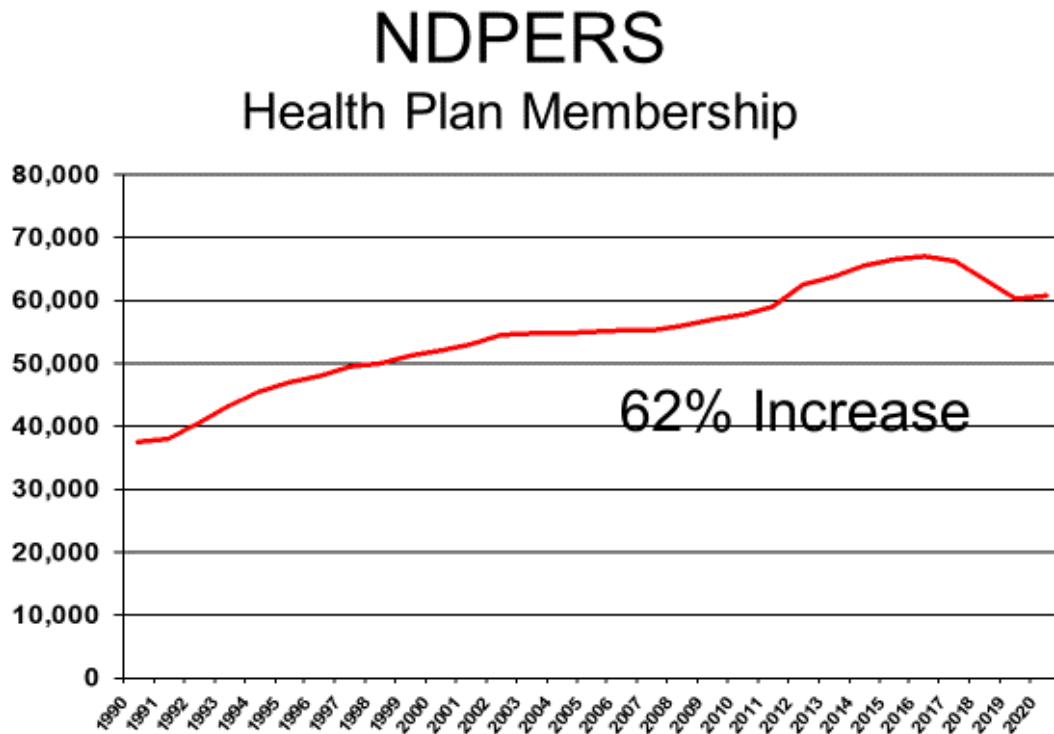
Jackson National  
 Nationwide Life  
 VALIC (closed to new entrants)  
 Waddell & Reed

Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

January 2020	<b>GROUP INSURANCE PROGRAMS</b>					
	<b>MANAGED AND ADMINISTERED BY NDPERS</b>					
	<b>HEALTH</b>	<b>LIFE</b>	<b>DENTAL</b>	<b>VISION</b>	<b>EAP</b>	<b>FLEXCOMP</b>
<b>PARTICIPATING EMPLOYERS</b>						
State	95	95	95	95	95	77
Counties	41	34				
School Dist	22	11				
Cities	37	27				
Others	54	31	20	20	20	4
	<b>249</b>	<b>198</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>81</b>
<b>EMPLOYEES</b>						
State	14,225	14,897	8,200	8,877	14,996	2,481
Legislators	130	140				
Counties	1,777	2,835				
School Dist	1,193	91				
Cities	816	252				
Others	556	396			256	
Retirees	5,203	3,173	3,395	3212		
COBRA	191		48	53		
	<b>24,091</b>	<b>21,784</b>	<b>11,643</b>	<b>12,142</b>	<b>15,252</b>	<b>2,481</b>
<b>Covered Lives</b>	<b>60,538</b>					

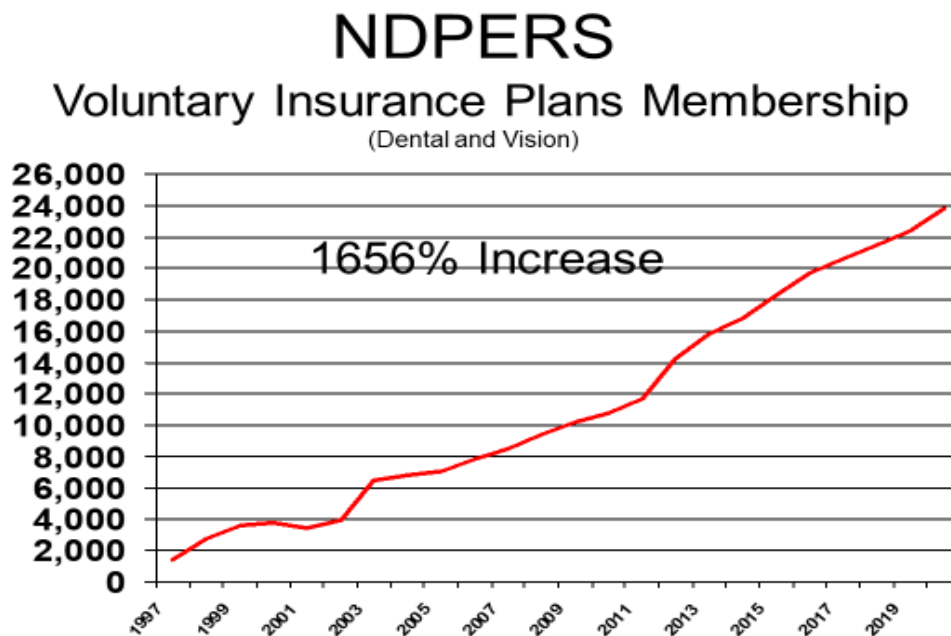
The group health and life insurance programs have been a part of the agency since the early 1970s. In the late 1990's the Employee Assistance Program, Dental Plan and Vision Plan were added to PERS. The FlexComp Program has been a part of the agency since 1989 and allows members to pretax eligible insurance premiums, dependent care expenses, and medical expenses. As you will note, the largest responsibility in this area is the health plan. In this program about 60% of members are state employees and 40% are political subdivisions or other groups such as retirees. We continue to focus on compliance with the Affordable Care Act (ACA), which includes maintaining the grandfathered status of the plan, assisting our participating employers with compliance, and conducting a special enrollment each year for temporary employees.

The following table shows the history of the membership in the health plan:



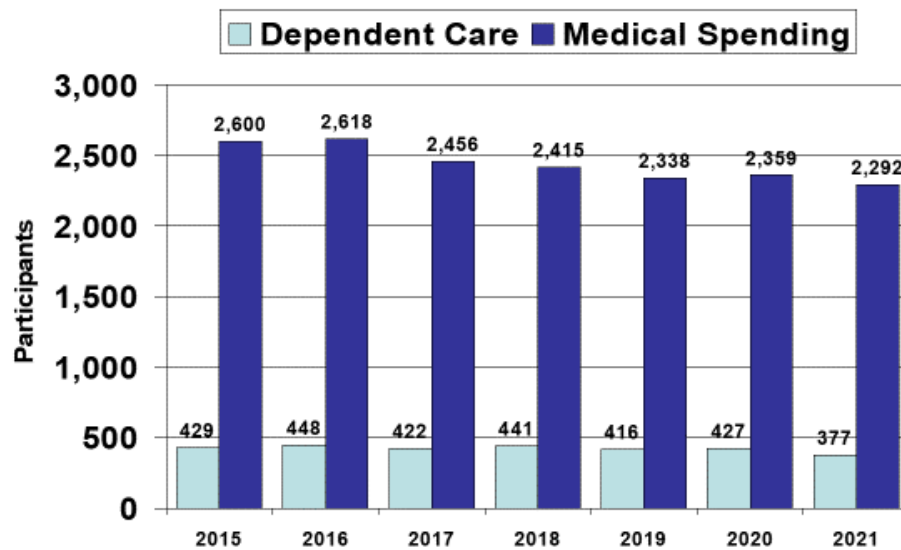
This plan was last bid in 2020, and the PERS Board has awarded the contract to Sanford Health Plan for the 2021-23 biennium under the same modified fully-insured arrangement that we have today.

The following table shows the history of the voluntary programs. This program area continues to see significant growth.

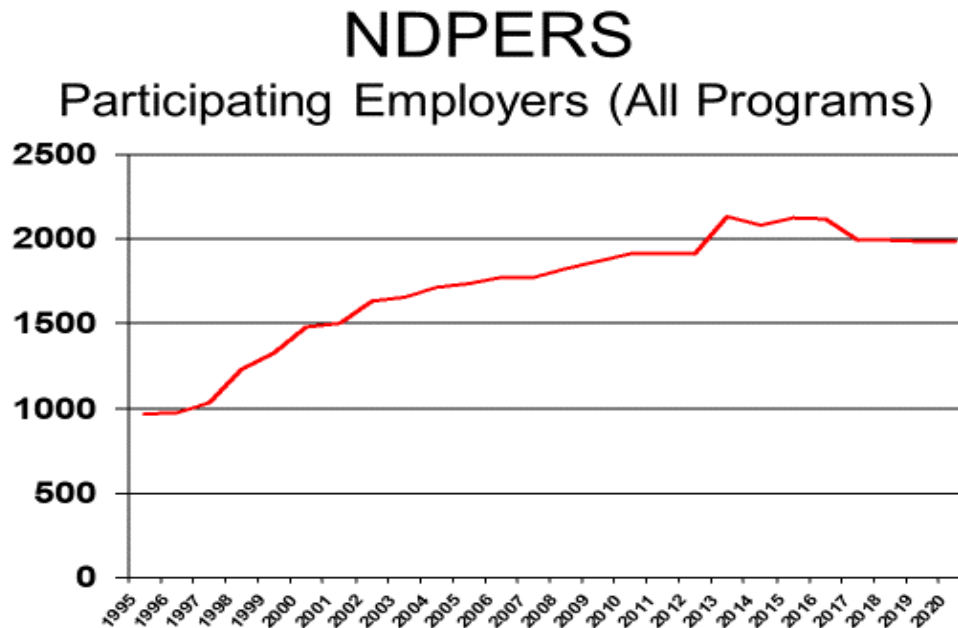


The following tables show the history of the number of members in the FlexComp program:

### NDPERS Flexcomp Participation



While we have been serving more members in more programs over time, we have also been serving more employers as they join PERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):



As shown above, PERS has faced two challenges over the years: the growth of program responsibilities, and the growing membership needs for assistance.

We are also concerned with maintaining the quality of what we do. To that extent, we have sought national review of our systems and other reviews as noted in the following:

- We have received the Public Pension Achievement Award and the Recognition Award for Administration.
- We have received the Certificate of Achievement for Excellence in Financial Reporting for the past 24 years (1996-2019).
- We have had unqualified audit opinions for over 30 years.
- We received favorable IRS determination letters for the PERS and Highway Patrol Retirement Plans.

In addition, we provide our members who request information from our office the opportunity to evaluate our customer service. Our average ratings for the past 6 years show overall satisfaction with our customer service. However, we have seen a slight decline in our ratings the past few years which we feel is reflective of reaching our capacity to provide the exceptional level of customer service our members have come to expect. We will be presenting testimony on how we'd like to address these concerns when we discuss our optional change packages.

The ratings are shown below based on a scale of 1-4, with 4 being the most satisfied:

## Customer Experience

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information easy to understand.	How well did we review and explain the information.
2015	464	3.82	3.67	3.62	3.73
2016	478	3.83	3.73	3.62	3.75
2017	540	3.83	3.76	3.58	3.69
2018*	1,084	3.76	3.59	3.56	3.63
2019	2,392	3.75	3.48	3.59	3.63
2020**	2,036	3.76	3.51	3.63	3.66

\*Moved to electronic customer experience survey last 2 months of 2018 which allows us to reach out to more members who have contacted our office

\*\*Preliminary annual results. December 2020 data is not complete.



## **Work Efforts**

Following are some of the major work efforts since we last reported to you in the 2019 session:

- Group Insurance
  - Issued a request for proposal for the Health plan and selected Sanford Health Plan to continue the modified fully insured arrangement that exists today
  - Renewed our FlexComp, Medicare Part D, Dental, Vision, and Life insurance contracts with the incumbent providers
  - Continued to work with our participating employers on compliance with the provisions of the Affordable Care Act.
  - Implemented a value-based care option in the health plan
  - Began offering a high deductible health plan (HDHP) to political subdivisions
  - Implemented pre-tax HSA employee deductions for members of the HDHP
  - Added an opioid management program to the health and Medicare Part D plans.
- Retirement
  - Conducted an actuarial experience study and adopted new asset allocation and liability assumptions
  - Conducted an Asset/Liability study and affirmed the asset allocation for the Main Plan and slightly modified the asset allocation for the RHIC plan
  - Submitted several options for consideration to the Legislative Employee Benefits Program Committee to address the retirement plan funded status
  - Submitted administrative rule changes in relation to exit liabilities for our DB plans
  - Renewed the 457 Companion Plan and 401(a) Defined Contribution Plan contract with the incumbent provider
  - Transitioned the Retiree Health Insurance Credit plan year to a calendar year
  - Refined service purchase cost calculation methodologies for members with multiple service purchases
  - Continued to de-risk the Job Service Retirement Plan's investment portfolio by adopting and implementing a more conservative asset allocation

- Went through an RFP process for an investment consultant to provide the Board with necessary information and guidance regarding our 457 and DC plans
- Administrative Accomplishments
  - Developed a secure file transfer process for employers submitting confidential information to NDPERS
  - Discontinued the Mobile App as of August 31, 2020 and reallocated those funds to upgrade the servers, RAM, and CPU on the business system servers
  - Submitted administrative rule changes
  - Implemented a benefit enrollment outbound file for employers that are on the state's central payroll program to eliminate dual processing for our employers
  - Implemented a daily feed to bring in Higher Ed's demographic information on newly hired employees, eliminating dual processing for that population
  - Offered our Pre-Retirement Education Program and Financial Essentials Workshop virtually through a TEAMS Live event with a record number of attendees
  - Partnered with HRMS to help implement the electronic employee on-boarding process
  - Developed a comprehensive annual communication plan to strategize the best way/time to communicate with our membership
  - Currently are converting our website to be under the NDIT umbrella
  - Obtained laptops for all staff so we can participate in a "hoteling" concept in our office to reduce rent
  - Plan on relocating our office to a state-owned building and having a footprint that is roughly ½ the size of our current office space

At this time, I will turn the presentation over to Derrick Hohbein to review the PERS budget request.

## **PERS Budget**

**2019-21 Budget.** The PERS budget is all special funds. This biennium we do have one-time funding expenses for which we would like to provide updates.

Last session, PERS received \$40,000 to conduct an independent IT Risk Assessment of our agency. This assessment included internal vulnerability testing, penetration testing, as well as an independent review of all of our policies and procedures that surround our IT environment. This project was a joint effort with NDIT, and an RFP was issued in July 2019. This project was completed in January 2020, with a final contract price of \$39,556.00. We are pleased to report there were no material weaknesses or discrepancies found as a result of this assessment, and the consultant was comfortable overall with the posture of our IT processes and procedures.

PERS also received \$190,000 to upgrade both the member and employer portals in our business system to a mobile-view-view-mobile (MVVM) platform. The base platform that our business system resides on had not been updated since 2010 and this upgrade offered our members and employers with a scalable, fully functional platform that can be accessed on any device. This project went live in March 2020 at the appropriated cost of \$190,000.

Once the member and employers were upgraded, our business system vendor offered us a roughly 20% discount to keep their coding team dedicated to our account to upgrade our internal portal to MVVM as well, at the cost of \$148,000. Section 3 of our appropriation bill allows our Board to authorize the director of OMB to transfer from our contingencies line item to any line item requested by the PERS Board. The PERS Board voted at the April 2020 Board meeting to move forward with upgrading our Line of Business application so all 3 legs of our business system reside on the same upgraded platform. This project was completed in August 2020 for the contracted price of \$148,000.

Section 4 of our appropriation bill required “the public employees retirement system board to solicit and receive bids for the 2021-23 biennium hospital benefits coverage and medical benefits coverage for state employees under section 54-52.1-04. The request for proposal must include an option for coverage through a self-insurance plan. The board shall report to the majority and minority leaders of the House and Senate and the chairmen of the appropriations committees, or their designees, when bids are received during the biennium beginning July 1, 2019, and ending June 30, 2021. The report must provide comparative information and the board's evaluation of the bids received, including information on the self-insurance option.”

A report was provided to Legislative Management and the House and Senate Appropriation Committees outlining the requirements of this section. As a recap, the RFP conducted this summer included 7 different service options, including:

1. Fully-insured medical and pharmacy proposal
2. Self-insured medical and pharmacy proposal
3. Fully-insured medical proposal only
4. Self-insured medical proposal only
5. Fully-insured pharmacy proposal only
6. Self-insured pharmacy proposal only
7. Stop loss insurance for all self-insured options

The Board voted to enter into contract negotiations with Sanford Health Plan for the 21-23 biennium at a special board meeting on October 19, 2020, determining that the current modified fully insured arrangement that we currently have with Sanford Health plan continues to be the option that is in the best interests of its participants and the State of North Dakota.

**2021-23 Budget.** The proposed legislative base budget before you today is all special funds. It does not include any one-time funding requests.

	<b>2019-21 Appropriation</b>	<b>One-Time Expenditures</b>	<b>2021-2023 Legislative Base Budget</b>	<b>% Increase/ (Decrease)</b>
Salaries & Wages	6,652,604	-	6,652,604	0.0%
Operating Expenses	2,483,592	(40,003)	2,443,589	(1.6%)
Capital Expenditures	190,000	(190,000)	-	(100.0%)
Contingencies	250,000	-	250,000	0.0%
Total Special Funds	9,576,196	(230,003)	9,346,193	(2.4%)
FTE	34.5		34.5	

### **Salaries and Wages**

Salaries and wages account for 71% of the base budget and maintains funding for 34.5 FTE, a full time temporary employee, and a part time intern position. These temporary positions give us the flexibility to accommodate unexpected work efforts, vendor transitions, and unexpected workload increases like previous Voluntary Separation Incentive Payments (VSIP) initiatives.

### **Operating Expenses**

Operating expenses account for 26% of the base budget. Looking into our operating line item:

- 65% is IT and shared services related (software, Sagitec, State Wide Cost Allocation)
- 11% is office rent
- 12% is printing and postage
- 12% are all other operating categories

IT is an area that our agency relies on heavily, and the business system is the heart of all the activity that takes place within our office. The costs of IT have continuously gone up, but we've been fortunate to be able to offset a good portion of these increases by working on the licensing arrangement we have with Sagitec – our business system vendor.

Office rent is an expense we have heavily explored since the COVID pandemic took place. I will speak more to our office rent when we discuss the adjustments made to comply with the Governor's 5% reallocation guideline.

Since the legislative mandate in 2017 to become more efficient in our operations regarding our printing and postage costs, we are pleased to say we have reduced our printing and postage expenses by over \$229,526 (a 30% reduction) over the last 4 years. While we continue to explore ways to become more efficient in our operations, there are numerous physical communications we are mandated by law to send. We also know we have a significant retiree population that still prefer to be communicated with through printed materials. I am happy to report that because of the MVVM upgrades I discussed earlier, we did not increase our budget request by the nearly \$12,000 that we would have in prior biennia to accommodate board elections that will be taking place during the 21-23 biennium. We now have a way to do these electronically in our business system, and thus, not require additional funding for these events.

# Attachment 1 – Proposed budget reallocations to meet the Governor’s 5% budget reallocation guideline

To comply with the Governor’s recommendation, NDPERS submitted a budget that reinvests 5% of our budget into high impact areas. NDPERS did a thorough analysis of the services that are provided and ways to reduce our spending and gain efficiencies. The base budget adjustments are as follows:

	<b>2021-23 Legislative Base</b>	<b>Reallocation Adjustments</b>	<b>2021-2023 5% Reallocation Base</b>	<b>% Increase/ (Decrease)</b>
Salaries & Wages	6,652,604	68,781	6,721,385	1.0%
Operating Expenses	2,443,589	(68,781)	2,374,808	(2.8%)
Contingencies	250,000	-	250,000	
Total Special Funds	9,346,193	-	9,346,193	(0.0%)
FTE	34.5	-	34.5	

## **Salaries and Wages**

Not included in the 5% reallocation, but which is offset from operational cost savings, is \$68,781 of salary & benefit increases that were given to eligible staff on July 1, 2020 that the Legislature approved during the 2019 session. The reallocation process includes eliminating \$180,926 in salaries of one of our Internal Audit staff. That savings would be fully reallocated to our accounting department. We feel another accounting position is essential in ensuring the ability to maintain accurate financial records.

Another \$155,548 in salaries of our Public Information Specialist are being reallocated to a receptionist position and a marketing intern. The receptionist position would greet walk-ins in our office, work on administrative duties, and allow our 3 member services staff to become a true call center and not have a significant portion of their work day interrupted by visitors to the office. As I stated earlier, we’ve noticed a drop in customer service ratings with our office, especially in the timeliness our office is able to provide a response to our

customers. We feel having a dedicated call center helps us alleviate these concerns. The Public Information Specialist position is a .8 FTE and as such only .8 of what is ultimately needed is being reallocated at a cost of \$118,121. A change package requesting the authority for the additional .2 FTE is also being requested, which totals \$21,216 in additional salaries a biennium. Additional funding to increase temporary salaries to hire a marketing intern to take over communication efforts is being included as part of the reallocation process, totaling \$37,427.

### **Operating Expenses**

Not included in the 5% reallocation, but which is being used to offset the \$68,781 in salary increases for July 1, 2020, is a reduction in software and licensing fees by discontinuing our mobile app. In March 2020, we upgraded our member portals to be a fully functional and mobile friendly platform that makes the mobile app expendable. The total savings from the mobile app discontinuation totals \$90,023; \$21,242 of which is geared to the reallocation process after offsetting salary increases. The reallocation process also includes savings in rent totaling \$80,865 by cutting roughly a quarter of office space and allowing some divisions to telework and other divisions the ability to "hotel" in our office in addition to the operational expenses that are tied to the positions being reallocated, which total \$28,730 a biennium for both positions.

Since we submitted our budget request to OMB, NDPERS has further researched available office space. We have an agreement in place with WSI to move into roughly half of the Department of Commerce space that is located in that building. We anticipate this will result in additional ongoing budget savings. However, we are presently unsure of the amount of those savings. We understand we will not be able to move into the space until early next biennium, and will therefore be paying rent to both our current lessor and to WSI for a short term. We also know there will be expenses for the move, the amount of which we do not yet know. As such, we have not reduced our budget request for rent for the upcoming biennium, but anticipate significant savings for the 2023-2025 biennium.

These operational cost savings are offset by operational increases for NDIT data processing, including acquiring additional servers to increase the performance of our



portals for our members and employers, as well as inflationary increases for the developers of our business system and other operational inflationary increases.

**Reallocation Summary:**

July 1, 2020 pay increases: \$68,701 (not included in the 5% mandate)

**Reallocation Additions:**

	<b>Salaries &amp; Wages</b>	<b>Operating Expenses</b>	<b>Total Additions</b>	<b>FTE</b>
Receptionist	118,121	15,033	133,154	.8
Accountant	180,926	14,365	195,291	1.0
Intern	37,427	11,378	48,805	-
Technology Inflation	-	75,755	75,755	-
Other Operating Inflation	-	14,306	14,306	-
<b>Total Additions</b>	<b>336,474</b>	<b>130,837</b>	<b>467,311</b>	<b>1.8</b>

**Reallocation Savings:**

	<b>Salaries &amp; Wages</b>	<b>Operating Expenses</b>	<b>Total Savings</b>	<b>FTE</b>
Public Information Specialist	155,548	14,365	169,913	(.8)
Internal Auditor	180,926	14,365	195,291	(1.0)
Mobile App Discontinuation*	-	21,242	21,242	-
Rent	-	80,865	80,865	-
<b>Total Savings</b>	<b>336,474</b>	<b>130,837</b>	<b>467,311</b>	<b>(1.8)</b>

\*Total mobile app discontinuation was \$89,943 with \$68,701 of this offsetting salary increases for July 1, 2020.

## Attachment 2 – Executive Recommendation

	2021-23 Legislative Base	Executive Recommendation Adjustments	2021-2023 Executive Recommendation	% Increase/ (Decrease)
Salaries & Wages	6,652,604	450,159	7,102,763	6.8%
Operating Expenses	2,443,589	54,160	2,497,749	2.2%
Capital Assets		257,600	257,600	
Contingencies	250,000	-	250,000	
Total Special Funds	9,346,193	761,919	10,108,112	8.2%
FTE	34.5	1.0	35.5	

### **Analysis of the Executive Recommendation Adjustments:**

#### **FTE Authority for the Public Information Specialist**

Communicating with our members and employers is one of the most difficult challenges our agency faces. We have a dynamic customer base that includes hundreds of employers and tens of thousands of active employees and retirees. Ensuring we have clear and effective communication efforts is essential for our agency. The Public Information Specialist currently sits on our management team and initiates all communications that leave our office. That position plays a key role in realizing the nearly \$230,000 a biennium we've saved in printing and postage by helping our office achieve the following efficiencies:

- Printed annual statements were discontinued and are now provided in our member portal
- Printed active newsletters were discontinued and are now provided to the membership through our employers
- Communication efforts were made to transition those currently receiving a retirement benefit to sign up for direct deposit. All new retirees are required to receive benefits by ACH unless they submit a hardship request to our office, which has not yet occurred

- Elections were previously done through printed ballots, and are now done electronically
- Electronic surveying capabilities are currently being finalized in our business system
- The number of retiree and deferred member newsletters was reduced and the timing of the communication effort analyzed to make sure we communicate at the proper times
- Retiree payment change notices are now online versus printed
- Board materials are now provided electronically instead of in printed binder books
- Group batch printings by member so members don't receive multiple mailings from our agency
- Employers are now required to make payments electronically instead of processing paper checks in our office from our employers
- Coordinate with vendors on mailings they do on our behalf to customize the message and shift expenses to our vendors
- Coordinate specialized inserts with mandated mailings
- Digitalized event registration
- Digitalized customer experience feedback
- Members can "subscribe" to receive NDPERS communications
- Developed a comprehensive communication plan to identify required mailings and the proper time to communicate with our membership
- Trend/Analyze/Report results of events and interactions with our agency
- Transitioned our retirement education seminars to a virtual experience
- Transitioned our employer training experiences to a virtual experience
- Preparing for our biennial employer conference to be held virtually for the first time this June
- Developed an internal newsletter to provide staff monthly updates
- Converted our website to the more robust NDIT platform

These work efforts more than offset the cost of the position we were asked to reallocate on an ongoing basis. We have a very lean office for the membership we serve, and there are not a lot of options for us to look at that do not directly impact our membership, although the indirect impact these positions we are reallocating is significant. Transitioning this

work to an intern is concerning from a few perspectives; that position will constantly need education on what we're trying to accomplish, the majority of the work will fall on the rest of the management team to ensure the messages going out the door are effective and accurate, and staff will not have the expertise to train on the types of communication tools we have in place. We do still have a strategic vision that we are working at enhancing with communication, and looking for better ways to reach our membership is a practice that will never cease. To lose a resource in that area we feel has already paid for itself in ongoing savings is not an ideal situation for our office. We'd encourage your consideration in allowing us to continue improving, continue our efforts to reach our diverse members, and help our agency continue with our strategic vision of targeting communications based on each member's lifecycle as a member to ensure we are developing effective communications to the nearly 40,000 members we have to reach. Some of our strategic vision that we are still hoping to achieve in the communication arena include:

- Establishing an email marketing campaign based on the lifecycle of members
- Creating short educational video campaigns for our website
- Enhancing the news experience our subscribers receive
- Tracking trends to determine which pages on our new website are effective/ineffective and allows for targeted improvement that didn't exist previously

## **Make New Receptionist a 1.0 FTE**

If a .8 Public Information Specialist is reallocated to a receptionist that is meant to be at the front desk during business hours, that person would need to be a 1.0 FTE to meet the needs of the agency. Making the receptionist a 1.0 FTE still offers cost savings from the .8 Public Information Specialist, but the agency would need an additional .2 FTE to make the receptionist meaningful and allow us to transition our member services to a true call center. The WSI space our office will soon be occupying has an area that is dedicated to incoming customers, and has an area for us to counsel our members and meet with our vendors that is not in the back office. Because of this move, we view this position as a necessity for our agency to meet our strategic vision and to increase our customer service scores on promptness of responses from our office.

## **Upgrade PERSLink to Business Process Management**

Business Process Management (BPM) is an upgrade capability in our business system that redesigns the flow of all work done in our agency. It offers the ability to build the business process into our system and ensures staff members drive the system as it is intended and prevents them from inadvertently circumventing processes. As the possibility of transitioning to a remote work environment continues to grow, the BPM process also allows the managers to readily identify how their staff members are processing the work in our office, including how long each process takes, to better manage training opportunities or areas for improvement. It also offers long-term savings when fully implemented as the developers are more readily able to see where the business flow becomes a problem, and why.

## **Additional Development Resources for PERSLink**

Funding was requested for additional developers in our PERSLink business system. One developer was requested to develop comprehensive new hire and annual enrollment wizards. This process is designed to enhance our user experience and ensure the data being entered in our business system is complete and accurate. A second developer was also being requested to address a backlog of identified system enhancements that are not able to be prioritized because of the everchanging environment our agency faces.

The Governor recommends adding one of the two additional developers for our business system, which would be used to create the comprehensive new hire and annual enrollment wizards for our membership.

## **Summary of the Executive Recommendation**

### **Wages of \$450,159:**

- Public Information Specialist - \$155,548 plus .8 FTE authority
- Receptionist - \$21,216 plus .2 FTE authority
- Reallocated July 2020 Salary Increase - \$68,781
- Salary increases and Retirement Contribution increase - \$204,614

### **Operating Expenses of \$54,160**

- Public Information Specialist - \$14,365
- Microsoft 365 - \$4,076
- Sagitec Resource - \$104,500
- Reallocated Mobile App Savings to Salaries - \$(68,781)

### **Capital Assets of \$257,600:**

- BPM Upgrade - \$257,600

## **Attachment 3 – Changes to the Executive Recommendation**

### **Additional Development Resources for PERSLink**

A second developer is also being requested to address a backlog of identified system enhancements that are not able to be prioritized because of the everchanging environment our agency faces. We currently have over 300 enhancements that have been identified and are being housed in a backlog list. Given we are making an effort to get our business system upgraded, and the BPM upgrade is a huge step in that effort, it would be beneficial to make a one-time push in cleaning up historical issues while we're trying to make this transition effective.

### **FTE Authority for Internal Auditor**

Given the budgetary constraints facing the state we felt like a reallocation was appropriate to get the FTE authority in the accounting department our agency desperately needs. Our internal audit division has the ability to control the scope of their work, whereas the accounting department does not. We do have significant concerns with cutting our auditing division in half, and the indirect impact it may have to our members regarding the accuracy of their benefits. While we did not include this position as a formal request in our budget process, we would appreciate the Legislature's consideration in restoring the funding and FTE authority for our internal audit position as well.

**TESTIMONY OF Derrick Hohbein**  
**House Bill 1023**

Good morning, my name is Derrick Hohbein. I am the Chief Operating/Financial Officer of the North Dakota Public Employees Retirement System, or NDPERS. I will be present to give an overview of our presentation during the hearing.



# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB1023  
1/22/2021

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.

09:03 **Chairman Vigesaa** brought the committee to order. Members present: Chairman Vigesaa, Vice Chairman Brandenburg, Representative Howe, Representative Meier, Representative Bellew and Representative Mock. Members absent: Representative Kempenich.

### Discussion Topics:

- Appropriation request for the 2021-2023 biennium budget.
- Review of the green sheet.

09:04 **Chairman Vigesaa** reviewed the green sheet.

09:10 **Levi Kinnischtzke, Fiscal Analyst, ND Legislative Council** explained items on the green sheet.

09:37 **Chairman Vigesaa** adjourned the meeting.

*Sheri Lewis, Committee Clerk*

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division

Brynhild Haugland Room, State Capitol

HB1023

2/4/2021

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.

2:47 **Chairman Vigesaa** brought the committee to order. Members present: Chairman Vigesaa, Vice Chairman Brandenburg, Representative Bellew, Representative Meier, Representative Howe, Representative Mock, Representative Kempenich.

### Discussion Topics:

- Receptionist position
- Rent

2:48 **Representative Bellew** went through the base level funding changes. Testimony #3135.

2:48 **Derrick Hohbein, Chief Operating Officer, ND Public Employees Retirement System** answered questions about the funding changes.

3:11 **Chairman Vigesaa** adjourned the meeting.

*Sheri Lewis, Committee Clerk*

**Public Employees Retirement System - Budget No. 192**  
**House Bill No. 1023**  
**Base Level Funding Changes**

	Executive Budget Recommendation				House Version			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total
<b>2021-23 Biennium Base Level</b>	34.50	\$0	\$9,346,196	\$9,346,196	34.50	\$0	\$9,346,196	\$9,346,196
<b>2021-23 Ongoing Funding Changes</b>								
Base payroll changes			\$68,781	\$68,781				\$0
Salary increase			169,434	169,434				0
Health insurance increase			1,850	1,850				0
Retirement contribution increase			33,330	33,330				0
Adds funding for 1 FTE receptionist position	1.00		154,370	154,370				0
Removes funding for 1 FTE internal auditor position	(1.00)		(195,291)	(195,291)				0
Adds funding for 1 FTE accountant position	1.00		195,291	195,291				0
Adds funding for a marketing intern			48,805	48,805				0
Reduces funding for mobile application software			(21,242)	(21,242)				0
Adds funding for information technology operating expenses			21,277	21,277				0
Reduces funding for rent			(80,865)	(80,865)				0
Adds funding for Microsoft Office 365 license expenses			4,076	4,076				0
Total ongoing funding changes	1.00	\$0	\$399,816	\$399,816	0.00	\$0	\$0	\$0
<b>One-time funding items</b>								
Adds funding to upgrade benefit enrollment software			\$104,500	\$104,500				\$0
Adds funding to upgrade the PERSLink business system			257,600	257,600				0
Total one-time funding changes	0.00	\$0	\$362,100	\$362,100	0.00	\$0	\$0	\$0
<b>Total Changes to Base Level Funding</b>	1.00	\$0	\$761,916	\$761,916	0.00	\$0	\$0	\$0
<b>2021-23 Total Funding</b>	35.50	\$0	\$10,108,112	\$10,108,112	34.50	\$0	\$9,346,196	\$9,346,196
<i>Total ongoing changes as a percentage of base level</i>	2.9%		4.3%	4.3%	0.0%		0.0%	0.0%
<i>Total changes as a percentage of base level</i>	2.9%		8.2%	8.2%	0.0%		0.0%	0.0%

**Other Sections in Public Employees Retirement System - Budget No. 192**

	Executive Budget Recommendation	House Version
Contingencies line item transfers	Section 3 would provide, upon approval of the Public Employees Retirement System Board, the Public Employees Retirement System office may transfer from the contingencies line item in Section 1 of the bill to all other line	

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB1023  
2/9/2021

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.

09:00 **Chairman Vigesaa** brought the committee to order. Members present: Chairman Vigesaa, Vice Chairman Brandenburg, Representative Howe, Representative Bellew, Representative Meier, Representative Kempenich, Representative Mock.

### Discussion Topics:

- Base budget changes
- Proposed amendments
- Vacant positions

09:02 **Representative Bellew** explained the base budget changes. Testimony #3135.

09:31 **Representative Bellew** made a motion to move the amendment 21.0282.01001.

09:31 **Vice Chairman Brandenburg** seconded the motion.

09:31 Voice Vote. Motion carried.

09:31 **Representative Bellew** made a motion for a "Do Pass as Amended".

09:32 **Vice Chairman Brandenburg** seconded the motion

09:32 Roll call vote. 7 Yeas 0 Nays 0 Absent

Motion Carried.

Representatives	Yes	No
Chairman Vigesaa	X	
Vice Chairman Brandenburg	X	
Representative Kempenich	X	
Representative Howe	X	
Representative Meier	X	
Representative Bellew	X	
Representative Mock	X	

09:32 Chairman Vigesaa closed the meeting.

*Sheri Lewis, Committee Clerk*

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1023

Page 1, line 2, remove "; and to provide an exemption"

Page 1, replace lines 9 through 16 with:

	Base Level	Adjustments or Enhancements	Appropriation
Salaries and wages	\$6,652,604	\$274,893	\$6,927,497
Operating expenses	2,443,592	(65,376)	2,378,216
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$9,346,196	\$209,517	\$9,555,713
Full-time equivalent positions	34.50	0	34.50"

Page 1, remove lines 23 and 24

Page 2, remove lines 1 through 3

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1023 - Public Employees Retirement System - House Action**

	Base Budget	House Changes	House Version
Salaries and wages	\$6,652,604	\$274,893	\$6,927,497
Operating expenses	2,443,592	(65,376)	2,378,216
Contingencies	<u>250,000</u>		<u>250,000</u>
Total all funds	\$9,346,196	\$209,517	\$9,555,713
Less estimated income	<u>9,346,196</u>	<u>209,517</u>	<u>9,555,713</u>
General fund	\$0	\$0	\$0
FTE	34.50	0.00	34.50

**Department 192 - Public Employees Retirement System - Detail of House Changes**

	Adjusts Funding for Base Payroll Changes <sup>1</sup>	Adds Funding for Salary and Benefit Increases <sup>2</sup>	Reduces Funding for Internal Auditor Position <sup>3</sup>	Adds Funding for Accountant Position <sup>4</sup>	Adds Funding for Marketing Intern <sup>5</sup>	Adjusts Funding for Information Technology <sup>6</sup>
Salaries and wages	\$68,781	\$168,685	(\$180,926)	\$180,926	\$37,427	
Operating expenses			(14,365)	14,365	11,378	\$35
Contingencies						
Total all funds	\$68,781	\$168,685	(\$195,291)	\$195,291	\$48,805	\$35
Less estimated income	<u>68,781</u>	<u>168,685</u>	<u>(195,291)</u>	<u>195,291</u>	<u>48,805</u>	<u>35</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	(1.00)	1.00	0.00	0.00

	Reduces Funding for Rent <sup>7</sup>	Adds Funding for Microsoft Office 365 Licensing Expenses <sup>8</sup>	Total House Changes
Salaries and wages			\$274,893
Operating expenses	(\$80,865)	\$4,076	(65,376)
Contingencies			
Total all funds	(\$80,865)	\$4,076	\$209,517
Less estimated income	(80,865)	4,076	209,517
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

<sup>1</sup> Funding is adjusted for base payroll changes.

<sup>2</sup> The following funding is added for 2021-23 biennium salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250; and increases in health insurance premiums from \$1,427 to \$1,429 per month:

	<u>Other Funds</u>
Salary increase	\$166,884
Health insurance increase	<u>1,801</u>
Total	\$168,685

<sup>3</sup> One FTE internal auditor position (\$180,926) and related operating expenses (\$14,365) is removed.

<sup>4</sup> One FTE accountant position (\$180,926) and related operating expenses (\$14,365) is added.

<sup>5</sup> Funding for a marketing intern position is added of which \$37,427 is for salaries and \$11,378 is for operating expenses.

<sup>6</sup> Funding is adjusted for information technology expenses, including the reduction of \$21,242 for mobile application software and the addition of \$21,277 of other information technology operating expenses.

<sup>7</sup> Funding for rent is reduced by \$80,865 to provide total funding of \$272,925 for rent expenses.

<sup>8</sup> Funding for Microsoft Office licensing expenses is added.

Section 3 of the bill allowing line item transfers from the contingencies line item is removed.



**Public Employees Retirement System - Budget No. 192**  
**House Bill No. 1023**  
**Base Level Funding Changes**

	Executive Budget Recommendation				House Version			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total
<b>2021-23 Biennium Base Level</b>	34.50	\$0	\$9,346,196	\$9,346,196	34.50	\$0	\$9,346,196	\$9,346,196
<b>2021-23 Ongoing Funding Changes</b>								
Base payroll changes			\$68,781	\$68,781				\$0
Salary increase			169,434	169,434				0
Health insurance increase			1,850	1,850				0
Retirement contribution increase			33,330	33,330				0
Adds funding for 1 FTE receptionist position	1.00		154,370	154,370				0
Removes funding for 1 FTE internal auditor position	(1.00)		(195,291)	(195,291)				0
Adds funding for 1 FTE accountant position	1.00		195,291	195,291				0
Adds funding for a marketing intern			48,805	48,805				0
Reduces funding for mobile application software			(21,242)	(21,242)				0
Adds funding for information technology operating expenses			21,277	21,277				0
Reduces funding for rent			(80,865)	(80,865)				0
Adds funding for Microsoft Office 365 license expenses			4,076	4,076				0
Total ongoing funding changes	1.00	\$0	\$399,816	\$399,816	0.00	\$0	\$0	\$0
<b>One-time funding items</b>								
Adds funding to upgrade benefit enrollment software			\$104,500	\$104,500				\$0
Adds funding to upgrade the PERSLink business system			257,600	257,600				0
Total one-time funding changes	0.00	\$0	\$362,100	\$362,100	0.00	\$0	\$0	\$0
<b>Total Changes to Base Level Funding</b>	1.00	\$0	\$761,916	\$761,916	0.00	\$0	\$0	\$0
<b>2021-23 Total Funding</b>	35.50	\$0	\$10,108,112	\$10,108,112	34.50	\$0	\$9,346,196	\$9,346,196
<i>Total ongoing changes as a percentage of base level</i>	2.9%		4.3%	4.3%	0.0%		0.0%	0.0%
<i>Total changes as a percentage of base level</i>	2.9%		8.2%	8.2%	0.0%		0.0%	0.0%

**Other Sections in Public Employees Retirement System - Budget No. 192**

	Executive Budget Recommendation	House Version
Contingencies line item transfers	Section 3 would provide, upon approval of the Public Employees Retirement System Board, the Public Employees Retirement System office may transfer from the contingencies line item in Section 1 of the bill to all other line	

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1023  
2/16/2021

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.

**10:23 Chairman Delzer** Opened the meeting for HB 1023;

Attendance	P/A
Representative Jeff Delzer	P
Representative Keith Kempenich	P
Representative Bert Anderson	P
Representative Larry Bellew	P
Representative Tracy Boe	P
Representative Mike Brandenburg	P
Representative Michael Howe	P
Representative Gary Kreidt	P
Representative Bob Martinson	P
Representative Lisa Meier	P
Representative Alisa Mitskog	P
Representative Corey Mock	P
Representative David Monson	P
Representative Mike Nathe	P
Representative Jon O. Nelson	P
Representative Mark Sanford	P
Representative Mike Schatz	P
Representative Jim Schmidt	P
Representative Randy A. Schobinger	P
Representative Michelle Strinden	P
Representative Don Vigasaa	P

### Discussion Topics:

- Amendment

**10:24 Representative Bellew-** Explains budget and amendment 21.0282.01001

**10:27 Representative Bellew-** Motion to amend 21.0282.01001

**Representative Meier- Second**

Further discussion

**10:29 Voice Vote- Motion Carries**



**10:29 Representative Bellew-** Motion for Do Pass as Amended

**Representative Meier** Second

**Roll Call Vote was taken;**

<b>Representatives</b>	<b>Vote</b>
Representative Jeff Delzer	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Tracy Boe	Y
Representative Mike Brandenburg	Y
Representative Michael Howe	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Jim Schmidt	Y
Representative Randy A. Schobinger	Y
Representative Michelle Strinden	Y
Representative Don Vigasaa	Y

**Motion Carries 21-0-0 Representative Bellew will carry the bill**

**Additional written testimony:** No Written Testimony

**10:30 Chairman Delzer-** Close the meeting for HB 1023

*Risa Berube,*

*House Appropriations Committee Clerk*

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1023

Page 1, line 2, remove "; and to provide an exemption"

Page 1, replace lines 9 through 16 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,652,604	\$274,893	\$6,927,497
Operating expenses	2,443,592	(65,376)	2,378,216
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$9,346,196	\$209,517	\$9,555,713
Full-time equivalent positions	34.50	0	34.50"

Page 1, remove lines 23 and 24

Page 2, remove lines 1 through 3

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1023 - Public Employees Retirement System - House Action**

	<u>Base Budget</u>	<u>House Changes</u>	<u>House Version</u>
Salaries and wages	\$6,652,604	\$274,893	\$6,927,497
Operating expenses	2,443,592	(65,376)	2,378,216
Contingencies	<u>250,000</u>		<u>250,000</u>
Total all funds	\$9,346,196	\$209,517	\$9,555,713
Less estimated income	<u>9,346,196</u>	<u>209,517</u>	<u>9,555,713</u>
General fund	\$0	\$0	\$0
FTE	34.50	0.00	34.50

**Department 192 - Public Employees Retirement System - Detail of House Changes**

	<u>Adjusts Funding for Base Payroll Changes<sup>1</sup></u>	<u>Adds Funding for Salary and Benefit Increases<sup>2</sup></u>	<u>Reduces Funding for Internal Auditor Position<sup>3</sup></u>	<u>Adds Funding for Accountant Position<sup>4</sup></u>	<u>Adds Funding for Marketing Intern<sup>5</sup></u>	<u>Adjusts Funding for Information Technology<sup>6</sup></u>
Salaries and wages	\$68,781	\$168,685	(\$180,926)	\$180,926	\$37,427	
Operating expenses			(14,365)	14,365	11,378	\$35
Contingencies						
Total all funds	\$68,781	\$168,685	(\$195,291)	\$195,291	\$48,805	\$35
Less estimated income	<u>68,781</u>	<u>168,685</u>	<u>(195,291)</u>	<u>195,291</u>	<u>48,805</u>	<u>35</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	(1.00)	1.00	0.00	0.00

DP 2/14/21  
2 of 2

	Reduces Funding for Rent <sup>1</sup>	Adds Funding for Microsoft Office 365 Licensing Expenses <sup>8</sup>	Total House Changes
Salaries and wages			\$274,893
Operating expenses	(\$80,865)	\$4,076	(65,376)
Contingencies			
Total all funds	(\$80,865)	\$4,076	\$209,517
Less estimated income	(80,865)	4,076	209,517
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

<sup>1</sup> Funding is adjusted for base payroll changes.

<sup>2</sup> The following funding is added for 2021-23 biennium salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250; and increases in health insurance premiums from \$1,427 to \$1,429 per month:

	<u>Other Funds</u>
Salary increase	\$166,884
Health insurance increase	<u>1,801</u>
Total	\$168,685

<sup>3</sup> One FTE internal auditor position (\$180,926) and related operating expenses (\$14,365) is removed.

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<sup>5</sup> Funding for a marketing intern position is added of which \$37,427 is for salaries and \$11,378 is for operating expenses.

<sup>6</sup> Funding is adjusted for information technology expenses, including the reduction of \$21,242 for mobile application software and the addition of \$21,277 of other information technology operating expenses.

<sup>7</sup> Funding for rent is reduced by \$80,865 to provide total funding of \$272,925 for rent expenses.

<sup>8</sup> Funding for Microsoft Office licensing expenses is added.

Section 3 of the bill allowing line item transfers from the contingencies line item is removed.

**REPORT OF STANDING COMMITTEE**

**HB 1023: Appropriations Committee (Rep. Delzer, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1023 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "; and to provide an exemption"

Page 1, replace lines 9 through 16 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,652,604	\$274,893	\$6,927,497
Operating expenses	2,443,592	(65,376)	2,378,216
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$9,346,196	\$209,517	\$9,555,713
Full-time equivalent positions	34.50	0	34.50"

Page 1, remove lines 23 and 24

Page 2, remove lines 1 through 3

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1023 - Public Employees Retirement System - House Action**

	<u>Base Budget</u>	<u>House Changes</u>	<u>House Version</u>
Salaries and wages	\$6,652,604	\$274,893	\$6,927,497
Operating expenses	2,443,592	(65,376)	2,378,216
Contingencies	<u>250,000</u>		<u>250,000</u>
Total all funds	\$9,346,196	\$209,517	\$9,555,713
Less estimated income	<u>9,346,196</u>	<u>209,517</u>	<u>9,555,713</u>
General fund	\$0	\$0	\$0
FTE	34.50	0.00	34.50

**Department 192 - Public Employees Retirement System - Detail of House Changes**

	<u>Adjusts Funding for Base Payroll Changes<sup>1</sup></u>	<u>Adds Funding for Salary and Benefit Increases<sup>2</sup></u>	<u>Reduces Funding for Internal Auditor Position<sup>3</sup></u>	<u>Adds Funding for Accountant Position<sup>4</sup></u>	<u>Adds Funding for Marketing Intern<sup>5</sup></u>	<u>Adjusts Funding for Information Technology<sup>6</sup></u>
Salaries and wages	\$68,781	\$168,685	(\$180,926)	\$180,926	\$37,427	
Operating expenses			(14,365)	14,365	11,378	\$35
Contingencies						
Total all funds	\$68,781	\$168,685	(\$195,291)	\$195,291	\$48,805	\$35
Less estimated income	<u>68,781</u>	<u>168,685</u>	<u>(195,291)</u>	<u>195,291</u>	<u>48,805</u>	<u>35</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	(1.00)	1.00	0.00	0.00

	<u>Reduces Funding for Rent<sup>7</sup></u>	<u>Adds Funding for Microsoft Office 365 Licensing Expenses<sup>8</sup></u>	<u>Total House Changes</u>
Salaries and wages			\$274,893
Operating expenses	(\$80,865)	\$4,076	(65,376)
Contingencies			
Total all funds	(\$80,865)	\$4,076	\$209,517
Less estimated income	<u>(80,865)</u>	<u>4,076</u>	<u>209,517</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

<sup>1</sup> Funding is adjusted for base payroll changes.

<sup>2</sup> The following funding is added for 2021-23 biennium salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250; and increases in health insurance premiums from \$1,427 to \$1,429 per month:

	<u>Other Funds</u>
Salary increase	\$166,884
Health insurance increase	<u>1,801</u>
Total	\$168,685

<sup>3</sup> One FTE internal auditor position (\$180,926) and related operating expenses (\$14,365) is removed.

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<sup>5</sup> Funding for a marketing intern position is added of which \$37,427 is for salaries and \$11,378 is for operating expenses.

<sup>6</sup> Funding is adjusted for information technology expenses, including the reduction of \$21,242 for mobile application software and the addition of \$21,277 of other information technology operating expenses.

<sup>7</sup> Funding for rent is reduced by \$80,865 to provide total funding of \$272,925 for rent expenses.

<sup>8</sup> Funding for Microsoft Office licensing expenses is added.

Section 3 of the bill allowing line item transfers from the contingencies line item is removed.

**2021 SENATE APPROPRIATIONS**

**HB 1023**

**Department 192 - Public Employees Retirement System**  
**House Bill No. 1023**

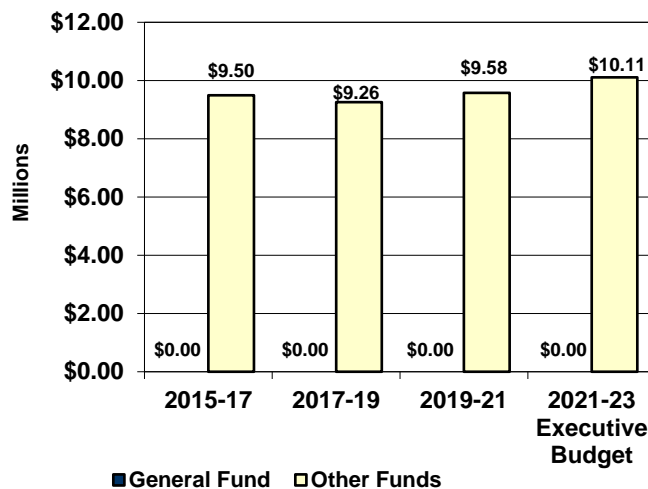
**Executive Budget Comparison to Prior Biennium Appropriations**

	FTE Positions	General Fund	Other Funds	Total
2021-23 Executive Budget	35.50	\$0	\$10,108,112	\$10,108,112
2019-21 Legislative Appropriations	34.50	0	9,576,196	9,576,196
Increase (Decrease)	1.00	\$0	\$531,916	\$531,916

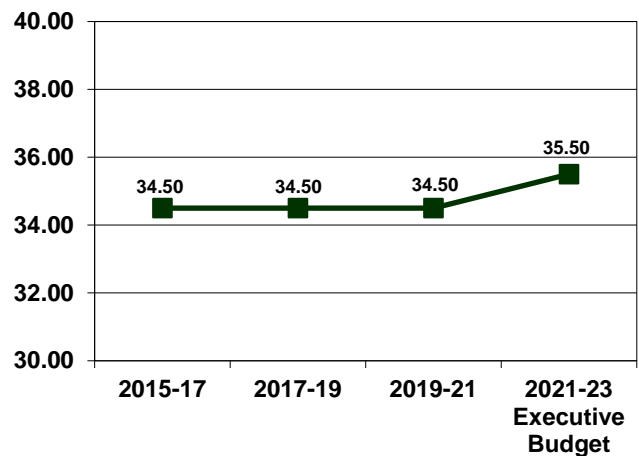
**Ongoing and One-Time Other Funds Appropriations**

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2021-23 Executive Budget	\$9,746,012	\$362,100	\$10,108,112
2019-21 Legislative Appropriations	9,346,196	230,000	9,576,196
Increase (Decrease)	\$399,816	\$132,100	\$531,916

**Agency Funding**



**FTE Positions**



**Executive Budget Comparison to Base Level**

	General Fund	Other Funds	Total
2021-23 Executive Budget	\$0	\$10,108,112	\$10,108,112
2021-23 Base Level	0	9,346,196	9,346,196
Increase (Decrease)	\$0	\$761,916	\$761,916

**First House Action**

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights  
 (With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$169,434 is for salary increases, \$1,850 is for health insurance increases, and \$33,330 is for retirement increases. <b>The House added funding for salary adjustments of 1.5 percent per year with a \$100 minimum and \$250 maximum monthly increase and increases in health insurance premiums from \$1,427 to \$1,429 per month. The House did not add funding for retirement contribution increases.</b>	\$0	\$204,614	\$204,614
2. Adds funding for 1 FTE receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses. <b>The House did not add funding for 1 FTE receptionist position.</b>	\$0	\$154,370	\$154,370

3. Removes funding for 1 FTE internal auditor position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses.	\$0	(\$195,291)	(\$195,291)
4. Adds funding for 1 FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses.	\$0	\$195,291	\$195,291
5. Adds funding for a marketing intern, of which \$37,427 is for salaries and \$11,378 is for related operating expenses.	\$0	\$48,805	\$48,805
6. Adjusts funding for information technology expenses, including the reduction of \$21,242 for mobile application software and the addition of \$21,277 of other information technology operating expenses.	\$0	\$35	\$35
7. Reduces funding for rent.	\$0	(\$80,865)	(\$80,865)
8. Adds funding for Microsoft Office 365 license expenses.	\$0	\$4,076	\$4,076
9. Adds <b>one-time funding</b> to upgrade benefit enrollment software. <b>The House did not add funding to upgrade benefit enrollment.</b>	\$0	\$104,500	\$104,500
10. Adds <b>one-time funding</b> to upgrade the PERSLink business system. <b>The House did not add funding to upgrade the PERSlink business system.</b>	\$0	\$257,600	\$257,600

### Continuing Appropriations

**Public Employees Retirement System** - Various sections - For benefit payments, investments, and actuarial and technical consulting for each program area.

### Significant Audit Findings

The audit for the Public Employees Retirement System conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the period ending June 30, 2019, did not identify any significant audit findings.

The schedule of employer allocations and pension amounts by employer prepared for the Public Employees Retirement System and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2019, did not identify any significant audit findings.

The other post-employment benefits schedule prepared for the Public Employees Retirement System and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2019, did not identify any significant audit findings.

### Major Related Legislation

**House Bill No. 1174** - Changes retirement eligibility for retirement benefits relating to the Teachers' Fund for Retirement.

**House Bill No. 1209** - Provides for a Legislative Management study of the Public Employees Retirement System defined benefit and defined contribution retirement plans.

**House Bill No. 1233** - Requires the Public Employees Retirement System to contract for an audit of every pharmacy benefit manager providing contract services for the uniform group health insurance program.

**House Bill No. 1245** - Requires the Public Employees Retirement System Board to receive Budget Section approval prior to accepting bids for hospital benefits coverage, medical benefits coverage, or prescription drug benefits coverage.

**Senate Bill No. 2043** - Increases employer contributions to the Highway Patrolmen's retirement system by 4 percent to provide total employer contributions of 23.7 percent.

**Senate Bill No. 2045** - Allows the Public Employees Retirement System Board to charge reasonable administrative expenses and deduct those expenses from a participating member's account in the deferred compensation plan. The board is required to deposit vendor fines and fees collected and any money deducted from a participating member's account in an administrative expenses account. The bill provides the board a continuing appropriation from the administrative expenses account for the purpose of retaining a consultant as required for administrative expenses of the deferred compensation plan.

**Senate Bill No. 2046** - Increases employer and employee contributions to the Public Employees Retirement System defined benefit and defined contribution plans by 0.5 percent to provide employer contributions of 7.62 percent and employee contributions of 7.5 percent. The state pays 4 percent of the employee share of retirement contributions, resulting in total employer contributions of 11.62 percent and total employee contributions of 3.5 percent.

**Senate Bill No. 2170** - Imposes price controls on prescription drugs from Canada.

**Senate Bill No. 2179** - Provides for a Legislative Management study of coverage of telehealth costs, services, and reimbursement options.



# Public Employees Retirement System - Budget No. 192

## House Bill No. 1023

### Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
<b>2021-23 Biennium Base Level</b>	34.50	\$0	\$9,346,196	\$9,346,196	34.50	\$0	\$9,346,196	\$9,346,196
<b>2021-23 Ongoing Funding Changes</b>								
Base payroll changes			\$68,781	\$68,781			\$68,781	\$68,781
Salary increase			169,434	169,434			166,884	166,884
Health insurance increase			1,850	1,850			1,801	1,801
Retirement contribution increase			33,330	33,330				0
Adds funding for 1 FTE receptionist position	1.00		154,370	154,370				0
Removes funding for 1 FTE internal auditor position	(1.00)		(195,291)	(195,291)	(1.00)		(195,291)	(195,291)
Adds funding for 1 FTE accountant position	1.00		195,291	195,291	1.00		195,291	195,291
Adds funding for a marketing intern			48,805	48,805			48,805	48,805
Reduces funding for mobile application software			(21,242)	(21,242)			(21,242)	(21,242)
Adds funding for information technology operating expenses			21,277	21,277				21,277
Reduces funding for rent			(80,865)	(80,865)			(80,865)	(80,865)
Adds funding for Microsoft Office 365 license expenses			4,076	4,076			4,076	4,076
Total ongoing funding changes	1.00	\$0	\$399,816	\$399,816	0.00	\$0	\$209,517	\$209,517
<b>One-time funding items</b>								
Adds funding to upgrade benefit enrollment software			\$104,500	\$104,500				\$0
Adds funding to upgrade the PERSLink business system			257,600	257,600				0
Total one-time funding changes	0.00	\$0	\$362,100	\$362,100	0.00	\$0	\$0	\$0
<b>Total Changes to Base Level Funding</b>	1.00	\$0	\$761,916	\$761,916	0.00	\$0	\$209,517	\$209,517
<b>2021-23 Total Funding</b>	35.50	\$0	\$10,108,112	\$10,108,112	34.50	\$0	\$9,555,713	\$9,555,713
<i>Total ongoing changes as a percentage of base level</i>	2.9%		4.3%	4.3%	0.0%		2.2%	2.2%
<i>Total changes as a percentage of base level</i>	2.9%		8.2%	8.2%	0.0%		2.2%	2.2%

### Other Sections in Public Employees Retirement System - Budget No. 192

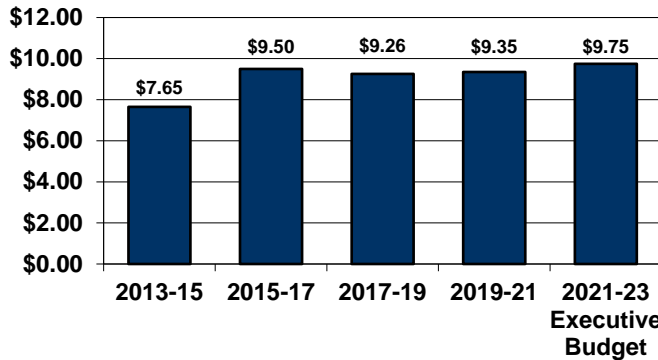
	Executive Budget Recommendation	House Version
Contingencies line item transfers	Section 3 would provide, upon approval of the Public Employees Retirement System Board, the Public Employees Retirement System office may transfer from the contingencies line item in Section 1 of the bill to all other line	There are no other sections for this agency.

## Department 192 - Public Employees Retirement System

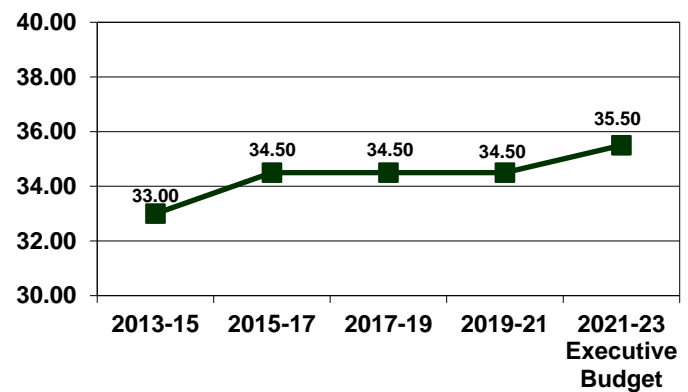
## Historical Appropriations Information

## Ongoing Other Funds Appropriations Since 2013-15

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2013-15	2015-17	2017-19	2019-21	2021-23 Executive Budget
Ongoing other funds appropriations	\$7,650,450	\$9,496,373	\$9,258,390	\$9,346,196	\$9,746,012
Increase (decrease) from previous biennium	N/A	\$1,845,923	(\$237,983)	\$87,806	\$399,816
Percentage increase (decrease) from previous biennium	N/A	24.1%	(2.5%)	0.9%	4.3%
Cumulative percentage increase (decrease) from 2013-15 biennium	N/A	24.1%	21.0%	22.2%	27.4%

## Major Increases (Decreases) in Ongoing Other Funds Appropriations

## 2015-17 Biennium

1. Added funding for 1 FTE chief financial officer position	\$216,069
2. Added funding for 0.50 FTE benefit support position	\$51,346
3. Added funding for additional workload due to the portability of retiree health credit	\$43,052
4. Added funding for general operating expenses increases	\$134,470
5. Added funding for PERSLink system refinements	\$147,000
6. Added funding for website redesign	\$90,080
7. Added funding for a secure reception area	\$27,500
8. Added funding for additional temporary support salaries	\$122,352
9. Added funding for desktop support services	\$75,580

## 2017-19 Biennium

1. Adjusted funding for salaries and wages	(\$150,000)
2. Reduced funding for printing and postage costs for newsletters (\$29,752) and annual benefit statements (\$33,220)	(\$62,972)
3. Reduced funding for hosting costs for a mobile application	(\$43,000)

## 2019-21 Biennium

1. Adjusted funding for information technology operating expenses	(\$230,519)
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## 2021-23 Biennium (Executive Budget Recommendation)

1. Adds funding for 1 FTE receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses. <b>The House did not add funding for 1 FTE receptionist position.</b>	\$154,370
2. Removes funding for 1 FTE internal auditor position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses.	(\$195,291)

3. Adds funding for 1 FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses.	\$195,291
4. Adds funding for a marketing intern, of which \$37,427 is for salaries and \$11,378 is for related operating expenses.	\$48,805
5. Reduces funding for rent.	(\$80,865)

**GOVERNOR'S RECOMMENDATION FOR THE  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
AS SUBMITTED BY THE  
OFFICE OF MANAGEMENT AND BUDGET**

**SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys from special funds derived from income for the purpose of defraying their expenses, for the biennium beginning July 1, 2021, and ending June 30, 2023, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$6,652,604	\$450,159	\$ 7,102,763
Operating Expenses	2,443,592	54,157	2,497,749
Capital Assets	0	257,600	257,600
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total All Funds	\$9,346,196	\$761,916	\$10,108,112
Less Estimated Income	<u>9,346,196</u>	<u>761,916</u>	<u>10,108,112</u>
Total General Fund	\$ 0	\$ 0	\$ 0
Full-time Equivalent Positions	34.50	1.00	35.50

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-EIGHTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding items approved by the sixty- sixth legislative assembly for the 2019-21 biennium and the 2021-23 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
IT Risk Assessment	\$ 40,000	\$ 0
Upgrade Business System	190,000	0
Upgrade PERSLink to BPM	0	257,600
Additional Development Resources	<u>0</u>	<u>104,500</u>
Total Special Funds	\$230,000	\$362,100

The 2021-23 one-time funding amounts are not a part of the entity's base budget for the 2023-25 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-eighth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2021 and ending June 30, 2023.

**SECTION 3. APPROPRIATION LINE ITEM TRANSFERS.** Upon approval of the board, the public employees retirement system may transfer from their contingency line item in section 1 of this Act to all other line items. The agency shall notify the office of management and budget of each transfer made pursuant to this section.

# 2021 SENATE STANDING COMMITTEE MINUTES

**Appropriations Committee**  
Roughrider Room, State Capitol

HB 1023  
3/17/2021  
Senate Appropriations Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system.
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**Senator Krebsbach** opened the hearing at 3:15 PM.

Senators present: **Holmberg, Krebsbach, Wanzek, Bekkedahl, Poolman, Erbele, Dever, Oehlke, Rust, Davison, Hogue, Sorvaag, Mathern, and Heckaman.**

**Discussion Topics:**

- Deferred Members/Vested Members
- Entities in Deferred Comp
- Defined Benefit Plans

**Scott Miller, Executive Director, ND Public Employees Retirement System (PERS)** – testified in favor and submitted testimony #9521.

**Derrick Hohbein, CFO, ND Public Employees Retirement System** – testified and continued with testimony #9521.

**Additional written testimony: #9526**

**Senator Krebsbach** closed the hearing at 4:05 PM.

*Rose Laning, Committee Clerk*

**TESTIMONY OF NDPERS****HOUSE BILL 1023**

Good morning Mr. Chairman, members of the committee, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System or PERS, and I am here today to provide you with an overview of our agency as well as our work efforts.

With me today is Derrick Hohbein, our Chief Operating/Financial Officer, and he will provide you an overview of our budget request.

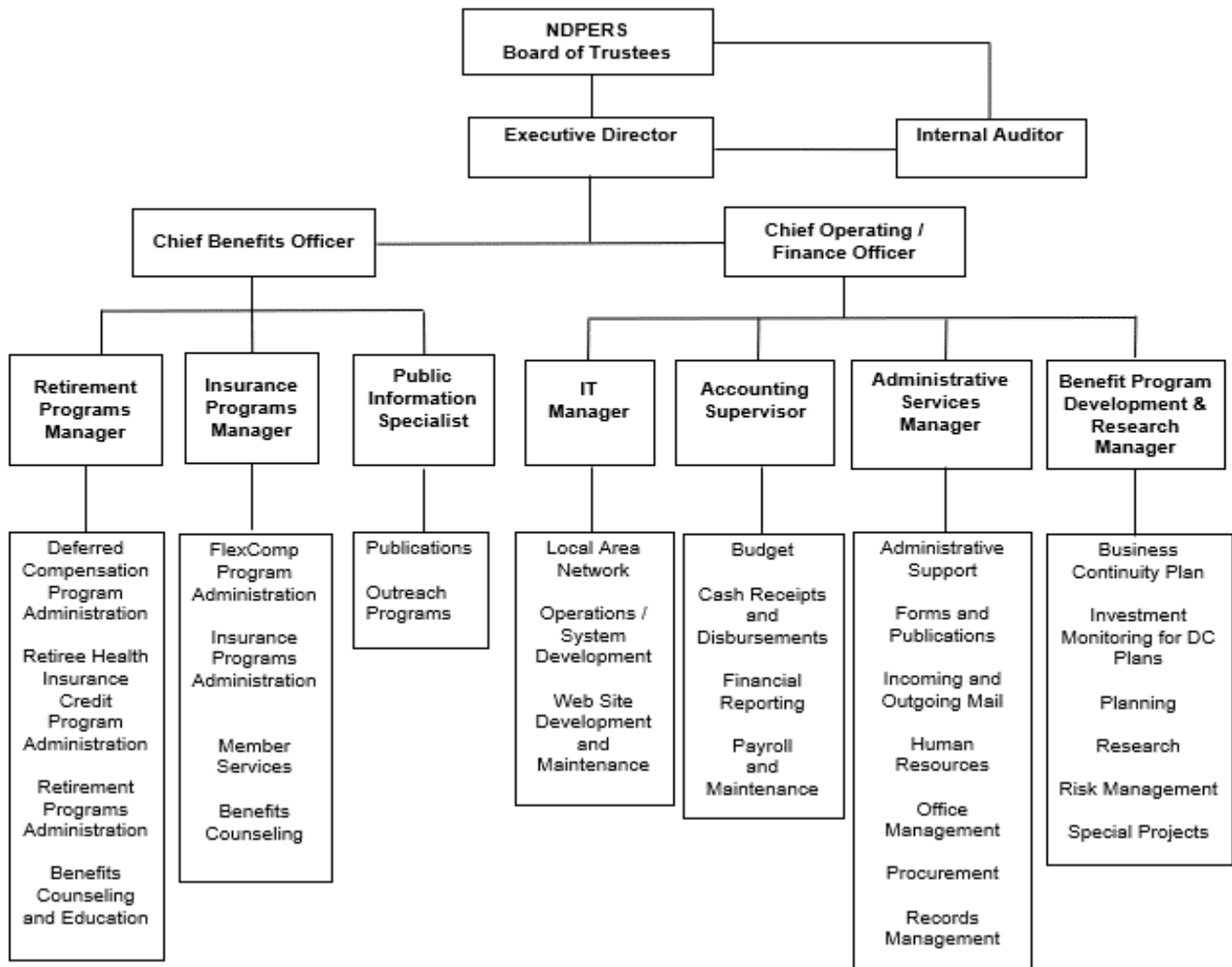
**Agency Overview**

First let me start by providing an overview of our agency. PERS is directed by a nine member Board composed of the following members:

Chair (appointed by Governor)	Mona Rindy
Appointed by Attorney General	Troy Seibel
State Health Officer	Dirk Wilke
Elected	Kim Wassim
Elected	Casey Goodhouse
Elected	Adam Miller
Elected Retiree	Yvonne Smith
Legislative Appointee	Senator Tim Mathern
Legislative Appointee	Representative Jason Dockter

The Board oversees a staff that has the following administrative structure:

# Organizational Chart



The Board oversees the administration of the following North Dakota Century Code chapters: 39-03.1 (Highway Patrol Retirement), 52-11 (Job Service Retirement Plan), 54-52 (Main PERS Plan), 54-52.1 (Group Insurance Program), 54-52.2 (Deferred Compensation Plan), 54-52.3 (Pretax Benefits Program), and 54-52.6 (Defined Contribution Retirement Plan). As you can see, the PERS program responsibilities fall under two broad categories – retirement and group insurance.

Section 54-52-02 states that the overall mission for the retirement program is “to provide for the payment of benefits to state and political subdivision employees or to their beneficiaries thereby enabling the employees to care for themselves and their dependents and which by its provisions will improve state and political subdivision employment, reduce excessive personnel turnover, and offer career employment to high grade men and women.” Similarly, section 54-52.1-02 establishes the overall mission for the group insurance plan as follows: “In order to promote the economy and efficiency of employment in the state’s service, reduce personnel turnover, and offer an incentive to high grade individuals to enter and remain in the service of state employment, there is created a uniform group insurance program”.

Concerning the retirement programs, the following table gives you an overview of the programs and some statistical information:

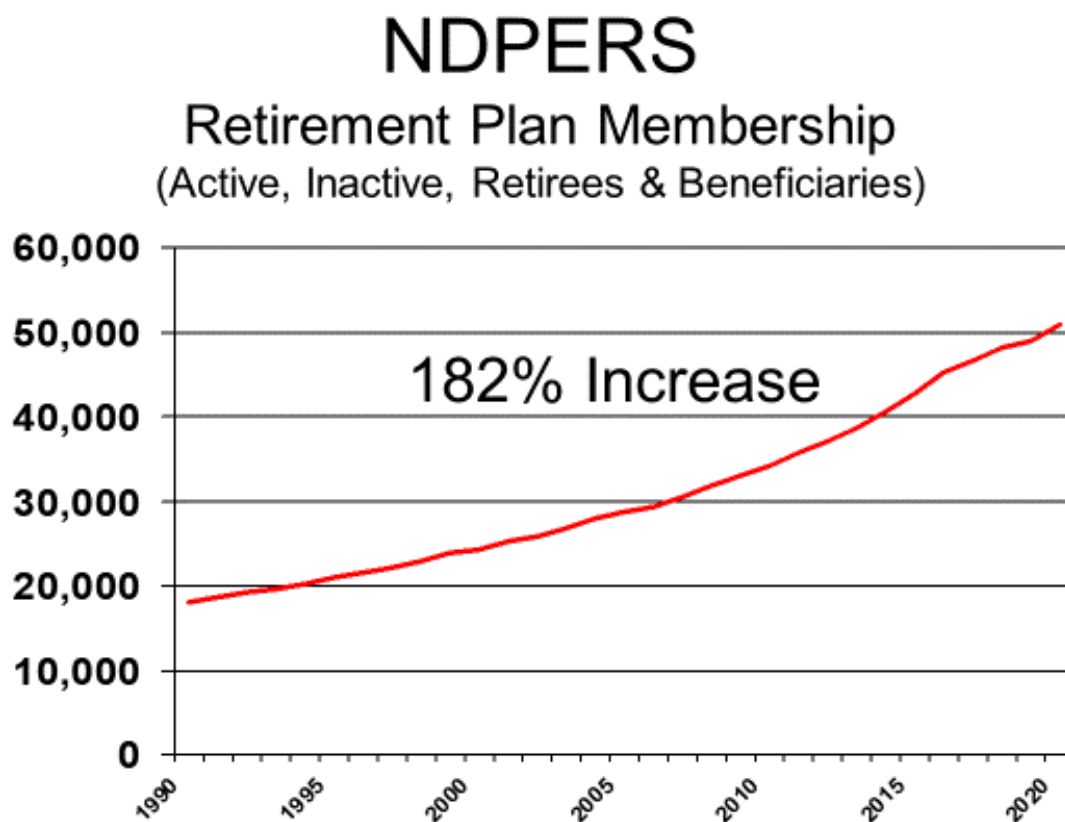
January 2020	RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS								
	<b>TOTAL</b>	<b>Main</b>		<b>Public</b>	<b>Highway</b>	<b>Job</b>	<b>DEFINED</b>	<b>DEFERRED</b>	<b>HEALTH</b>
	<b>RETIREMENT</b>	<b>System</b>	<b>Judges</b>	<b>Safety</b>	<b>Patrol</b>	<b>Service</b>	<b>CONTRIBUTION</b>	<b>COMP</b>	<b>CREDIT</b>
									<b>(RHIC)</b>
<b>PARTICIPATING EMPLOYERS</b>									
State	95	95	1	2	1	1	95	95	95
Counties	52	52		18				32	52
School Dist	127	127		2				18	127
Cities	92	91		15				37	92
Others	81	80		1				36	81
	<b>447</b>							<b>218</b>	<b>447</b>
<b>EMPLOYEES</b>									
State	10,363	9,998	57	74	140	6	88	6,024	10,363
Counties	4,243	3,736		505			2	778	4,243
School Dist	6,948	6,945		2			1	74	6,948
Cities	2,570	2,238		329			3	345	2,570
Others	785	774		10			1	291	785
Subtotal	24,909	23,691	57	920	140	6	95	7,512	24,909
Retirees	12,674	12,117	58	125	136	185	53		12,471
Subtotal	<b>37,583</b>	<b>35,808</b>	<b>115</b>	<b>1,045</b>	<b>276</b>	<b>191</b>	<b>148</b>	<b>7,512</b>	<b>37,380</b>
Deferred Members	13,310	12,856	2	409	42	1			
	<b>50,893</b>	<b>48,664</b>	<b>117</b>	<b>1,454</b>	<b>318</b>	<b>192</b>	<b>148</b>	<b>7,512</b>	

As you can see, PERS is responsible for the administration of 9 different retirement programs. The Job Service Retirement Plan was assigned to our agency by the 2001 legislative assembly. The Public Safety Plan for political subdivisions was added by the 2003 legislative assembly and is divided into two plans, those with past service and those without. This plan has since been expanded to cover certain State employees and, most recently, was expanded to include firefighters during the 2017 session.



The optional defined contribution plan for non-classified state employees was assigned to our agency in 1999. Eligibility for this plan was expanded to provide new State employees with this option effective August 1, 2013 through July 31, 2017. The other retirement programs have been a part of PERS since the 1980s. You will note the largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the State, but also to political subdivisions. In this plan, about 42% of the active members are State employees and 58% are political subdivision employees. School districts are the second largest group followed by counties and cities. We continue to see growth as a result of political subdivisions joining the retirement plan. In the last two years we have added 20 new employer groups into our Defined Benefit plans, which shows that this continues to be an effective recruiting tool for our state.

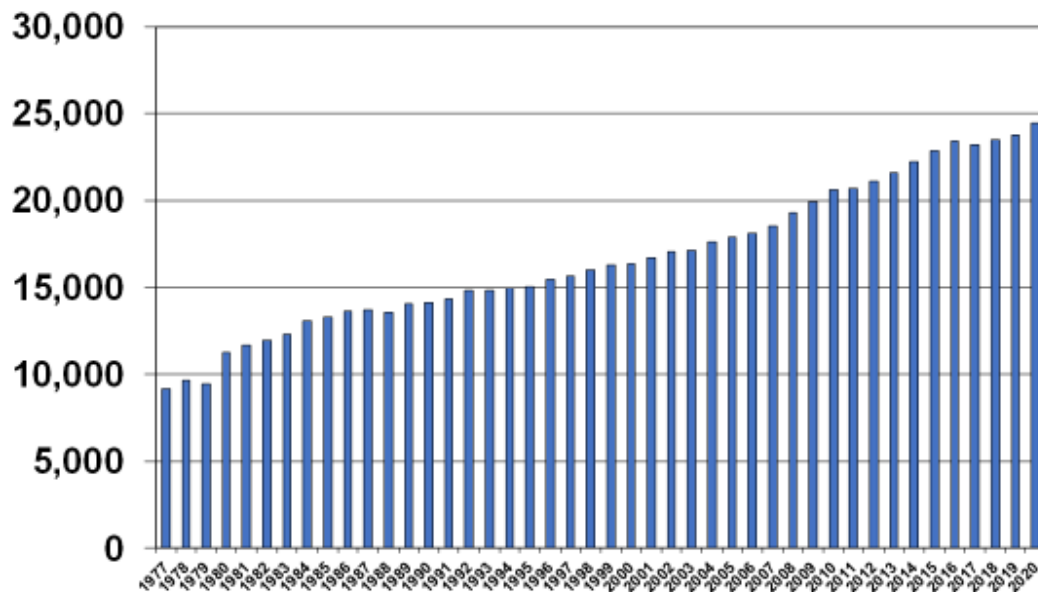
Some historical statistics about the retirement plan include membership:



Of this, the number of active members has grown:

## NDPERS Retirement Actives

(Main System, Judges & Public Safety Systems)

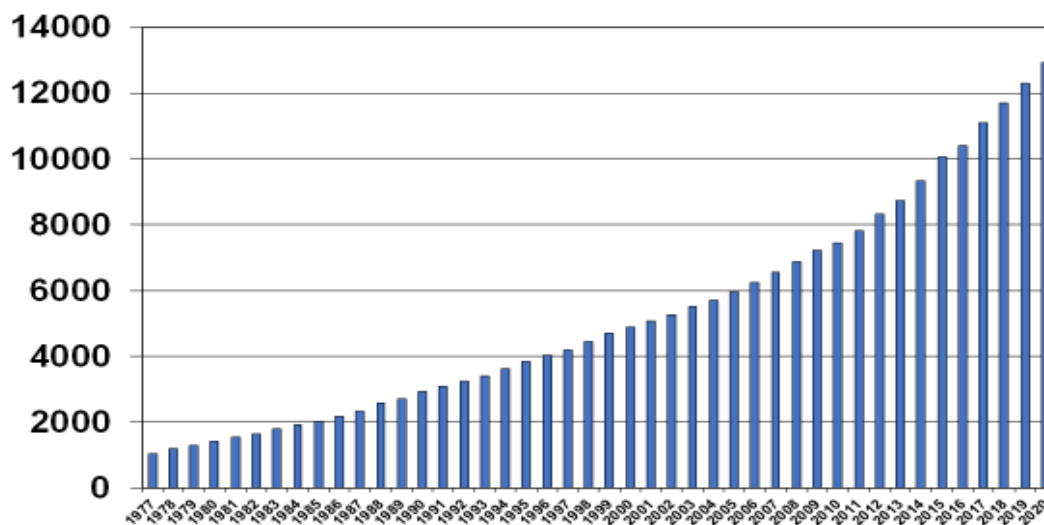


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The number of retired members has grown as well, and at an even greater rate than our active members:

## NDPERS Retirement Retirees

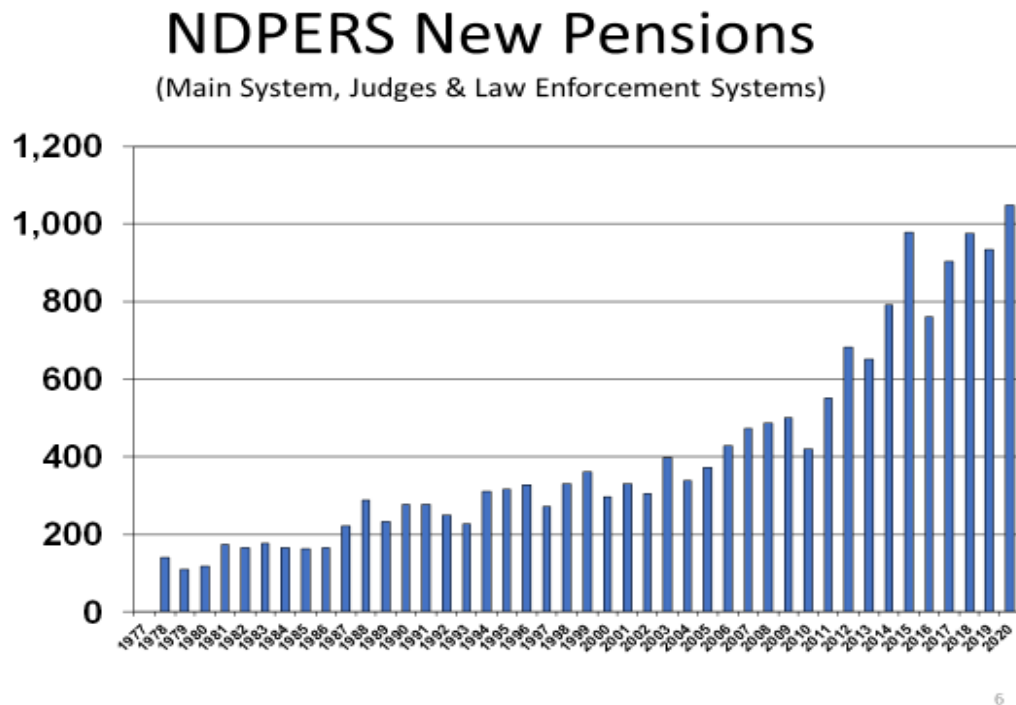
(Main System, Judges & Public Safety Systems)



3

Another interesting statistic about the retirement plan is that, since 1977, the PERS plan has received approximately \$2.31 billion in contributions, and as of the last fiscal year (July 2020) we had \$3.15 billion in assets. During that same period, we paid out about \$2.42 billion in benefits.

The number of new retirees each year continues to grow. The table below shows that in the last three fiscal years (July – June) there were 977, 933, and 1049 new retirees.



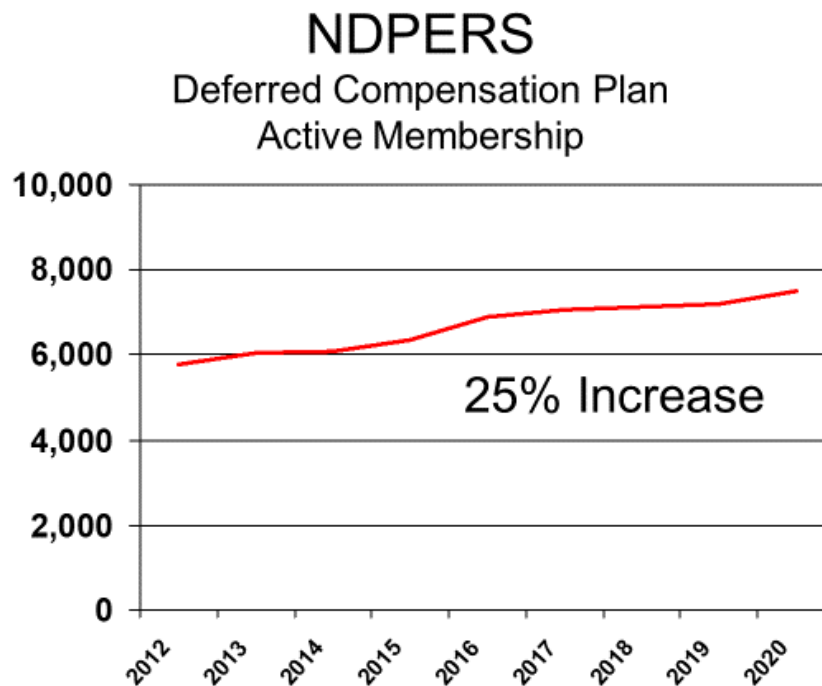
As we look to the future, we see the retired membership continuing to grow and the number of active members remaining about the same. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

	Age 65	Rule of 85	Total
Currently eligible as of January 2021	1,085	1,234	2,319
Newly eligible in 2022	303	335	638
2023	326	298	624
2024	313	304	617
2025	390	303	693
2026	377	286	663

Servicing the present and future needs of the retired membership is a growing challenge for PERS.

In addition to the administration of the traditional retirement plans, PERS administers the 457 Deferred Compensation Plan, which is the state's supplemental savings program.

The membership in that program has also grown over the years as shown below:



We are pleased by this growth since it is important that our members have supplemental savings for retirement. During our annual benefit enrollment period conducted each Fall, we include targeted messaging to encourage members to take action to provide for a more secure financial future. In 1999, the Legislature enacted the Portability Enhancement Provision, or PEP, in our retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings through the Deferred Compensation Plan. There are currently over 7,275 retirement plan members receiving PEP.

The investment and recordkeeping services for the PERS Companion Plan are currently provided by TIAA. The Deferred Compensation Plan offers our members eight other providers to choose from in addition to the PERS Companion Plan:

American Trust Center  
 AXA Equitable (closed to new entrants)  
 Bank of North Dakota  
 Mass Mutual (closed to new entrants)

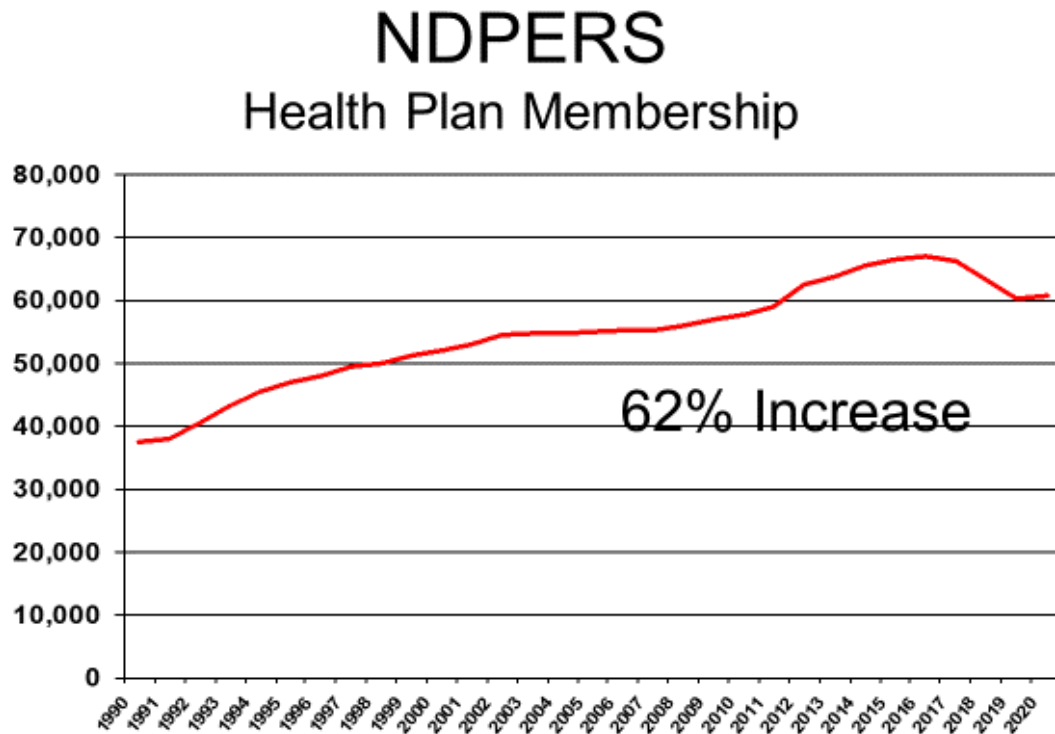
Jackson National  
 Nationwide Life  
 VALIC (closed to new entrants)  
 Waddell & Reed

Concerning the group insurance programs, the following gives you an overview of the programs and some statistical information:

January 2020	<b>GROUP INSURANCE PROGRAMS</b>					
	<b>MANAGED AND ADMINISTERED BY NDPERS</b>					
	<b>HEALTH</b>	<b>LIFE</b>	<b>DENTAL</b>	<b>VISION</b>	<b>EAP</b>	<b>FLEXCOMP</b>
<b>PARTICIPATING EMPLOYERS</b>						
State	95	95	95	95	95	77
Counties	41	34				
School Dist	22	11				
Cities	37	27				
Others	54	31	20	20	20	4
	<b>249</b>	<b>198</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>81</b>
<b>EMPLOYEES</b>						
State	14,225	14,897	8,200	8,877	14,996	2,481
Legislators	130	140				
Counties	1,777	2,835				
School Dist	1,193	91				
Cities	816	252				
Others	556	396			256	
Retirees	5,203	3,173	3,395	3212		
COBRA	191		48	53		
	<b>24,091</b>	<b>21,784</b>	<b>11,643</b>	<b>12,142</b>	<b>15,252</b>	<b>2,481</b>
<b>Covered Lives</b>	<b>60,538</b>					

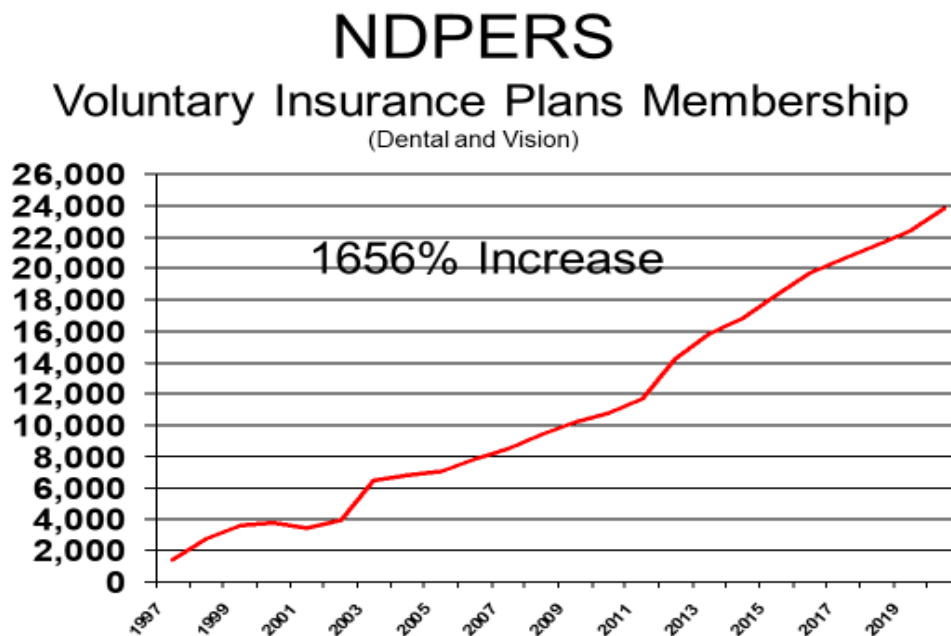
The group health and life insurance programs have been a part of the agency since the early 1970s. In the late 1990's the Employee Assistance Program, Dental Plan and Vision Plan were added to PERS. The FlexComp Program has been a part of the agency since 1989 and allows members to pretax eligible insurance premiums, dependent care expenses, and medical expenses. As you will note, the largest responsibility in this area is the health plan. In this program about 60% of members are state employees and 40% are political subdivisions or other groups such as retirees. We continue to focus on compliance with the Affordable Care Act (ACA), which includes maintaining the grandfathered status of the plan, assisting our participating employers with compliance, and conducting a special enrollment each year for temporary employees.

The following table shows the history of the membership in the health plan:



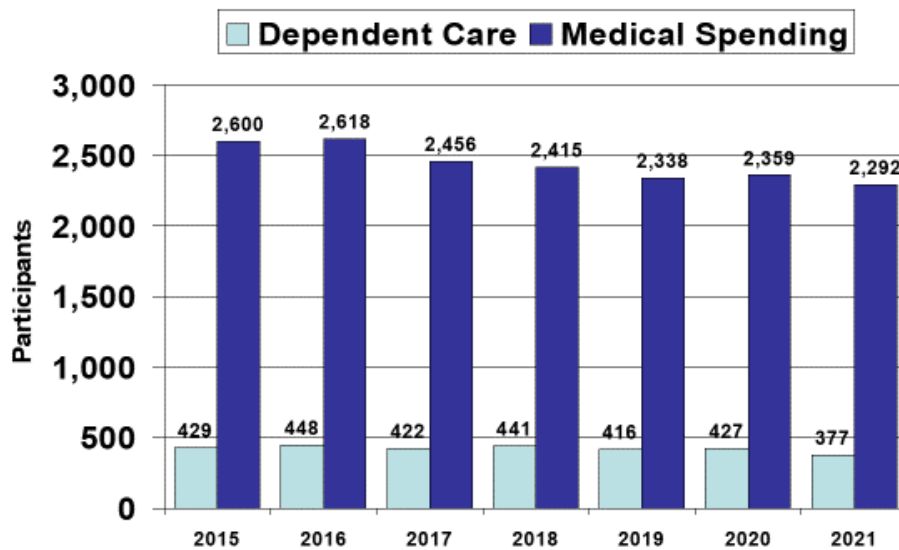
This plan was last bid in 2020, and the PERS Board has awarded the contract to Sanford Health Plan for the 2021-23 biennium under the same modified fully-insured arrangement that we have today.

The following table shows the history of the voluntary programs. This program area continues to see significant growth.

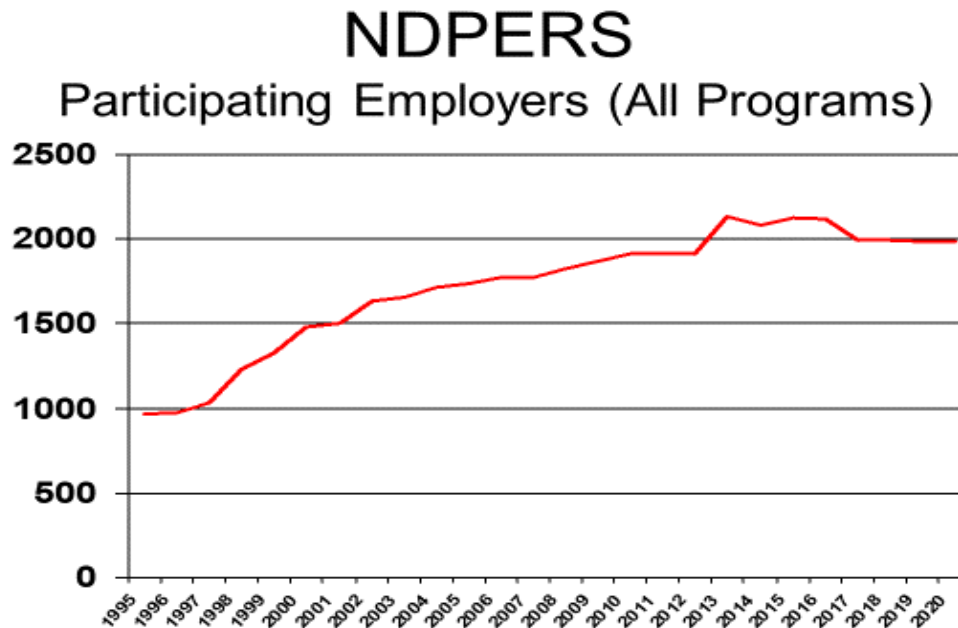


The following tables show the history of the number of members in the FlexComp program:

### NDPERS Flexcomp Participation



While we have been serving more members in more programs over time, we have also been serving more employers as they join PERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):



As shown above, PERS has faced two challenges over the years: the growth of program responsibilities, and the growing membership needs for assistance.

We are also concerned with maintaining the quality of what we do. To that extent, we have sought national review of our systems and other reviews as noted in the following:

- We have received the Public Pension Achievement Award and the Recognition Award for Administration.
- We have received the Certificate of Achievement for Excellence in Financial Reporting for the past 24 years (1996-2019).
- We have had unqualified audit opinions for over 30 years.
- We received favorable IRS determination letters for the PERS and Highway Patrol Retirement Plans.



In addition, we provide our members who request information from our office the opportunity to evaluate our customer service. Our average ratings for the past 6 years show overall satisfaction with our customer service. However, we have seen a slight decline in our ratings the past few years which we feel is reflective of reaching our capacity to provide the exceptional level of customer service our members have come to expect. We will be presenting testimony on how we'd like to address these concerns when we discuss our optional change packages.

The ratings are shown below based on a scale of 1-4, with 4 being the most satisfied:

## Customer Experience

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information easy to understand.	How well did we review and explain the information.
2015	464	3.82	3.67	3.62	3.73
2016	478	3.83	3.73	3.62	3.75
2017	540	3.83	3.76	3.58	3.69
2018*	1,084	3.76	3.59	3.56	3.63
2019	2,392	3.75	3.48	3.59	3.63
2020**	2,036	3.76	3.51	3.63	3.66

\*Moved to electronic customer experience survey last 2 months of 2018 which allows us to reach out to more members who have contacted our office

\*\*Preliminary annual results. December 2020 data is not complete.

## **Work Efforts**

Following are some of the major work efforts since we last reported to you in the 2019 session:

- Group Insurance
  - Issued a request for proposal for the Health plan and selected Sanford Health Plan to continue the modified fully insured arrangement that exists today
  - Renewed our FlexComp, Medicare Part D, Dental, Vision, and Life insurance contracts with the incumbent providers
  - Continued to work with our participating employers on compliance with the provisions of the Affordable Care Act.
  - Implemented a value-based care option in the health plan
  - Began offering a high deductible health plan (HDHP) to political subdivisions
  - Implemented pre-tax HSA employee deductions for members of the HDHP
  - Added an opioid management program to the health and Medicare Part D plans.
- Retirement
  - Conducted an actuarial experience study and adopted new asset allocation and liability assumptions
  - Conducted an Asset/Liability study and affirmed the asset allocation for the Main Plan and slightly modified the asset allocation for the RHIC plan
  - Submitted several options for consideration to the Legislative Employee Benefits Program Committee to address the retirement plan funded status
  - Submitted administrative rule changes in relation to exit liabilities for our DB plans
  - Renewed the 457 Companion Plan and 401(a) Defined Contribution Plan contract with the incumbent provider
  - Transitioned the Retiree Health Insurance Credit plan year to a calendar year
  - Refined service purchase cost calculation methodologies for members with multiple service purchases
  - Continued to de-risk the Job Service Retirement Plan's investment portfolio by adopting and implementing a more conservative asset allocation

- Went through an RFP process for an investment consultant to provide the Board with necessary information and guidance regarding our 457 and DC plans
- Administrative Accomplishments
  - Developed a secure file transfer process for employers submitting confidential information to NDPERS
  - Discontinued the Mobile App as of August 31, 2020 and reallocated those funds to upgrade the servers, RAM, and CPU on the business system servers
  - Submitted administrative rule changes
  - Implemented a benefit enrollment outbound file for employers that are on the state's central payroll program to eliminate dual processing for our employers
  - Implemented a daily feed to bring in Higher Ed's demographic information on newly hired employees, eliminating dual processing for that population
  - Offered our Pre-Retirement Education Program and Financial Essentials Workshop virtually through a TEAMS Live event with a record number of attendees
  - Partnered with HRMS to help implement the electronic employee on-boarding process
  - Developed a comprehensive annual communication plan to strategize the best way/time to communicate with our membership
  - Currently are converting our website to be under the NDIT umbrella
  - Obtained laptops for all staff so we can participate in a "hoteling" concept in our office to reduce rent
  - Plan on relocating our office to a state-owned building and having a footprint that is roughly ½ the size of our current office space

At this time, I will turn the presentation over to Derrick Hohbein to review the PERS budget request.

## **PERS Budget**

**2019-21 Budget.** The PERS budget is all special funds. This biennium we do have one-time funding expenses for which we would like to provide updates on.

Last session, PERS received \$40,000 to conduct an independent IT Risk Assessment of our agency. This assessment included internal vulnerability testing, penetration testing, as well as an independent review of all of our policies and procedures that surround our IT environment. This project was a joint effort with NDIT, and an RFP was issued in July 2019. This project was completed in January 2020, with a final contract price of \$39,556.00. We are pleased to report there were no material weaknesses or discrepancies found as a result of this assessment, and the consultant was comfortable overall with the posture of our IT processes and procedures.

PERS also received \$190,000 to upgrade both the member and employer portals in our business system to a mobile-view-view-mobile (MVVM) platform. The base platform that our business system resides on had not been updated since 2010 and this upgrade offered our members and employers with a scalable, fully functional platform that can be accessed on any device. This project went live in March 2020 at the appropriated cost of \$190,000.

Once the member and employers were upgraded, our business system vendor offered us a roughly 20% discount to keep their coding team dedicated to our account to upgrade our internal portal to MVVM as well, at the cost of \$148,000. Section 3 of our appropriation bill allows our Board to authorize the director of OMB to transfer from our contingencies line item to any line item requested by the PERS Board. The PERS Board voted at the April 2020 Board meeting to move forward with upgrading our Line of Business application so all 3 legs of our business system reside on the same upgraded platform. This project was completed in August 2020 for the contracted price of \$148,000.

Section 4 of our appropriation bill required “the public employees retirement system board to solicit and receive bids for the 2021-23 biennium hospital benefits coverage and medical benefits coverage for state employees under section 54-52.1-04. The request for proposal must include an option for coverage through a self-insurance plan. The board shall report to the majority and minority leaders of the House and Senate and the chairmen of the appropriations committees, or their designees, when bids are received during the biennium beginning July 1, 2019, and ending June 30, 2021. The report must provide comparative information and the board's evaluation of the bids received, including information on the self-insurance option.”

A report was provided to Legislative Management and the House and Senate Appropriation Committees outlining the requirements of this section. As a recap, the RFP conducted this summer included 7 different service options, including:

1. Fully-insured medical and pharmacy proposal
2. Self-insured medical and pharmacy proposal
3. Fully-insured medical proposal only
4. Self-insured medical proposal only
5. Fully-insured pharmacy proposal only
6. Self-insured pharmacy proposal only
7. Stop loss insurance for all self-insured options

The Board voted to enter into contract negotiations with Sanford Health Plan for the 21-23 biennium at a special board meeting on October 19, 2020, determining that the current modified fully insured arrangement that we currently have with Sanford Health plan continues to be the option that is in the best interests of its participants and the State of North Dakota.

**2021-23 Budget.** The proposed legislative base budget before you today is all special funds.

	<b>2019-21 Appropriation</b>	<b>One-Time Expenditures</b>	<b>2021-2023 Legislative Base Budget</b>	<b>House Adjustments</b>	<b>House Amendment</b>
Salaries & Wages	6,652,604	-	6,652,604	274,893	6,927,497
Operating Expenses	2,483,592	(40,003)	2,443,589	(65,373)	2,378,216
Capital Expenditures	190,000	(190,000)	-	-	-
Contingencies	250,000	-	250,000	-	250,000
Total Special Funds	9,576,196	(230,003)	9,346,193	209,520	9,555,713
FTE	34.5		34.5	34.5	34.5

### **Salaries and Wages**

Salaries account for 72.5% of our agency's budget under the House's amendment and maintains funding for 34.5 FTE in our office, a full time temporary position, and a part time intern position. These temporary positions give us flexibility to accommodate unexpected work efforts, vendor transitions, and unexpected workload increases.

The adjustments the House made to our appropriation bill totaling \$274,893 are as follows:

- Includes the cost to continue the salary increases we gave staff on July 1, 2020.
- Includes 1.5% salary increases each biennium with a minimum of \$100/month and a maximum of \$250/month.
- Includes funding for the increase to health insurance.
- Includes reallocating a staff member from the internal audit division to the accounting division.
- Includes reallocating our Public Information Specialist (PIS) to a receptionist.
- Includes funding for a Marketing Intern to take over duties of the reallocated PIS.

	<b>July 2020 Salary Increase</b>	<b>House Compensation Package</b>	<b>Health Insurance Increase</b>	<b>Reallocate Auditor &amp; PIS</b>	<b>Marketing Intern</b>	<b>Total House Amendment</b>
Salaries & Wages	68,781	166,884	1,801	-	37,427	274,893

## **Operating Expenses**

Operating expenses account for 24.9% of our agency's budget under the House amendment. Looking into our operating line item:

- 65% is IT and shared services related
- 12% is printing and postage
- 11% is office rent
- 12% is all other operating categories

IT is an area that our agency relies on heavily, and the business system is the heart of all the activity that takes place within our office. The costs of IT have continuously gone up, but we've been fortunate to be able to offset a good portion of these increases by working on the licensing arrangement we have with Sagitec – our business system vendor.

Office rent is an expense we have heavily explored since the COVID pandemic took place. When the budget was submitted we were able to submit a reduction in rent of \$80,865 by reducing our footprint in our current office space, and allowing staff to hotel throughout our agency. Since we submitted our budget request to OMB, NDPERS has further researched available office space. We have an agreement in place with WSI to move into roughly half of the Department of Commerce space that is located in that building. We anticipate this will result in additional ongoing budget savings, however, we are presently unsure of the amount of those savings. We understand we will not be able to move into the space until early next biennium, and will therefore be paying rent to both our current lessor and to WSI for a short term. We also know there will be expenses for the move as well as some remodel efforts, the amount of which we do not yet know. As such, we have not reduced our budget request for rent for the upcoming biennium, but anticipate significant savings for the 2023-2025 biennium in addition to the reduction for the upcoming biennium.

Since the legislative mandate in 2017 to become more efficient in our operations regarding our printing and postage costs, we are pleased to say we have reduced our printing and postage expenses by over \$225,000 (a 30% reduction) over the last 4 years. While we continue to explore ways to become more efficient in our operations, there are numerous physical communications we are mandated by law to send. We also know we have a significant retiree population that still prefer to be communicated with through printed

materials. I am happy to report that because of the MVVM upgrades I discussed earlier, we did not increase our budget request by the nearly \$12,000 that we would have in prior biennia to accommodate board elections that will be taking place during the 21-23 biennium. We now have a way to do these electronically in our business system, and thus, do not require additional funding for these events.

The adjustments the House made to our appropriation bill totaling \$(65,373) are as follows:

- Includes funding for operating expenses of a Marketing Intern
- Includes IT inflationary adjustments
- Includes funding for Office 365
- Includes rent reductions

	<b>Marketing Intern</b>	<b>IT Adjustments</b>	<b>Office 365</b>	<b>Rent</b>	<b>Total House Amendment</b>
Operating Expenses	11,378	38	4,076	(80,865)	(65,373)

### **One-Time Funding**

The House amendment did not include funding for any one-time adjustments that were requested. Two additional developers for our business system were requested, and instead of funding the request, the House is instructing us to pay for one of the two developers from our contingency line item. An upgrade to our business system to help us streamline efforts and help us transition to a remote work environment was also omitted from the House Amendment despite being included in the Executive Recommendation.

### **Suggested Changes to the House Amendment**

There are several changes to the House Amendment that we would appreciate the Senate consider before acting on our agency's appropriation. First and foremost would be restoring the FTE and funding authority for our Public Information Specialist (PIS). As part of the reallocation efforts, our PIS was reallocated to a receptionist position. Our new office space at the WSI office building has a dedicated reception area, and the receptionist position would greet walk-ins to our office, work on administrative duties, and allow our 3 member services staff to become a true call center while not having a significant portion of their work day interrupted by visitors to the office. As Scott stated



earlier, we've noticed a drop in customer service ratings with our office, especially in the timeliness our office is able to provide a response to our customers. We feel having a dedicated call center helps us alleviate these concerns, which is why this reallocation was proposed.

Communicating with our members and employers is one of the most difficult challenges our agency faces. We have a dynamic customer base that includes hundreds of employers and tens of thousands of active employees and retirees. Ensuring we have clear and effective communication efforts is essential for our agency. The Public Information Specialist currently sits on our management team and initiates all communications that leave our office. That position plays a key role in realizing the nearly \$230,000 a biennium we've saved in printing and postage by helping our office achieve the following efficiencies:

- Printed annual statements were discontinued and are now provided in our member portal
- Printed active newsletters were discontinued and are now provided to the membership through our employers
- Communication efforts were made to transition those currently receiving a retirement benefit to sign up for direct deposit. All new retirees are required to receive benefits by ACH unless they submit a hardship request to our office, which has not yet occurred
- Elections were previously done through printed ballots, and are now done electronically
- Electronic surveying capabilities are currently being finalized in our business system
- The number of retiree and deferred member newsletters was reduced and the timing of the communication effort analyzed to make sure we communicate at the proper times
- Retiree payment change notices are now online versus printed
- Board materials are now provided electronically instead of in printed binder books
- Group batch printings are done by member so members don't receive multiple mailings from our agency

- Employers are now required to make payments electronically instead of processing paper checks in our office from our employers
- Coordinates with vendors on mailings they do on our behalf to customize the message and shift expenses to our vendors
- Coordinates specialized inserts with mandated mailings
- Digitalized event registration
- Digitalized customer experience feedback
- Members can “subscribe” to receive NDPERS communications online
- Developed a comprehensive communication plan to identify required mailings and the proper time to communicate with our membership
- Trend/Analyze/Report results of events and interactions with our agency
- Transitioned our retirement education seminars to a virtual experience
- Transitioned our employer training experiences to a virtual experience
- Preparing for our biennial employer conference to be held virtually for the first time this June
- Developed an internal newsletter to provide staff monthly updates
- Converted our website to the more robust NDIT platform

These work efforts more than offset the cost of the position we were asked to reallocate on an ongoing basis. We have a very lean office for the membership we serve, and there are not a lot of options for us that do not directly impact our membership....although the indirect impact these positions we are reallocating is significant. Transitioning this work to an intern is concerning from a few perspectives; that position will constantly need education on what we're trying to accomplish, the majority of the work will fall on the rest of the management team to ensure the messages going out the door are effective and accurate, and staff will not have the expertise to train on the types of communication tools we have in place.

We do still have a strategic vision that we are working at enhancing with communication, and looking for better ways to reach our membership is a practice that will never cease. To lose a resource in that area that we feel has already paid for itself in ongoing savings is not an ideal situation for our office. We'd encourage your consideration in allowing us to continue improving, continue our efforts to reach our diverse members, and help our

agency continue with our strategic vision of targeting communications based on each member's lifecycle as a member to ensure we are developing effective communications to the nearly 40,000 members we have to reach. Some of our strategic vision that we are still hoping to achieve in the communication arena include:

- Establishing an email marketing campaign based on the lifecycle of members
- Creating short educational video campaigns for our website
- Enhancing the news experience our subscribers receive
- Tracking trends to determine which pages on our new website are effective/ineffective and allows for targeted improvement that didn't exist previously

Our PIS position is a .8 FTE and as such only .8 of what is ultimately needed was able to be reallocated. We need the receptionist position to be a 1.0 FTE to meet the needs of our agency. However, the change package requesting the authority for the additional .2 FTE was not part of the House Amendment. The WSI space our office will soon be occupying has an area that is dedicated to incoming customers, and has an area for us to counsel our members and meet with our vendors that is not in the back office. Because of this move, we view this position as a necessity for our agency to meet our strategic vision and to increase our customer service scores on promptness of responses from our office. We would appreciate the Senate's consideration of following the Executive Recommendation, which restored our PIS funding and FTE authority as well as the .2 additional FTE and funding to make the receptionist a 1.0 FTE.

As part of the reallocation effort, our agency eliminated the funding for one of our two internal audit staff and fully reallocated that authority to our accounting department. Given the budgetary constraints facing the state, we felt like a reallocation was appropriate to get the FTE authority in the accounting department our agency desperately needs. Our internal audit division has the ability to control the scope of their work, whereas the accounting department does not. That being said, we do have significant concerns with cutting our auditing division in half, and the indirect impact it may have to our members regarding the accuracy of their benefits. While we did not include this position as a formal request in our budget process, we would appreciate the Senate's consideration in restoring the funding and FTE authority for our internal audit position.

A one-time funding request was submitted to upgrade our business system to Business Process Management (BPM). BPM is an upgrade capability in our business system that redesigns the flow of all work done in our agency. It offers the ability to build the business process into our system and ensures staff members drive the system as it is intended and prevents them from inadvertently circumventing processes. As we continue the transition to a remote work environment, the BPM process also allows the managers to readily identify how their staff members are processing their work, including how long each process takes, to better manage training opportunities or areas for improvement. It also offers long-term savings when fully implemented as the developers are more readily able to see where the business flow becomes a problem, and why. This enhancement was included in the Executive Recommendation.

One-time funding was also requested for additional developers in our PERSLink business system. One developer was requested to develop comprehensive new hire and annual enrollment wizards. This process is designed to enhance our user experience and ensure the data being entered in our business system is complete and accurate. A second developer was also being requested to address a backlog of identified system enhancements that are not able to be prioritized because of the everchanging environment our agency faces.

The Governor recommended adding one of the two additional developers for our business system, which would be used to create the comprehensive new hire and annual enrollment wizards for our membership. The House is proposing to pay for the developer the Governor recommended out of our contingency line item. It is our understanding that the Contingency line item is reserved for unexpected/unanticipated work efforts, not for one-time funding requests. We ask for the Senate's consideration in not only providing the funding for the additional developers, but also how the appropriation should be allocated because we do not feel this should not be paid from our Contingency line item.

A summary of our proposed changes to the House Amendment is below.

	<b>PIS</b>	<b>Receptionist</b>	<b>Auditor</b>	<b>BPM</b>	<b>Two Additional Developers</b>	<b>Total Proposed Changes</b>
Salaries & Wages	155,548	21,216	180,926	-	-	357,690
Operating Expenses	14,365	-	14,365	-	209,000	237,730
Capital Expenditures	-	-	-	257,600	-	257,600
Contingencies	-	-	-	-	-	-
Total Special Funds	169,913	21,216	195,291	257,600	209,000	853,020
FTE	0.8	0.2	1.0	-	-	2.0

**TESTIMONY OF REBECCA FRICKE****HOUSE BILL 1023**

Good afternoon, my name is Rebecca Fricke. I am the Chief Benefits Officer of the North Dakota Public Employees Retirement System, or NDPERS. I am available should there be any questions related to the impact of the bill on any of the NDPERS benefits.

# 2021 SENATE STANDING COMMITTEE MINUTES

## Appropriations Committee Roughrider Room, State Capitol

HB 1023

4/8/2021

Senate Appropriations Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system.

**Chairman Holmberg** opened the hearing at 8:21 a.m.

Senators present: Holmberg, Krebsbach, Wanzek, Poolman, Erbele, Dever, Oehlke, Rust, Davison, Hogue, Sorvaag, Mathern, and Heckaman. Senator Bekkedahl was absent.

### Discussion Topics:

- Amendments Review
- Vote

**Senator Dever** moved to adopt amendment LC 21.0282.02002; testimony #11452

**Vice-Chair Kresbach** seconded the motion

Senators		Senators	
Senator Holmberg	Y	Senator Hogue	Y
Senator Krebsbach	Y	Senator Oehlke	Y
Senator Wanzek	Y	Senator Poolman	Y
Senator Bekkedahl	A	Senator Rust	Y
Senator Davison	Y	Senator Sorvaag	Y
Senator Dever	Y	Senator Heckaman	Y
Senator Erbele	Y	Senator Mathern	Y

Motion Passed 13-0-1

**Senator Dever** moved DO PASS AS AMENDED

**Vice-Chair Wanzek** seconded the motion

Senators		Senators	
Senator Holmberg	Y	Senator Hogue	Y
Senator Krebsbach	Y	Senator Oehlke	Y
Senator Wanzek	Y	Senator Poolman	Y
Senator Bekkedahl	A	Senator Rust	Y
Senator Davison	Y	Senator Sorvaag	Y
Senator Dever	Y	Senator Heckaman	Y
Senator Erbele	Y	Senator Mathern	Y

Motion Passed 13-0-1

Chairman Holmberg closed the hearing at 8:28 a.m.

*Skyler Strand, Committee Clerk*

SK  
183  
418

Fiscal No. 1

April 7, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1023

Page 1, line 2, after "system" insert "; to provide for a report; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$6,652,604	\$635,260	\$7,287,864
Operating expenses	2,443,592	172,354	2,615,946
Capital assets	0	257,600	257,600
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$9,346,196	\$1,065,214	\$10,411,410
Full-time equivalent positions	34.50	2.00	36.50"

Page 1, line 16, after "FUNDING" insert "- EFFECT ON BASE BUDGET - REPORT TO SIXTY-EIGHTH LEGISLATIVE ASSEMBLY"

Page 1, line 17, after "biennium" insert "and the one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 19 through 21 with:

"Information technology risk assessment	\$40,000	\$0
Upgrade business system software	190,000	0
Upgrade benefit enrollment system	0	209,000
Upgrade PERSLink business system	<u>0</u>	<u>257,600</u>
Total special funds	\$230,000	\$466,600

The 2021-23 biennium one-time funding amounts are not a part of the entity's base budget for the 2023-25 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-eighth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2021, and ending June 30, 2023.

**SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HEALTH INSURANCE FERTILITY BENEFITS.** During the 2021-22 interim, the legislative management shall consider studying the feasibility and desirability of expanding fertility benefits under the public employees retirement system uniform group insurance health benefits as a precursor under section 54-03-28 to mandating the fertility benefits for health insurance in the private market. The study must include a public employees retirement system actuarial study of the cost of expanding the fertility benefits of the state health plan and must include consideration of the positive and negative aspects of mandating fertility benefits for health insurance in the private market. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly."

Renumber accordingly



**STATEMENT OF PURPOSE OF AMENDMENT:****House Bill No. 1023 - Public Employees Retirement System - Senate Action**

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$6,652,604	\$6,927,497	\$360,367	\$7,287,864
Operating expenses	2,443,592	2,378,216	237,730	2,615,946
Capital assets			257,600	257,600
Contingencies	250,000	250,000		250,000
Total all funds	\$9,346,196	\$9,555,713	\$855,697	\$10,411,410
Less estimated income	9,346,196	9,555,713	855,697	10,411,410
General fund	\$0	\$0	\$0	\$0
FTE	34.50	34.50	2.00	36.50

**Department 192 - Public Employees Retirement System - Detail of Senate Changes**

	Adjusts Funding for Salary Increases <sup>1</sup>	Adds Funding for a Receptionist Position <sup>2</sup>	Adds Funding for an Internal Auditor Position <sup>3</sup>	Adds Funding for a Public Information Specialist Position <sup>4</sup>	Adds One- Time Funding to Upgrade Benefit Enrollment Software <sup>5</sup>	Adds One- Time Funding to Upgrade the PERSLink Business System <sup>6</sup>
Salaries and wages	\$2,677	\$21,216	\$180,926	\$155,548		
Operating expenses			14,365	14,365	\$209,000	
Capital assets						\$257,600
Contingencies						
Total all funds	\$2,677	\$21,216	\$195,291	\$169,913	\$209,000	\$257,600
Less estimated income	2,677	21,216	195,291	169,913	209,000	257,600
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.20	1.00	0.80	0.00	0.00

	Total Senate Changes
Salaries and wages	\$360,367
Operating expenses	237,730
Capital assets	257,600
Contingencies	
Total all funds	\$855,697
Less estimated income	855,697
General fund	\$0
FTE	2.00

<sup>1</sup> Funding is adjusted to provide salary increases of 1.5 percent on July 1, 2021, with a minimum monthly increase of \$100, and 2 percent on July 1, 2022. The House provided salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250.

<sup>2</sup> Funding of \$21,216 is added for a .20 FTE receptionist position. The House did not provide funding for this position.

<sup>3</sup> Funding of \$195,291, including \$180,926 for salaries and wages and \$14,365 for related operating costs, is added for 1 FTE internal auditor position. The House removed 1 FTE internal auditor position and added 1 FTE accountant position. The Senate amendments do not adjust funding for the accountant position.

<sup>4</sup> Funding of \$169,913, including \$155,548 for salaries and wages and \$14,365 for related operating costs, is added for a .80 FTE public information specialist position. The House did not provide funding for this position.

<sup>5</sup> One-time funding of \$209,000 is added to operating expenses to upgrade the benefit enrollment software. The House did not provide funding for this item.

<sup>6</sup> One-time funding of \$257,600 is added to capital assets to upgrade the PERSLink business system. The House did not provide funding for this item.

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This amendment also:

- Provides for a Legislative Management study of the feasibility and desirability of expanding fertility benefits under the Public Employees Retirement System uniform group insurance health benefit plan.

**REPORT OF STANDING COMMITTEE**

**HB 1023, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1023 was placed on the Sixth order on the calendar.

Page 1, line 2, after "system" insert "; to provide for a report; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$6,652,604	\$635,260	\$7,287,864
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Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$9,346,196	\$1,065,214	\$10,411,410
Full-time equivalent positions	34.50	2.00	36.50"

Page 1, line 16, after "**FUNDING**" insert "**- EFFECT ON BASE BUDGET - REPORT TO SIXTY-EIGHTH LEGISLATIVE ASSEMBLY**"

Page 1, line 17, after "biennium" insert "and the one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 19 through 21 with:

"Information technology risk assessment	\$40,000	\$0
Upgrade business system software	190,000	0
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Total special funds	\$230,000	\$466,600

The 2021-23 biennium one-time funding amounts are not a part of the entity's base budget for the 2023-25 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-eighth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2021, and ending June 30, 2023.

**SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HEALTH INSURANCE FERTILITY BENEFITS.** During the 2021-22 interim, the legislative management shall consider studying the feasibility and desirability of expanding fertility benefits under the public employees retirement system uniform group insurance health benefits as a precursor under section 54-03-28 to mandating the fertility benefits for health insurance in the private market. The study must include a public employees retirement system actuarial study of the cost of expanding the fertility benefits of the state health plan and must include consideration of the positive and negative aspects of mandating fertility benefits for health insurance in the private market. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1023 - Public Employees Retirement System - Senate Action**

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Contingencies	250,000	250,000		250,000
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Less estimated income	9,346,196	9,555,713	855,697	10,411,410
General fund	\$0	\$0	\$0	\$0
FTE	34.50	34.50	2.00	36.50

**Department 192 - Public Employees Retirement System - Detail of Senate Changes**

	Adjusts Funding for Salary Increases <sup>1</sup>	Adds Funding for a Receptionist Position <sup>2</sup>	Adds Funding for an Internal Auditor Position <sup>3</sup>	Adds Funding for a Public Information Specialist Position <sup>4</sup>	Adds One- Time Funding to Upgrade Benefit Enrollment Software <sup>5</sup>	Adds One- Time Funding to Upgrade the PERSLink Business System <sup>6</sup>
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General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.20	1.00	0.80	0.00	0.00

	Total Senate Changes
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<sup>6</sup> One-time funding of \$257,600 is added to capital assets to upgrade the PERSLink business system. The House did not provide funding for this item.

This amendment also:

- Provides for a Legislative Management study of the feasibility and desirability of expanding fertility benefits under the Public Employees Retirement System uniform group insurance health benefit plan.

21.0282.02002  
Title.

Prepared by the Legislative Council staff for  
Senator Dever

Fiscal No. 1

April 7, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1023

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Renumber accordingly



# STATEMENT OF PURPOSE OF AMENDMENT:

## House Bill No. 1023 - Public Employees Retirement System - Senate Action

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Total all funds	\$9,346,196	\$9,555,713	\$855,697	\$10,411,410
Less estimated income	9,346,196	9,555,713	855,697	10,411,410
General fund	\$0	\$0	\$0	\$0
FTE	34.50	34.50	2.00	36.50

## Department 192 - Public Employees Retirement System - Detail of Senate Changes

	Adjusts Funding for Salary Increases <sup>1</sup>	Adds Funding for a Receptionist Position <sup>2</sup>	Adds Funding for an Internal Auditor Position <sup>3</sup>	Adds Funding for a Public Information Specialist Position <sup>4</sup>	Adds One-Time Funding to Upgrade Benefit Enrollment Software <sup>5</sup>	Adds One-Time Funding to Upgrade the PERSLink Business System <sup>6</sup>
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Contingencies						
Total all funds	\$2,677	\$21,216	\$195,291	\$169,913	\$209,000	\$257,600
Less estimated income	2,677	21,216	195,291	169,913	209,000	257,600
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.20	1.00	0.80	0.00	0.00

	Total Senate Changes
Salaries and wages	\$360,367
Operating expenses	237,730
Capital assets	257,600
Contingencies	
Total all funds	\$855,697
Less estimated income	855,697
General fund	\$0
FTE	2.00

<sup>1</sup> Funding is adjusted to provide salary increases of 1.5 percent on July 1, 2021, with a minimum monthly increase of \$100, and 2 percent on July 1, 2022. The House provided salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250.

<sup>2</sup> Funding of \$21,216 is added for a .20 FTE receptionist position. The House did not provide funding for this position.

<sup>3</sup> Funding of \$195,291, including \$180,926 for salaries and wages and \$14,365 for related operating costs, is added for 1 FTE internal auditor position. The House removed 1 FTE internal auditor position and added 1 FTE accountant position. The Senate amendments do not adjust funding for the accountant position.

<sup>4</sup> Funding of \$169,913, including \$155,548 for salaries and wages and \$14,365 for related operating costs, is added for a .80 FTE public information specialist position. The House did not provide funding for this position.

<sup>5</sup> One-time funding of \$209,000 is added to operating expenses to upgrade the benefit enrollment software. The House did not provide funding for this item.

<sup>6</sup> One-time funding of \$257,600 is added to capital assets to upgrade the PERSLink business system. The House did not provide funding for this item.

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This amendment also:

- Provides for a Legislative Management study of the feasibility and desirability of expanding fertility benefits under the Public Employees Retirement System uniform group insurance health benefit plan.

Sixty-seventh  
Legislative Assembly  
of North Dakota

## ENGROSSED HOUSE BILL NO. 1023

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the public employees  
2 retirement system; to provide for a report; and to provide for a legislative management study.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds  
5 as may be necessary, are appropriated out of any moneys from special funds from income to  
6 the public employees retirement system for the purpose of defraying the expenses of the public  
7 employees retirement system, for the biennium beginning July 1, 2021, and ending June 30,  
8 2023.

	Adjustments or		
	Base Level	Enhancements	Appropriation
11 <del>Salaries and wages</del>	<del>\$6,652,604</del>	<del>\$274,893</del>	<del>\$6,927,497</del>
12 <del>Operating expenses</del>	<del>2,443,592</del>	<del>(65,376)</del>	<del>2,378,216</del>
13 <del>Contingencies</del>	<del>250,000</del>	<del>0</del>	<del>250,000</del>
14 <del>Total special funds</del>	<del>\$9,346,196</del>	<del>\$209,517</del>	<del>\$9,555,713</del>
15 <del>Full-time equivalent positions</del>	<del>34.50</del>	<del>0</del>	<del>34.50</del>
16 <u>Salaries and wages</u>	<u>\$6,652,604</u>	<u>\$635,260</u>	<u>\$7,287,864</u>
17 <u>Operating expenses</u>	<u>2,443,592</u>	<u>172,354</u>	<u>2,615,946</u>
18 <u>Capital assets</u>	<u>0</u>	<u>257,600</u>	<u>257,600</u>
19 <u>Contingencies</u>	<u>250,000</u>	<u>0</u>	<u>250,000</u>
20 <u>Total special funds</u>	<u>\$9,346,196</u>	<u>\$1,065,214</u>	<u>\$10,411,410</u>
21 <u>Full-time equivalent positions</u>	<u>34.50</u>	<u>2.00</u>	<u>36.50</u>

22 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**  
23 **SIXTY-EIGHTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding



items approved by the sixty-sixth legislative assembly for the 2019-21 biennium and the  
one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
<del>Information technology risk assessment</del>	<del>\$40,000</del>	<del>\$0</del>
<del>Upgrade business system software</del>	<del>190,000</del>	<del>0</del>
<del>Total special funds</del>	<del>\$230,000</del>	<del>\$0</del>
<u>Information technology risk assessment</u>	<u>\$40,000</u>	<u>\$0</u>
<u>Upgrade business system software</u>	<u>190,000</u>	<u>0</u>
<u>Upgrade benefit enrollment system</u>	<u>0</u>	<u>209,000</u>
<u>Upgrade perslink business system</u>	<u>0</u>	<u>257,600</u>
<u>Total special funds</u>	<u>\$230,000</u>	<u>\$466,600</u>

The 2021-23 biennium one-time funding amounts are not a part of the entity's base budget  
for the 2023-25 biennium. The public employees retirement system shall report to the  
appropriations committees of the sixty-eighth legislative assembly on the use of this one-time  
funding for the biennium beginning July 1, 2021, and ending June 30, 2023.

**SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HEALTH INSURANCE FERTILITY BENEFITS.** During the 2021-22 interim, the legislative management shall consider studying the feasibility and desirability of expanding fertility benefits under the public employees retirement system uniform group insurance health benefits as a precursor under section 54-03-28 to mandating the fertility benefits for health insurance in the private market. The study must include a public employees retirement system actuarial study of the cost of expanding the fertility benefits of the state health plan and must include consideration of the positive and negative aspects of mandating fertility benefits for health insurance in the private market. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly.

**2021 CONFERENCE COMMITTEE**

**HB 1023**

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division

Brynhild Haugland Room, State Capitol

HB1023

4/15/2021

Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.

11:00 **Chairman Bellew** brought the conference committee to order. Members present: Chairman Bellew, Representative Brandenburg, Representative Meier, Senator Krebsbach, Senator Dever, Senator Heckaman.

### Discussion Topics:

- Base level funding changes
- FTE's

11:03 **Senator Dever** explained the changes. Testimony #11534.

11:08 **Scott Miller, Director, ND Public Employees Retirement System** answered questions from the conference committee.

11:10 **Derek Hohbein, Chief Operating/Financial Officer, ND Public Employees Retirement System** answered questions from the conference committee.

11:16 **Chairman Bellew** adjourned the conference committee.

*Sheri Lewis, Committee Clerk*

Public Employees Retirement System - Budget No. 192  
House Bill No. 1023  
Base Level Funding Changes

	House Version				Senate Version				Senate Changes to House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2021-23 Biennium Base Level	34.50	\$0	\$9,346,196	\$9,346,196	34.50	\$0	\$9,346,196	\$9,346,196	0.00	\$0	\$0	\$0
2021-23 Ongoing Funding Changes												
Base payroll changes			\$68,781	\$68,781			\$68,781	\$68,781				\$0
Salary increase			166,884	166,884			169,561	169,561			\$2,677	2,677
Health insurance increase			1,801	1,801			1,801	1,801				0
Adds funding for a FTE receptionist position				0	0.20		21,216	21,216	0.20		21,216	21,216
Adjusts funding for a FTE internal auditor position	(1.00)		(195,291)	(195,291)	0.00		0	0	1.00		195,291	195,291
Adds funding for a FTE accountant position	1.00		195,291	195,291	1.00		195,291	195,291				0
Adds funding for a public information specialist position				0	0.80		169,913	169,913	0.80		169,913	169,913
Adds funding for a marketing intern			48,805	48,805			48,805	48,805				0
Reduces funding for mobile application software			(21,242)	(21,242)			(21,242)	(21,242)				0
Adds funding for information technology operating expenses			21,277	21,277			21,277	21,277				0
Reduces funding for rent			(80,865)	(80,865)			(80,865)	(80,865)				0
Adds funding for Microsoft Office 365 license expenses			4,076	4,076			4,076	4,076				0
Total ongoing funding changes	0.00	\$0	\$209,517	\$209,517	2.00	\$0	\$598,614	\$598,614	2.00	\$0	\$389,097	\$389,097
One-time funding items												
Adds funding to upgrade benefit enrollment software				\$0			\$209,000	\$209,000			\$209,000	\$209,000
Adds funding to upgrade the PERSLink business system				0			257,600	257,600			257,600	257,600
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$466,600	\$466,600	0.00	\$0	\$466,600	\$466,600
Total Changes to Base Level Funding	0.00	\$0	\$209,517	\$209,517	2.00	\$0	\$1,065,214	\$1,065,214	2.00	\$0	\$855,697	\$855,697
2021-23 Total Funding	34.50	\$0	\$9,555,713	\$9,555,713	36.50	\$0	\$10,411,410	\$10,411,410	2.00	\$0	\$855,697	\$855,697
Total ongoing changes as a percentage of base level	0.0%		2.2%	2.2%	5.8%		6.4%	6.4%				
Total changes as a percentage of base level	0.0%		2.2%	2.2%	5.8%		11.4%	11.4%				

Other Sections in Public Employees Retirement System - Budget No. 192

House Version	Senate Version
Legislative management study - Health insurance fertility benefits	Section 3 provides for a legislative management study of the feasibility and desirability of expanding fertility benefits under the Public Employees Retirement System uniform group insurance health benefit plan.

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division

Brynhild Haugland Room, State Capitol

HB1023

4/19/2021

Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.
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09:30 **Chairman Bellew** brought the conference committee to order. Members present: Chairman Bellew, Representative Meier, Senator Krebsbach, Senator Dever, Senator Heckaman. Members absent: Representative Brandenburg.

### Discussion Topics:

- Base level funding changes
- FTE's

09:31 **Chairman Bellew** discussed the changes to the bill. Testimony # 11549.

09:36 **Chairman Bellew** adjourned the conference committee.

*Sheri Lewis, Committee Clerk*



Public Employees Retirement System - Budget No. 192

House Bill No. 1023

Reflecting Discussion Through: 4/15/2021

Base Level Funding Changes

	Conference Committee Version				Conference Committee Changes Compared to House Version				Conference Committee Changes Compared to Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2021-23 Biennium Base Level	34.50	\$0	\$9,346,196	\$9,346,196	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
2021-23 Ongoing Funding Changes												
Base payroll changes			\$68,781	\$68,781				\$0				\$0
Salary increase			169,561	169,561			\$2,677	2,677				0
Health insurance increase			1,801	1,801				0				0
Adds funding for a FTE receptionist position	1.00		154,370	154,370	1.00		154,370	154,370	0.80		\$133,154	133,154
Adjusts funding for a FTE internal auditor position	0.00		0	0	1.00		195,291	195,291				0
Adds funding for a FTE accountant position	1.00		195,291	195,291				0				0
Adds funding for a public information specialist position				0				0	(0.80)		(169,913)	(169,913)
Adds funding for a marketing intern			0	0			(48,805)	(48,805)			(48,805)	(48,805)
Reduces funding for mobile application software			(21,242)	(21,242)				0				0
Adds funding for information technology operating expenses			21,277	21,277				0				0
Reduces funding for rent			(80,865)	(80,865)				0				0
Adds funding for Microsoft Office 365 license expenses			4,076	4,076				0				0
Total ongoing funding changes	2.00	\$0	\$513,050	\$513,050	2.00	\$0	\$303,533	\$303,533	0.00	\$0	(\$85,564)	(\$85,564)
One-time funding items												
Adds funding to upgrade benefit enrollment software			\$209,000	\$209,000			\$209,000	\$209,000				\$0
Adds funding to upgrade the PERSLink business system			257,600	257,600			257,600	257,600				0
Total one-time funding changes	0.00	\$0	\$466,600	\$466,600	0.00	\$0	\$466,600	\$466,600	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	2.00	\$0	\$979,650	\$979,650	2.00	\$0	\$770,133	\$770,133	0.00	\$0	(\$85,564)	(\$85,564)
2021-23 Total Funding	36.50	\$0	\$10,325,846	\$10,325,846	2.00	\$0	\$770,133	\$770,133	0.00	\$0	(\$85,564)	(\$85,564)
Total ongoing changes as a percentage of base level	5.8%		5.5%	5.5%								
Total changes as a percentage of base level	5.8%		10.5%	10.5%								

Other Sections in Public Employees Retirement System - Budget No. 192

	Conference Committee Version	
Legislative management study - Health insurance fertility benefits	Section 3 provides for a legislative management study of the feasibility and desirability of expanding fertility benefits under the Public Employees Retirement System uniform group insurance health benefit plan.	

# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division

Brynhild Haugland Room, State Capitol

HB1023

4/21/2021

Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.

3:00 **Chairman Bellew** brought the conference committee to order. Members present: Chairman Bellew, Representative Brandenburg, Representative Meier, Senator Krebsbach, Senator Dever, Senator Heckaman.

### Discussion Topics:

- FTE's

3:03 **Chairman Bellew** discussed the differences.

3:08 **Derek Hohbein, Chief Financial Officer, ND Public Employees Retirement System** answered questions from the conference committee.

3:11 **Chairman Bellew** adjourned the conference committee.

*Sheri Lewis, Committee Clerk*

Date: 4/21/2021  
Roll Call Vote #:

**2021 HOUSE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. HB1023 as (re) engrossed

**House Government Operations Committee**

- Action Taken**    ☐ **HOUSE accede to Senate Amendments**  
☐ **HOUSE accede to Senate Amendments and further amend**  
☐ **SENATE recede from Senate amendments**  
☐ **SENATE recede from Senate amendments and amend as follows**
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: \_\_\_\_\_ Seconded by: \_\_\_\_\_

<b>Representatives</b>	4/15	4/19	4/21	<b>Yes</b>	<b>No</b>		<b>Senators</b>	4/15	4/19	4/21	<b>Yes</b>	<b>No</b>
Chairman Bellew	X	X	X				Senator Krebsbach	X	X	X		
Representative Brandenburg	X	X	X				Senator Dever	X	X	X		
Representative Meier	X	X	X				Senator Heckaman	X	X	X		
Total Rep. Vote							Total Senate Vote					

Vote Count            Yes: \_\_\_\_\_            No: \_\_\_\_\_            Absent: \_\_\_\_\_

House Carrier \_\_\_\_\_ Senate Carrier \_\_\_\_\_

LC Number \_\_\_\_\_ . \_\_\_\_\_ of amendment

LC Number \_\_\_\_\_ . \_\_\_\_\_ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment



# 2021 HOUSE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB1023  
4/23/2021  
Conference Committee

A BILL for an Act to provide an appropriation for defraying the expenses of the public employees retirement system; and to provide an exemption.

11:05 **Chairman Bellew** brought the conference committee to order. Members present: Chairman Bellew, Representative Brandenburg, Representative Meier, Senator Krebsbach, Senator Dever, Senator Heckaman.

### Discussion Topics:

- FTE's

11:05 **Chairman Bellew** discussed the changes.

11:06 **Senator Krebsbach** made an offer to reduce the funding for contract services by \$104,500.00.

11:17 **Derek Hohbein, Chief Financial Officer, ND Public Employee Retirement System** answered questions from the conference committee.

11:22 **Senator Krebsbach** made a motion to recede from the Senate amendments and amend to transfer \$104,500.00 into salaries.

11:22 **Senator Dever** seconded the motion.

11:22 Roll call vote 5 Yeas 1 Nay 0 Absent

11:23 Motion carried.

11:26 **Chairman Bellew** closed the conference committee.

*Sheri Lewis, Committee Clerk*

4/26/21  
log 3

Fiscal No. 1

April 23, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1023

That the Senate recede from its amendments as printed on pages 1568-1570 of the House Journal and pages 1294-1296 of the Senate Journal and that Engrossed House Bill No. 1023 be amended as follows:

Page 1, line 2, after "system" insert "; to provide for a report; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$6,652,604	\$556,456	\$7,209,060
Operating expenses	2,443,592	57,144	2,500,736
Capital assets	0	257,600	257,600
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$9,346,196	\$871,200	\$10,217,396
Full-time equivalent positions	34.50	1.00	35.50"

Page 1, line 16, after "**FUNDING**" insert "**- EFFECT ON BASE BUDGET - REPORT TO SIXTY-EIGHTH LEGISLATIVE ASSEMBLY**"

Page 1, line 17, after "biennium" insert "and the one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 19 through 21 with:

"Information technology risk assessment	\$40,000	\$0
Upgrade business system software	190,000	0
Upgrade benefit enrollment system	0	104,500
Upgrade PERSLink business system	<u>0</u>	<u>257,600</u>
Total special funds	\$230,000	\$362,100

The 2021-23 biennium one-time funding amounts are not a part of the entity's base budget for the 2023-25 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-eighth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2021, and ending June 30, 2023.

**SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HEALTH INSURANCE FERTILITY BENEFITS.** During the 2021-22 interim, the legislative management shall consider studying the feasibility and desirability of expanding fertility benefits under the public employees retirement system uniform group insurance health benefits as a precursor under section 54-03-28 to mandating the fertility benefits for health insurance in the private market. The study must include a public employees retirement system actuarial study of the cost of expanding the fertility benefits of the state health plan and must include consideration of the positive and negative aspects of mandating fertility benefits for health insurance in the private market. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly."

Renumber accordingly

# STATEMENT OF PURPOSE OF AMENDMENT:

## House Bill No. 1023 - Public Employees Retirement System - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$6,652,604	\$6,927,497	\$281,563	\$7,209,060	\$7,287,864	(\$78,804)
Operating expenses	2,443,592	2,378,216	122,520	2,500,736	2,615,946	(115,210)
Capital assets			257,600	257,600	257,600	
Contingencies	250,000	250,000		250,000	250,000	
Total all funds	\$9,346,196	\$9,555,713	\$661,683	\$10,217,396	\$10,411,410	(\$194,014)
Less estimated income	9,346,196	9,555,713	661,683	10,217,396	10,411,410	(194,014)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	34.50	34.50	1.00	35.50	36.50	(1.00)

## Department 192 - Public Employees Retirement System - Detail of Conference Committee Changes

	Adjusts Funding for Salary Increases <sup>1</sup>	Adds Funding for an Internal Auditor Position <sup>2</sup>	Adds Funding for a Temporary Receptionist Position <sup>3</sup>	Removes Funding for a Marketing Intern Position <sup>4</sup>	Adds One-Time Funding to Upgrade Benefit Enrollment Software <sup>5</sup>	Adds One-Time Funding to Upgrade the PERSLink Business System <sup>6</sup>
Salaries and wages	(\$1,273)	\$180,926	\$139,337	(\$37,427)		
Operating expenses		14,365	15,033	(11,378)	\$104,500	
Capital assets						\$257,600
Contingencies						
Total all funds	(\$1,273)	\$195,291	\$154,370	(\$48,805)	\$104,500	\$257,600
Less estimated income	(1,273)	195,291	154,370	(48,805)	104,500	257,600
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	1.00	0.00	0.00	0.00	0.00

	Total Conference Committee Changes
Salaries and wages	\$281,563
Operating expenses	122,520
Capital assets	257,600
Contingencies	
Total all funds	\$661,683
Less estimated income	661,683
General fund	\$0
FTE	1.00

<sup>1</sup> Funding is adjusted to provide salary increases of 1.5 percent on July 1, 2021, with a minimum monthly increase of \$100, and 2 percent on July 1, 2022, the same as the Senate. The House provided salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250.

<sup>2</sup> Funding of \$195,291, including \$180,926 for salaries and wages and \$14,365 for related operating costs, is restored for 1 FTE internal auditor position, the same as the Senate. The House removed 1 FTE internal auditor position and added 1 FTE accountant position. The Conference Committee amendments do not adjust funding for the accountant position, nor did the Senate amendments.

<sup>3</sup> Funding of \$154,370 is added for a temporary receptionist position, including \$139,337 for salaries and wages and \$15,033 for related operating expenses. The House did not provide funding for this position. The Senate added \$21,216 for a .20 FTE receptionist position and \$169,913 for a .80 FTE public information specialist position.

4/24/21  
203

<sup>4</sup> Funding of \$48,805 for a marketing intern, of which \$37,427 is for salaries and wages and \$11,378 is for related operating expenses, is removed. Both the House and the Senate included funding for this position.

<sup>5</sup> One-time funding of \$104,500 is added to operating expenses to upgrade the benefit enrollment software. The House did not provide funding for this item. The Senate provided \$209,000 to upgrade the software.

<sup>6</sup> One-time funding of \$257,600 is added to capital assets to upgrade the PERSLink business system, the same as the Senate. The House did not provide funding for this item.

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This amendment also:

- Provides for a Legislative Management study of the feasibility and desirability of expanding fertility benefits under the Public Employees Retirement System uniform group insurance health benefit plan. The Senate included this section but the House did not.

QF  
4/20/21  
3 of 3

**2021 HOUSE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. HB1023 as (re) engrossed

**House Government Operations Committee**

- Action Taken**    ☐ **HOUSE accede to Senate Amendments**  
☐ **HOUSE accede to Senate Amendments and further amend**  
☐ **SENATE recede from Senate amendments**  
☒ **SENATE recede from Senate amendments and amend as follows**
- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Krebsbach      Seconded by: Senator Dever

Representatives	4/23			Yes	No		Senators	4/23			Yes	No
Chairman Bellew	X				X		Senator Krebsbach	X			X	
Representative Brandenburg	X			X			Senator Dever	X			X	
Representative Meier	X			X			Senator Heckaman	X			X	
Total Rep. Vote				2	1		Total Senate Vote				3	

Vote Count      Yes: 5      No: 1      Absent: 0

House Carrier      Representative Brandenburg      Senate Carrier Senator Krebsbach

LC Number      21.0282      . 02003      of amendment

LC Number      21.0282      . 04000      of engrossment

Emergency clause added or deleted

Statement of purpose of amendment – to transfer \$104,500.00 into salaries

Insert LC: 21.0282.02003  
House Carrier: Brandenburg  
Senate Carrier: Krebsbach

**REPORT OF CONFERENCE COMMITTEE**

**HB 1023, as engrossed:** Your conference committee (Sens. Krebsbach, Dever, Heckaman and Reps. Bellew, Brandenburg, Meier) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1568-1570, adopt amendments as follows, and place HB 1023 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1568-1570 of the House Journal and pages 1294-1296 of the Senate Journal and that Engrossed House Bill No. 1023 be amended as follows:

Page 1, line 2, after "system" insert "; to provide for a report; and to provide for a legislative management study"

Page 1, replace lines 11 through 15 with:

"Salaries and wages	\$6,652,604	\$556,456	\$7,209,060
Operating expenses	2,443,592	57,144	2,500,736
Capital assets	0	257,600	257,600
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total special funds	\$9,346,196	\$871,200	\$10,217,396
Full-time equivalent positions	34.50	1.00	35.50"

Page 1, line 16, after "**FUNDING**" insert "**- EFFECT ON BASE BUDGET - REPORT TO SIXTY-EIGHTH LEGISLATIVE ASSEMBLY**"

Page 1, line 17, after "biennium" insert "and the one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 19 through 21 with:

"Information technology risk assessment	\$40,000	\$0
Upgrade business system software	190,000	0
Upgrade benefit enrollment system	0	104,500
Upgrade PERSLink business system	<u>0</u>	<u>257,600</u>
Total special funds	\$230,000	\$362,100

The 2021-23 biennium one-time funding amounts are not a part of the entity's base budget for the 2023-25 biennium. The public employees retirement system shall report to the appropriations committees of the sixty-eighth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2021, and ending June 30, 2023.

**SECTION 3. LEGISLATIVE MANAGEMENT STUDY - HEALTH INSURANCE FERTILITY BENEFITS.** During the 2021-22 interim, the legislative management shall consider studying the feasibility and desirability of expanding fertility benefits under the public employees retirement system uniform group insurance health benefits as a precursor under section 54-03-28 to mandating the fertility benefits for health insurance in the private market. The study must include a public employees retirement system actuarial study of the cost of expanding the fertility benefits of the state health plan and must include consideration of the positive and negative aspects of mandating fertility benefits for health insurance in the private market. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly."

Renumber accordingly



Insert LC: 21.0282.02003  
House Carrier: Brandenburg  
Senate Carrier: Krebsbach

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1023 - Public Employees Retirement System - Conference Committee Action**

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$6,652,604	\$6,927,497	\$281,563	\$7,209,060	\$7,287,864	(\$78,804)
Operating expenses	2,443,592	2,378,216	122,520	2,500,736	2,615,946	(115,210)
Capital assets			257,600	257,600	257,600	
Contingencies	250,000	250,000		250,000	250,000	
Total all funds	\$9,346,196	\$9,555,713	\$661,683	\$10,217,396	\$10,411,410	(\$194,014)
Less estimated income	9,346,196	9,555,713	661,683	10,217,396	10,411,410	(194,014)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	34.50	34.50	1.00	35.50	36.50	(1.00)

**Department 192 - Public Employees Retirement System - Detail of Conference Committee Changes**

	Adjusts Funding for Salary Increases <sup>1</sup>	Adds Funding for an Internal Auditor Position <sup>2</sup>	Adds Funding for a Temporary Receptionist Position <sup>3</sup>	Removes Funding for a Marketing Intern Position <sup>4</sup>	Adds One-Time Funding to Upgrade Benefit Enrollment Software <sup>5</sup>	Adds One-Time Funding to Upgrade the PERSLink Business System <sup>6</sup>
Salaries and wages	(\$1,273)	\$180,926	\$139,337	(\$37,427)		
Operating expenses		14,365	15,033	(11,378)	\$104,500	
Capital assets						\$257,600
Contingencies						
Total all funds	(\$1,273)	\$195,291	\$154,370	(\$48,805)	\$104,500	\$257,600
Less estimated income	(1,273)	195,291	154,370	(48,805)	104,500	257,600
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	1.00	0.00	0.00	0.00	0.00

Salaries and wages  
Operating expenses  
Capital assets  
Contingencies  
  
Total all funds  
Less estimated income  
General fund  
  
FTE

Total Conference Committee Changes	
	\$281,563
	122,520
	257,600
	\$661,683
	661,683
	\$0
	1.00

<sup>1</sup> Funding is adjusted to provide salary increases of 1.5 percent on July 1, 2021, with a minimum monthly increase of \$100, and 2 percent on July 1, 2022, the same as the Senate. The House provided salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250.

<sup>2</sup> Funding of \$195,291, including \$180,926 for salaries and wages and \$14,365 for related operating costs, is restored for 1 FTE internal auditor position, the same as the Senate. The House removed 1 FTE internal auditor position and added 1 FTE accountant position. The Conference Committee amendments do not adjust funding for the accountant position, nor did the Senate amendments.

<sup>3</sup> Funding of \$154,370 is added for a temporary receptionist position, including \$139,337 for salaries and wages and \$15,033 for related operating expenses. The House did not provide funding for this position. The Senate added \$21,216 for a .20 FTE receptionist position and \$169,913 for a .80 FTE public information specialist position.

Insert LC: 21.0282.02003  
House Carrier: Brandenburg  
Senate Carrier: Krebsbach

<sup>4</sup> Funding of \$48,805 for a marketing intern, of which \$37,427 is for salaries and wages and \$11,378 is for related operating expenses, is removed. Both the House and the Senate included funding for this position.

<sup>5</sup> One-time funding of \$104,500 is added to operating expenses to upgrade the benefit enrollment software. The House did not provide funding for this item. The Senate provided \$209,000 to upgrade the software.

<sup>6</sup> One-time funding of \$257,600 is added to capital assets to upgrade the PERSLink business system, the same as the Senate. The House did not provide funding for this item.

This amendment also:

- Provides for a Legislative Management study of the feasibility and desirability of expanding fertility benefits under the Public Employees Retirement System uniform group insurance health benefit plan. The Senate included this section but the House did not.

Engrossed HB 1023 was placed on the Seventh order of business on the calendar.