

2025 HOUSE APPROPRIATIONS

HB 1023

DEPARTMENT 192 - PUBLIC EMPLOYEES RETIREMENT SYSTEM 2025-27 BASE-LEVEL BUDGET

Base Budget - Summary

	<u>Base Level</u>
Salaries and wages	\$8,232,492
Operating expenses	2,416,162
Contingencies	<u>250,000</u>
Total all funds	\$10,898,654
Less other funds	<u>10,898,654</u>
Total general fund	\$0
Full-time equivalent (FTE) positions	40.50

Selected Base Budget Information

	General Fund	Other Funds	Total
1. Includes funding for salaries and wages of 40.50 FTE positions, including temporary salaries of \$100,000	\$0	\$8,232,492	\$8,232,492
2. Includes funding for operating expenses, primarily related to information technology (IT) contractual services and repairs, supplies, and data processing	\$0	\$2,416,162	\$2,416,162
3. Includes funding for contingencies, which has historically been used to defray the expenses of a nationwide search to fill the executive director position and for additional IT upgrades of the agency's business system software, PERSLink	\$0	\$250,000	\$250,000

Continuing Appropriations

Retirement benefits - North Dakota Century Code Section 54-52-13.1 - For paying prior service and service benefits, consultant fees, and making withdrawal payments and refunds from the retirement fund.

Health plan reserve fund - Section 54-52.1-04.3 - For payment of claims and other costs of the uniform group insurance program during periods of adverse claims or cost fluctuations.

Self-insurance health plan line of credit - Section 54-52.1-04.17 - The section requires the Bank of North Dakota to extend a line of credit to the Public Employees Retirement System (PERS), which PERS may access and spend to the extent necessary to provide adequate claims payments, to purchase stop-loss coverage, and defray other expenditures of administration of the self-insurance health plan and uniform group insurance program.

Uniform group insurance program benefits - Section 54-52.1-06.1 - For payment of consulting fees and health insurance benefits related to the uniform group insurance program paid from insurance premiums received by PERS.

Third-party payments - Section 54-52.1-15 - For the acceptance and expenditure of funding received from third parties, including the federal government, for programs to pay benefits, premiums, and administrative expenses related to the uniform group insurance program.

Collaborative drug therapy program - Section 54-52.1-16 - For any contributions, gifts, grants-in-aid, or other sources received by PERS for the collaborative drug therapy program under the uniform group insurance program.

Pretax benefits program - Section 54-52.3-03 - The Office of Management and Budget is required to transfer funds from Federal Insurance Contribution Act (FICA) savings accruing in agencies' salaries and wages line items to a payroll clearing account then transfer the funding to the PERS Board for administration of pretax benefits programs, including the medical spending account program. The board may use the funding to pay for consulting services, vendors providing claim services, and insurance costs and claim reimbursements associated with the medical spending account program.

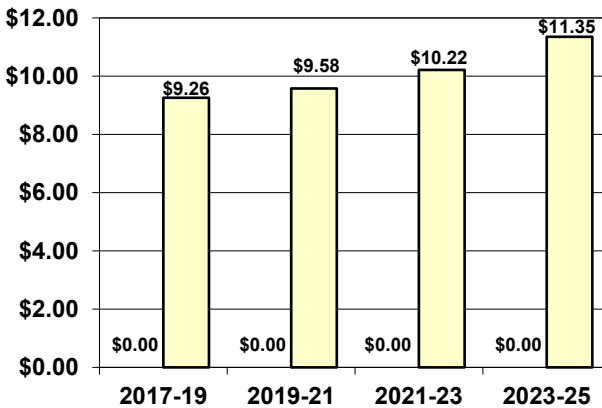
Defined contribution retirement plan - Section 54-52.6-06 - For consulting services associated with the administration of the defined contribution retirement plan. The PERS Board is authorized to use funds from the payroll clearing account established in Section 54-52.3-03 to pay for consulting expenses.

During the 2021-23 biennium, PERS spent \$1,320,860,969 on benefit payments, administrative expenses, and actuarial and technical consulting costs related to retirement, health insurance, and other employee benefits plans pursuant to continuing appropriation authority. Of this amount, \$313,467 was for consulting fees, \$491,052 was for audit fees, \$505,563 was for actuarial fees, \$238,504 was for legal fees, \$712,907,833 was for insurance premiums, and \$606,404,550 was for benefit payments. These amounts are not specifically appropriated by the Legislative Assembly.

Historical Appropriations Information

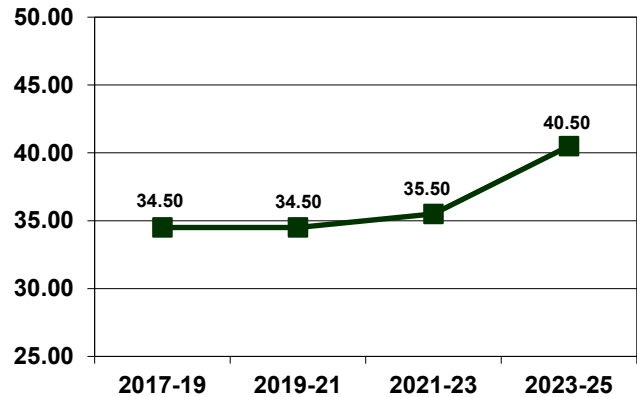
Agency Appropriations and FTE Positions

Agency Funding (Millions)



■ General Fund □ Other Funds

FTE Positions



Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25
Ongoing other funds appropriations	\$9,496,373	\$9,258,390	\$9,346,196	\$9,855,296	\$10,898,654
Increase (decrease) from previous biennium	N/A	(\$237,983)	\$87,806	\$509,100	\$1,043,358
Percentage increase (decrease) from previous biennium	N/A	(2.5%)	0.9%	5.4%	10.6%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(2.5%)	(1.6%)	3.8%	14.8%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2017-19 Biennium

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

2019-21 Biennium

- Adjusted funding IT operating expenses (\$230,519)

2021-23 Biennium

- Added funding for an FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses \$195,291
- Added funding for a temporary receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses \$154,370
- Reduced funding for rent to provide a total of \$272,925. The reduction was due to less space being needed because a number of employees are teleworking. (\$80,865)

2023-25 Biennium

- Added funding for salary equity increases. (This amount is in addition to the \$413,700 received for the 2023-25 biennium from the targeted market equity funding pool appropriated to the Office of Management and Budget.) \$180,000
- Added funding for 3 FTE positions, including an FTE retirement processing lead position, an FTE receptionist position, and an FTE member services representative position \$503,385
- Added funding for 2 contingent FTE positions, including an FTE benefit manager position and an FTE counselor position \$481,110
- Reduced funding for temporary salaries to provide a total of \$100,000 from other funds (\$160,368)

One-Time Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25
One-time other funds appropriations	\$177,370	\$0	\$230,000	\$362,100	\$455,000

Major One-Time Other Funds Appropriations

2017-19 Biennium

None \$0

2019-21 Biennium

- 1. IT risk assessment \$40,000
- 2. Upgrade business system software \$190,000

2021-23 Biennium

- 1. Upgrade benefit enrollment software \$104,500
- 2. Upgrade PERSLink business system \$257,600

2023-25 Biennium

- 1. Temporary salaries to close the main system defined benefit retirement plan \$200,000
- 2. Third-party developer costs to upgrade the PERSLink business system \$125,000
- 3. Third-party developer costs to modify the PERSLink business system due to the closure of the main system defined benefit retirement plan \$125,000



Public Employees Retirement System
Department No. 192
2025 House Bill No. 1023

EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Executive budget recommendation	40.50	\$0	\$13,818,430	\$13,818,430
Base level	40.50	0	10,898,654	10,898,654
Increase (decrease)	0.00	\$0	\$2,919,776	\$2,919,776
Percentage increase (decrease)	0.0%	0.0%	26.8%	26.8%

NOTE:

More detailed information on the executive budget recommendation is attached as Appendix A.

A copy of the draft appropriations bill reflecting the executive budget recommendation is attached as Appendix B.

Selected Highlights

- Adds \$440,206 from special funds for salary increases of up to 4 percent effective July 1, 2025, and 3 percent effective July 1, 2026
- Adds \$252,222 from special funds for a health insurance premium increase of \$250 per month (15.2 percent), from \$1,643 to \$1,893, per employee
- Adds funding from special funds to replace the 2023-25 biennium new FTE pool (\$980,870) and vacant FTE pool (\$220,377)
- Adds \$45,000 from special funds for temporary salaries for an office intern position
- Adds \$310,906 from special funds for the cost to continue information technology (IT) increases (\$298,906) and increased rent costs (\$12,000)
- Adds \$539,595 of **one-time funding** from special funds for IT contractual services to automate the PERSLink business system

Deficiency Appropriations

There are no deficiency appropriations recommended in the executive budget for this agency.

Significant Audit Findings

The audits of Public Employees Retirement System (PERS), conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the periods ending June 30, 2022, June 30, 2023, and June 30, 2024, did not identify any significant audit findings.

The *Schedules of Employer Allocations and Pension Amounts by Employer*, prepared for PERS and audited by CliftonLarsonAllen LLP, for the periods ending June 30, 2022, and June 30, 2023, did not identify any significant audit findings.

The other postemployment benefits schedule, prepared for PERS and audited by CliftonLarsonAllen LLP, for the periods ending June 30, 2022, and June 30, 2023, did not identify any significant audit findings.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency did not have any fees.

Major Related Legislation

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

House Bill No. 1114 - This bill establishes an out-of-pocket limit on the cost of covered insulin drugs, resulting in a shift in the cost of the benefit from participants to the health insurance plan.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



Public Employees Retirement System - Budget No. 192

Agency Worksheet - House Bill No. 1023

	Executive Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	40.50	\$0	\$10,898,654	\$10,898,654
2025-27 Ongoing Funding Changes				
Base payroll changes			(\$22,226)	(\$22,226)
Cost to continue salary increases			152,826	152,826
Salary increase			440,206	440,206
Health insurance increase			252,222	252,222
Adds funding to replace the 2023-25 new FTE pool			980,870	980,870
Adds funding to replace the 2023-25 vacant FTE pool			220,377	220,377
Adds funding for temporary salaries for an office intern position			45,000	45,000
Adds funding for the cost to continue IT increases			298,906	298,906
Adds funding for rent increase			12,000	12,000
Total ongoing funding changes	0.00	\$0	\$2,380,181	\$2,380,181
One-Time Funding Items				
Adds funding for IT contractual services to automate the PERSLink business system			\$539,595	\$539,595
Total one-time funding changes	0.00	\$0	\$539,595	\$539,595
Total Changes to Base Level Funding	0.00	\$0	\$2,919,776	\$2,919,776
2025-27 Total Funding	40.50	\$0	\$13,818,430	\$13,818,430

Federal funds included in other funds

\$0

Total ongoing changes - Percentage of base level

0.0%

N/A

21.8%

21.8%

Total changes - Percentage of base level

0.0%

N/A

26.8%

26.8%

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

Section Description	Executive Budget
FTE positions	Section 3 would authorize the agency to adjust FTE positions as needed, subject to the availability of funds, during the 2025-27 biennium and require the agency to report to the Office of Management and Budget and the Legislative Council of any adjustments made.

Sixty-ninth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1023
(Governor's Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

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

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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, 2025, and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$8,232,492	\$2,069,275	\$10,301,767
Operating Expenses	2,416,162	850,501	3,266,663
Contingencies	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total All Funds	\$10,898,654	\$2,919,776	\$13,818,430
Less Estimated Income	<u>10,898,654</u>	<u>2,919,776</u>	<u>13,818,430</u>
Total General Fund	\$0	\$0	\$0
Full-time Equivalent Positions	40.50	0.00	40.50

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-eighth legislative assembly for the 2023-25 biennium and the 2025-27 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Upgrade Perslink	\$125,000	\$0
Closure of Defined Benefit Plan	330,000	0
Additional Sagitec resources	<u>0</u>	<u>539,595</u>
Total Special Funds	\$455,000	\$539,595

The 2025-27 one-time funding amounts are not a part of the entity's base budget for the 2027-29 biennium. The public employees retirement system shall report to the appropriations committees of the seventieth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2025 and ending June 30, 2027.

SECTION 3. EXEMPTION – FULL-TIME EQUIVALENT POSITION ADJUSTMENTS. Notwithstanding any other provisions of law, the public employees retirement system may increase or decrease authorized full-time equivalent positions as needed, subject to the availability of funds, during the biennium beginning July 1, 2025, and ending June 30, 2027. The public employees retirement system shall report to the office of management and budget and legislative council any adjustments made pursuant to this section.



Public Employees Retirement System
Department No. 192
2025 House Bill No. 1023

REVISED EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Burgum budget recommendation	40.50	\$0	\$13,818,430	\$13,818,430
Revisions - Increase (decrease)	0.00	0	(80,369)	(80,369)
Armstrong budget recommendation	40.50	\$0	\$13,738,061	\$13,738,061
Base level	40.50	0	10,898,654	10,898,654
Increase (decrease)	0.00	\$0	\$2,839,407	\$2,839,407
Percentage increase (decrease)	0.0%	N/A	26.1%	26.1%

NOTE:

More detailed information on the revised executive budget recommendation is attached as an appendix.

Selected Highlights

- **Adds \$359,837 from special funds for salary increases of up to 3 percent effective July 1, 2025, and 3 percent effective July 1, 2026**
- Adds \$252,222 from special funds for a health insurance premium increase of \$250 per month (15.2 percent), from \$1,643 to \$1,893, per employee
- Adds funding from special funds to replace the 2023-25 biennium new FTE pool (\$980,870) and vacant FTE pool (\$220,377)
- Adds \$45,000 from special funds for temporary salaries for an office intern position
- Adds \$310,906 from special funds for the cost to continue information technology (IT) increases (\$298,906) and increased rent costs (\$12,000)
- Adds \$539,595 of one-time funding from special funds for IT contractual services to automate the PERSLink business system

Deficiency Appropriations

There are no deficiency appropriations recommended in the executive budget for this agency.

Significant Audit Findings

The audits of Public Employees Retirement System (PERS), conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the periods ending June 30, 2022, June 30, 2023, and June 30, 2024, did not identify any significant audit findings.

The *Schedules of Employer Allocations and Pension Amounts by Employer*, prepared for PERS and audited by CliftonLarsonAllen LLP, for the periods ending June 30, 2022, and June 30, 2023, did not identify any significant audit findings.

The other postemployment benefits schedule, prepared for PERS and audited by CliftonLarsonAllen LLP, for the periods ending June 30, 2022, and June 30, 2023, did not identify any significant audit findings.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency did not have any fees.

Major Related Legislation

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

House Bill No. 1114 - This bill establishes an out-of-pocket limit on the cost of covered insulin drugs, resulting in a shift in the cost of the benefit from participants to the health insurance plan.

House Bill No. 1146 - This bill authorizes political subdivisions that are not participating the PERS main system defined benefit (DB) retirement plan to join the new defined contribution (DC) retirement plan and clarifies that only state agencies that receive budgetary approval from the Legislative Assembly are required to pay for the actuarially determined employer contribution rate and the incentive payment for state employees to transfer from the DB plan to the DC plan.

Senate Bill No. 2160 - This bill requires PERS to provide state employees and non-Medicare retirees a nongrandfathered health insurance plan rather than a grandfathered health insurance plan.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



Public Employees Retirement System - Budget No. 192

Agency Worksheet - House Bill No. 1023

	Armstrong Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	40.50	\$0	\$10,898,654	\$10,898,654
2025-27 Ongoing Funding Changes				
Base payroll changes			(\$22,226)	(\$22,226)
Cost to continue salary increases			152,826	152,826
Salary increase			359,837	359,837
Health insurance increase			252,222	252,222
Adds funding to replace the 2023-25 new FTE pool			980,870	980,870
Adds funding to replace the 2023-25 vacant FTE pool			220,377	220,377
Adds funding for temporary salaries for an office intern position			45,000	45,000
Adds funding for the cost to continue IT increases			298,906	298,906
Adds funding for rent increase			12,000	12,000
Total ongoing funding changes	0.00	\$0	\$2,299,812	\$2,299,812
One-Time Funding Items				
Adds funding for IT contractual services to automate the PERSLink business system			\$539,595	\$539,595
Total one-time funding changes	0.00	\$0	\$539,595	\$539,595
Total Changes to Base Level Funding	0.00	\$0	\$2,839,407	\$2,839,407
2025-27 Total Funding	40.50	\$0	\$13,738,061	\$13,738,061
Federal funds included in other funds			\$0	
Total ongoing changes - Percentage of base level	0.0%	N/A	21.1%	21.1%
Total changes - Percentage of base level	0.0%	N/A	26.1%	26.1%

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1023
1/13/2025

To provide an appropriation for defraying the expenses of the public employee's retirement systems.

2:00 p.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representative Bosch, Representative Fischer, Representative Kempenich, Representative Meier, Representative Pyle

Discussion Topics:

- Retirement plans
- Agency overviews
- Health plans
- Insurance plans
- Investments
- Defined Contribution Plan
- Dental and Vision plans
- Flexcomp Participation
- Life Insurance
- Dependents
- Companion Plan
- Funding mechanisms

2:01 p.m. Rebecca Fricke, Executive Director NDPERS, testified in favor.

2:31 p.m. Derek Hohbein, Chief Operating and Financial Officer, testified in favor and provided testimony #28381 #28382, and #28752.

3:06 p.m. Chairman Monson adjourned the meeting.

Madaline Cooper, Committee Clerk

TESTIMONY OF NDPERS

House Bill 1023

Good afternoon Mr. Chairman, members of the committee, my name is Rebecca Fricke, Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. With me today is Derrick Hohbein, the Chief Operating & Financial Officer of NDPERS. I am here today to provide you with an overview of our agency. Derrick will provide an overview of our work efforts and an overview of our budget request.

Agency Overview

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

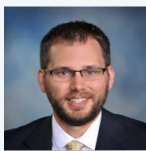
NDPERS BOARD



Mike Seminary
Chair



Casey Goodhouse
Member Elected

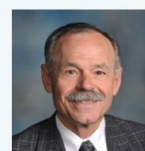


Adam Miller
Member Elected



Tyler Erickson
Member Elected

Vacant
Governor Appointee



Jeffrey Volk
Governor Appointee



Gerald Buck
Governor Appointee



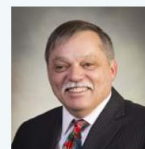
Representative
Greg Stroman



Representative
Jason Dockter

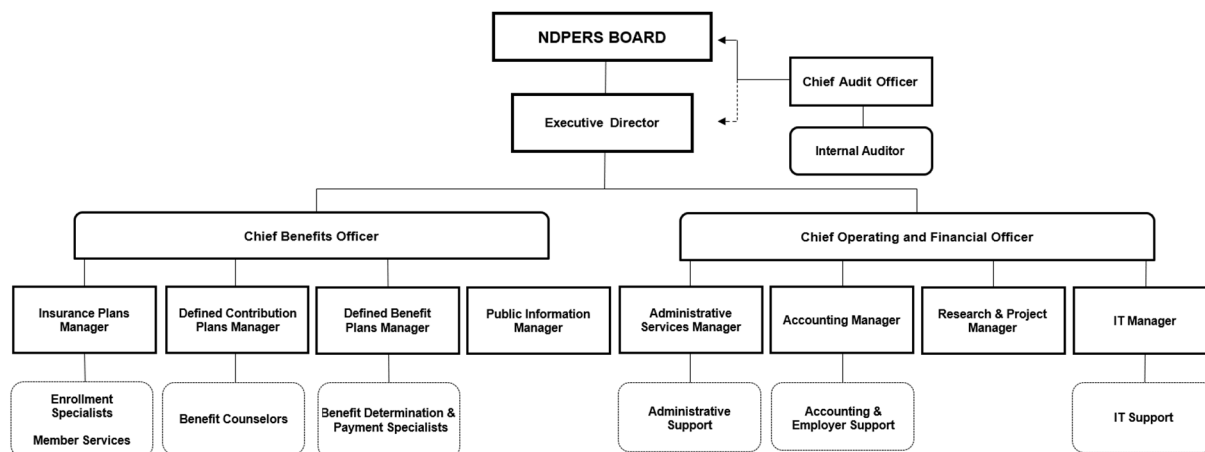


Senator
Kyle Davison



Senator
Dick Dever

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



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 NDPERS 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:

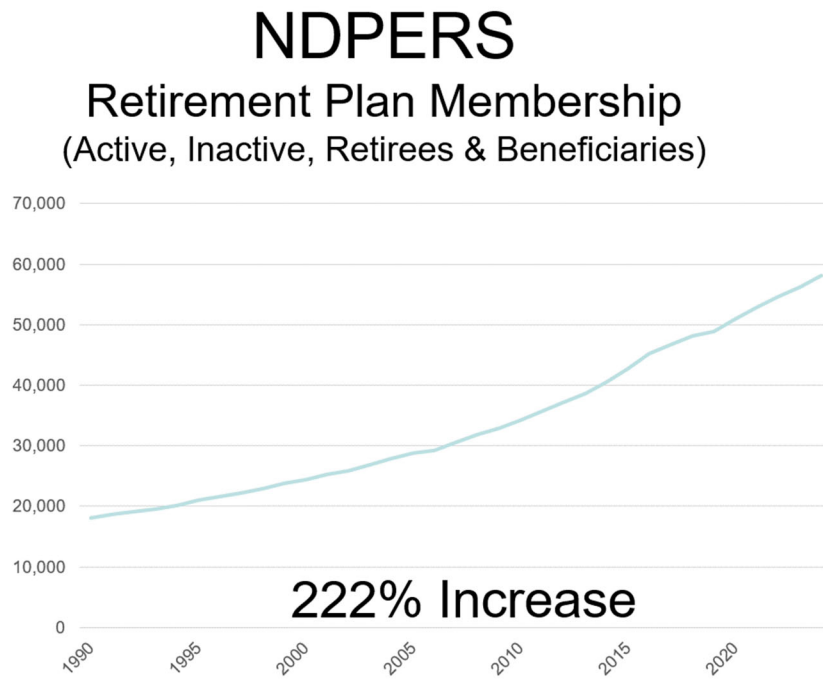
January 2025	RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS								
	<i>TOTAL</i>	<i>Main</i>		<i>Public</i>	<i>Highway</i>	<i>Job</i>	<i>DEFINED</i>	<i>DEFERRED</i>	<i>HEALTH</i>
	<i>RETIREMENT</i>	<i>System</i>	<i>Judges</i>	<i>Safety</i>	<i>Patrol</i>	<i>Service</i>	<i>CONTRIBUTION</i>	<i>COMP</i>	<i>CREDIT</i>
									<i>(RHIC)</i>
PARTICIPATING EMPLOYERS									
State	100	100	1	2	1	1	99	101	100
Counties	52	52		41			49	30	52
School Dist	132	132					116	42	132
Cities	102	102		32			87	62	102
District Health Units	21	21					20	16	21
Others	75	75		6			51	50	75
TOTAL	482							301	482
EMPLOYEES									
State	10,834	10,443	58	84	165	1	83	7,626	6,955
Counties	4,444	3,468		975			1	846	2,979
School Dist	7,638	7,637					1	127	3,442
Cities	3,079	2,389		689			1	571	1,958
District Health Units	267	267						200	175
Others	699	671		28				176	344
Subtotal	26,961	24,875	58	1,776	165	1	86	9,546	15,853
Retirees	14,598	14,119	44	177	119	109	30		14,131
Subtotal	41,559	38,994	102	1,953	284	110	116	9,546	29,984
Deferred Members	18,867	17,898	4	821	57	0	87	8,916	14,835
TOTAL	60,426	56,892	106	2,774	341	110	203	18,462	44,819

NDPERS is responsible for the administration of nine 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.

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 40% of the active members are State employees and 60% are political subdivision employees. Effective January 1, 2025, this plan was closed to new participants and a new tier within our existing Defined Contribution plan will be the primary retirement plan for new hires in the future.

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 11 new employer groups into our retirement plans.

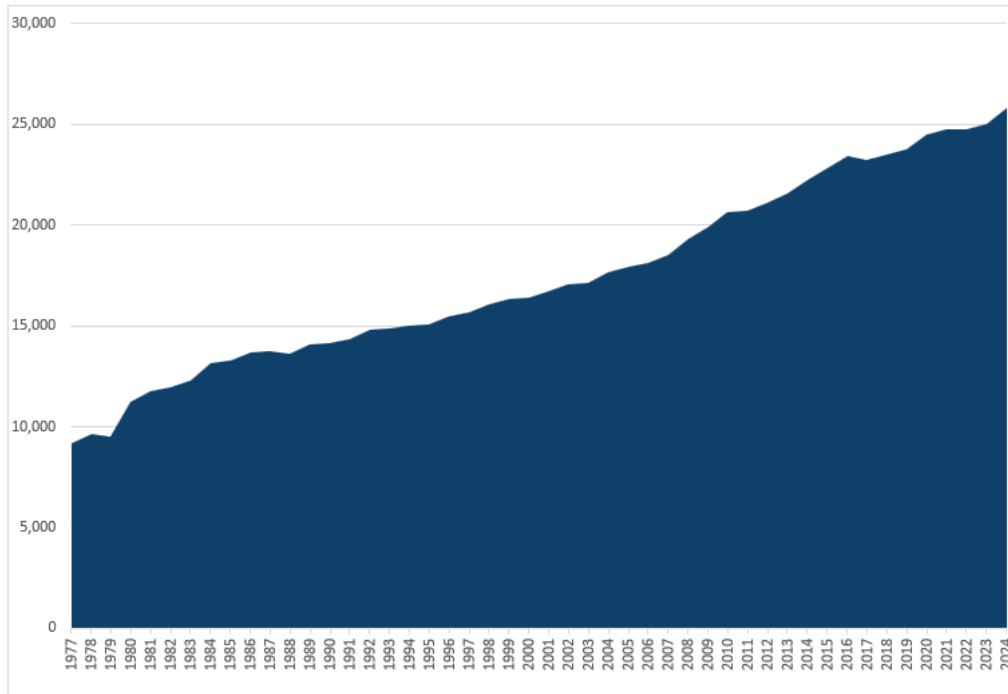
Some historical statistics about the retirement plan include membership:



Of this, the number of active members has grown:

NDPERS Retirement Actives

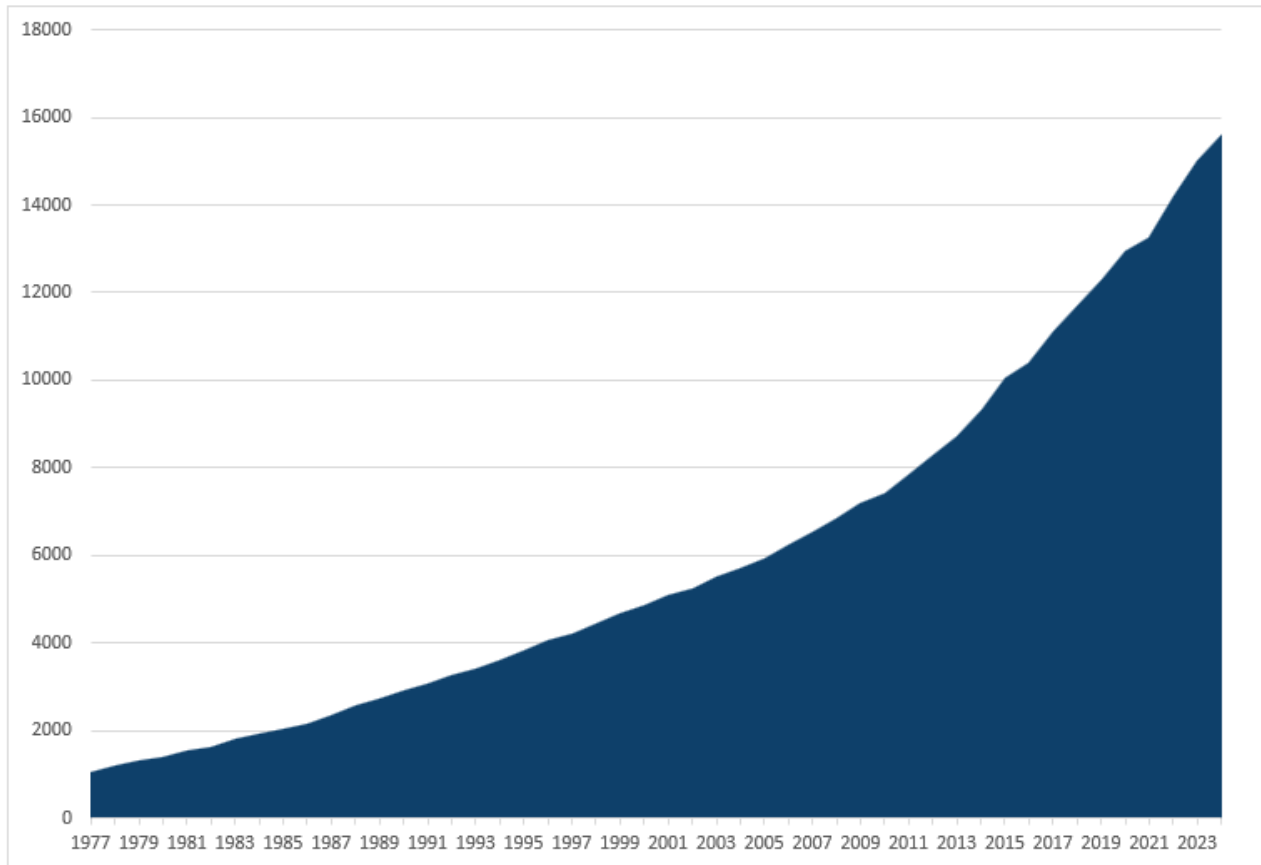
(Main System, Judges & Public Safety Systems)



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)

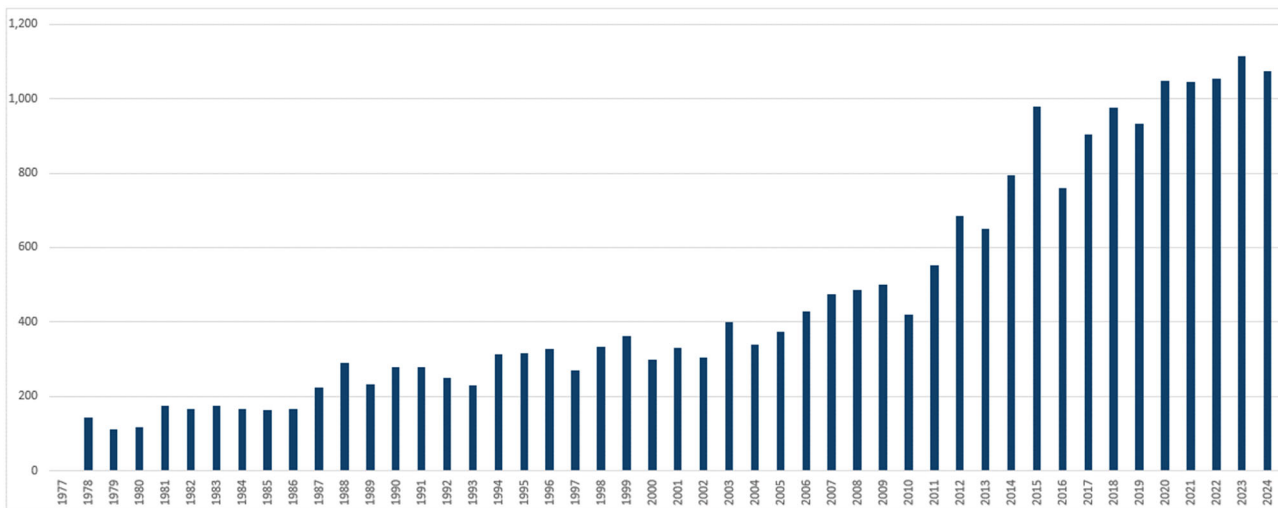


Another interesting statistic about the retirement plan is that since 1977 the NDPERS plan has received approximately \$3.23 billion in contributions and as of the October 2024 we had \$4.50 billion in assets. During that same period we paid out about \$3.46 billion in benefits.

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 1,054, 1,114, and 1073 new retirees.

NDPERS New Pensions

(Main System, Judges & Law Enforcement Systems)

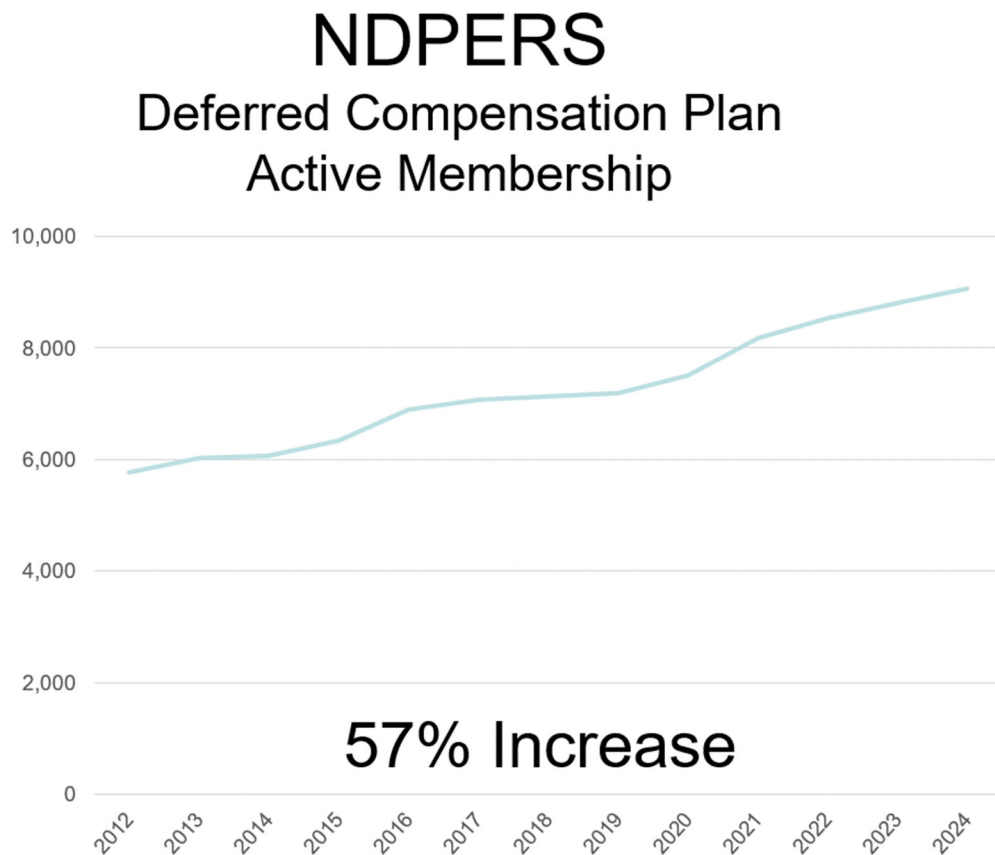


As we look to the future, we see the retired membership continuing to grow and the number of active members reducing due to the closing of the Main System to new participants effective January 1, 2025. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

Main System				
		Age 65	Rule of 85	Total
Currently Eligible as of:	June 30, 2024	1,168	1,011	2,179
Newly Eligible as of:	June 30, 2025	323	249	572
	June 30, 2026	330	260	590
	June 30, 2027	345	284	629
	June 30, 2028	379	251	630
	June 30, 2029	386	264	650
Grand Total		2,931	2,319	5,250

Servicing the present and future needs of the retired membership is a growing challenge for NDPERS. Another challenge is ensuring that new participants in the Defined Contribution Plan are adequately saving for their retirement and making investment selections that will meet their needs throughout their retirement years.

In addition to the administration of the traditional retirement plans, NDPERS 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 Main retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings through the Deferred Compensation Plan.

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

Bravera Wealth	Jackson National (closed to new entrants)
AXA Equitable (closed to new entrants)	Nationwide Life
Bank of North Dakota	VALIC (closed to new entrants)
Mass Mutual (closed to new entrants)	Waddell & Reed (closed to new entrants)

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

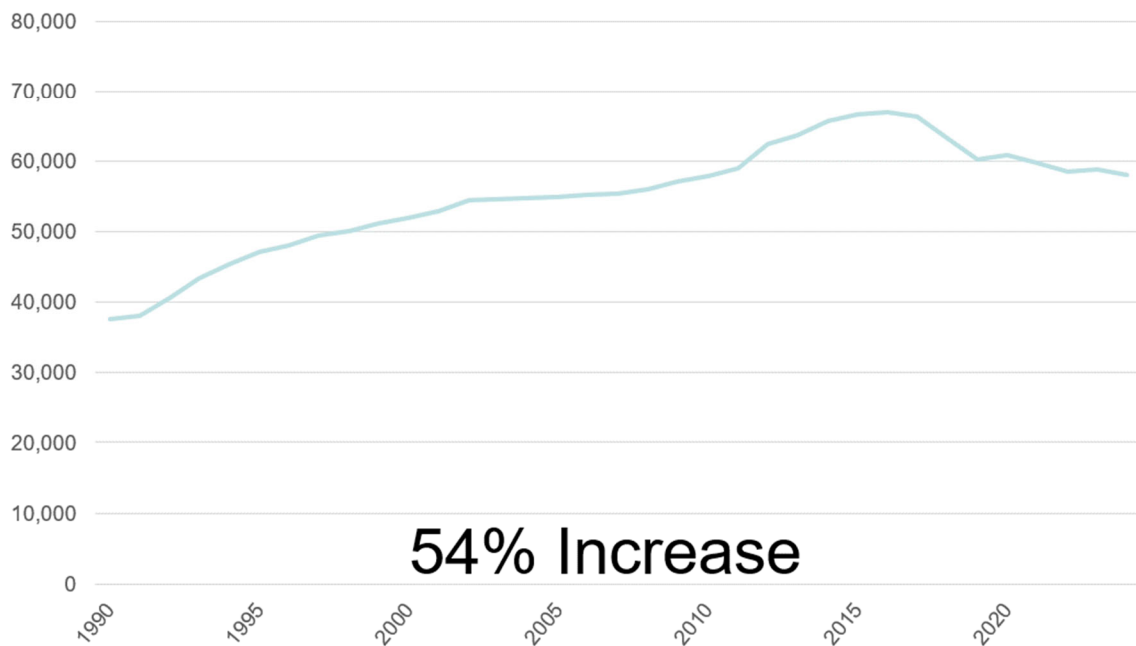
January 2025	GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS					
	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>
PARTICIPATING EMPLOYERS						
State	101	100	101	101	99	89
Counties	26	33				
School Dist	14	5				
Cities	28	28				
District Health Units	19	21	21	21	21	5
Others	32	18				
TOTAL	220	205	122	122	120	94
EMPLOYEES						
State	14,964	15,893	10,438	10,391	15,932	2,802
Legislators	117	134				
Counties	1,395	3,003				
School Dist	703	98				
Cities	658	259				
District Health Units	218	268	108	112	267	57
Others	249	187				
Retirees	6,585	3,083	4,791	4,554		
COBRA	106		50	42		
TOTAL	24,995	22,925	15,387	15,099	16,199	2,859
Covered Lives	59,116					

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:

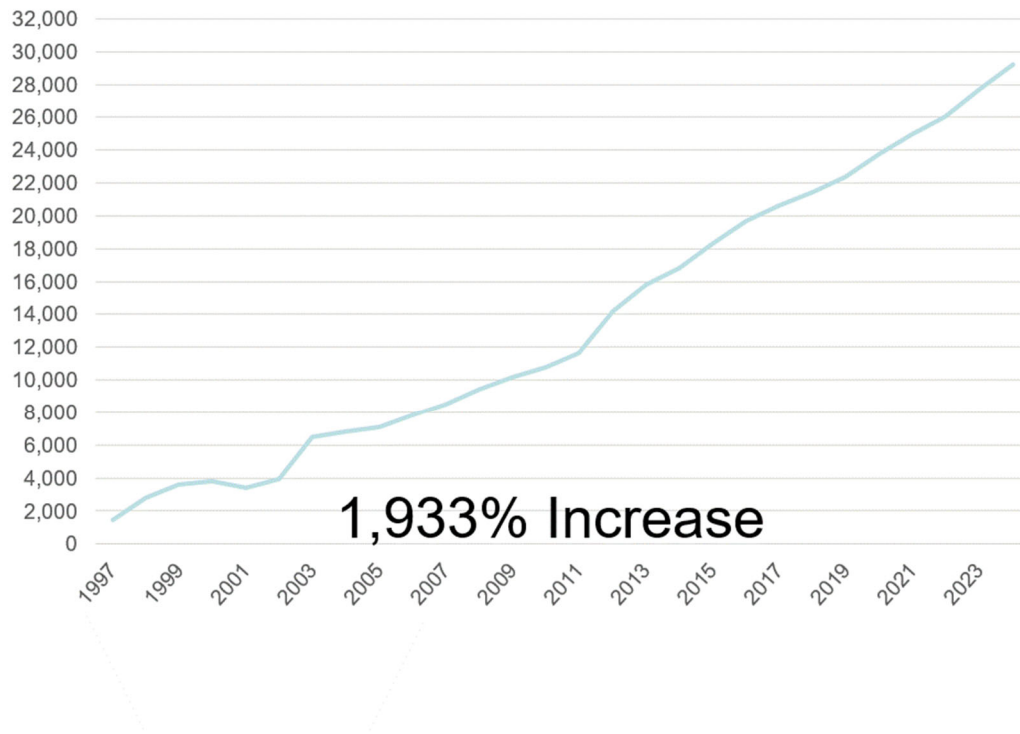
NDPERS Health Plan Membership



This plan was last bid in 2020, and the NDPERS Board awarded the contract to Sanford Health Plan under the same hybrid fully-insured/self-insured arrangement that we have had for many years. However, we are pleased to report that as part of this last renewal, Sanford Health Plan agreed to no longer share in any profits and therefore, NDPERS will receive 100% of these should the claims experience be less than the premiums paid.

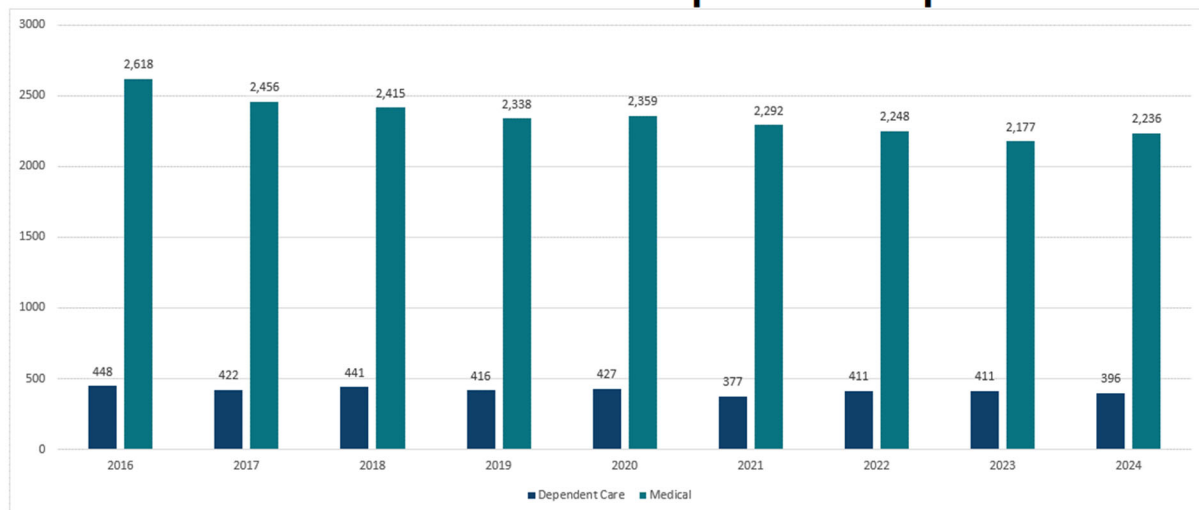
The following table shows the history of the voluntary programs. This program area continues to see significant growth.

NDPERS Voluntary Insurance Plans Membership (Dental and Vision)



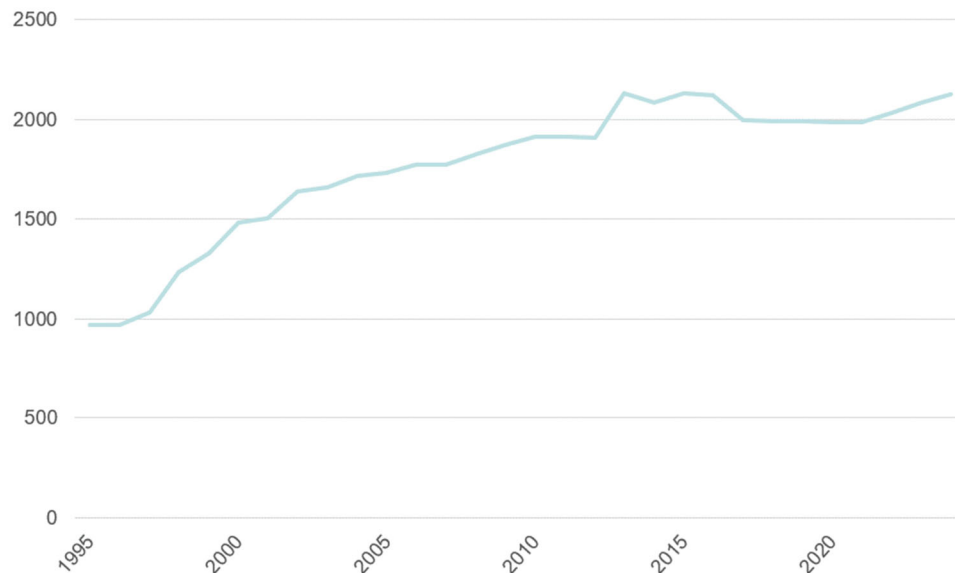
The following tables show the history of the number of members in the FlexComp program:

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 NDPERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):

NDPERS Participating Employers (All Programs)



As shown above, NDPERS 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 28 years (1996-2023).
- We have had unqualified audit opinions for over 32 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 8 years show overall satisfaction with our customer service.

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

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022	2,017	3.72	3.48	3.59	3.53
2023	2,287	3.78	3.56	3.69	3.64
2024	2,259	3.77	3.60	3.67	3.63

Work Efforts

Following are some of the major work efforts since we last reported to you in the 2023 session:

- Retirement
 - Closed the Main Defined Benefit Plan to new hires effective January 1, 2025
 - Updated our business system to accommodate Federal W-4P requirement changes
 - Analyzed Federal requirements for the passage of Secure 2.0
 - Went out to bid and selected a new record keeper for our Defined Contribution and Deferred Compensation Companion Plans
 - Implemented contribution increases in our Public Safety Plans to ADEC rates
- Group Insurance
 - Renewed our Medicare Part D contract with the incumbent providers
 - Went out to bid for our Life and Vision Insurance providers and selected the incumbent provider with enhanced benefits at a reduced premium
 - Renewed with Sanford Health Plan to continue the hybrid fully insured/self-insured arrangement that exists today
 - Went out to bid for our FlexComp provider and selected the incumbent provider
 - Went out to bid for our Dental provider and selected the incumbent provider
- Administrative Accomplishments
 - Upgraded the servers that our business system resides on
 - Converted historical microfiche records into an electronic format
 - Implemented a sealed envelope policy in our office
 - Began an initiative to embed forms into correspondence generated by staff
 - Developed a process to allow temporary employees the ability to enroll in health insurance electronically
 - Developed a process to allow employers to do an electronic ACA certification of temporary employees
 - Revamped the login process to provide members a more secure portal
 - Upgraded our call center software

Three-Year Strategic Plan

The agency conducts operates under a Board approved, three year strategic plan. The current strategic plan, with initiatives through 2027 is included below:

Goal	Division(s) Involved	2024	2025	2026	2027
Accuracy Improvement	All NDPERS Staff	In Process	X	X	X
Procedure Manual Documentation	All NDPERS Staff	In Process	X	X	X
Renewal/RFPs	Executive Director Benefits Research & Planning COO/CFO More staff involved and larger work effort for RFP process vs rebid.		X		X
Vision			X		X
RHIC		DONE	In Process	X	X
Medicare Part D			In Process		X
EAP		DONE		X	
Consultant - Actuary			X		X
Consultant - Health Plan		DONE		X	
Health		DONE		X	
Dental		DONE		X	
457/DC Third Party Administrator			X		X
Flexcomp Third Party Administrator		DONE		X	
Consultant - Dental, Vision, Life		DONE		X	
Consultant - Investment		DONE		X	
Life		DONE		X	
Education Campaign					
Employers		DONE	X	X	X
Legislators		DONE	X	X	X
Members		DONE	X	X	X
Succession Planning:	All NDPERS Staff				
Admin Services		In Process	X		
CFO		X	X		
CBO		X	X		
Educational Videos for Website	Communications/Benefits	In Process	X	X	X
Correspondence Embedding	Benefits & IT	In Process	X		
Electronic Records Cleanup	Admin Services/IT	In Process	X		
Develop an Employee Handbook	Admin Services	X	X		
Comprehensive Wizards	All NDPERS Staff	In Process	X		
System Enhancement Backlog	All NDPERS Staff	In Process	X	X	X
Workflow Redesign (BPM)	All NDPERS Staff	X	X	X	X
Lifecycle Training Recordings	All NDPERS Staff	In Process	X	X	
OCR for Scanning Efficiencies	Admin Services/IT	X	X		
Redefining Mission Statement	All NDPERS Staff	DONE			
Death Processing Accuracy Improvement	All NDPERS Staff	In Process	X		
Board Committee Charter & Bylaws Creation	All NDPERS Staff	DONE			
DB Closure Initiative	All NDPERS Staff	In Process	X		
Secure 2.0 & Roth 457 Provisions	All NDPERS Staff	X	X		
Create Board Operational Policies	All NDPERS Staff		X	X	

PERS Budget

2023-25 Budget. The NDPERS budget is all special funds. This biennium we do have one-time funding expenses for which we would like to provide updates.

Last session, NDPERS received \$125,00 to add an additional developer to help us address the backlog of system enhancements our agency has, to develop comprehensive new hire and annual enrollment wizards, and to help us redesign the workflows within our agency.

NDPERS also received some one-time funding as part of HB 1040, which closed the Main Defined Benefit Plan to new hires effective January 1, 2025, and shifts all future enrollees into the Defined Contribution Plan. We received appropriation authority totaling \$125,000 to add an additional developer that was specifically dedicated to this process, and we received \$200,000 in temporary salaries to allow us to successfully make this transition. PERS has used a combination of temporary employees, temporary workload increases for existing staff, and overtime of existing staff to help accommodate this transition.

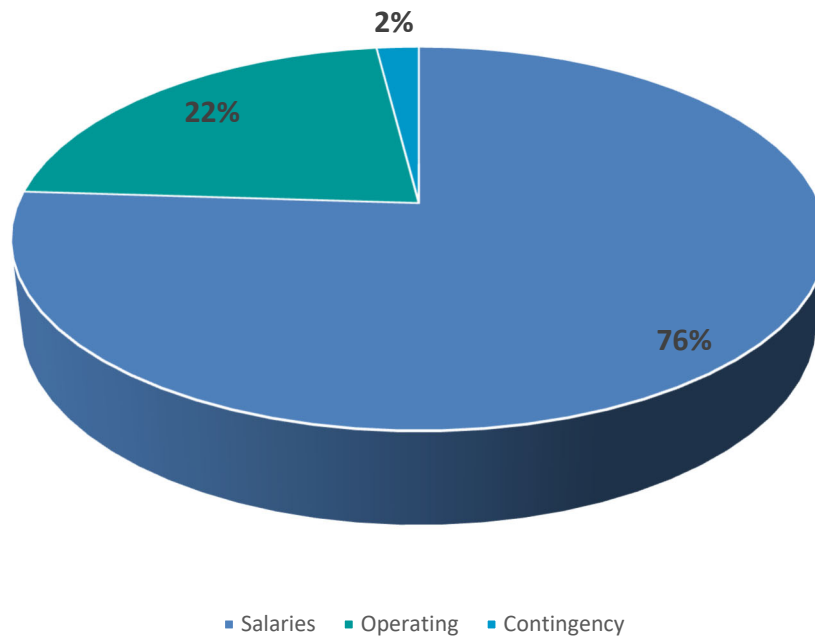
A summary of total expenditures to date are as follows:

Work Effort:	Spent to Date:	Addl. Spend to Biennium End:	Anticipated Total Spend:
Developer	\$ 93,750	\$ 31,250	\$ 125,000
HB 1040 Developer	93,750	31,250	125,000
HB 1040 Temp Salaries	7,641	30,228	37,869
HB 1040 Permanent Salaries	25,466	40,000	65,466

2025-27 Budget. The Governor’s recommendation to state agencies that have over \$10 million in appropriation authority was to submit a 3% reduced budget to focus on efficiencies that create budget savings while improving outcomes for the citizens our agency serves.

The following is a summary comparing the current budget to Governor Burgum’s Recommendation.

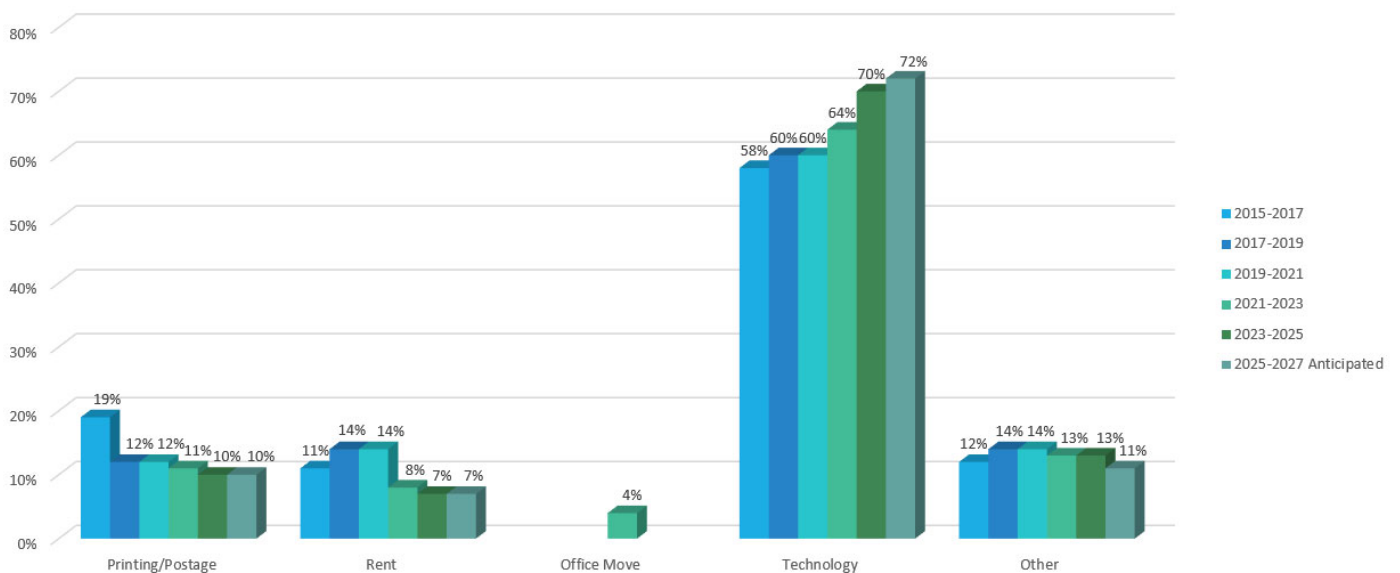
	2023-25 Appropriation	One-Time Expenditures	Adjustments	2025-27 Legislative Base Budget
Salaries & Wages	7,738,479	-	494,013	8,232,492
Operating Expenses	2,542,712	(128,000)	1,450	2,416,162
D.B. Plan Closure	372,027	(327,000)	(45,027)	-
Contingencies	250,000	-	-	250,000
Total Special Funds	10,903,218	(455,000)	450,436	10,898,654
FTE	40.5			40.5



Salaries and Wages

Salaries and wages account for 76% of the base budget and maintains funding for 40.5 FTE and one full time temporary employee. The temporary position is serving as a retirement application processor.

Operating Expenses



Operating expenses account for 22% of the base budget. Looking into our operating line item:

- 72% is IT and shared services related (software, Sagitec, State Wide Cost Allocation)
- 7% is office rent
- 10% is printing and postage
- 11% 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. These costs continue to be the most challenging budgetary constraint our agency experiences.

In July 2021 our agency moved into the WSI building. This allowed us to reduce our office footprint, and reduce our rent by nearly \$80,000 on an ongoing basis. This rent savings was used to offset our technological increases for the current 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 \$240,000 (a 32% reduction) over the last 8 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 prefers to be communicated with through printed materials.

Summary of 3% Budget Reduction:

Unfortunately we feel like we are 3-5 years away with business system upgrades to be in a position to recognize efficiencies to reduce workloads in our office. Our Board has made a decision to try and make significant progress with automating our business system, but the reality is we are not in a position to realize budget savings today without having to reduce services to our membership. An analysis was done of the benefit offerings we have, and in order to comply with a budget reduction our Board decided that reducing staff by 2.0

FTE, plus reducing the funding we have for temporary employees, to discontinue the 457 Deferred Compensation providers outside of the Companion Plan.

The chart below represents the pros and cons of moving forward with a benefit reduction of this nature:

PROS	CONS
Streamline internal operations	Significant member disruption (~11,000 participants)
Increase “buying power” of the Companion Plan	Unknown participant impact
Ensures Fiduciary oversight of participant funds	Some are annuity products

Attachment 1 – Executive Recommendation

	2025-27 Legislative Base	Executive Recommendation Adjustments	2025-2027 Executive Recommendation	% Increase/ (Decrease)
Salaries & Wages	8,232,492	2,069,275	10,301,767	25.1%
Operating Expenses	2,416,162	850,501	3,266,663	35.2%
Contingencies	250,000	-	250,000	
Total Special Funds	10,898,654	2,919,776	13,818,430	26.8%
FTE	40.5	0.0	40.5	

Analysis of the Executive Recommendation Adjustments:

Restore FTE Authority & Temporary Funding - \$525,968

Governor Burgum restored the salary funding (\$441,805), operational funding (\$7,500) and FTE authority (2.0 FTE) to continue allowing the 457 providers in our Deferred Compensation program. It still is a long-term goal of our Board to move all new hires into the Companion Plan, because the ramifications are largely unknown of forcing all participants out of their current provider, the Governor felt this was an important initiative to keep in place.

The Governor also restored part of the agency's temporary funding (\$76,663) so the agency can cover the cost of the 4% salary increases that went into effect on July 1, 2024 as well as the additional 1% Main Plan contribution increases that went into effect on January 1, 2024.

Cost to Continue Operational Inflationary Increases - \$246,289

These costs represent the operational increases we are going to be experiencing next biennium to continue offering the services we do today. These inflationary increases include:

- Rent – NDPERS leases office space from WSI, and we've been notified rent will be increasing by \$1 sq/ft next biennium. This has a total impact to our budget of \$12,006.
- Information Technology – the rest of our operational increases all relate to information technology:
 - NDIT – the Governor included some funding to help offset the rising costs at NDIT, however, the Governor did not fund agency specific initiatives. For PERS, the largest unfunded initiative was increases to our call center staff. In total we are estimating increases from NDIT totaling \$31,050 that were not funded by the Governor.
 - Sagitec – NDPERS utilizes an independent contractor to both license and develop our robust business administration software. The costs to retain qualified developers has been a challenge for our provider, however, we still feel like we get great value for our dollar that is before you today. The proposed increases to our development team is significant, but it equates to roughly \$93.36 an hour. Comparing that to the development work done through NDIT, that still results in a savings of over 55% for our agency.
 - Licensing increase - \$25,800
 - Development increase - \$177,433

One-time Funding to Add a Project Manager & Two Developers - \$539,595

NDPERS has been trying to make significant improvements with automating our business system, and also increase the electronic options our membership has at their disposal.

Below is a listing of all the projects currently in motion, and the year the project was initially started:

Initiative	Description	Year Started	% Complete
Termination Wizards	Allows members to apply for retirement benefits electronically in our member portal	2018	35%
New Hire Wizard	Allows members to complete all new hire enrollments in one location, electronically, in our member portal	2022	80%
Annual Enrollment Wizard	Allows members to complete all annual enrollment elections in one location, electronically, in our member portal	2022	80%
Business Process Management	Automates our business system and incorporates the entities business rules into the workflow process	2022	5%

All of these projects independently give our agency a lot of excitement. Trying to make meaningful progress on these initiatives has been difficult, because all of them are significant. We are hoping that by utilizing a project manager (contractor) at the vendor level, and have developers dedicated to these projects will finally help us make meaningful progress on these initiatives. To fully complete these processes, we anticipate it taking 3-5 years, depending on how quickly we can start progressing in these areas. The long term effect will be reduced workloads in our office, increased accuracy, and an enhanced user experience for each and every one of our members.

Funding to Add an Intern & Added Legislators on our Board - \$45,000

Last session, NDPERS had two additional Legislators added to our Board without additional appropriation authority. In addition, the agency is interested in taking advantage of the State's internship program, which is something we have not previously done on an ongoing basis.

Summary of the Executive Recommendation

Wages of \$2,069,275:

- FTE Pool Restoration - \$1,201,247
- Salary increases funded at 4% the first year, and 3% the second year - \$440,169
- Restore full temporary funding - \$130,644
- Health insurance premium increase - \$252,215
- Add intern & Legislator funding - \$45,000

Operating Expenses of \$850,501

- Cost to continue NDIT - \$64,617
- Cost to continue operational increases - \$246,289
- Sagitec Project Manager & Two Developers - \$539,595

Attachment 2 – Changes to the Executive Recommendation

2.0 Additional FTE to Support the Long-Term Success of the DC Plan - \$450,162

Last session, we were extremely lucky to have a really engaged conference committee for our appropriation bill. At the conclusion of last session, we felt confident we had what we needed to not only launch the Defined Contribution 2025 tier, but also sustain it.

As we began the implementation efforts, it became obvious that may not be the case. The new Defined Contribution Plan has strict IRS rules on the participant's requirement to make a one-time, lifetime, irrevocable election into the plan for the up to 3% additional contribution. If this window is missed, there is no opportunity for recourse, and the participant will be "stuck" at the mandatory rates for the entirety of their lifetime.

The success of our ability to communicate with our participants relies on our employers properly reporting new hires in a timely manner. Without an employer notifying NDPERS of a new hire, we have no way of knowing that individual exists, or how to begin our educational efforts.

Last session we willingly sacrificed an accounting position (we originally thought we would need them to help reconcile all the various accounts that will exist in the Defined Contribution Plan), as we were confident in our ability to track our participant funds. As we started implementing the plan, the biggest risk of failure this plan has is the employer not doing their steps in the right sequence, or by the deadlines. We feel like doing a better job of onboarding new authorized agents at the employer level is critical to the long-term success of the plan. Currently, we send out email notifications of the duties to comply with PERS reporting requirements, but having a position and dedicated resource our employers would have to educate them on their responsibilities, help them navigate both the member and employer portals, and educate them on the 30 day window and how they as the employer can help us accelerate the educational effort in the 30 day window we feel is necessary to this plan's success.

Our enrollment team is the thinnest division we have, yet they are the division that is most impacted by the changes with the matching provisions of both the Defined Contribution and Deferred Compensation plans. Previously, all rates were the same for all members of the plan, and with the new plan we know there are more options and matching opportunities available. Unfortunately, after completing the programming effort, we now understand that this also means additional duties our office will need to absorb. Instead of processing retirement once on each member, retirement will need to now be processed twice for anyone who moves off the mandatory contribution rates. Similarly, the matching provisions that extend to the 457 Deferred Compensation plan will create additional entry that didn't previously exist. Having another enrollment staff member to help alleviate the additional workload is another area we feel we need to help ensure we are comfortable and confident with the changes the new plan tier will make in our office.

Targeted Compensation Adjustments for Staff - \$110,848

It's pretty well known that NDPERS had a stressful year in 2024. Not only were we in charge of implementing historical Legislation in 1/3 of the timeframe that other states have, we also did it shorthanded on our Executive Management team. After the Director was dismissed in November 2023, workloads were rearranged in our office to accommodate being down a member of our Executive Management team for the year. Once session is over, we plan on finally recruiting for a Chief Benefits Officer in our organization.

Our Board is seeking targeted compensation adjustments for the Executive Management team to recognize the duties that were permanently reassigned with the Executive Director's position, and get the compensation levels of our Executive Management team in line with similar positions in similar agencies.

Summary of Proposed Changes to the Executive Recommendation

1) FTE Requests:

- Accounting FTE for Employer Support - \$239,016 of salary appropriation & \$3,750 of ongoing operational appropriation
- Enrollment FTE for Enrollment Support - \$203,648 of salary appropriation & \$3,750 of ongoing operational appropriation

2) Targeted Compensation Adjustments:

- Executive Management Compensation Adjustments - \$110,848

The following information is provided as requested:

1. Explain the purpose of the agency and its various divisions/programs – Cite North Dakota Century Code provision and attach an organizational chart.

Response: Included in testimony – pages 1 – 11.

2. Report any audit findings included in the most recent audit and action taken to address each finding.

Response: There we no audit findings for the June 30, 2024 audit

3. Discuss current biennium accomplishments and challenges and next biennium goals and plans.

Response: Included in testimony – pages 13 – 14.

4. Compare the agency's request/recommendation totals, including full-time equivalent (FTE) positions, for the next biennium compared to the current biennium.

Response: We are hoping to increase the FTE count from 40.5 to 42.5 for the 2025-2027 biennium to ensure the long-term stability of the 2025 tier in our Defined Contribution Plan.

5. Discuss any new positions approved for your agency for the 2023 – 2025 biennium by the 2023 Legislative Assembly, the timing of filling the positions, amounts transferred from the OMB pool for the filled positions, and funding appropriated and the amount estimated to be spent for each position for the 2023 – 2025 biennium.

Response: A summary of our new positions, and the funding mechanism for each is below:

Position	Date Filled	FTE Pool Transfer	Funding Appropriated	2023-2025 Biennium Spend
Receptionist	July 1, 2023	\$ 140,411	\$ 140,411	\$ 140,411
Member Services Rep	July 1, 2023	143,371	143,371	143,371
Retirement Processing Lead	July 1, 2023	238,087	238,087	238,087
Counselor	August 14, 2023	137,397	152,519	137,397
DC Plans Manager	December 1, 2023	216,108	362,659	216,108

6. Discuss employee turnover and the number of vacant positions during the 2023-25 biennium to date, the amount of savings relating to the vacant positions and

employee turnover to date compared to the vacant position savings removed from your agency's budget by the 2023 Legislative Assembly, the amount of vacant position saving spent for other purposes, and any amounts transferred or anticipated to be transferred from the OMB pool.

Response: The number of vacancies, and how the savings were spent is included below. Due to the vacancy of our Chief Benefits Officer since November, 2023, we do not anticipate requesting additional funds from the FTE pool this biennium.

Fiscal Year 2023:

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Est. Vacancy Savings	35,552	19,903	19,903	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184
Use of vacant position savings:												
Accrued Leave Payouts						17,124						
Extra Overtime Funding	1,072		1,551									
Other (identify)												
Severance Pay for Our Director						45,042						
Total	34,480	19,903	18,352	11,184	11,184	(50,982)	11,184	11,184	11,184	11,184	11,184	11,184
Vacant Positions:	4	2	2	1	1	1	1	1	1	1	1	1

Fiscal Year 2024:

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Anticipated Jan-25	Anticipated Feb-25	Anticipated Mar-25	Anticipated Apr-25	Anticipated May-25	Anticipated Jun-25	Cumulative Total
Est. Vacancy Savings	12,551	17,326	14,255	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	320,802
Use of vacant position savings:													
Accrued Leave Payouts													17,124
Extra Overtime Funding													2,623
Other (identify)													-
Severance Pay for Our Director													45,042
Total	12,551	17,326	14,255	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	256,013
Vacant Positions:	2	2	2	1	1	1	1	1	1	1	1	1	

7. Explain the funding included in each program/line item either in total or by division depending on the size of the agency as follows:
 - a. Amounts included in the base level and their purpose and use; and
 - b. Amounts included in the request/recommendation and justification for the change from the base level. Discuss changes relating to each line item

(salaries and wages, operating expenses, etc.) funding source (general fund, special funds, federal funds), and FTE positions.

Response: Included in testimony – page 16

8. Discuss the purpose and use of any one-time funding items for the current biennium.

Response: Included in testimony – page 15

9. Identify and justify the need for any one-time funding being requested.

Response: Included in testimony – pages 20-21

10. Discuss any fees the agency charges, the appropriateness of the fee amount, fee collections that are deposited in the general fund or a special fund, and any anticipated changes from 2023 legislative session estimates during the 2023-25 biennium and estimated changes for the 2025-27 biennium.

Response: PERS does not charge any fees to agencies at all.

11. Identify any federal state fiscal relief funds remaining to be spent by your agency by December 2026. Provide the amount, the purpose, and a timeline of anticipated expenditures.

Response: PERS does not receive any relief funds at all.

12. Discuss the need for any other sections to be added to the appropriation bill.

Response: If the Legislature is interested in reducing 2.0 FTE to accommodate a benefit reduction by not offering the additional 457 providers in our plan, our Board has requested a statement of Legislative Intent to be added to our appropriation bill to help with the implementation efforts.

13. Discuss any other bills being considered by the Legislative Assembly and their potential budgetary impact on your agency.

Response: There are not any bills currently on our radar that have a budgetary impact on our agency. The Actuarially Determined Employer Contributions (ADEC) and the incentive payments that go into effect on

January 1, 2026 from HB 1040 last session will have a budgetary impact, and any health insurance mandates that may be passed will be considerations on our radar this session.

14. Provide a one-page itemized listing any changes your agency is requesting the committee to make to the executive budget recommendation.

Response: Included in testimony – page 24.

15. Provide additional information as necessary.

Response: We appreciate the committee taking the time to learn about our agency & the challenges we are currently facing. If there are any questions any of you have, please let us know!

A photograph of the Century Center building, a modern structure with a large glass facade and a stone base. The building is surrounded by green grass and blue light poles. The sky is clear and blue. The text "ND PUBLIC EMPLOYEES RETIREMENT SYSTEM" is overlaid in large white letters on the left side of the image. The text "Budget – 69th Legislative Assembly" is overlaid in smaller white letters on the right side of the image.

ND PUBLIC EMPLOYEES RETIREMENT SYSTEM

Budget – 69th
Legislative Assembly



Mike Seminary
Chair



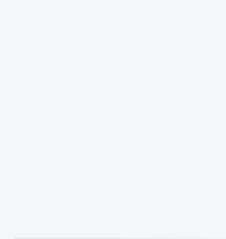
Casey Goodhouse
Member Elected



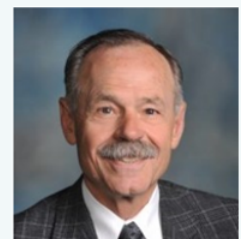
Adam Miller
Member Elected



Tyler Erickson
Member Elected



Vacant
Governor Appointee



Jeffery Volk
Governor Appointee



Gerald Buck
Governor Appointee



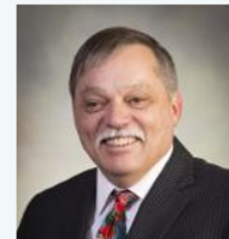
Representative
Greg Stemen



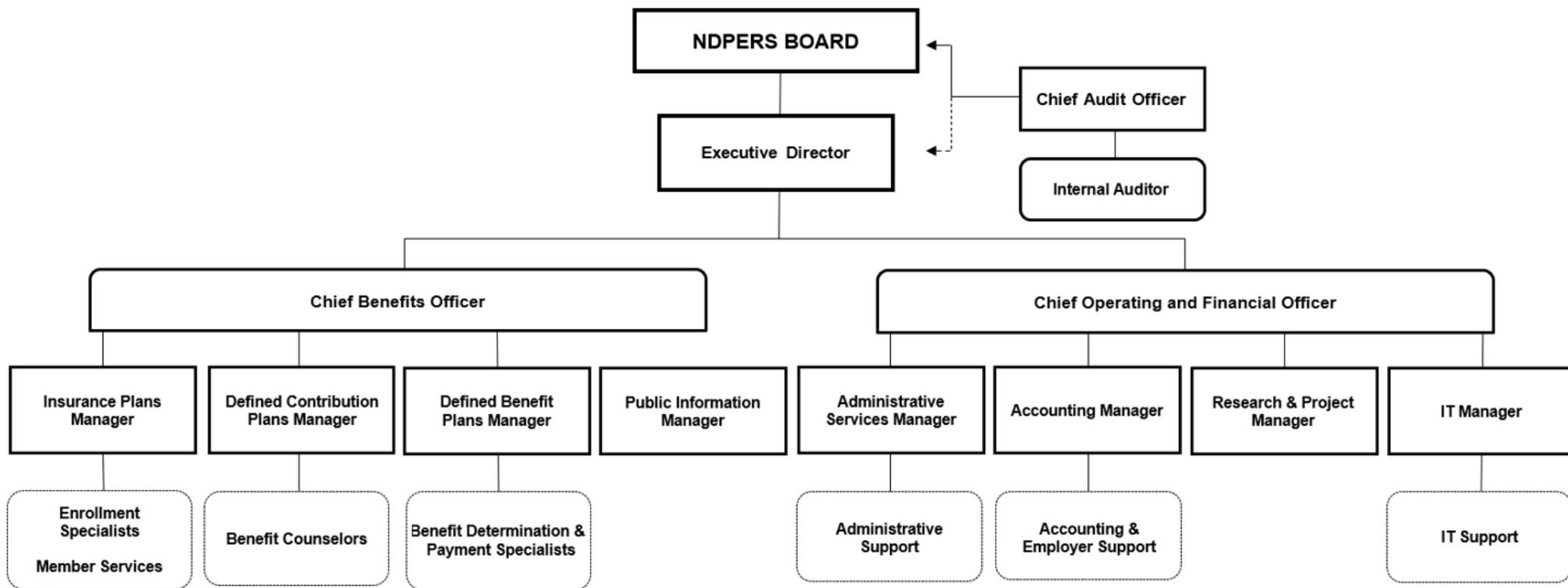
Representative
Jason Dockter



Senator
Kyle Davison



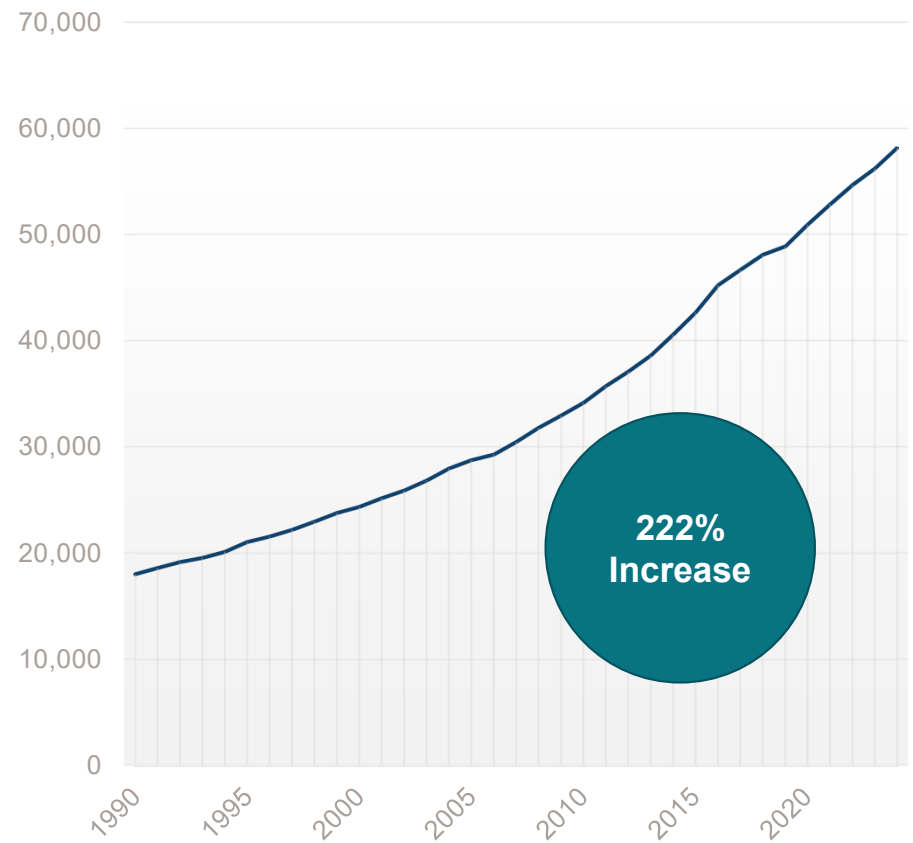
Senator
Dick Dever



January 2025		RETIREMENT PROGRAMS								
		MANAGED AND ADMINISTERED BY NDPERS								
	<i>TOTAL</i>	<i>Main</i>		<i>Public</i>	<i>Highway</i>	<i>Job</i>	<i>DEFINED</i>	<i>DEFERRED</i>	<i>HEALTH</i>	
	<i>RETIREMENT</i>	<i>System</i>	<i>Judges</i>	<i>Safety</i>	<i>Patrol</i>	<i>Service</i>	<i>CONTRIBUTION</i>	<i>COMP</i>	<i>CREDIT</i>	
									<i>(RHIC)</i>	
PARTICIPATING EMPLOYERS										
State	100	100	1	2	1	1	99	101	100	
Counties	52	52		41			49	30	52	
School Dist	132	132					116	42	132	
Cities	102	102		32			87	62	102	
District Health Units	21	21					20	16	21	
Others	75	75		6			51	50	75	
TOTAL	482							301	482	
EMPLOYEES										
State	10,834	10,443	58	84	165	1	83	7,626	6,955	
Counties	4,444	3,468		975			1	846	2,979	
School Dist	7,638	7,637					1	127	3,442	
Cities	3,079	2,389		689			1	571	1,958	
District Health Units	267	267						200	175	
Others	699	671		28				176	344	
Subtotal	26,961	24,875	58	1,776	165	1	86	9,546	15,853	
Retirees	14,598	14,119	44	177	119	109	30		14,131	
Subtotal	41,559	38,994	102	1,953	284	110	116	9,546	29,984	
Deferred Members	18,867	17,898	4	821	57	0	87	8,916	14,835	
TOTAL	60,426	56,892	106	2,774	341	110	203	18,462	44,819	

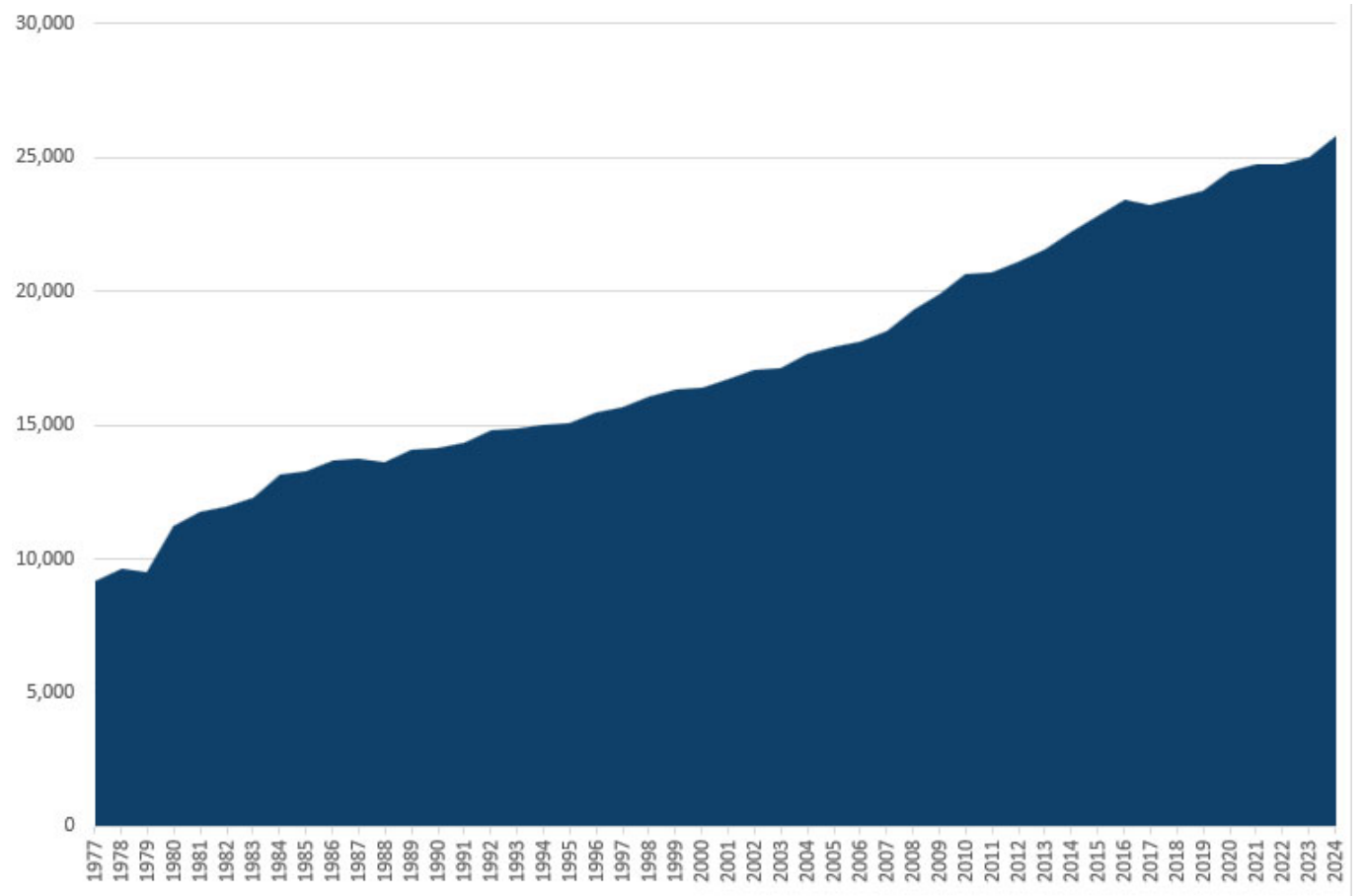
RETIREMENT PLAN MEMBERSHIP

Includes actives, inactives, retirees, and beneficiaries

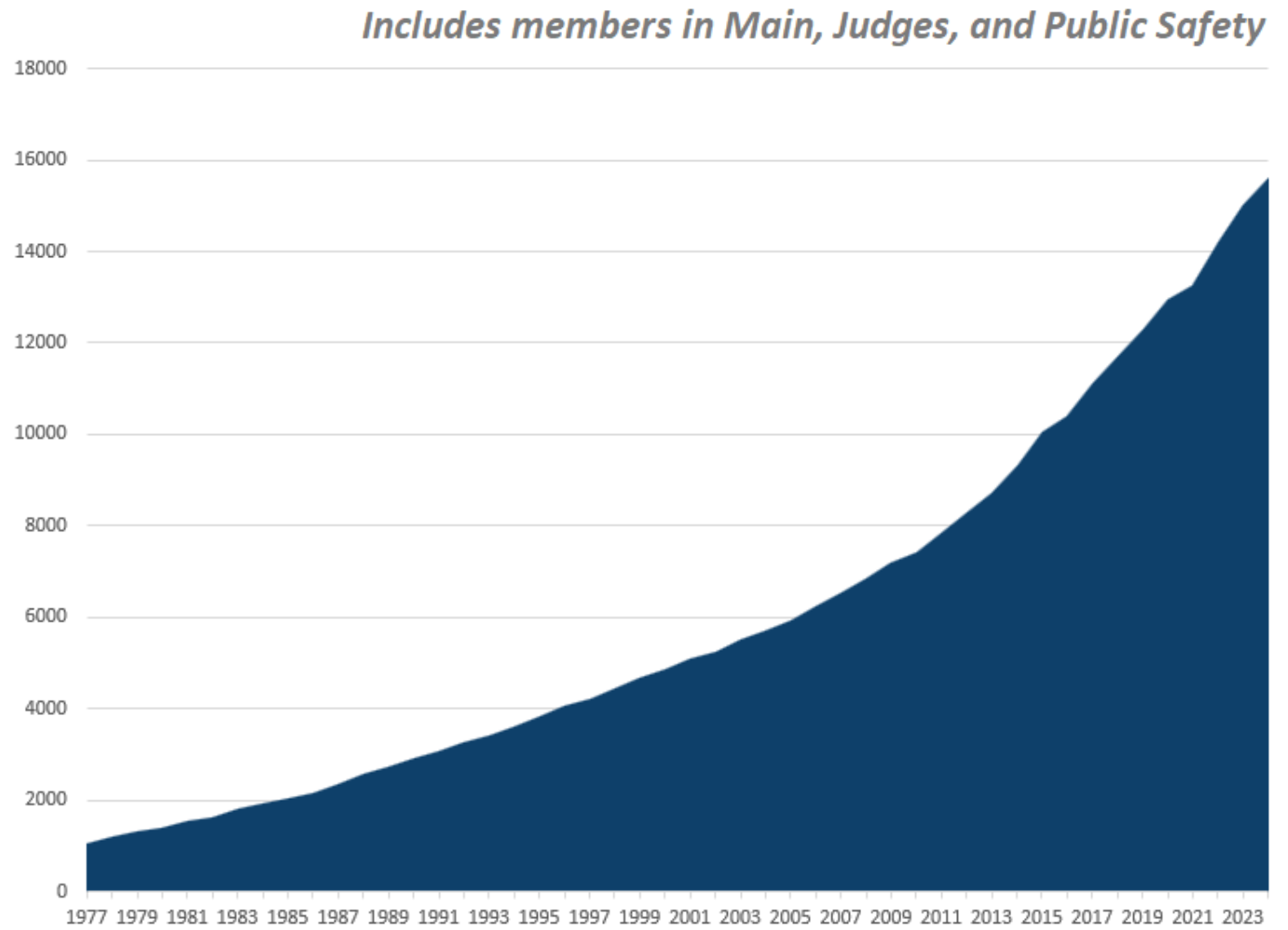


ACTIVE
MEMBERS IN
NDPERS
RETIREMENT
SYSTEM

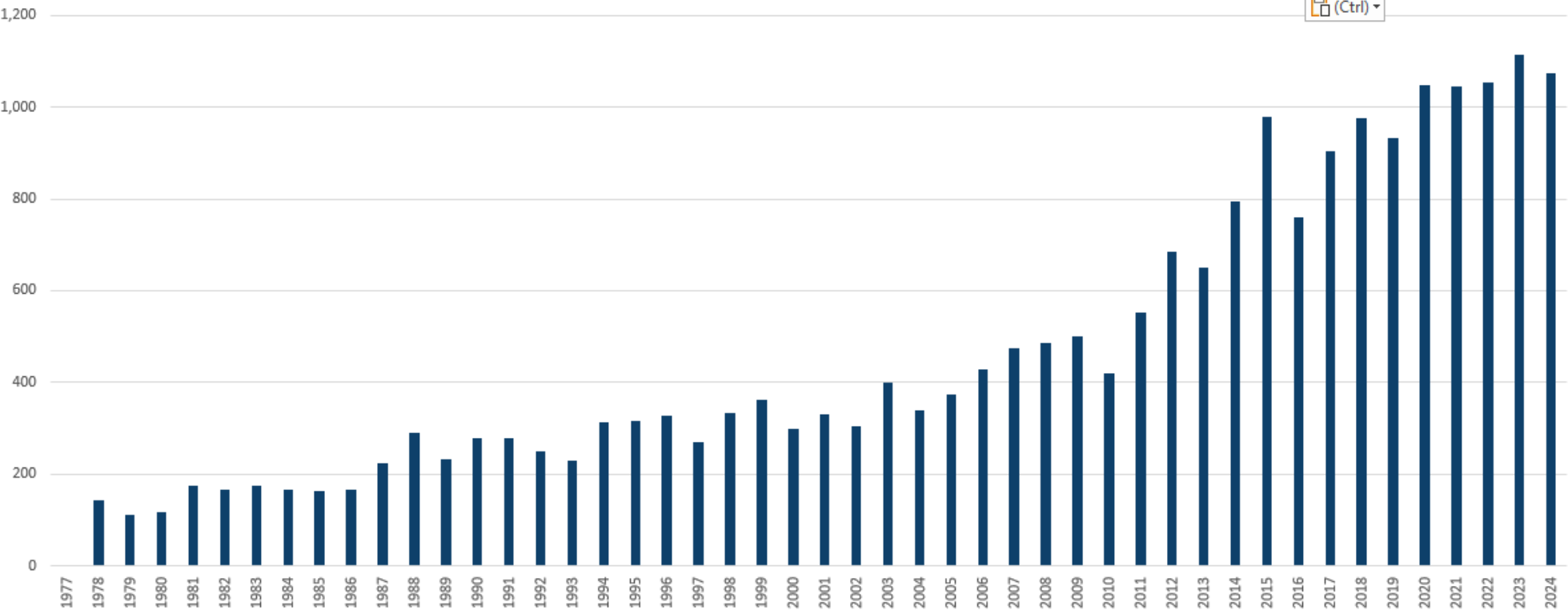
Includes members in Main, Judges, and Public Safety



RETIREES IN
NDPERS
RETIREMENT
SYSTEM

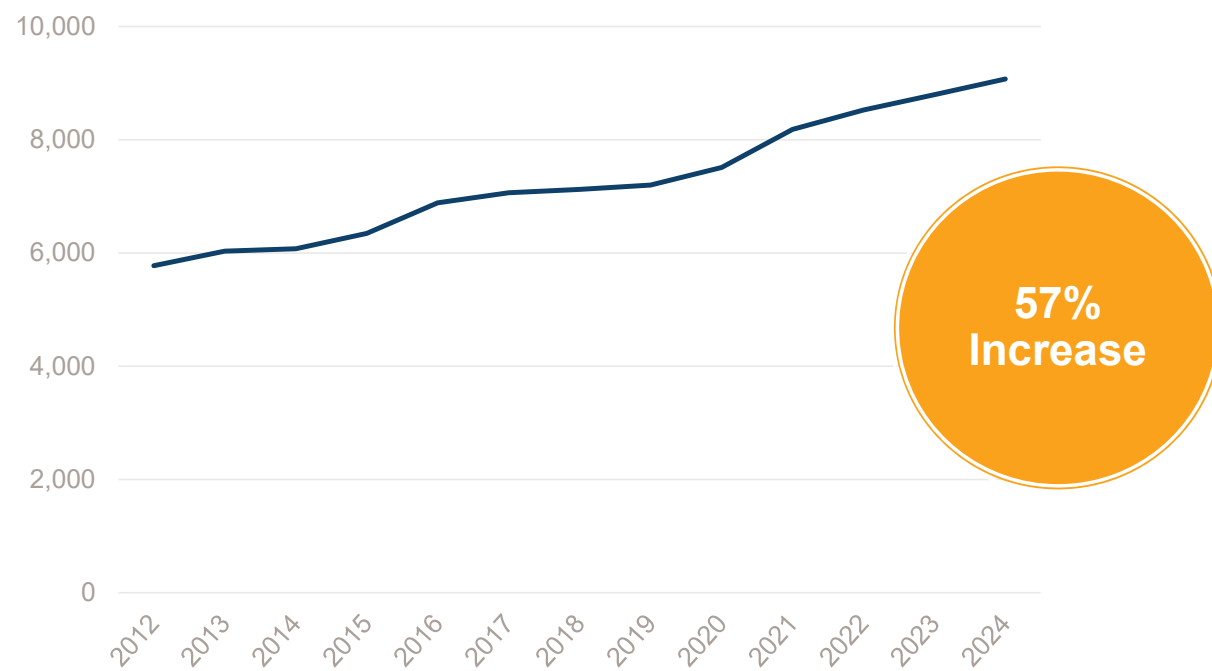


Includes members in Main, Judges, and Public Safety



Members of
the Main
System
Eligible to
Retire in the
Next Five
Years

	Age 65	Rule of 85	Total
Currently eligible as of June 2024	1,168	1,011	2,179
Newly eligible as of June 2025	323	249	572
Newly eligible as of June 2026	330	260	590
Newly eligible as of June 2027	345	284	629
Newly eligible as of June 2028	379	251	630
Newly eligible as of June 2029	386	264	650

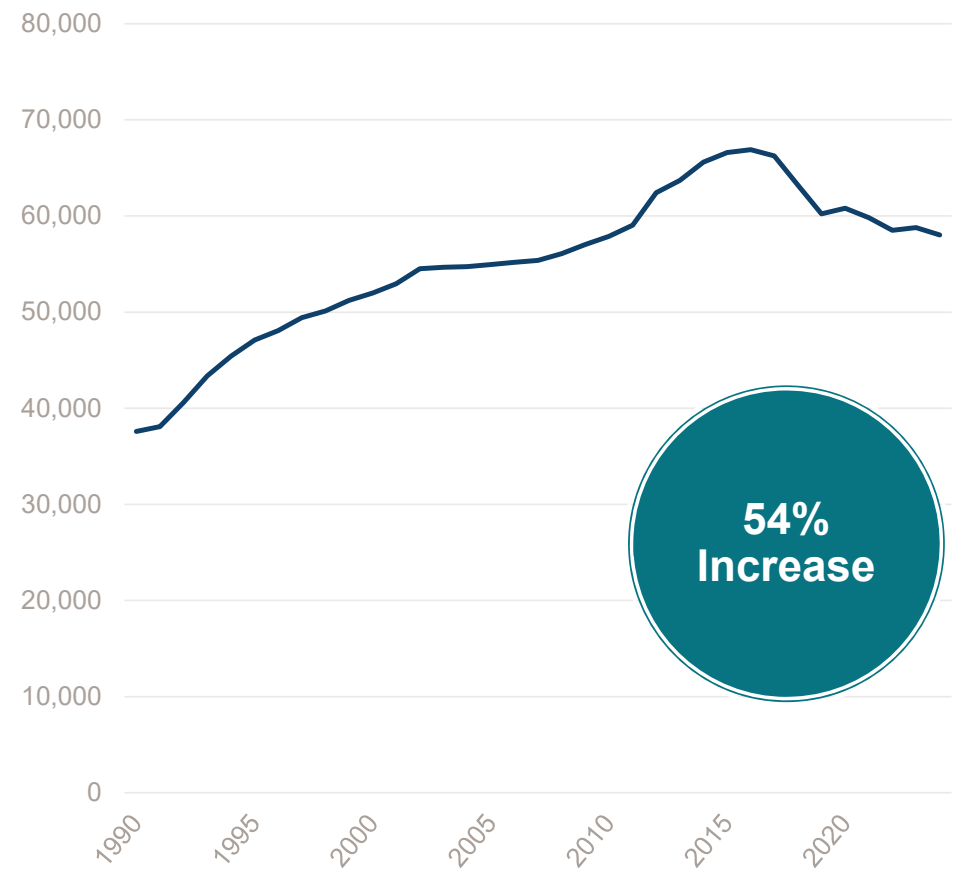


January 2025

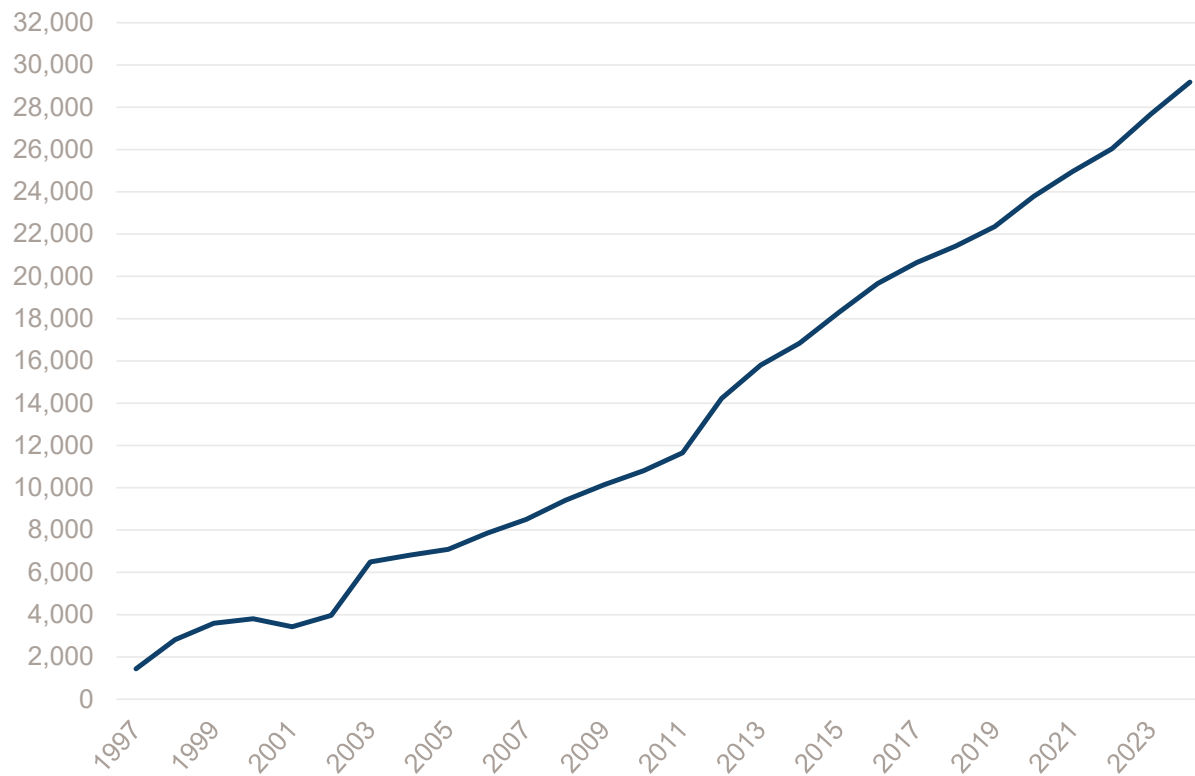
GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>
PARTICIPATING EMPLOYERS						
State	101	100	101	101	99	89
Counties	26	33				
School Dist	14	5				
Cities	28	28				
District Health Units	19	21	21	21	21	5
Others	32	18				
TOTAL	<i>220</i>	<i>205</i>	<i>122</i>	<i>122</i>	<i>120</i>	<i>94</i>
EMPLOYEES						
State	14,964	15,893	10,438	10,391	15,932	2,802
Legislators	117	134				
Counties	1,395	3,003				
School Dist	703	98				
Cities	658	259				
District Health Units	218	268	108	112	267	57
Others	249	187				
Retirees	6,585	3,083	4,791	4554		
COBRA	106		50	42		
TOTAL	<i>24,995</i>	<i>22,925</i>	<i>15,387</i>	<i>15,099</i>	<i>16,199</i>	<i>2,859</i>
Covered Lives	<i>59,116</i>					

HEALTH PLAN MEMBERSHIP

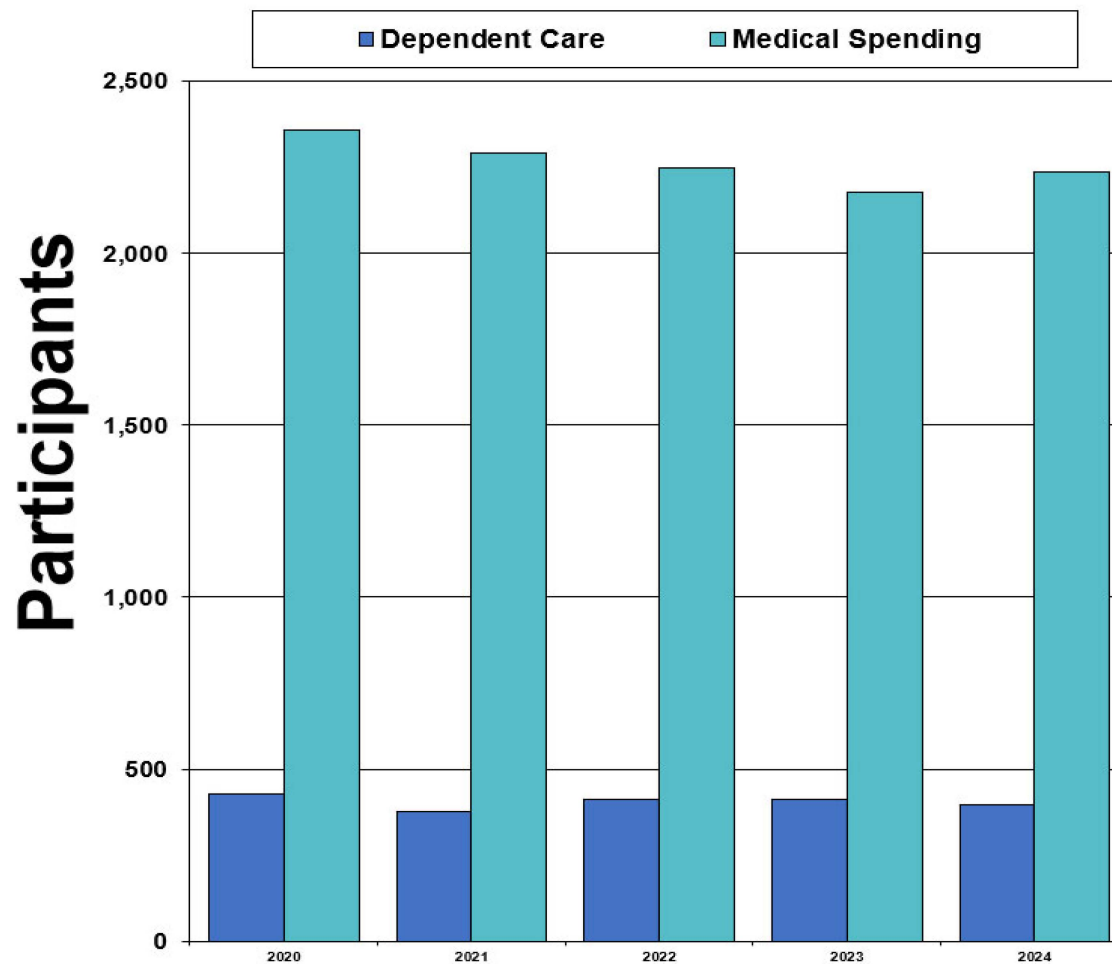


Dental & Vision Insurances Membership

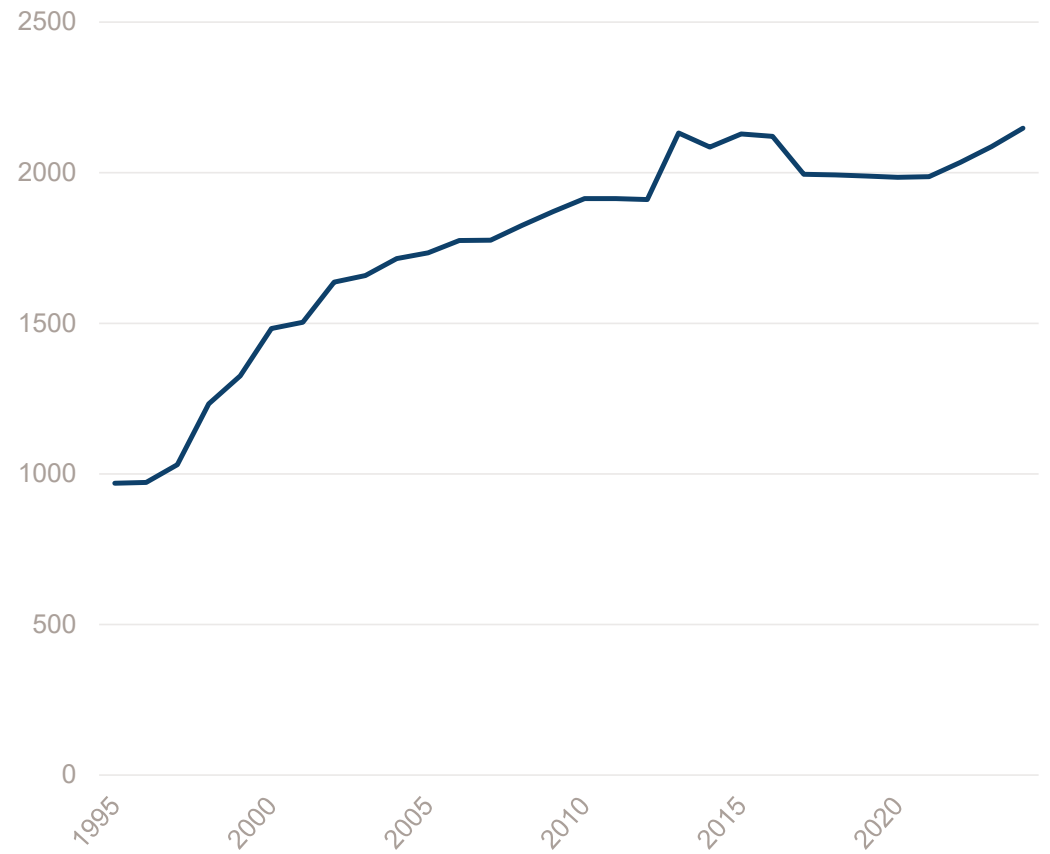


**1,933%
Increase**

NDPERS Flexcomp Participation



TOTAL Participating Employers in NDPERS Plans



Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022	2,017	3.72	3.48	3.59	3.53
2023	2,287	3.78	3.56	3.69	3.64
2024	2,259	3.77	3.60	3.67	3.63

MEMBER
EXPERIENCE

NDPERS' Three Year Strategic Plan

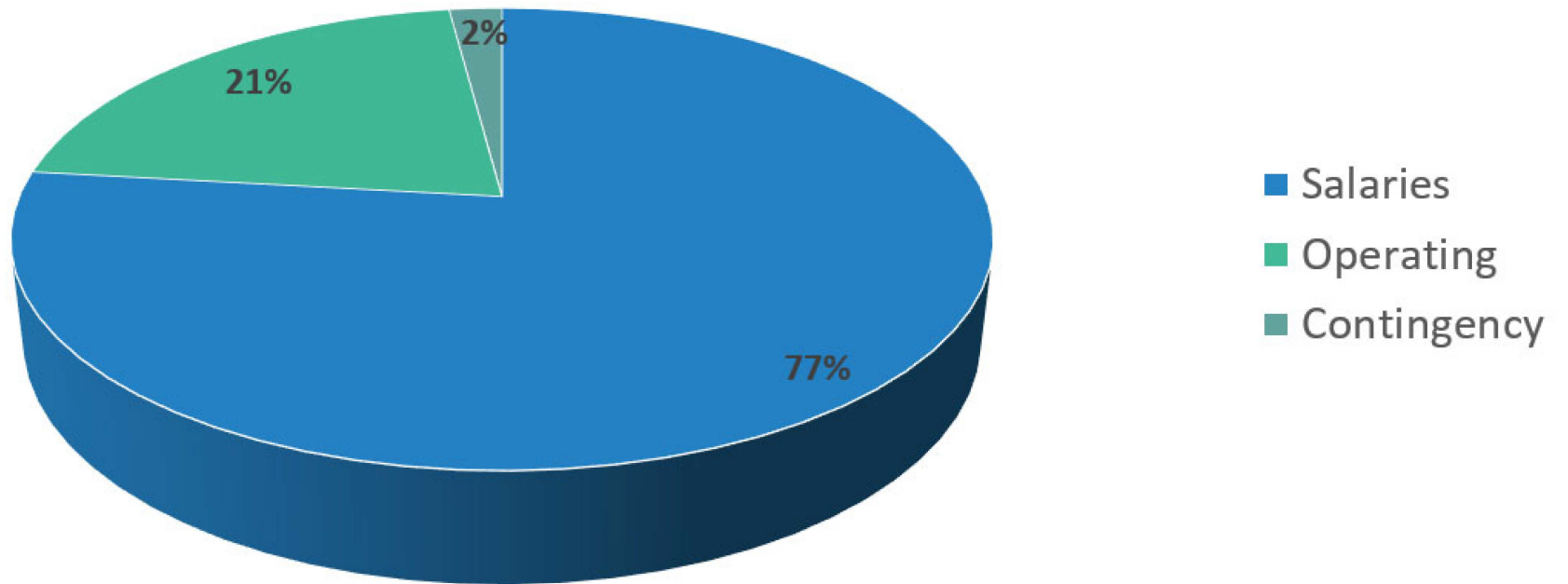
Goal	Division(s) Involved	2024	2025	2026	2027
Accuracy Improvement	All NDPERS Staff	In Process	X	X	X
Procedure Manual Documentation	All NDPERS Staff	In Process	X	X	X
Renewal/RFPs	Executive Director Benefits Research & Planning COO/CFO More staff involved and larger work effort for RFP process vs rebid.	DONE	X		X
Vision			X		X
RHIC			In Process	X	X
Medicare Part D			In Process		X
EAP		DONE		X	
Consultant - Actuary			X		X
Consultant - Health Plan		DONE		X	
Health				X	
Dental		DONE	X		X
457/DC Third Party Administrator				X	
Flexcomp Third Party Administrator				X	
Consultant - Dental, Vision, Life		DONE		X	
Consultant - Investment				X	
Life		DONE		X	
Education Campaign		DONE	X	X	X
Employers		DONE	X	X	X
Legislators		DONE	X	X	X
Members		DONE	X	X	X
Succession Planning:	All NDPERS Staff	In Process	X		
Admin Services		X	X		
CFO		X	X		
CBO		X	X		
Educational Videos for Website	Communications/Benefits	In Process	X	X	X
Correspondence Embedding	Benefits & IT	In Process	X		
Electronic Records Cleanup	Admin Services/IT	In Process	X		
Develop an Employee Handbook	Admin Services	X	X		
Comprehensive Wizards	All NDPERS Staff	In Process	X		
System Enhancement Backlog	All NDPERS Staff	In Process	X	X	X
Workflow Redesign (BPM)	All NDPERS Staff	X	X	X	X
Lifecycle Training Recordings	All NDPERS Staff	In Process	X	X	
OCR for Scanning Efficiencies	Admin Services/IT	X	X		
Redefining Mission Statement	All NDPERS Staff	DONE			
Death Processing Accuracy Improvement	All NDPERS Staff	In Process	X		
Board Committee Charter & Bylaws Creation	All NDPERS Staff	DONE			
DB Closure Initiative	All NDPERS Staff	In Process	X		
Secure 2.0 & Roth 457 Provisions	All NDPERS Staff	X	X		
Create Board Operational Policies	All NDPERS Staff		X	X	



NDPERS BUDGET

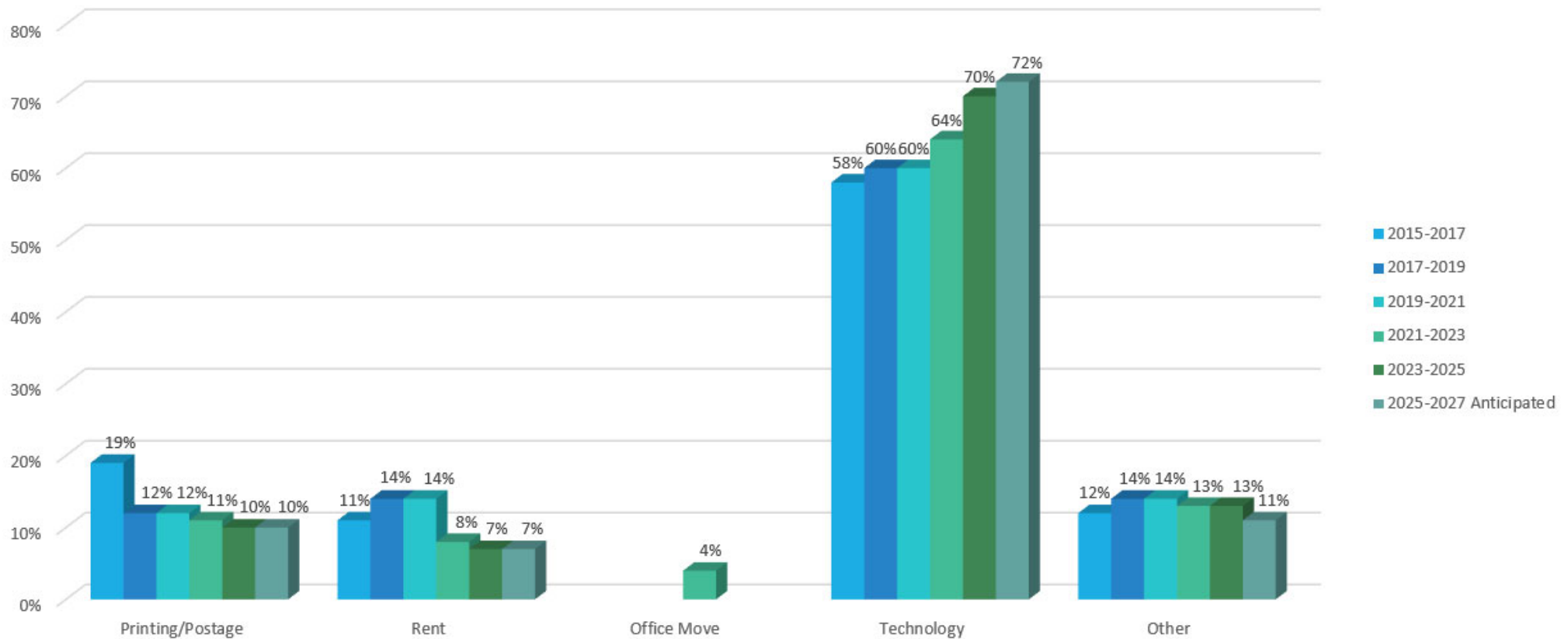
	2023-25 Appropriation	One-Time Expenditures	Adjustments	2025-27 Legislative Base Budget
Salaries & Wages	7,738,479	-	494,013	8,232,492
Operating Expenses	2,542,712	(128,000)	1,450	2,416,162
D.B. Plan Closure	372,027	(327,000)	(45,027)	-
Contingencies	250,000	-	-	250,000
Total Special Funds	10,903,218	(455,000)	450,436	10,898,654
FTE	40.5			40.5

NDPERS Budget Allocation



Budget: Operating Expenses

Biennium to Biennium Comparison





PROS	CONS
Streamline internal operations	Significant member disruption (~11,000 participants)
Increase “buying power” of the Companion Plan	Unknown participant impact
Ensures Fiduciary oversight of participant funds	Some are annuity products



Pros & Cons of 3% Reduced Budget Proposal

EXECUTIVE RECOMMENDATION

	2025-27 Legislative Base	Executive Recommendation Adjustments	2025-2027 Executive Recommendation	% Increase/ (Decrease)
Salaries & Wages	8,232,492	2,069,275	10,301,767	25.1%
Operating Expenses	2,416,162	850,501	3,266,663	35.2%
Contingencies	250,000	-	250,000	
Total Special Funds	10,898,654	2,919,776	13,818,430	26.8%
FTE	40.5	0.0	40.5	

SUMMARY OF EXECUTIVE RECOMMENDATION

Wages of \$2,069,275:

- FTE Pool Restoration - \$1,201,247
- Salary increases funded at 4% the first year, and 3% the second year - \$440,169
- Restore full temporary funding - \$130,644
- Health insurance premium increase - \$252,215
- Add intern & Legislator funding - \$45,000

Operating Expenses of \$850,501

- Cost to continue NDIT - \$64,617
- Cost to continue operational increases - \$246,289
- Sagitec Project Manager & Two Developers - \$539,595

SUMMARY OF PROPOSED CHANGES TO EXECUTIVE RECOMMENDATION

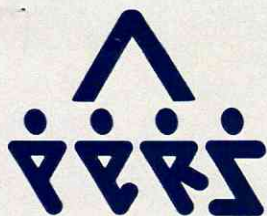
1) FTE Requests:

- Accounting FTE for Employer Support - \$239,016 of salary appropriation & \$3,750 of ongoing operational appropriation
- Enrollment FTE for Enrollment Support - \$203,648 of salary appropriation & \$3,750 of ongoing operational appropriation

2) Targeted Compensation Adjustments:

- Executive Management Compensation Adjustments - \$110,848





**NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

WHO WE ARE

42

Full-time Team Members

1

Temporary Team Member

44

Business Partners



WHAT WE'RE ABOUT

Our Mission

Champion the health and financial security of our members by providing comprehensive, innovative retirement and insurance benefit solutions through collaboration and personalized support.

Proud to serve our members

NDPERS is one of only a handful of state agencies in the entire country that administers both retirement plans and insurance plans for the benefit of state and political subdivision employees and their families.

Dedicated to providing exceptional service, the agency offers nine retirement plans and a broad selection of insurance options for employers, participating members, and their families.

WHO WE SERVE

Retirement Plans

Almost 60,000 employees and retirees participate in the retirement plans we administer

Employer Participation

100 state agencies, 51 counties, 100 cities, 133 school districts, and 95 other political subdivisions in our retirement plans

Retirement Benefits

We make nearly \$240 million in retirement benefit payments every year to retirees living in every county in the state



Health Plans

Our health plans cover nearly 60,000 North Dakotans, including actives, retirees, and covered dependents

Employer Participation

101 state agencies, 26 counties, 28 cities, 14 school districts, and 51 other political subdivisions in our health plans

Health Plan Benefits

We provide our covered members with over \$370 million in health benefits every year



HOW WE DO IT

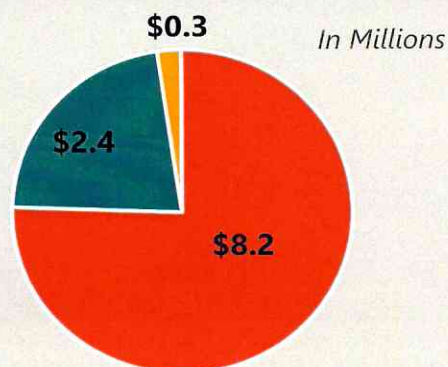
**Total Legislative
Base Budget:
\$10,898,654**

- All special funds

■ Salary

■ Operating

■ Contingency



NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM (NDPERS)

WHAT WE'RE PROUD OF

Remote Workforce

NDPERS was one of the first state agencies to recognize the long-term benefit of remote workers, and moved into new offices on state property in 2021, cutting our footprint and rent by 50%

Member Education

Our website and YouTube channel offer a wealth of information and educational resources, making it easier for employers and members to access valuable content

Improved Technology

Technological upgrades, including laptops for all employees and new benefit software, improves disaster recovery and our ability to serve our members

Retirement
Plan Funding
Stabilization

Expansive
Employee
Benefit
Program
Menu

Successfully
Implemented
House Bill
(HB) 1040

Implemented
Jr.
Management
Program for
Succession
Planning

WHAT WE DO



Retirement – Defined Benefit

The Defined Benefit/Hybrid retirement plan provides a modest yet secure retirement benefit to public employees.



Uniform Group Insurance

Including Health, Dental, Vision, Life, and EAP insurance options for our public employees.



Retirement – Defined

Contribution A 401(K)-like retirement option open to new employees starting January 1, 2025.



Retiree Health Insurance Credit

A monthly lifetime benefit eligible retirees can use as reimbursement for after-tax insurance premiums.



Retirement – Deferred

Compensation An optional, supplementary tax-deferred savings option for public employees.



Flexible Compensation

A pre-tax savings program that active employees can use to pay for medical and dependent care expenses.

HOW WE MEASURE SUCCESS

4-Point Customer Service Report Cards

- Courtesy – 3.76
- Promptness – 3.59
- Staff Explanation – 3.66
- Ease of Understanding – 3.61

Team ND Gallup Surveys

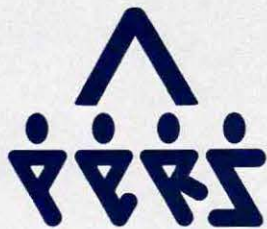
The HRMS Gallup Survey revealed that the Fully Paid Health Insurance Plan and the Retirement Plan ranked among the top three reasons employees value their roles with Team ND

Awards and Recognition

- GFOA Certificate of Achievement for Excellence in Financial Reporting
- Public Pension Coordinating Council Award for Administration

Clean Audit Opinion

Twenty-seven consecutive years of unmodified opinions from an independent audit firm



**NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

WHO WE SERVE

26,037

Active Members

14,274

Retired Members

18,698

Deferred Members

479

Participating Employers



KEY RETIREMENT FACTS

Opening its doors in July 1966, the Public Employees Retirement System has since grown to administer **nine retirement plans** for the State of North Dakota along with numerous insurance plans.

The breadth and complexity of the benefits that NDPERS administers make it one of the most unique state government agencies in the entire nation.

Historical Financial Breakdown as of July 2024

\$3.2 B

Contributions
received

\$3.5 B

Paid
benefits

\$4.3 B

Value of
Assets

NINE RETIREMENT PLANS ADMINISTERED BY NDPERS

EE represents Employee, ER represents Employer

Main Defined Benefit

Hybrid Plan – Three Benefit Tiers

Total Participants:	57,073
Current Funded Ratio:	66.3%
EE Contribution Rate:	7.00%
ER Contribution Rate:	8.52%

Public Safety

With Prior Service

Total Participants:	2,407
Current Funded Ratio:	68.6%
Pol Sub EE Contribution Rate:	5.5%
Pol Sub ER Contribution Rate:	11.4%
BCI EE Contribution Rate:	8.00%
BCI Employer Contribution:	22.26%

Public Safety

Without Prior Service

Total Participants:	490
Current Funded Ratio:	93%
EE Contribution Rate:	5.50%
ER Contribution Rate:	9.16%

Highway Patrol

Total Participants:	373
Current Funded Ratio:	68.6%
EE Contribution Rate:	15.3%
ER Contribution Rate:	21.7%

Judges

Total Participants:	128
Current Funded Ratio:	112.5%
EE Contribution Rate:	8.00%
ER Contribution Rate:	17.52%

Job Service

Total Participants:	164
Current Funded Ratio:	117.8%
EE Contribution Rate:	7%
ER Contribution Rate:	0%

457 Deferred Compensation

*Optional supplemental
retirement plan*

Current participants:	9,182
Market Value of Assets:	\$220.1M

Defined Contribution

Three Benefit Tiers

*Tier 3 is the primary retirement plan
for members first enrolled after 2024*

Current participants:	88
Market Value of Assets:	\$23.2M

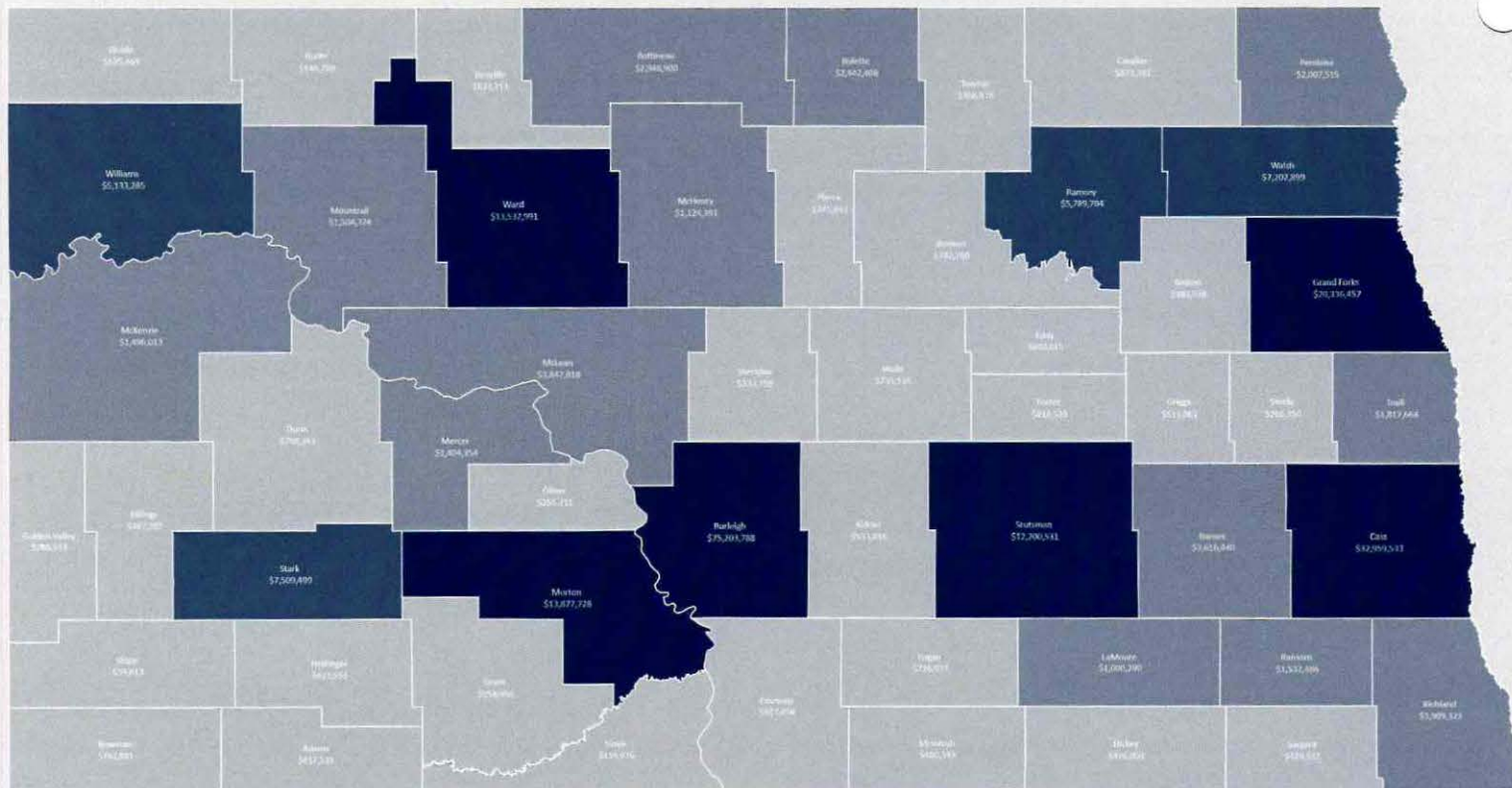
**RHIC – Retiree Health
Insurance Credit**

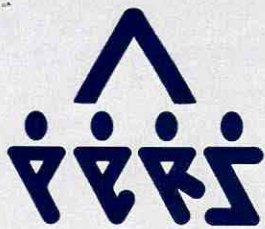
*Eligible retirees receive \$5 in
monthly credit for each year they
earned service*

Total participants:	16,283
---------------------	--------

YEAR EACH PLAN IS PROJECTED TO BE FULLY FUNDED

ECONOMIC IMPACT ACROSS NORTH DAKOTA





**NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

WHO WE SERVE

18,293

Active Contracts

7,086

Retiree Contracts

58,763

Total Covered Lives

225

Participating Employers



KEY HEALTH INSURANCE FACTS

NDPERS administers six health insurance plans for eligible active employees, retirees, and their family members as part of the Dakota Plan.

The Dakota Plan, underwritten by Sanford Health Plan (SHP), was created to promote wellness, reduce personnel turnover, and offer an incentive to individuals to enter and remain in the service of state employment.

3

Active Member
Plans

1

Non-Medicare
Retiree Plan

2

Retiree Plans Bundled
With Medicare

SIX HEALTH INSURANCE PLANS

Grandfathered Plan

PPO/Basic

Total Contracts: 17,191

Total Participating Employers: 223

Non-Grandfathered Plan

PPO/Basic

Total Contracts: 334

Total Participating Employers: 2

High Deductible Health Plan

Health Savings Account Option

Total Contracts: 768

Total Participating Employers: 101

Dakota Retiree Plan

Bundled With Medicare Part D

Total Contracts: 7,039

Medicare Part D Prescription Drug Plan

Underwritten by Humana

Total Contracts: 9,115

Non-Medicare Retiree

Total Contracts: 47

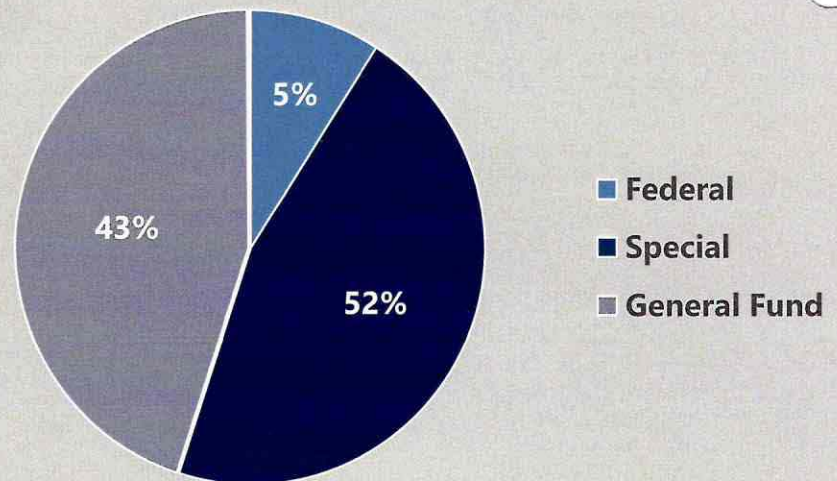
HEALTH INSURANCE BENEFITS PAID



HEALTH INSURANCE PLAN FUNDING

HYBRID Fully Insured/Self Insured Plan

- NDPERS receives the gains but has no risk for losses
- Reserves cover the administration fee shortage (roughly .01% of premium) and benefit enhancements, and buy down premiums when General Fund monies are not available



OTHER WELLNESS BENEFITS

Diabetes Prevention and Management

NDPERS provides diabetes prevention and management programs, including Teladoc Health, through SHP, and About the Patient through the ND Pharmacy Association.

Healthy Pregnancy

SHP offers the Healthy Pregnancy Program as a free offering with tools and support for expecting parents to give their baby the healthiest start possible with up to \$850 in out-of-pocket savings.

Wellness Benefit

The NDPERS Dakota Wellness Program \$250 Benefit is available to all eligible members and their covered spouses participating in the NDPERS group health insurance plan.

ND Quits

NDPERS partners with the ND Department of Health & Human Services to promote the ND Quits program, which offers free counseling, Nicotine Replacement Therapy, and other resources.

OTHER INSURANCE PLANS ADMINISTERED BY NDPERS



Dental Insurance

Underwritten by Delta Dental of Minnesota with 14,375 current contracts.



Life Insurance

Underwritten by Voya Life Insurance with 22,714 current contracts.



Vision Insurance

Underwritten by Superior Vision with 14,513 current contracts.



Employee Assistance Program

Provides confidential, voluntary, short-term assessment and counseling sessions for employees and families.



Flexible Compensation

This benefit allows employees to pretax eligible insurance premiums and contribute to Flexible Spending Accounts.



Health Savings Accounts

Eligible members enrolled in the High Deductible Health Plan can benefit from a Health Savings Account (HSA).

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1023
1/20/2025

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

2:05 p.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representatives: Bosch, Fischer, Kempenich, Meier, Pyle.

Members Absent: Representative Kempenich

Discussion Topics:

- Public Employee's Retirement Executive budget
- Public Employee's Retirement FTE requests
- Public Employee's Retirement remote workers
- TFFR of ND
- Sagitec usage and contract renewal
- Highway Patrol Retirement
- Social Security Program retirement
- Public Employee's Retirement Salary changes and requests

2:06 p.m. Derek Hohbein, Chief Operating and Financial Officer, testified in favor and provided testimony #30255, #30576 and #30577 and continued with testimony #28381 #28382, #28752,

Additional written testimony:

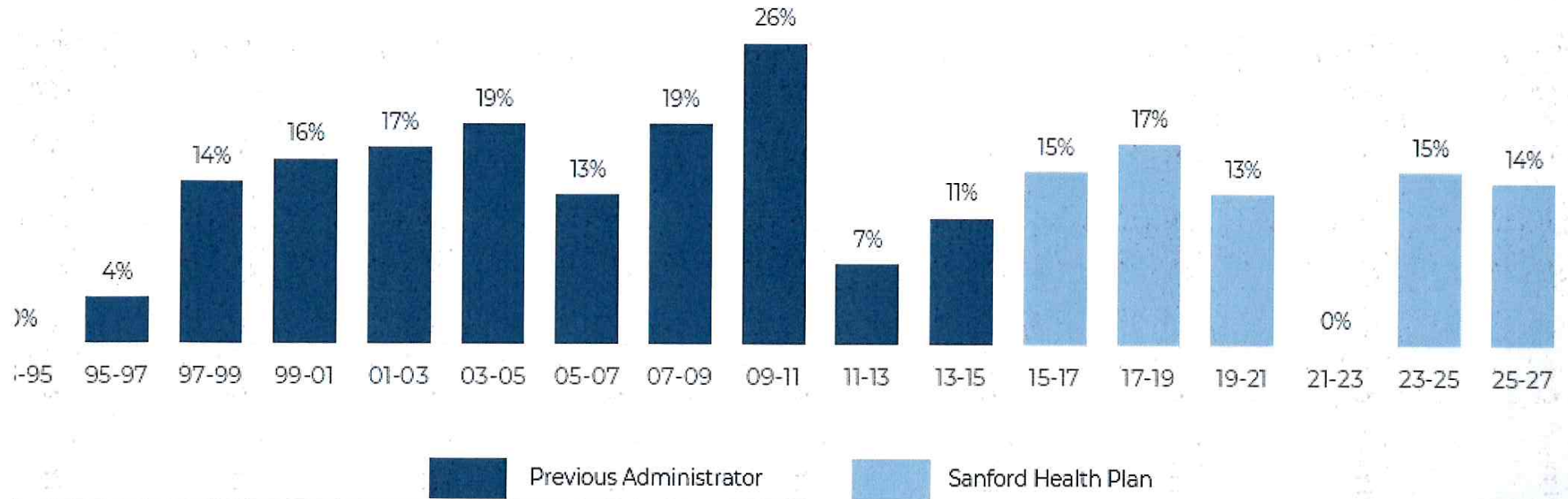
Levi Kinnischtzke, Fiscal Analyst, Legislative Council, submitted neutral testimony #30257.

3:28 p.m. Chairman Monson adjourned the meeting.

Madaline Cooper, Committee Clerk

NDPERS PREMIUM PERCENTAGE INCREASE FROM PREVIOUS BIENNIUM

(Excludes Plan Design Changes)



Date	Insurance Trust Beginning Balance	Gain Sharing	PPACA Fees	Premium Buydown	Operating Gain/Loss	Ending Balance
6/30/2015	\$ 42,925,033.00	\$ 3,755,000.00	\$ (5,462,000.00)	\$ -	\$ (30,547.00)	\$ 41,187,486.00
6/30/2016	\$ 41,187,486.00	\$ -	\$ -	\$ (7,335,000.00)	\$ (1,531,643.00)	\$ 32,320,843.00
6/30/2017	\$ 32,320,843.00	\$ (3,000,000.00)	\$ 5,861,755.00	\$ (6,950,000.00)	\$ 1,119,442.00	\$ 29,352,040.00
6/30/2018	\$ 29,352,040.00	\$ -	\$ -	\$ -	\$ (645,000.00)	\$ 28,707,040.00
6/30/2019	\$ 28,707,040.00	\$ -	\$ 6,997,245.00	\$ -	\$ (3,992,356.00)	\$ 31,711,929.00
6/30/2020	\$ 31,711,929.00	\$ -	\$ -	\$ -	\$ 2,836,535.00	\$ 34,548,464.00
6/30/2021	\$ 34,548,464.00	\$ -	\$ -	\$ -	\$ (2,426,452.00)	\$ 32,122,012.00
6/30/2022	\$ 32,122,012.00	\$ 12,572,529.00	\$ 13,498,992.00	\$ -	\$ (60,268.00)	\$ 58,133,265.00
6/30/2023	\$ 58,133,265.00	\$ (625,846.00)	\$ -	\$ -	\$ 1,027,337.00	\$ 58,534,756.00
10/31/2024	\$ 58,534,756.00	\$ -	\$ -	\$ -	\$ 1,747,311.00	\$ 60,282,067.00

Insurance Trust Balance at 10/31/2024	\$ 60,282,067.00
Life Insurance Reserves	\$ (3,099,119.33)
Anticipted Admin Fee Shortfall Through 6/30/2027	\$ <u>(2,000,000.00)</u>
Expected Health Reserves Available to Buy Down Premiums/Increase Benefits	\$ 55,182,947.67



Public Employees Retirement System - Budget No. 192
Agency Worksheet - House Bill No. 1023

	Burgum Budget				Armstrong Budget				Armstrong Budget Compared to Burgum Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	40.50	\$0	\$10,898,654	\$10,898,654	40.50	\$0	\$10,898,654	\$10,898,654	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base payroll changes			(\$22,226)	(\$22,226)			(\$22,226)	(\$22,226)				\$0
Cost to continue salary increases			152,826	152,826			152,826	152,826				0
Salary increase			440,206	440,206			359,837	359,837			(\$80,369)	(80,369)
Health insurance increase			252,222	252,222			252,222	252,222				0
Adds funding to replace the 2023-25 new FTE pool			980,870	980,870			980,870	980,870				0
Adds funding to replace the 2023-25 vacant FTE pool			220,377	220,377			220,377	220,377				0
Adds funding for temporary salaries for an office intern position			45,000	45,000			45,000	45,000				0
Adds funding for the cost to continue IT increases			298,906	298,906			298,906	298,906				0
Adds funding for rent increase			12,000	12,000			12,000	12,000				0
Total ongoing funding changes	0.00	\$0	\$2,380,181	\$2,380,181	0.00	\$0	\$2,299,812	\$2,299,812	0.00	\$0	(\$80,369)	(\$80,369)
One-Time Funding Items												
Adds funding for IT contractual services to automate the PERSLink business system			\$539,595	\$539,595			\$539,595	\$539,595				\$0
Total one-time funding changes	0.00	\$0	\$539,595	\$539,595	0.00	\$0	\$539,595	\$539,595	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$2,919,776	\$2,919,776	0.00	\$0	\$2,839,407	\$2,839,407	0.00	\$0	(\$80,369)	(\$80,369)
2025-27 Total Funding	40.50	\$0	\$13,818,430	\$13,818,430	40.50	\$0	\$13,738,061	\$13,738,061	0.00	\$0	(\$80,369)	(\$80,369)
Federal funds included in other funds			\$0				\$0				\$0	
Total ongoing changes - Percentage of base level	0.0%	N/A	21.8%	21.8%	0.0%	N/A	21.1%	21.1%	N/A	N/A	N/A	N/A
Total changes - Percentage of base level	0.0%	N/A	26.8%	26.8%	0.0%	N/A	26.1%	26.1%	N/A	N/A	N/A	N/A

	2023-25 Compensation Base (Scott's Biennial Salary)	Rebecca's Biennial Salary	Difference In Wages	Impact to Benefits	Total Impact on 2025-2027 Budget
Executive Director	\$ 456,528.00	\$ 457,584.00	\$ 1,056.00	\$ 220.70	\$ 1,276.70
	2023-25 Compensation Base (Derrick's Biennial Salary)	Derrick's Biennial Salary with Workload Increase	Difference In Wages	Impact to Benefits	Total Impact on 2025-2027 Budget
COO/CFO	\$ 274,656.00	\$ 327,360.00	\$ 52,704.00	\$ 11,020.00	\$ 63,724.00
	2023-25 Compensation Base (CBO Biennial Salary)	Desired Recruiting Compensation Point	Difference In Wages	Impact to Benefits	Total Impact on 2025-2027 Budget
Chief Benefits Officer	\$ 252,000.00	\$ 290,000.00	\$ 38,000.00	\$ 7,942.00	\$ 45,942.00
Total Impact to 2025-2027 Budget					<u>\$ 110,942.70</u>

	Comparable Position (Biennial Wage Only) in Sister Agency	PERS' Desired Salary
Executive Director	\$ 474,816.00	\$ 457,584.00
COO/CFO	\$ 357,600.00	\$ 327,360.00
Chief Retirement Officer	\$ 361,608.00	\$ 290,000.00

OPERATING EXPENSES	Account Number	23-25 Base	25-27 Base	Difference (Inflationary Increase)	What the expense covers
Supplies - IT Software	531000	\$ 388,082.00	\$ 413,882.20	\$ 25,800.20	These are all the licensing fees we pay for software. The biggest expense is Sagitec (\$398,417) but also includes PGP encryption software, report writing tools, Survey Monkey, Gov Delivery, etc.
IT - Data Processing	601000	\$ 614,218.00	\$ 688,946.31	\$ 74,735.31	NDIT costs for hosting our business system, Desktop Support, IT Hardware, Anti-Virus, etc.
IT-Communications	602000	\$ 48,686.00	\$ 69,624.50	\$ 20,938.50	Phone services received from NDIT
IT - Contractual Services/Repairs	603000	\$ 494,748.00	\$ 672,180.50	\$ 177,432.50	Development work done by third party contractors. This is our largest increase, and is needed to stabilize the workforce. Despite the increase, the rates charged by Sagitec are still extremely competitive. We are asking for a budget increase to pay them \$93.36 an hour. Similar programmers from NDIT run \$136.30 - \$145.00 an hour.
		\$ 1,545,734.00	\$ 1,844,633.52	\$ 298,906.52	

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division

Brynhild Haugland Room, State Capitol

HB 1023

1/27/2025

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

2:31 p.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representatives: Fischer, Kempenich, Meier, Pyle.

Members Absent: Representative Bosch

Discussion Topics:

- PERSLink System
- FTE requests for PERS
- IT costs
- Sagitec funding
- FTE pool

2:39 p.m. Derek Hohbein, Chief Operating and Financial Officer, Public Employee Retirement, testified in favor.

Additional written testimony:

Shelia Sandness, Fiscal Analyst, Legislative Council, submitted neutral testimony #31878.

3:17 p.m. Chairman Monson closed the meeting.

Madaline Cooper, Committee Clerk



Public Employees Retirement System - Budget No. 192
Agency Worksheet - House Bill No. 1023

	Armstrong Budget				House Version				House Compared to Armstrong Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	40.50	\$0	\$10,898,654	\$10,898,654	40.50	\$0	\$10,898,654	\$10,898,654	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base payroll changes			(\$22,226)	(\$22,226)			(\$22,226)	(\$22,226)				\$0
Cost to continue salary increases			152,826	152,826			152,826	152,826				0
Salary increase			359,837	359,837			359,837	359,837				0
Health insurance increase			252,222	252,222			252,222	252,222				0
Adds funding to replace the 2023-25 new FTE pool			980,870	980,870			980,870	980,870				0
Adds funding to replace the 2023-25 vacant FTE pool			220,377	220,377			220,377	220,377				0
Adds funding for FTE positions				0	2.00		450,162	450,162	2.00		\$450,162	450,162
Adds funding for salary equity increases				0			110,848	110,848			110,848	110,848
Adds funding for temporary salaries for an office intern position			45,000	45,000			45,000	45,000				0
Adds funding for the cost to continue IT increases			298,906	298,906			298,906	298,906				0
Adds funding for rent increase			12,000	12,000			12,000	12,000				0
Total ongoing funding changes	0.00	\$0	\$2,299,812	\$2,299,812	2.00	\$0	\$2,860,822	\$2,860,822	2.00	\$0	\$561,010	\$561,010
One-Time Funding Items												
Adds funding for IT contractual services to automate the PERSLink business system			\$539,595	\$539,595				\$0			(\$539,595)	(\$539,595)
Total one-time funding changes	0.00	\$0	\$539,595	\$539,595	0.00	\$0	\$0	\$0	0.00	\$0	(\$539,595)	(\$539,595)
Total Changes to Base Level Funding	0.00	\$0	\$2,839,407	\$2,839,407	2.00	\$0	\$2,860,822	\$2,860,822	2.00	\$0	\$21,415	\$21,415
2025-27 Total Funding	40.50	\$0	\$13,738,061	\$13,738,061	42.50	\$0	\$13,759,476	\$13,759,476	2.00	\$0	\$21,415	\$21,415
Federal funds included in other funds			\$0		\$0			\$0				
Total ongoing changes - Percentage of base level	0.0%	N/A	21.1%	21.1%	4.9%	N/A	26.2%	26.2%	N/A	N/A	N/A	N/A
Total changes - Percentage of base level	0.0%	N/A	26.1%	26.1%	4.9%	N/A	26.2%	26.2%	N/A	N/A	N/A	N/A

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

Section Description	Armstrong Budget	House Version
No other sections		

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division

Brynhild Haugland Room, State Capitol

HB 1023

2/3/2025

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

2:52 p.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg,
Representatives: Bosch, Fisher, Kempenich, Meier, Pyle.

Discussion Topics:

- Overview of PERS Budget
- One time funding requests from PERS
- PERSLink
- Salary percentage breakdown for PERS
- FTEs for PERS

2:56 p.m. Derek Hohbein, Chief Operating and Financial Officer, testified in favor.

3:40 p.m. Representative Kempenich moved to adopt amendment # 25.0167.01001. #33848

3:40 p.m. Representative Brandenburg seconded the motion.

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	Y
Representative Glenn Bosch	Y
Representative Jay Fisher	Y
Representative Keith Kempenich	Y
Representative Lisa Meier	Y
Representative Brandy L. Pyle	Y

Motion passed 7-0-0

3:41 p.m. Representative Kempenich moved a Do Pass as Amended.

3:41 p.m. Representative Brandenburg seconded the motion.

Representatives	Vote
Representative David Monson	Y

Representative Mike Brandenburg	Y
Representative Glenn Bosch	Y
Representative Jay Fisher	Y
Representative Keith Kempenich	Y
Representative Lisa Meier	Y
Representative Brandy L. Pyle	Y

Motion passed 7-0-0

Representative Kempenich will carry the bill.

3:42 p.m. Chairman Monson adjourned the meeting.

Madaline Cooper, Committee Clerk

25.0167.01001
Title.
Fiscal No. 1

Prepared by the Legislative Council
staff for House Appropriations -
Government Operations Division
Committee

January 29, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

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.

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 from special funds to the public employees retirement
6 system for the purpose of defraying the expenses of the public employees retirement system,
7 for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

		Adjustments or	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
10	Salaries and wages	\$8,232,492	\$0
11	Operating expenses	2,416,162	0
12	Contingencies	250,000	0
13	Total special funds	\$10,898,654	\$0
14	Full-time equivalent positions	40.50	0.00
15	Salaries and wages	\$8,232,492	\$1,689,590
16	New and vacant FTE pool	0	607,917
17	Operating expenses	2,416,162	858,001
18	Contingencies	250,000	0

1	Total special funds	\$10,898,654	\$3,155,508	\$14,054,162
2	Full-time equivalent positions	40.50	2.00	42.50

3 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**

4 **SEVENTIETH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding
5 items included in the appropriation in section 1 of this Act which are not included in the entity's
6 base budget for the 2027-29 biennium and which the entity shall report to the appropriations
7 committees of the seventieth legislative assembly regarding the use of this funding:

8	<u>One-Time Funding Description</u>	<u>Special Funds</u>
9	Automate PERSLink business system	\$539,595
10	Total special funds	\$539,595

11 **SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST.** The

12 public employees retirement system may not spend funds appropriated in the new and vacant
13 FTE pool line item in section 1 of this Act, but may request the office of management and
14 budget to transfer funds from the new and vacant FTE pool line item to the salaries and wages
15 line item in accordance with the guidelines and reporting provisions included in House Bill
16 No. 1015, as approved by the sixty-ninth legislative assembly.

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

	Base Budget	House Changes	House Version
Salaries and wages	\$8,232,492	\$1,689,590	\$9,922,082
New and vacant FTE pool		607,917	607,917
Operating expenses	2,416,162	858,001	3,274,163
Contingencies	250,000		250,000
Total all funds	\$10,898,654	\$3,155,508	\$14,054,162
Less estimated income	10,898,654	3,155,508	14,054,162
General fund	\$0	\$0	\$0
FTE	40.50	2.00	42.50

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

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for the Cost to Continue Salaries ²	Adds Funding for Salary and Benefit Increases ³	Adds Funding for New FTE Positions ⁴	Adds Funding to Replace 2023-25 New and Vacant FTE Pool ⁵	Transfers Funding for 2025-27 New and Vacant FTE Pool ⁶
Salaries and wages	(\$22,226)	\$152,826	\$612,059	\$442,662	\$1,201,247	(\$741,978)
New and vacant FTE pool				7,500		607,917
Operating expenses						
Contingencies						
Total all funds	(\$22,226)	\$152,826	\$612,059	\$450,162	\$1,201,247	(\$134,061)
Less estimated income	(22,226)	152,826	612,059	450,162	1,201,247	(134,061)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00	0.00	0.00

	Adds Funding for an Office Intern ⁷	Adds Funding for IT and Rent Increases ⁸	Adds One-Time Funding for PERSLink ⁹	Total House Changes
Salaries and wages	\$45,000			\$1,689,590
New and vacant FTE pool				607,917
Operating expenses		\$310,906	\$539,595	858,001
Contingencies				
Total all funds	\$45,000	\$310,906	\$539,595	\$3,155,508
Less estimated income	45,000	310,906	539,595	3,155,508
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00

¹ Funding is adjusted from special funds for base payroll changes.

² Funding is added from special funds for the cost to continue 2023-25 biennium salaries.

³ The following funding is added for 2025-27 biennium salary adjustments of 3 percent on July 1, 2025, and 3 percent on July 1, 2026, and increases in health insurance premiums from \$1,643 to \$1,893 per month:

Special Funds	
Salary increase	\$359,837
Health insurance increase	252,222
Total	\$612,059

⁴ Funding from special funds is added for salaries and wages and related operating expenses of 2 FTE positions, including 1 FTE accounting position and 1 FTE benefit enrollment position.

⁵ Funding is added to replace 2023-25 biennium new and vacant FTE pool funding as follows:

	Special Funds
Vacant FTE positions	\$980,870
New FTE positions	<u>220,377</u>
Total	\$1,201,247

⁶ Funding of \$741,978 for new FTE positions and estimated savings from vacant FTE positions is removed and funding of \$607,917 is added in a 2025-27 new and vacant FTE pool line item as follows:

	Special Funds
New FTE positions	(\$442,662)
Vacant FTE	<u>(299,316)</u>
Total	(\$741,978)
Funding pool line item	<u>\$607,917</u>
Net savings	(\$134,061)

⁷ Funding from special funds is added for temporary salaries for an office intern position.

⁸ Funding of \$310,906 is added from special funds for information technology increases (\$298,906) and rent increases (\$12,000).

⁹ One-time funding of \$539,595 is added from special funds for information technology contractual services to automate the PERSLink business system.

House Bill No. 1023 - Other Changes - House Action

A section is added to the bill regarding the use of funding in the new and vacant FTE pool line item.

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1023
2/12/2025

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

3:38 p.m. Chairman Vigesaa called the meeting to order.

Members Present: Chairman Vigesaa, Vice Chairman Kempenich, Representatives Anderson, Berg, Bosch, Brandenburg, Fisher, Hanson, Louser, Martinson, Meier, Mitskog, Monson, Murphy, Nathe, Nelson, O'Brien, Pyle, Richter, Sanford, Stemen, Swiontek, Wagner

Members Absent: Representative Richter

Discussion Topics:

- Business Redesign
- Retirement Systems
- Automating Systems

3:38 p.m. Representative Kempenich moved to adopt Amendment LC#25.0167.01001, #37459

3:38 p.m. Representative Pyle seconded.

3:45 p.m. Roll Call Vote.

Roll Call Vote Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glen Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y

Representative David Richter	A
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

3:46 p.m. Motion passed 22-0-1.

3:47 p.m. Representative motioned a Do Pass as Amended.

3:47 p.m. Representative Stemen seconded.

3:47 p.m. Roll Call Vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glen Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y
Representative David Richter	A
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

3:49 p.m. Motion passed 22-0-1.

3:50 p.m. Vice Chairman Kempenich will carry the Bill.

3:50 p.m. Chairman Vigesaa closed the meeting.

Sierra Schartz, Committee Clerk

January 29, 2025

2-12-25

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

HOUSE BILL NO. 1023

Introduced by

Appropriations Committee

JB
1 of 2

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

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 from special funds to the public employees retirement
6 system for the purpose of defraying the expenses of the public employees retirement system,
7 for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

		Adjustments or		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>	
10	Salaries and wages	\$8,232,492	\$0	\$8,232,492
11	Operating expenses	2,416,162	0	2,416,162
12	Contingencies	250,000	0	250,000
13	Total special funds	\$10,898,654	\$0	\$10,898,654
14	Full-time equivalent positions	40.50	0.00	40.50
15	Salaries and wages	\$8,232,492	\$1,689,590	\$9,922,082
16	New and vacant FTE pool	0	607,917	607,917
17	Operating expenses	2,416,162	858,001	3,274,163
18	Contingencies	250,000	0	250,000

JB 2012

1	Total special funds	\$10,898,654	\$3,155,508	\$14,054,162
2	Full-time equivalent positions	40.50	2.00	42.50

3 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**
4 **SEVENTIETH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding
5 items included in the appropriation in section 1 of this Act which are not included in the entity's
6 base budget for the 2027-29 biennium and which the entity shall report to the appropriations
7 committees of the seventieth legislative assembly regarding the use of this funding:

8	<u>One-Time Funding Description</u>	<u>Special Funds</u>
9	Automate PERSLink business system	\$539,595
10	Total special funds	\$539,595

11 **SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST.** The
12 public employees retirement system may not spend funds appropriated in the new and vacant
13 FTE pool line item in section 1 of this Act, but may request the office of management and
14 budget to transfer funds from the new and vacant FTE pool line item to the salaries and wages
15 line item in accordance with the guidelines and reporting provisions included in House Bill
16 No. 1015, as approved by the sixty-ninth legislative assembly.

**REPORT OF STANDING COMMITTEE
HB 1023**

Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS** ([25.0167.01001](#)) and when so amended, recommends **DO PASS** (22 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1023 was placed on the Sixth order on the calendar.

25.0167.01001
Title.
Fiscal No. 1

Prepared by the Legislative Council
staff for House Appropriations -
Government Operations Division
Committee

January 29, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

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.

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 from special funds to the public employees retirement
6 system for the purpose of defraying the expenses of the public employees retirement system,
7 for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

		Adjustments or	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
10	Salaries and wages	\$8,232,492	\$0
11	Operating expenses	2,416,162	0
12	Contingencies	250,000	0
13	Total special funds	\$10,898,654	\$0
14	Full-time equivalent positions	40.50	0.00
15	Salaries and wages	\$8,232,492	\$1,689,590
16	New and vacant FTE pool	0	607,917
17	Operating expenses	2,416,162	858,001
18	Contingencies	250,000	0

Sixty-ninth
Legislative Assembly

1	Total special funds	\$10,898,654	\$3,155,508	\$14,054,162
2	Full-time equivalent positions	40.50	2.00	42.50

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO

SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items included in the appropriation in section 1 of this Act which are not included in the entity's base budget for the 2027-29 biennium and which the entity shall report to the appropriations committees of the seventieth legislative assembly regarding the use of this funding:

8	<u>One-Time Funding Description</u>	<u>Special Funds</u>
9	Automate PERSLink business system	\$539,595
10	Total special funds	\$539,595

SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST. The public employees retirement system may not spend funds appropriated in the new and vacant FTE pool line item in section 1 of this Act, but may request the office of management and budget to transfer funds from the new and vacant FTE pool line item to the salaries and wages line item in accordance with the guidelines and reporting provisions included in House Bill No. 1015, as approved by the sixty-ninth legislative assembly.

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

	Base Budget	House Changes	House Version
Salaries and wages	\$8,232,492	\$1,689,590	\$9,922,082
New and vacant FTE pool		607,917	607,917
Operating expenses	2,416,162	858,001	3,274,163
Contingencies	250,000		250,000
Total all funds	\$10,898,654	\$3,155,508	\$14,054,162
Less estimated income	10,898,654	3,155,508	14,054,162
General fund	\$0	\$0	\$0
FTE	40.50	2.00	42.50

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

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for the Cost to Continue Salaries ²	Adds Funding for Salary and Benefit Increases ³	Adds Funding for New FTE Positions ⁴	Adds Funding to Replace 2023-25 New and Vacant FTE Pool ⁵	Transfers Funding for 2025-27 New and Vacant FTE Pool ⁶
Salaries and wages	(\$22,226)	\$152,826	\$612,059	\$442,662	\$1,201,247	(\$741,978)
New and vacant FTE pool						607,917
Operating expenses				7,500		
Contingencies						
Total all funds	(\$22,226)	\$152,826	\$612,059	\$450,162	\$1,201,247	(\$134,061)
Less estimated income	(22,226)	152,826	612,059	450,162	1,201,247	(134,061)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00	0.00	0.00

	Adds Funding for an Office Intern ⁷	Adds Funding for IT and Rent Increases ⁸	Adds One- Time Funding for PERSLink ⁹	Total House Changes
Salaries and wages	\$45,000			\$1,689,590
New and vacant FTE pool				607,917
Operating expenses		\$310,906	\$539,595	858,001
Contingencies				
Total all funds	\$45,000	\$310,906	\$539,595	\$3,155,508
Less estimated income	45,000	310,906	539,595	3,155,508
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	2.00

¹ Funding is adjusted from special funds for base payroll changes.

² Funding is added from special funds for the cost to continue 2023-25 biennium salaries.

³ The following funding is added for 2025-27 biennium salary adjustments of 3 percent on July 1, 2025, and 3 percent on July 1, 2026, and increases in health insurance premiums from \$1,643 to \$1,893 per month:

Special Funds	
Salary increase	\$359,837
Health insurance increase	252,222
Total	\$612,059

⁴ Funding from special funds is added for salaries and wages and related operating expenses of 2 FTE positions, including 1 FTE accounting position and 1 FTE benefit enrollment position.

⁵ Funding is added to replace 2023-25 biennium new and vacant FTE pool funding as follows:

	Special Funds
Vacant FTE positions	\$980,870
New FTE positions	<u>220,377</u>
Total	\$1,201,247

⁶ Funding of \$741,978 for new FTE positions and estimated savings from vacant FTE positions is removed and funding of \$607,917 is added in a 2025-27 new and vacant FTE pool line item as follows:

	Special Funds
New FTE positions	(\$442,662)
Vacant FTE	<u>(299,316)</u>
Total	(\$741,978)
Funding pool line item	<u>\$607,917</u>
Net savings	(\$134,061)

⁷ Funding from special funds is added for temporary salaries for an office intern position.

⁸ Funding of \$310,906 is added from special funds for information technology increases (\$298,906) and rent increases (\$12,000).

⁹ One-time funding of \$539,595 is added from special funds for information technology contractual services to automate the PERSLink business system.

House Bill No. 1023 - Other Changes - House Action

A section is added to the bill regarding the use of funding in the new and vacant FTE pool line item.

2025 SENATE APPROPRIATIONS

HB 1023

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Human Resources Division Harvest Room, State Capitol

HB 1023
3/6/2025

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

2:00 p.m. Senator Dever opened the hearing.

Members present: Chairman Dever and Senators Cleary, Davison, Magrum and Mathern.

Discussion Topics:

- Agency Overview
- Investment Subcommittee
- Work Efforts
- Three Year Strategic Plan
- Flexcomp Program
- Budget
- One-Time Funding
- Operating Expenses
- Armstrong Reduced Budget Proposal
- Armstrong & Bergum Governor Recommendations
- One-Time Funding
- Internship Program
- Additional Defined Contribution Additional Full-Time Employee
- Additional Full-Time Office Employee

2:01 p.m. Adam Mathiak, Senior Fiscal Analyst, LC, submitted testimony #39324.

2:01 p.m. Rebecca Fricke, Executive Director, North Dakota Public Employee Retirement System (NDPERS) testified in favor and submitted testimony #39329.

2:25 p.m. Derrick Hohbein, Chief Operating & Financial Officer, NDPERS, testified in favor and submitted testimony #38824, #39340, #38617.

3:35 p.m. Senator Dever closed the hearing.

Joan Bares, Committee Clerk

TESTIMONY OF NDPERS

House Bill 1023

Good afternoon Mr. Chairman, members of the committee, my name is Rebecca Fricke, Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. With me today is Derrick Hohbein, the Chief Operating & Financial Officer of NDPERS. I am here today to provide you with an overview of our agency. Derrick will provide an overview of our work efforts and an overview of our budget request.

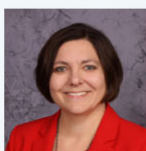
Agency Overview

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

NDPERS BOARD



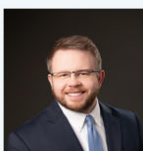
Mike Seminary
Chair



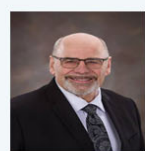
Casey Goodhouse
Member Elected



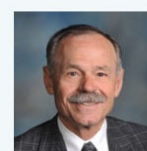
Adam Miller
Member Elected



Tyler Erickson
Member Elected



Bryan Klipfel
Governor Appointee



Jeffry Volk
Governor Appointee



Gerald Buck
Governor Appointee



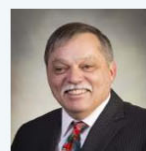
Representative
Greg Steman



Representative
Jason Dockter

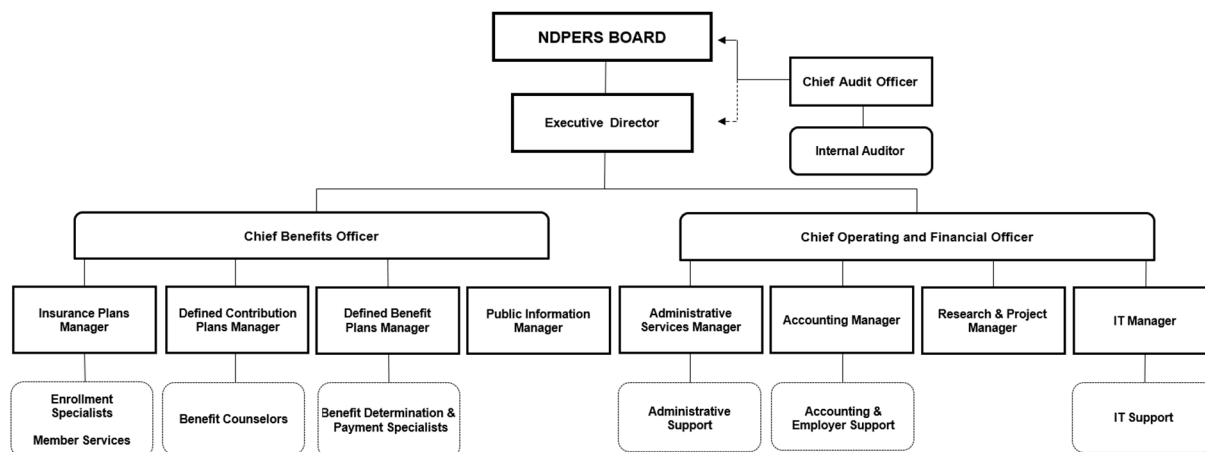


Senator
Kyle Davison



Senator
Dick Dever

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



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 NDPERS 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:

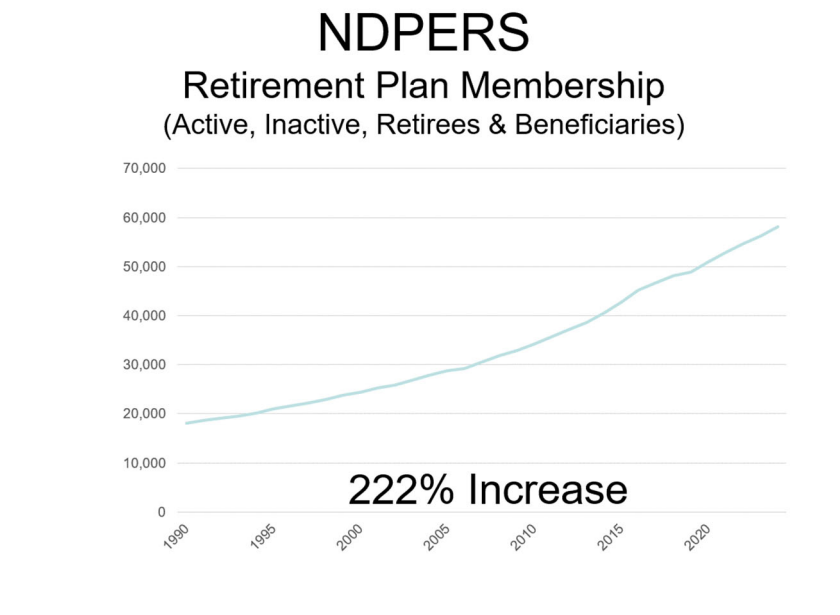
January 2025	RETIREMENT PROGRAMS MANAGED AND ADMINISTERED BY NDPERS								
	<i>TOTAL</i>	<i>Main</i>		<i>Public</i>	<i>Highway</i>	<i>Job</i>	<i>DEFINED</i>	<i>DEFERRED</i>	<i>HEALTH</i>
	<i>RETIREMENT</i>	<i>System</i>	<i>Judges</i>	<i>Safety</i>	<i>Patrol</i>	<i>Service</i>	<i>CONTRIBUTION</i>	<i>COMP</i>	<i>CREDIT</i>
									<i>(RHIC)</i>
PARTICIPATING EMPLOYERS									
State	100	100	1	2	1	1	99	101	100
Counties	52	52		41			49	30	52
School Dist	132	132					116	42	132
Cities	102	102		32			87	62	102
District Health Units	21	21					20	16	21
Others	75	75		6			51	50	75
TOTAL	482							301	482
EMPLOYEES									
State	10,834	10,443	58	84	165	1	83	7,626	6,955
Counties	4,444	3,468		975			1	846	2,979
School Dist	7,638	7,637					1	127	3,442
Cities	3,079	2,389		689			1	571	1,958
District Health Units	267	267						200	175
Others	699	671		28				176	344
Subtotal	26,961	24,875	58	1,776	165	1	86	9,546	15,853
Retirees	14,598	14,119	44	177	119	109	30		14,131
Subtotal	41,559	38,994	102	1,953	284	110	116	9,546	29,984
Deferred Members	18,867	17,898	4	821	57	0	87	8,916	14,835
TOTAL	60,426	56,892	106	2,774	341	110	203	18,462	44,819

NDPERS is responsible for the administration of nine 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.

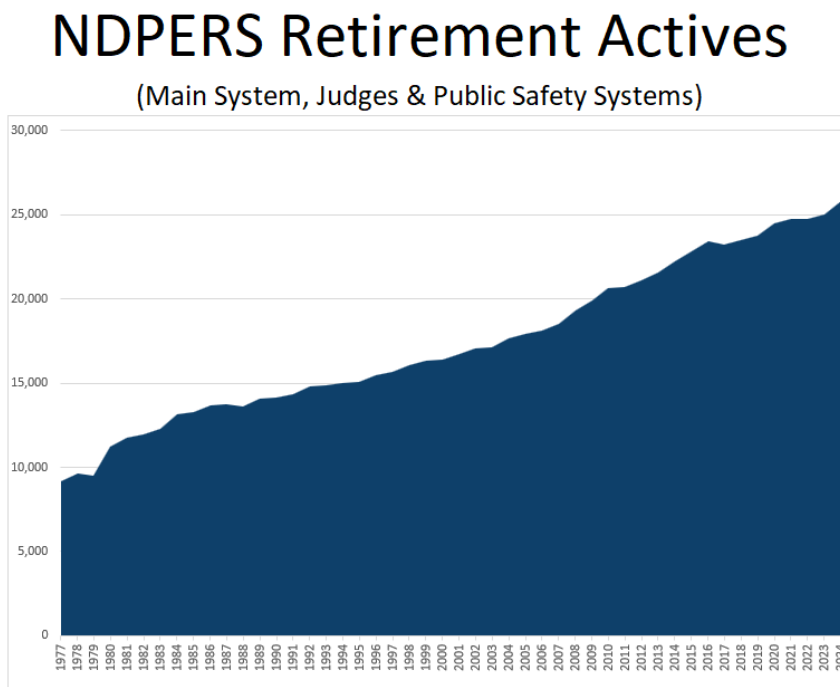
The largest retirement plan we administer is the Main/Hybrid retirement system which provides services to not only the State, but also to political subdivisions. In this plan, about 40% of the active members are State employees and 60% are political subdivision employees. Effective January 1, 2025, this plan was closed to new participants and a new tier within our existing Defined Contribution plan will be the primary retirement plan for new hires in the future.

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 11 new employer groups into our retirement plans.

Some historical statistics about the retirement plan include membership:



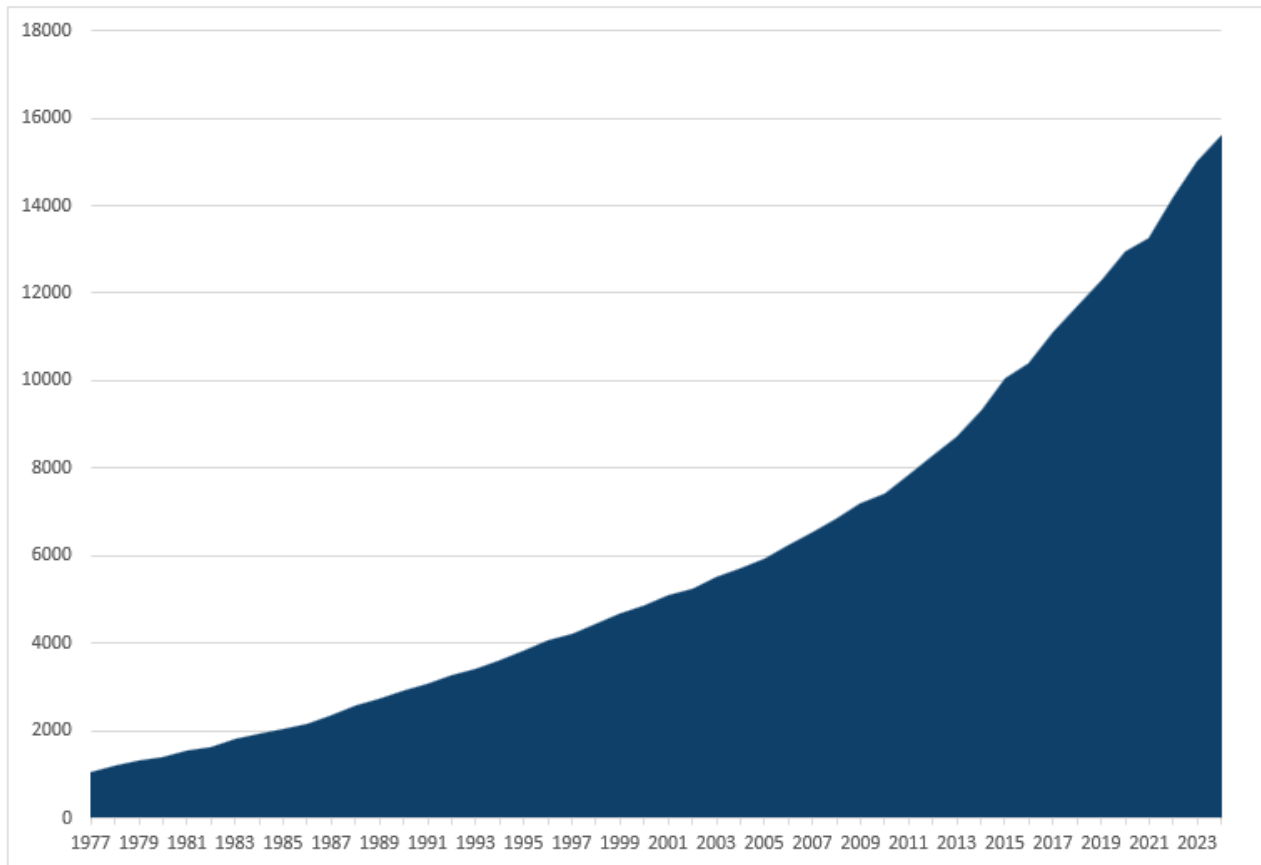
Of this, the number of active members has grown:



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)

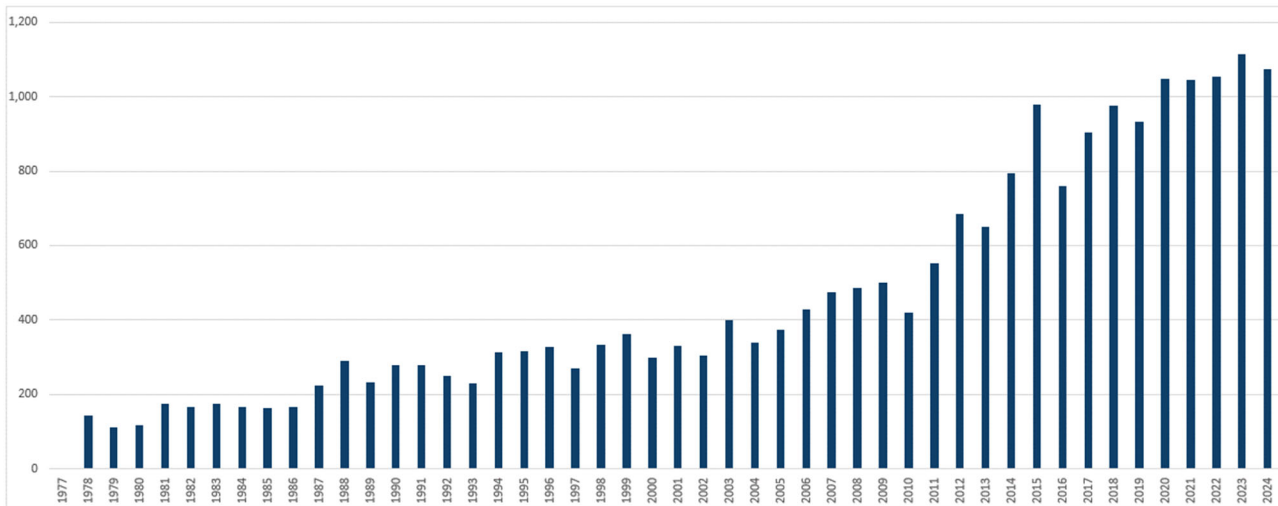


Another interesting statistic about the retirement plan is that since 1977 the NDPERS plan has received approximately \$3.23 billion in contributions and as of the October 2024 we had \$4.50 billion in assets. During that same period we paid out about \$3.46 billion in benefits.

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 1,054, 1,114, and 1073 new retirees.

NDPERS New Pensions

(Main System, Judges & Law Enforcement Systems)

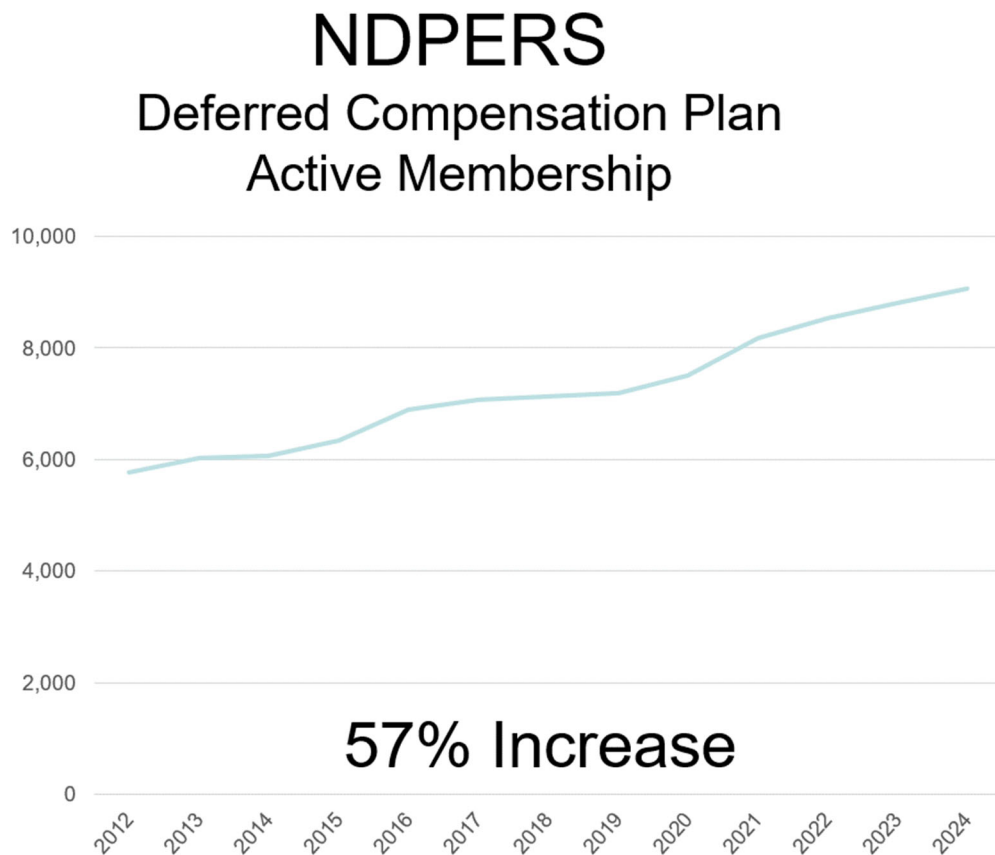


As we look to the future, we see the retired membership continuing to grow and the number of active members reducing due to the closing of the Main System to new participants effective January 1, 2025. The table below shows the number of members in the Main system who will be eligible to retire in the next 5 years:

Main System				
		Age 65	Rule of 85	Total
Currently Eligible as of:	June 30, 2024	1,168	1,011	2,179
Newly Eligible as of:	June 30, 2025	323	249	572
	June 30, 2026	330	260	590
	June 30, 2027	345	284	629
	June 30, 2028	379	251	630
	June 30, 2029	386	264	650
Grand Total		2,931	2,319	5,250

Servicing the present and future needs of the retired membership is a growing challenge for NDPERS. Another challenge is ensuring that new participants in the Defined Contribution Plan are adequately saving for their retirement and making investment selections that will meet their needs throughout their retirement years.

In addition to the administration of the traditional retirement plans, NDPERS 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 Main retirement plan, thereby turning the Main plan into a hybrid plan to encourage employees to do supplemental savings through the Deferred Compensation Plan.

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

Bravera Wealth	Jackson National (closed to new entrants)
AXA Equitable (closed to new entrants)	Nationwide Life
Bank of North Dakota	VALIC (closed to new entrants)
Mass Mutual (closed to new entrants)	Waddell & Reed (closed to new entrants)

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

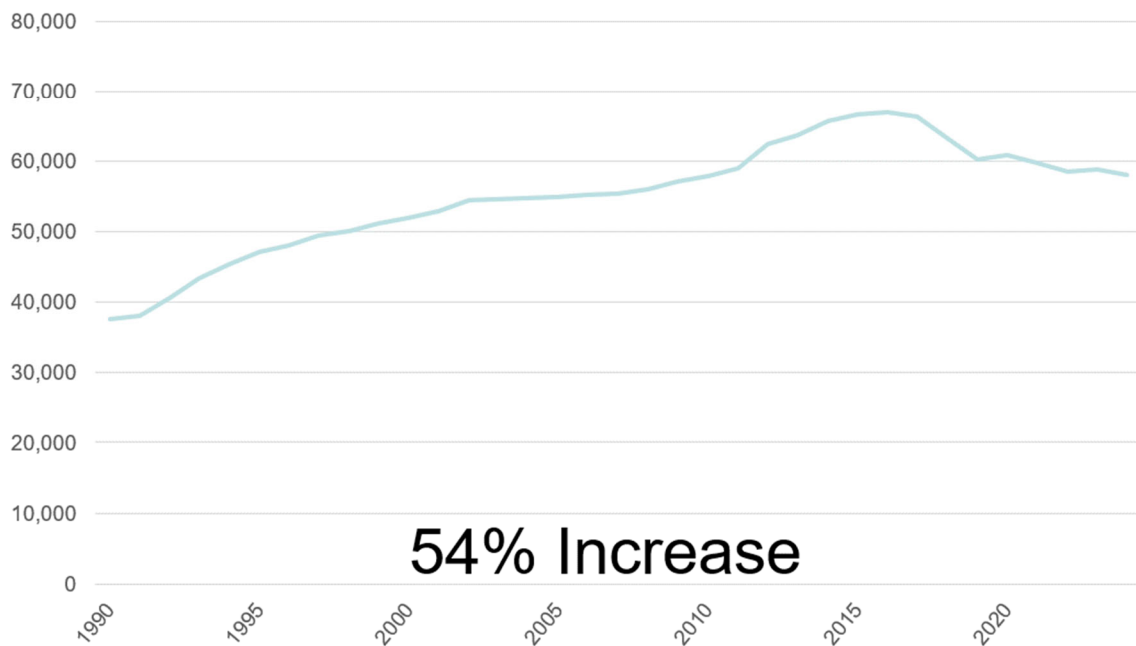
January 2025	GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS					
	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>
PARTICIPATING EMPLOYERS						
State	101	100	101	101	99	89
Counties	26	33				
School Dist	14	5				
Cities	28	28				
District Health Units	19	21	21	21	21	5
Others	32	18				
TOTAL	220	205	122	122	120	94
EMPLOYEES						
State	14,964	15,893	10,438	10,391	15,932	2,802
Legislators	117	134				
Counties	1,395	3,003				
School Dist	703	98				
Cities	658	259				
District Health Units	218	268	108	112	267	57
Others	249	187				
Retirees	6,585	3,083	4,791	4,554		
COBRA	106		50	42		
TOTAL	24,995	22,925	15,387	15,099	16,199	2,859
Covered Lives	59,116					

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:

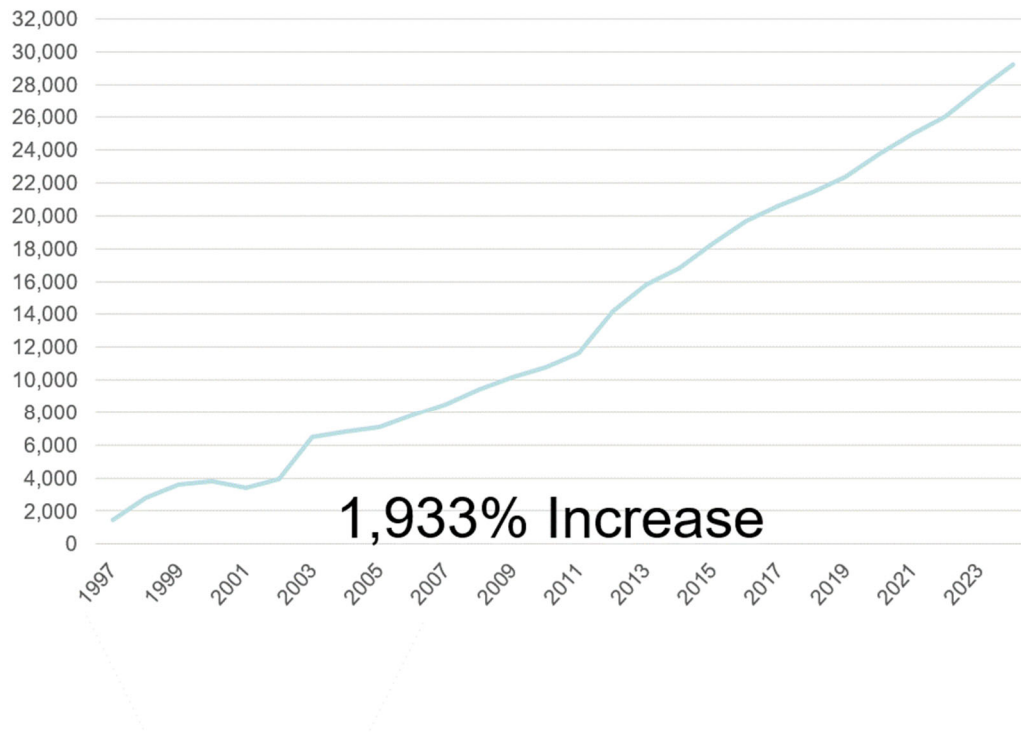
NDPERS Health Plan Membership



This plan was last bid in 2020, and the NDPERS Board awarded the contract to Sanford Health Plan under the same hybrid fully-insured/self-insured arrangement that we have had for many years. However, we are pleased to report that as part of this last renewal, Sanford Health Plan agreed to no longer share in any profits and therefore, NDPERS will receive 100% of these should the claims experience be less than the premiums paid.

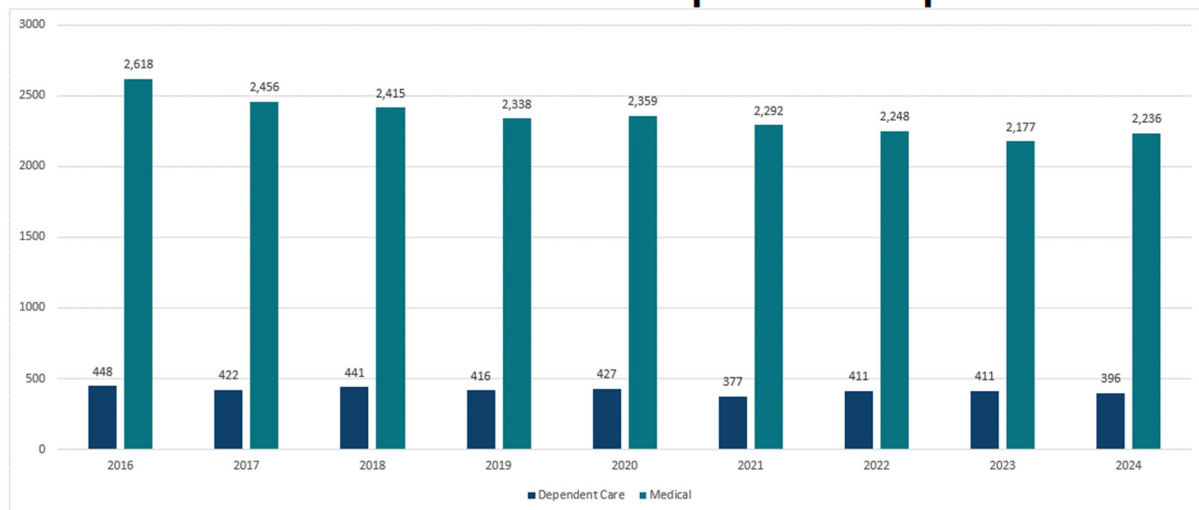
The following table shows the history of the voluntary programs. This program area continues to see significant growth.

NDPERS Voluntary Insurance Plans Membership (Dental and Vision)



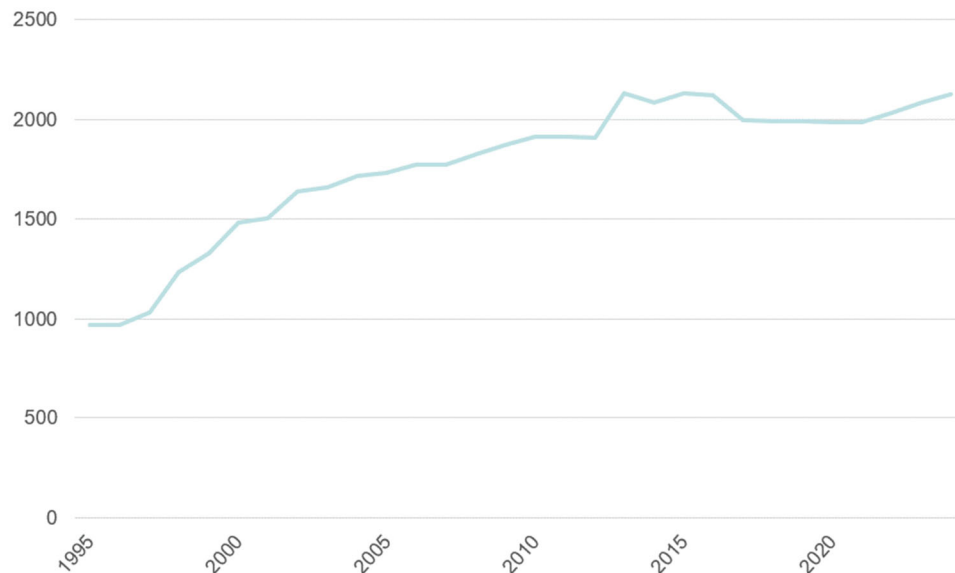
The following tables show the history of the number of members in the FlexComp program:

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 NDPERS. The following table shows each employer relationship for each program (an employer in more than one program would count more than once):

NDPERS Participating Employers (All Programs)



As shown above, NDPERS 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 28 years (1996-2023).
- We have had unqualified audit opinions for over 32 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 8 years show overall satisfaction with our customer service.

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

Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022	2,017	3.72	3.48	3.59	3.53
2023	2,287	3.78	3.56	3.69	3.64
2024	2,259	3.77	3.60	3.67	3.63

Work Efforts

Following are some of the major work efforts since we last reported to you in the 2023 session:

- Retirement
 - Closed the Main Defined Benefit Plan to new hires effective January 1, 2025
 - Updated our business system to accommodate Federal W-4P requirement changes
 - Analyzed Federal requirements for the passage of Secure 2.0
 - Went out to bid and selected a new record keeper for our Defined Contribution and Deferred Compensation Companion Plans
 - Implemented contribution increases in our Public Safety Plans to ADEC rates
- Group Insurance
 - Renewed our Medicare Part D contract with the incumbent providers
 - Went out to bid for our Life and Vision Insurance providers and selected the incumbent provider with enhanced benefits at a reduced premium
 - Renewed with Sanford Health Plan to continue the hybrid fully insured/self-insured arrangement that exists today
 - Went out to bid for our FlexComp provider and selected the incumbent provider
 - Went out to bid for our Dental provider and selected the incumbent provider
- Administrative Accomplishments
 - Upgraded the servers that our business system resides on
 - Converted historical microfiche records into an electronic format
 - Implemented a sealed envelope policy in our office
 - Began an initiative to embed forms into correspondence generated by staff
 - Developed a process to allow temporary employees the ability to enroll in health insurance electronically
 - Developed a process to allow employers to do an electronic ACA certification of temporary employees
 - Revamped the login process to provide members a more secure portal
 - Upgraded our call center software

Three-Year Strategic Plan

The agency conducts operates under a Board approved, three year strategic plan. The current strategic plan, with initiatives through 2027 is included below:

Goal	Division(s) Involved	2024	2025	2026	2027
Accuracy Improvement	All NDPERS Staff	In Process	X	X	X
Procedure Manual Documentation	All NDPERS Staff	In Process	X	X	X
Renewal/RFPs	Executive Director Benefits Research & Planning COO/CFO More staff involved and larger work effort for RFP process vs rebid.	DONE	X		X
Vision			X		X
RHIC			In Process	X	X
Medicare Part D			In Process		X
EAP		DONE		X	
Consultant - Actuary			X		X
Consultant - Health Plan		DONE		X	
Health				X	
Dental		DONE	X		X
457/DC Third Party Administrator				X	
Flexcomp Third Party Administrator				X	
Consultant - Dental, Vision, Life				X	
Consultant - Investment		DONE		X	
Life		DONE		X	
Education Campaign		DONE	X	X	X
Employers		DONE	X	X	X
Legislators		DONE	X	X	X
Members					
Succession Planning:	All NDPERS Staff	In Process	X		
Admin Services		X	X		
CFO		X	X		
CBO		X	X		
Educational Videos for Website	Communications/Benefits	In Process	X	X	X
Correspondence Embedding	Benefits & IT	In Process	X		
Electronic Records Cleanup	Admin Services/IT	In Process	X		
Develop an Employee Handbook	Admin Services	X	X		
Comprehensive Wizards	All NDPERS Staff	In Process	X		
System Enhancement Backlog	All NDPERS Staff	In Process	X	X	X
Workflow Redesign (BPM)	All NDPERS Staff	X	X	X	X
Lifecycle Training Recordings	All NDPERS Staff	In Process	X	X	
OCR for Scanning Efficiencies	Admin Services/IT	X	X		
Redefining Mission Statement	All NDPERS Staff	DONE			
Death Processing Accuracy Improvement	All NDPERS Staff	In Process	X		
Board Committee Charter & Bylaws Creation	All NDPERS Staff	DONE			
DB Closure Initiative	All NDPERS Staff	In Process	X		
Secure 2.0 & Roth 457 Provisions	All NDPERS Staff	X	X		
Create Board Operational Policies	All NDPERS Staff		X	X	

PERS Budget

2023-25 Budget. The NDPERS budget is all special funds. This biennium we do have one-time funding expenses for which we would like to provide updates.

Last session, NDPERS received \$125,00 to add an additional developer to help us address the backlog of system enhancements our agency has, to develop comprehensive new hire and annual enrollment wizards, and to help us redesign the workflows within our agency.

NDPERS also received some one-time funding as part of HB 1040, which closed the Main Defined Benefit Plan to new hires effective January 1, 2025, and shifts all future enrollees into the Defined Contribution Plan. We received appropriation authority totaling \$125,000 to add an additional developer that was specifically dedicated to this process, and we received \$200,000 in temporary salaries to allow us to successfully make this transition. PERS has used a combination of temporary employees, temporary workload increases for existing staff, and overtime of existing staff to help accommodate this transition.

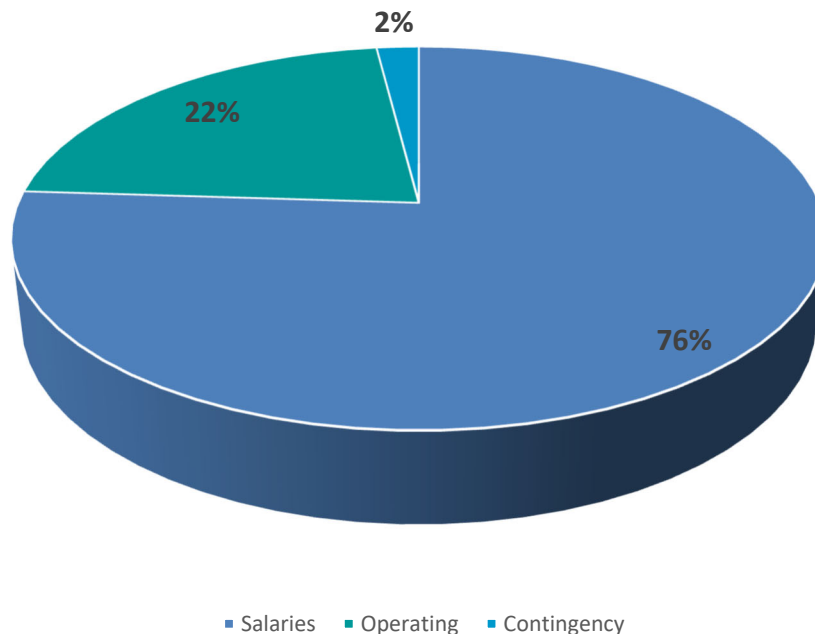
A summary of total expenditures to date are as follows:

Work Effort:	Spent to Date:	Addl. Spend to Biennium End:	Anticipated Total Spend:
Developer	\$ 93,750	\$ 31,250	\$ 125,000
HB 1040 Developer	93,750	31,250	125,000
HB 1040 Temp Salaries	7,641	30,228	37,869
HB 1040 Permanent Salaries	25,466	40,000	65,466

2025-27 Budget. The Governor’s recommendation to state agencies that have over \$10 million in appropriation authority was to submit a 3% reduced budget to focus on efficiencies that create budget savings while improving outcomes for the citizens our agency serves.

The following is a summary comparing the current budget to the Governor’s Recommendation.

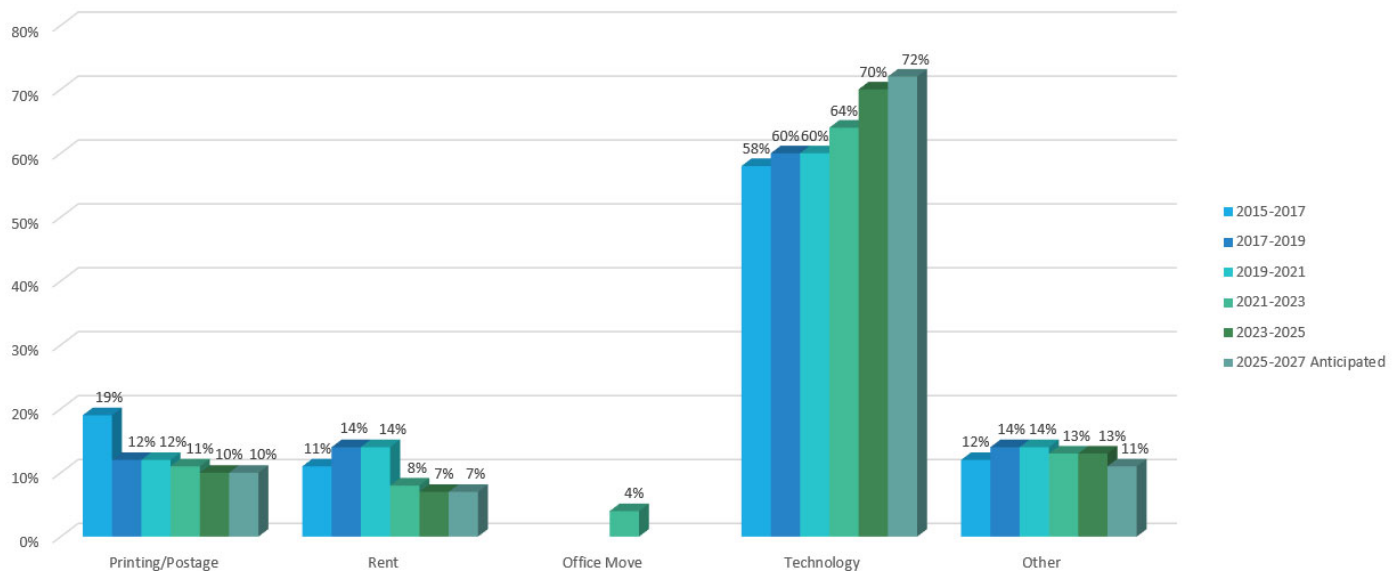
	2023-25 Appropriation	One-Time Expenditures	Adjustments	2025-27 Legislative Base Budget
Salaries & Wages	7,738,479	-	494,013	8,232,492
Operating Expenses	2,542,712	(128,000)	1,450	2,416,162
D.B. Plan Closure	372,027	(327,000)	(45,027)	-
Contingencies	250,000	-	-	250,000
Total Special Funds	10,903,218	(455,000)	450,436	10,898,654
FTE	40.5			40.5



Salaries and Wages

Salaries and wages account for 76% of the base budget and maintains funding for 40.5 FTE and one full time temporary employee. The temporary position is serving as a retirement application processor.

Operating Expenses



Operating expenses account for 22% of the base budget. Looking into our operating line item:

- 72% is IT and shared services related (software, Sagitec, State Wide Cost Allocation)
- 7% is office rent
- 10% is printing and postage
- 11% 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. These costs continue to be the most challenging budgetary constraint our agency experiences.

In July 2021 our agency moved into the WSI building. This allowed us to reduce our office footprint, and reduce our rent by nearly \$80,000 on an ongoing basis. This rent savings was used to offset our technological increases for the current 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 \$240,000 (a 32% reduction) over the last 8 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 prefers to be communicated with through printed materials.

Summary of 3% Budget Reduction:

Unfortunately we feel like we are 3-5 years away with business system upgrades to be in a position to recognize efficiencies to reduce workloads in our office. Our Board has made a decision to try and make significant progress with automating our business system, but the reality is we are not in a position to realize budget savings today without having to reduce services to our membership. An analysis was done of the benefit offerings we have, and in order to comply with a budget reduction our Board decided that reducing staff by 2.0 FTE, plus reducing the funding we have for temporary employees, to discontinue the 457 Deferred Compensation providers outside of the Companion Plan.

The chart below represents the pros and cons of moving forward with a benefit reduction of this nature:

PROS	CONS
Streamline internal operations	Significant member disruption (~11,000 participants)
Increase “buying power” of the Companion Plan	Unknown participant impact
Ensures Fiduciary oversight of participant funds	Some are annuity products

ATTACHMENT 1 – EXECUTIVE RECOMMENDATION

	2025-27 Legislative Base	Executive Recommendation Adjustments	2025-2027 Executive Recommendation	% Increase/ (Decrease)
Salaries & Wages	8,232,492	1,988,906	10,221,398	24.2%
Operating Expenses	2,416,162	850,501	3,266,663	35.2%
Contingencies	250,000	-	250,000	
Total Special Funds	10,898,654	2,839,407	13,738,061	26.1%
FTE	40.5	0.0	40.5	

Analysis of the Executive Recommendation Adjustments:

Restore FTE Authority & Temporary Funding - \$525,968

The Executive Recommendation restored the salary funding (\$441,805), operational funding (\$7,500) and FTE authority (2.0 FTE) to continue allowing the 457 providers in our Deferred Compensation program. It still is a long-term goal of our Board to move all new hires into the Companion Plan, because the ramifications are largely unknown of forcing all participants out of their current provider, the Governor felt this was an important initiative to keep in place.

The Governor also restored part of the agency's temporary funding (\$76,663) so the agency can cover the cost of the 4% salary increases that went into effect on July 1, 2024 as well as the additional 1% Main Plan contribution increases that went into effect on January 1, 2024.

Cost to Continue Operational Inflationary Increases - \$246,289

These costs represent the operational increases we are going to be experiencing next biennium to continue offering the services we do today. These inflationary increases include:

- Rent – NDPERS leases office space from WSI, and we've been notified rent will be increasing by \$1 sq/ft next biennium. This has a total impact to our budget of \$12,006.

- Information Technology – the rest of our operational increases all relate to information technology:
 - NDIT – the Governor included some funding to help offset the rising costs at NDIT, however, the Governor did not fund agency specific initiatives. For PERS, the largest unfunded initiative was increases to our call center staff. In total we are estimating increases from NDIT totaling \$31,050 that were not funded by the Governor.
 - Sagitec – NDPERS utilizes an independent contractor to both license and develop our robust business administration software. The costs to retain qualified developers has been a challenge for our provider, however, we still feel like we get great value for our dollar that is before you today. The proposed increases to our development team is significant, but it equates to roughly \$93.36 an hour. Comparing that to the development work done through NDIT, that still results in a savings of over 55% for our agency.
 - Licensing increase - \$25,800
 - Development increase - \$177,433

One-time Funding to Add a Project Manager & Two Developers - \$539,595

NDPERS has been trying to make significant improvements with automating our business system, and also increase the electronic options our membership has at their disposal. Below is a listing of all the projects currently in motion, and the year the project was initially started:

Initiative	Description	Year Started	% Complete
Termination Wizards	Allows members to apply for retirement benefits electronically in our member portal	2018	35%
New Hire Wizard	Allows members to complete all new hire enrollments in one location, electronically, in our member portal	2022	80%
Annual Enrollment Wizard	Allows members to complete all annual enrollment elections in one location, electronically, in our member portal	2022	80%
Business Process Management	Automates our business system and incorporates the entities business rules into the workflow process	2022	5%

All of these projects independently give our agency a lot of excitement. Trying to make meaningful progress on these initiatives has been difficult, because all of them are significant. We are hoping that by utilizing a project manager (contractor) at the vendor level, and have developers dedicated to these projects will finally help us make meaningful progress on these initiatives. To fully complete these processes, we anticipate it taking 3-5 years, depending on how quickly we can start progressing in these areas. The long term effect will be reduced workloads in our office, increased accuracy, and an enhanced user experience for each and every one of our members.

Funding to Add an Intern & Added Legislators on our Board - \$45,000

Last session, NDPERS had two additional Legislators added to our Board without additional appropriation authority. In addition, the agency is interested in taking advantage of the State's internship program, which is something we have not previously done on an ongoing basis.

Summary of the Executive Recommendation

Wages of \$1,988,906:

- FTE Pool Restoration - \$1,201,247
- Salary increases funded at 3% the first year, and 3% the second year - \$359,837
- Restore full temporary funding - \$130,600
- Health insurance premium increase - \$252,222
- Add intern & Legislator funding - \$45,000

Operating Expenses of \$850,501

- Cost to continue NDIT - \$64,617
- Cost to continue operational increases - \$246,289
- Sagitec Project Manager & Two Developers - \$539,595

Attachment 2 – HOUSE AMENDMENT

	2025-27 Legislative Base	House Adjustments	House Amendment	% Increase
Salaries & Wages	8,232,492	2,297,507	10,529,999	27.9%
Operating Expenses	2,416,162	858,001	3,274,163	35.5%
Contingencies	250,000	-	250,000	
Total Special Funds	10,898,654	3,155,508	14,054,162	29.0%
FTE	40.5	2.0	42.5	

The House did support the following initiatives that were also supported by the Governor:

Wages of \$1,854,845:

- Existing FTE Pool restoration - \$1,201,247
- New & Vacant FTE Pool allocation - \$(134,061)
- Salary increases funded at 3% the first year, and 3% the second year - \$359,837
- Restore full temporary funding - \$130,600
- Health insurance premium increase - \$252,222
- Add intern & Legislator funding - \$45,000

Operating Expenses of \$850,501

- Cost to continue NDIT - \$64,617
- Cost to continue operational increases - \$246,289
- Sagitec Project Manager & Two Developers - \$539,595

In addition, the House did support the 2.0 additional FTE the agency was seeking to ensure the long-term stability of the Defined Contribution Plan.

- **Accounting FTE** for Employer Support - \$239,015 of salary appropriation & \$3,750 of ongoing operational appropriation
- **Enrollment FTE** for Enrollment Support - \$203,647 of salary appropriation & \$3,750 of ongoing operational appropriation

2.0 Additional FTE to Support the Long-Term Success of the DC Plan - \$450,162

Last session, we were extremely lucky to have a really engaged conference committee for our appropriation bill. At the conclusion of last session, we felt confident we had what we needed to not only launch the Defined Contribution 2025 tier, but also sustain it.

As we began the implementation efforts, it became obvious that may not be the case. The new Defined Contribution Plan has strict IRS rules on the participant's requirement to make a one-time, lifetime, irrevocable election into the plan for the up to 3% additional contribution. If this window is missed, there is no opportunity for recourse, and the participant will be "stuck" at the mandatory rates for the entirety of their lifetime.

The success of our ability to communicate with our participants relies on our employers properly reporting new hires in a timely manner. Without an employer notifying NDPERS of a new hire, we have no way of knowing that individual exists, or how to begin our educational efforts.

Last session we willingly sacrificed an accounting position (we originally thought we would need them to help reconcile all the various accounts that will exist in the Defined Contribution Plan), as we were confident in our ability to track our participant funds. As we started implementing the plan, the biggest risk of failure this plan has is the employer not doing their steps in the right sequence, or by the deadlines. We feel like doing a better job of onboarding new authorized agents at the employer level is critical to the long-term success of the plan. Currently, we send out email notifications of the duties to comply with PERS reporting requirements, but having a position and dedicated resource our employers would have to educate them on their responsibilities, help them navigate both the member and employer portals, and educate them on the 30 day window and how they as the employer can help us accelerate the educational effort in the 30 day window we feel is necessary to this plan's success.

Our enrollment team is the thinnest division we have, yet they are the division that is most impacted by the changes with the matching provisions of both the Defined Contribution and Deferred Compensation plans. Previously, all rates were the same for all members of the plan, and with the new plan we know there are more options and matching opportunities available. Unfortunately, after completing the programming effort, we now understand that this also means additional duties our office will need to absorb. Instead of processing retirement once on each member, retirement will need to now be processed twice for anyone who moves off the mandatory contribution rates. Similarly, the matching provisions that extend to the 457 Deferred Compensation plan will create additional entry that didn't previously exist. Having another enrollment staff member to help alleviate the additional workload is another area we feel we need to help ensure we are comfortable and confident with the changes the new plan tier will make in our office.

Suggested Changes to House Amendment

The only initiative our Board was interested in exploring that was not supported by the House was targeted compensation adjustments for Staff.

It's pretty well known that NDPERS had a stressful year in 2024. Not only were we in charge of implementing historical Legislation in 1/3 of the timeframe that other states have, we also did it shorthanded on our Executive Management team. After the Director was dismissed in November 2023, workloads were rearranged in our office to accommodate being down a member of our Executive Management team for the year. Once session is over, we plan on finally recruiting for a Chief Benefits Officer in our organization.

Our Board is seeking targeted compensation adjustments for the Executive Management team to recognize the duties that were permanently reassigned with the Executive Director's position, and get the compensation levels of our Executive Management team in line with similar positions in similar agencies.

It is our understanding that equity is being discussed on a more global basis, and was removed from all agency budgets. We agree with letting the Legislature analyze this initiative on a global basis, and therefore, we do not have any suggested changes to the House Amendment before you today.

The following information is provided as requested:

1. Explain the purpose of the agency and its various divisions/programs – Cite North Dakota Century Code provision and attach an organizational chart.

Response: Included in testimony – pages 1 – 11.

2. Report any audit findings included in the most recent audit and action taken to address each finding.

Response: There we no audit findings for the June 30, 2024 audit

3. Discuss current biennium accomplishments and challenges and next biennium goals and plans.

Response: Included in testimony – pages 13 – 14.

4. Compare the agency's request/recommendation totals, including full-time equivalent (FTE) positions, for the next biennium compared to the current biennium.

Response: We are hoping to increase the FTE count from 40.5 to 42.5 for the 2025-2027 biennium to ensure the long-term stability of the 2025 tier in our Defined Contribution Plan.

5. Discuss any new positions approved for your agency for the 2023 – 2025 biennium by the 2023 Legislative Assembly, the timing of filling the positions, amounts transferred from the OMB pool for the filled positions, and funding appropriated and the amount estimated to be spent for each position for the 2023 – 2025 biennium.

Response: A summary of our new positions, and the funding mechanism for each is below:

Position	Date Filled	FTE Pool Transfer	Funding Appropriated	2023-2025 Biennium Spend
Receptionist	July 1, 2023	\$ 140,411	\$ 140,411	\$ 140,411
Member Services Rep	July 1, 2023	143,371	143,371	143,371
Retirement Processing Lead	July 1, 2023	238,087	238,087	238,087
Counselor	August 14, 2023	137,397	152,519	137,397
DC Plans Manager	December 1, 2023	216,108	362,659	216,108

6. Discuss employee turnover and the number of vacant positions during the 2023-25 biennium to date, the amount of savings relating to the vacant positions and employee turnover to date compared to the vacant position savings removed from your agency's budget by the 2023 Legislative Assembly, the amount of vacant position saving spent for other purposes, and any amounts transferred or anticipated to be transferred from the OMB pool.

Response: The number of vacancies, and how the savings were spent is included below. Due to the vacancy of our Chief Benefits Officer since November, 2023, we do not anticipate requesting additional funds from the FTE pool this biennium.

Fiscal Year 2023:

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Est. Vacancy Savings	35,552	19,903	19,903	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184
Use of vacant position savings:												
Accrued Leave Payouts						17,124						
Extra Overtime Funding	1,072		1,551									
Other (identify)												
Severance Pay for Our Director						45,042						
Total	34,480	19,903	18,352	11,184	11,184	(50,982)	11,184	11,184	11,184	11,184	11,184	11,184
Vacant Positions:	4	2	2	1	1	1	1	1	1	1	1	1

Fiscal Year 2024:

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Anticipated Jan-25	Anticipated Feb-25	Anticipated Mar-25	Anticipated Apr-25	Anticipated May-25	Anticipated Jun-25	Cumulative Total
Est. Vacancy Savings	12,551	17,326	14,255	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	320,802
Use of vacant position savings:													
Accrued Leave Payouts													17,124
Extra Overtime Funding													2,623
Other (identify)													-
Severance Pay for Our Director													45,042
Total	12,551	17,326	14,255	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	11,184	256,013
Vacant Positions:	2	2	2	1	1	1	1	1	1	1	1	1	

7. Explain the funding included in each program/line item either in total or by division depending on the size of the agency as follows:
- Amounts included in the base level and their purpose and use; and

b. Amounts included in the request/recommendation and justification for the change from the base level. Discuss changes relating to each line item (salaries and wages, operating expenses, etc.) funding source (general fund, special funds, federal funds), and FTE positions.

Response: Included in testimony – page 16

8. Discuss the purpose and use of any one-time funding items for the current biennium.

Response: Included in testimony – page 15

9. Identify and justify the need for any one-time funding being requested.

Response: Included in testimony – pages 20-21

10. Discuss any fees the agency charges, the appropriateness of the fee amount, fee collections that are deposited in the general fund or a special fund, and any anticipated changes from 2023 legislative session estimates during the 2023-25 biennium and estimated changes for the 2025-27 biennium.

Response: PERS does not charge any fees to agencies at all.

11. Identify any federal state fiscal relief funds remaining to be spent by your agency by December 2026. Provide the amount, the purpose, and a timeline of anticipated expenditures.

Response: PERS does not receive any relief funds at all.

12. Discuss the need for any other sections to be added to the appropriation bill.

Response: If the Legislature is interested in reducing 2.0 FTE to accommodate a benefit reduction by not offering the additional 457 providers in our plan, our Board has requested a statement of Legislative Intent to be added to our appropriation bill to help with the implementation efforts.

13. Discuss any other bills being considered by the Legislative Assembly and their potential budgetary impact on your agency.

Response: There are not any bills currently on our radar that have a budgetary impact on our agency. The Actuarially Determined Employer Contributions (ADEC) and the incentive payments that go into effect on January 1, 2026 from HB 1040 last session will have a budgetary impact, and any health insurance mandates that may be passed will be considerations on our radar this session.

14. Provide a one-page itemized listing any changes your agency is requesting the committee to make to the executive budget recommendation.

Response: Included in testimony – page 24.

15. Provide additional information as necessary.

Response: We appreciate the committee taking the time to learn about our agency & the challenges we are currently facing. If there are any questions any of you have, please let us know!



ND PUBLIC EMPLOYEES RETIREMENT SYSTEM

Budget – 69th
Legislative Assembly

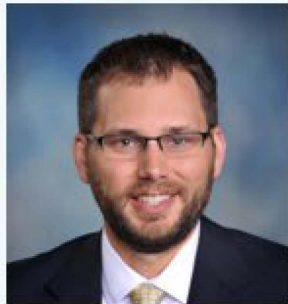
NDPERS BOARD



Mike Seminary
Chair



Casey Goodhouse
Member Elected



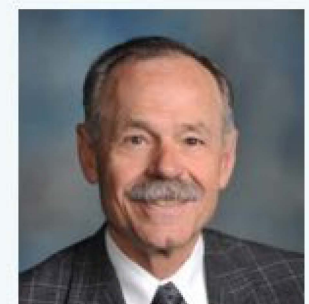
Adam Miller
Member Elected



Tyler Erickson
Member Elected



Bryan Klipfel
Governor Appointee



Jeffry Volk
Governor Appointee



Gerald Buck
Governor Appointee



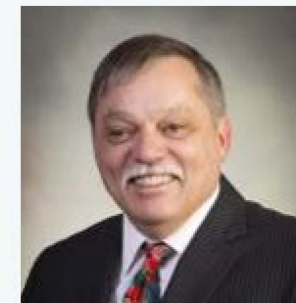
Representative
Greg Stemen



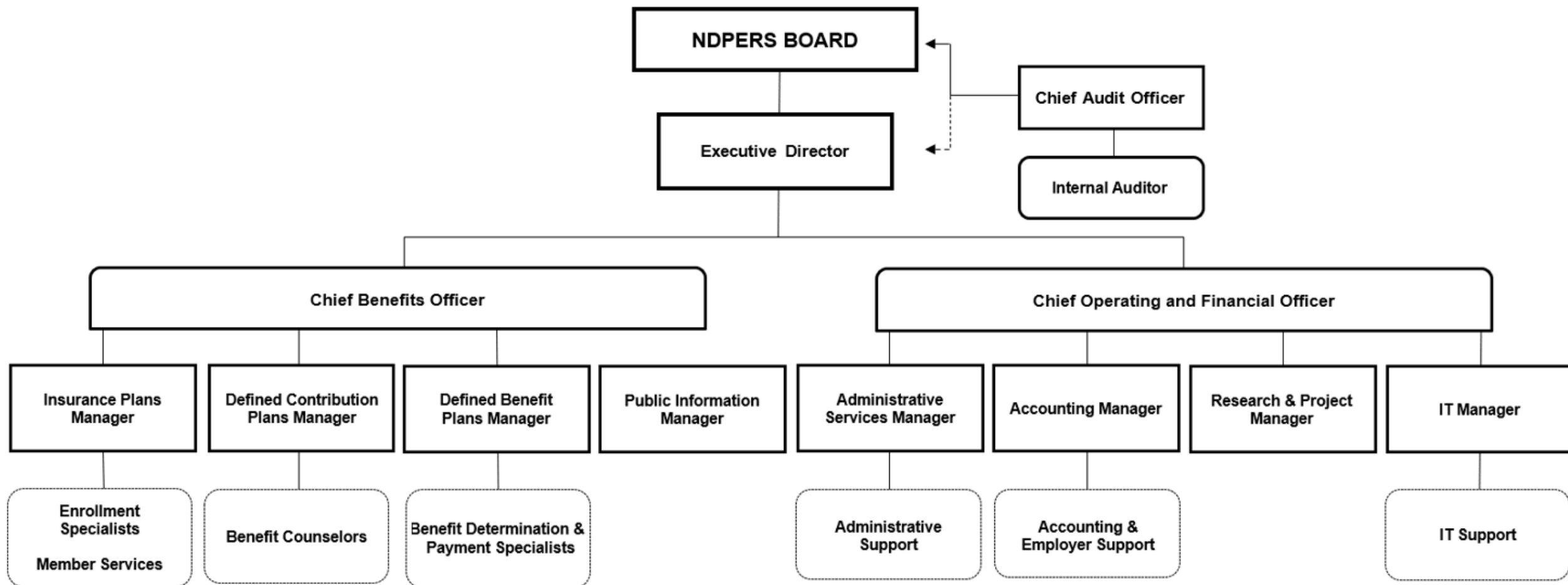
Representative
Jason Dockter



Senator
Kyle Davison

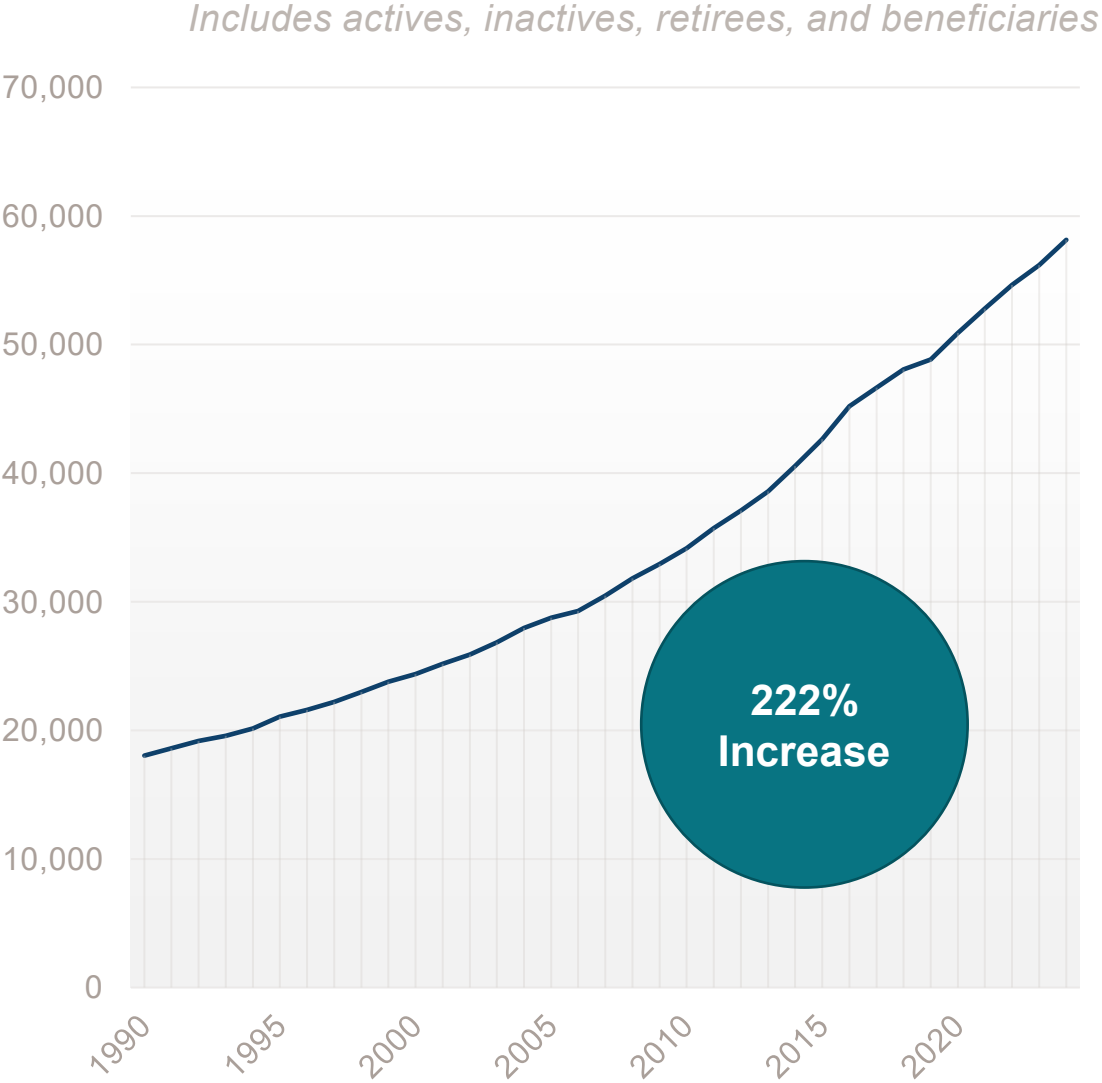


Senator
Dick Dever



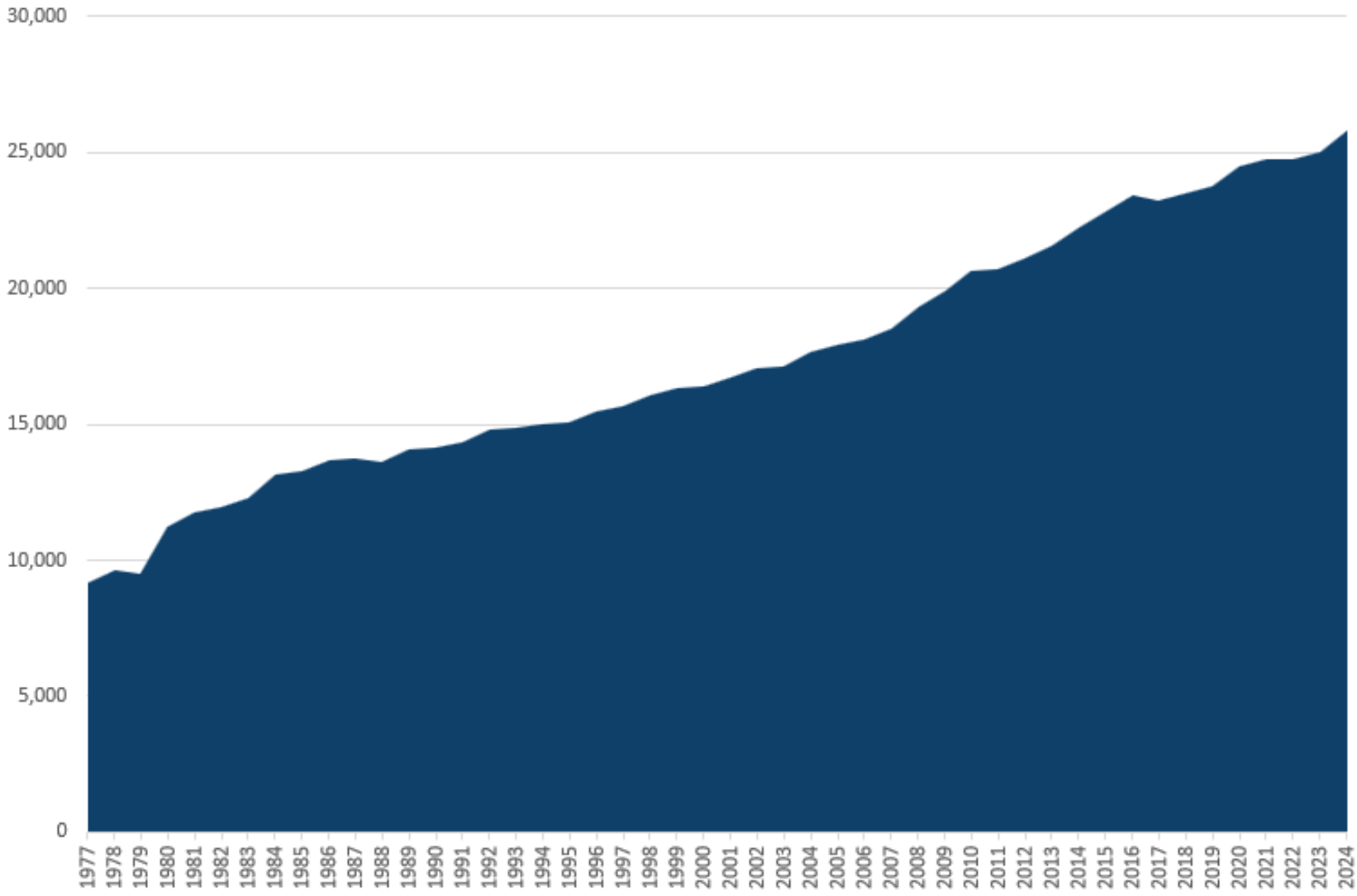
January 2025		RETIREMENT PROGRAMS							
		MANAGED AND ADMINISTERED BY NDPERS							
	<i>TOTAL</i>	<i>Main</i>		<i>Public</i>	<i>Highway</i>	<i>Job</i>	<i>DEFINED</i>	<i>DEFERRED</i>	<i>HEALTH</i>
	<i>RETIREMENT</i>	<i>System</i>	<i>Judges</i>	<i>Safety</i>	<i>Patrol</i>	<i>Service</i>	<i>CONTRIBUTION</i>	<i>COMP</i>	<i>CREDIT</i>
									<i>(RHIC)</i>
PARTICIPATING EMPLOYERS									
State	100	100	1	2	1	1	99	101	100
Counties	52	52		41			49	30	52
School Dist	132	132					116	42	132
Cities	102	102		32			87	62	102
District Health Units	21	21					20	16	21
Others	75	75		6			51	50	75
TOTAL	482							301	482
EMPLOYEES									
State	10,834	10,443	58	84	165	1	83	7,626	6,955
Counties	4,444	3,468		975			1	846	2,979
School Dist	7,638	7,637					1	127	3,442
Cities	3,079	2,389		689			1	571	1,958
District Health Units	267	267						200	175
Others	699	671		28				176	344
Subtotal	26,961	24,875	58	1,776	165	1	86	9,546	15,853
Retirees	14,598	14,119	44	177	119	109	30		14,131
Subtotal	41,559	38,994	102	1,953	284	110	116	9,546	29,984
Deferred Members	18,867	17,898	4	821	57	0	87	8,916	14,835
TOTAL	60,426	56,892	106	2,774	341	110	203	18,462	44,819

RETIREMENT PLAN MEMBERSHIP

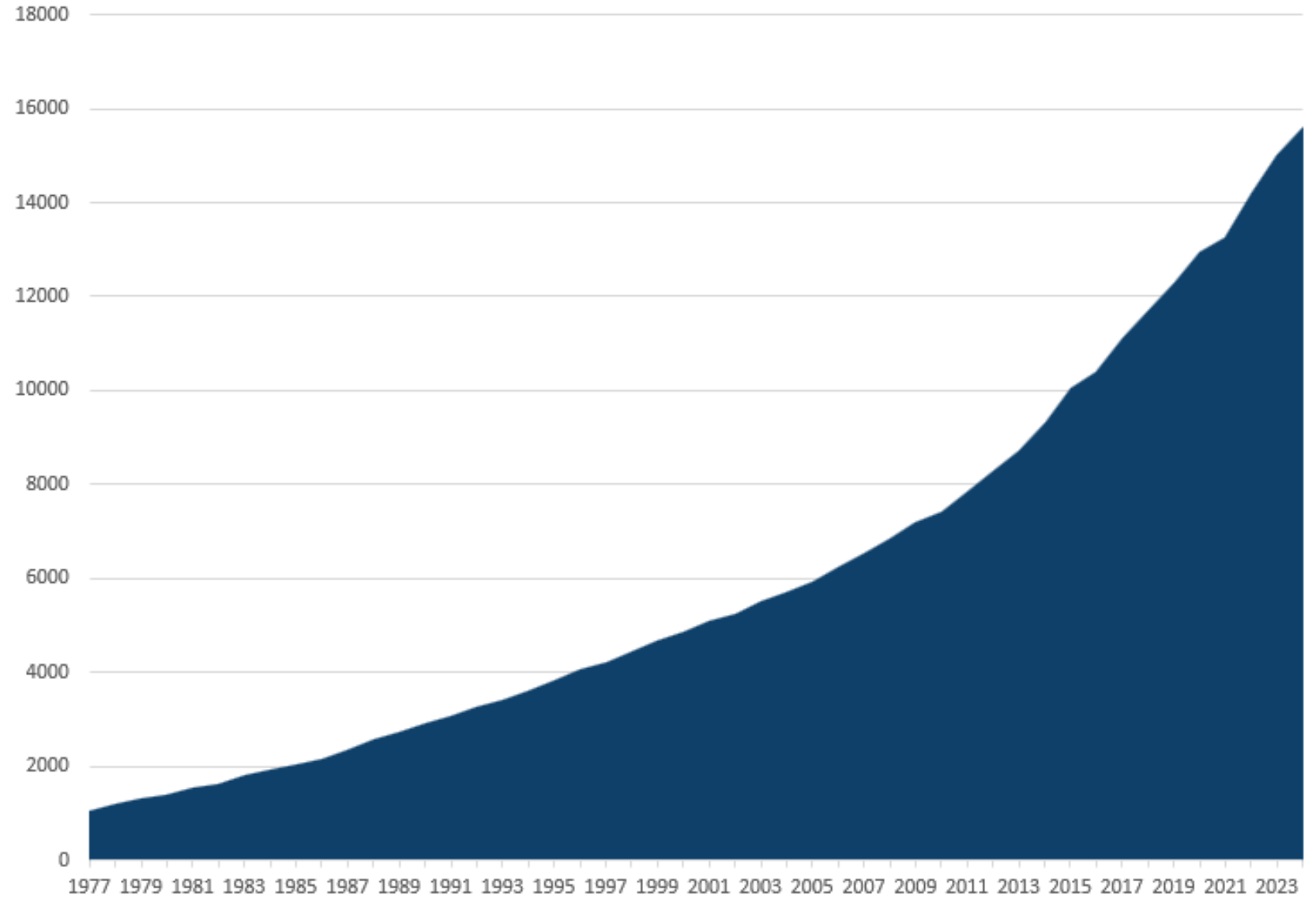


**ACTIVE
MEMBERS IN
NDPERS
RETIREMENT
SYSTEM**

Includes members in Main, Judges, and Public Safety



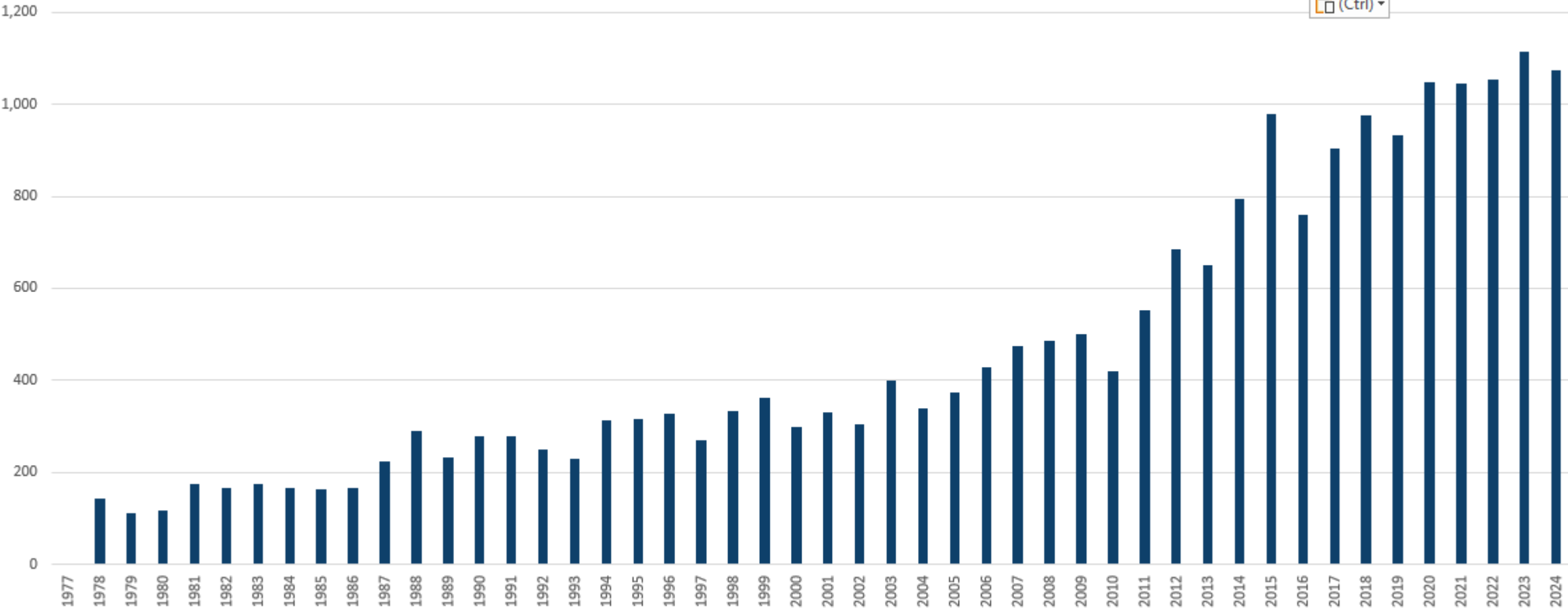
Includes members in Main, Judges, and Public Safety



**RETIREES IN
NDPERS
RETIREMENT
SYSTEM**

New Pensioners
Includes members in Main, Judges, and Public Safety

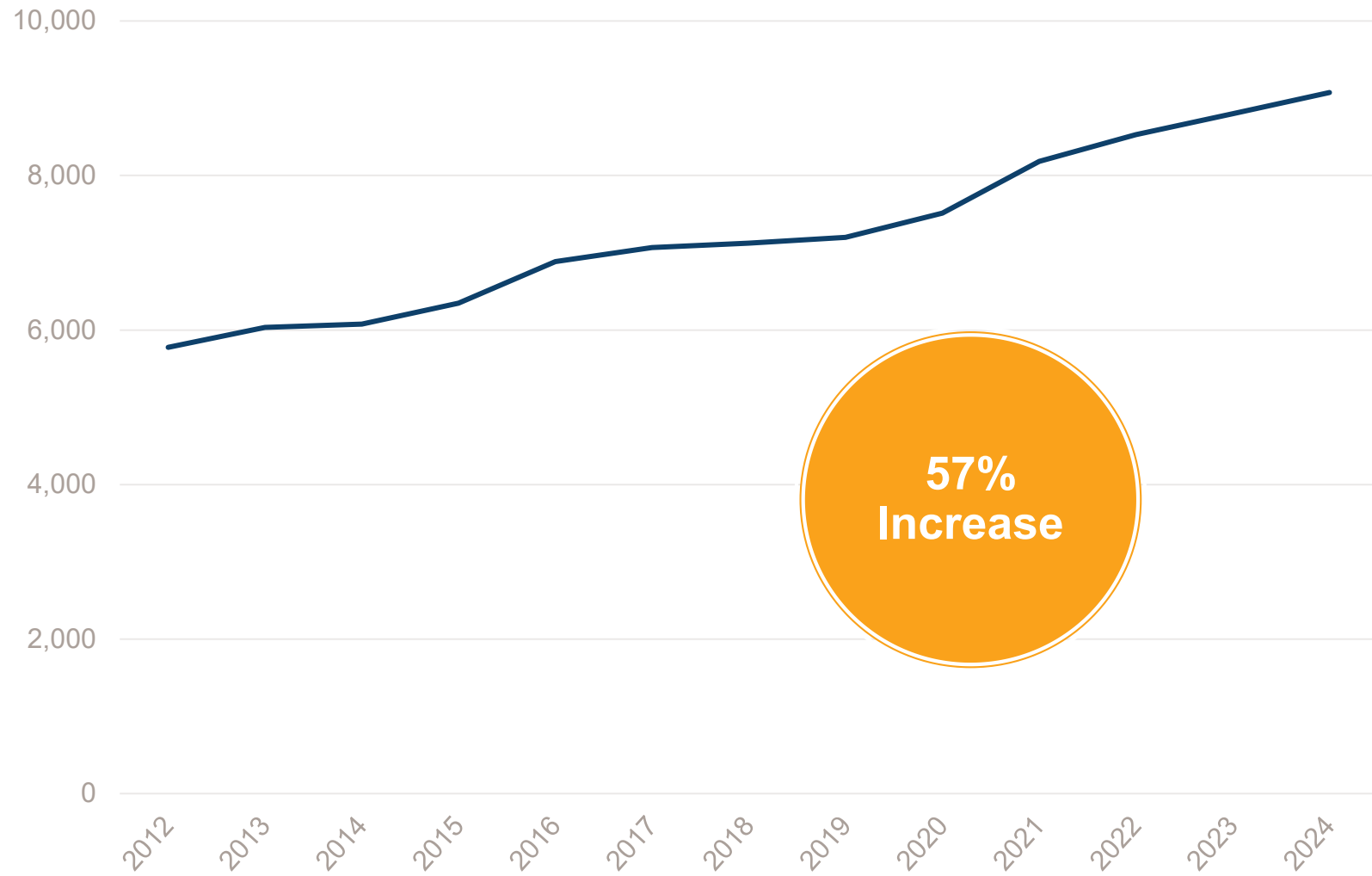
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Members of
the Main
System
Eligible to
Retire in the
Next Five
Years

	Age 65	Rule of 85	Total
Currently eligible as of June 2024	1,168	1,011	2,179
Newly eligible as of June 2025	323	249	572
Newly eligible as of June 2026	330	260	590
Newly eligible as of June 2027	345	284	629
Newly eligible as of June 2028	379	251	630
Newly eligible as of June 2029	386	264	650

**ACTIVE
MEMBERS IN 457
DEFERRED
COMPENSATION
PLAN**

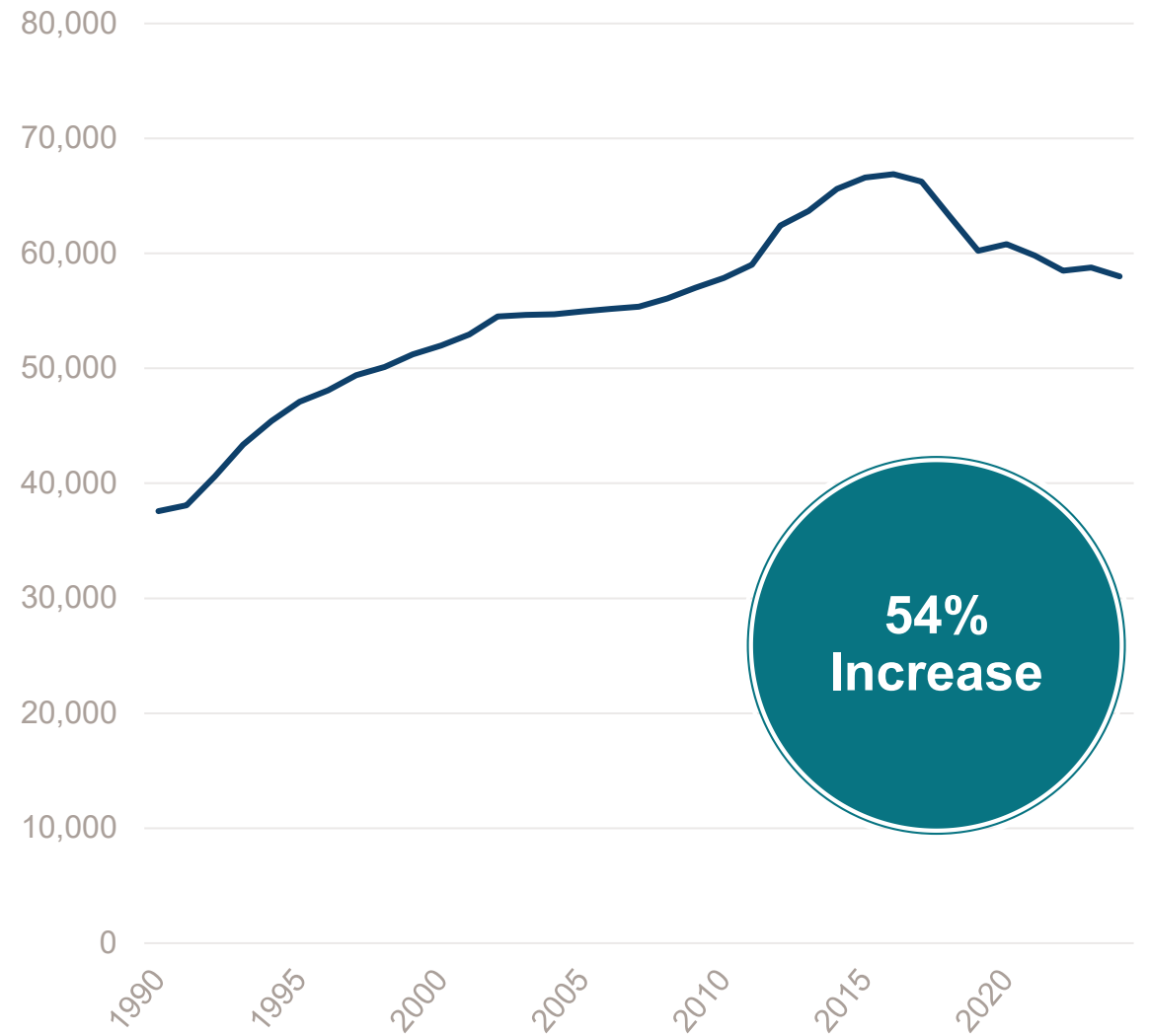


January 2025

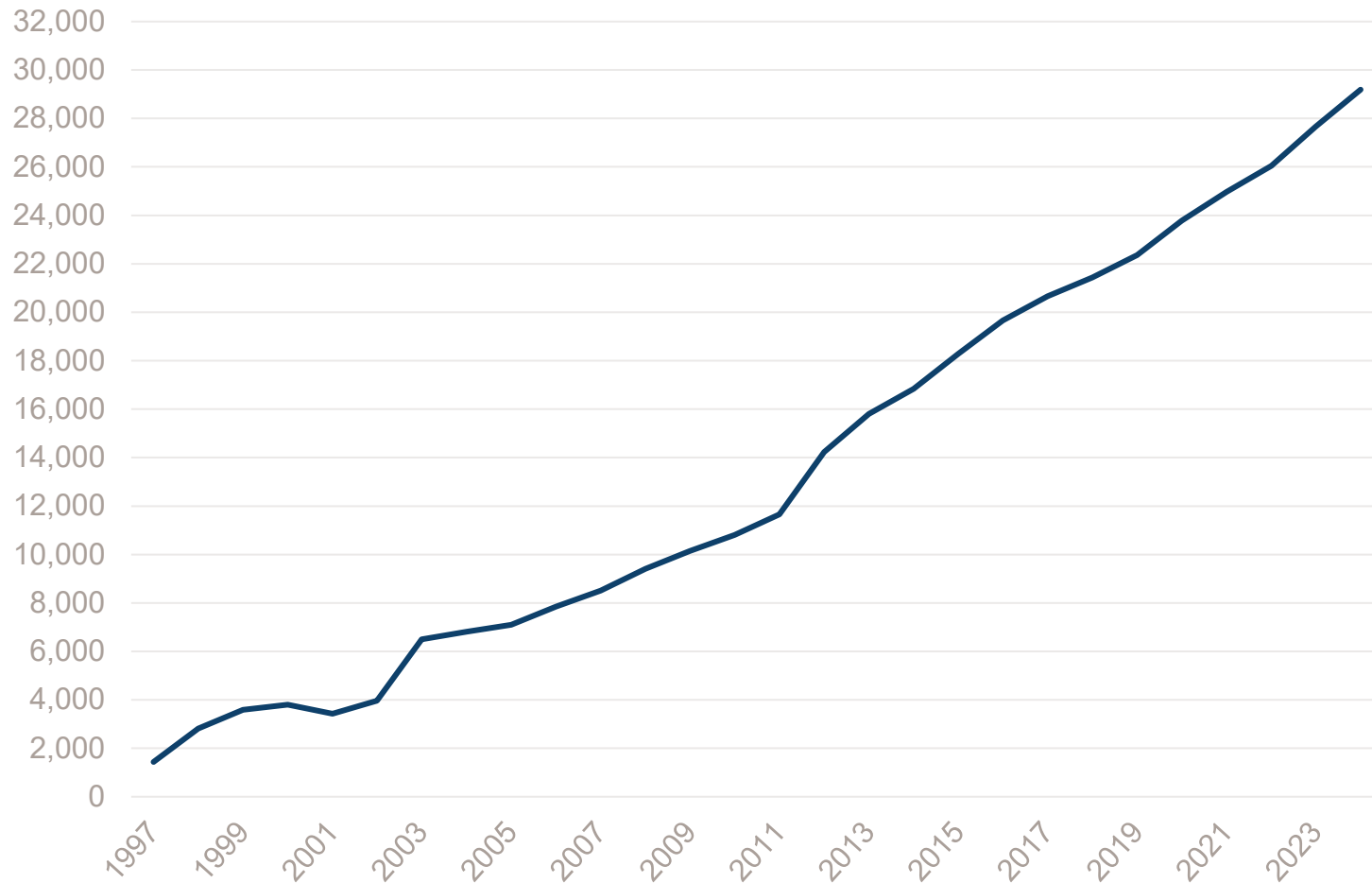
GROUP INSURANCE PROGRAMS MANAGED AND ADMINISTERED BY NDPERS

	<i>HEALTH</i>	<i>LIFE</i>	<i>DENTAL</i>	<i>VISION</i>	<i>EAP</i>	<i>FLEXCOMP</i>
PARTICIPATING EMPLOYERS						
State	101	100	101	101	99	89
Counties	26	33				
School Dist	14	5				
Cities	28	28				
District Health Units	19	21	21	21	21	5
Others	32	18				
TOTAL	<i>220</i>	<i>205</i>	<i>122</i>	<i>122</i>	<i>120</i>	<i>94</i>
EMPLOYEES						
State	14,964	15,893	10,438	10,391	15,932	2,802
Legislators	117	134				
Counties	1,395	3,003				
School Dist	703	98				
Cities	658	259				
District Health Units	218	268	108	112	267	57
Others	249	187				
Retirees	6,585	3,083	4,791	4554		
COBRA	106		50	42		
TOTAL	<i>24,995</i>	<i>22,925</i>	<i>15,387</i>	<i>15,099</i>	<i>16,199</i>	<i>2,859</i>
Covered Lives	<i>59,116</i>					

HEALTH PLAN MEMBERSHIP

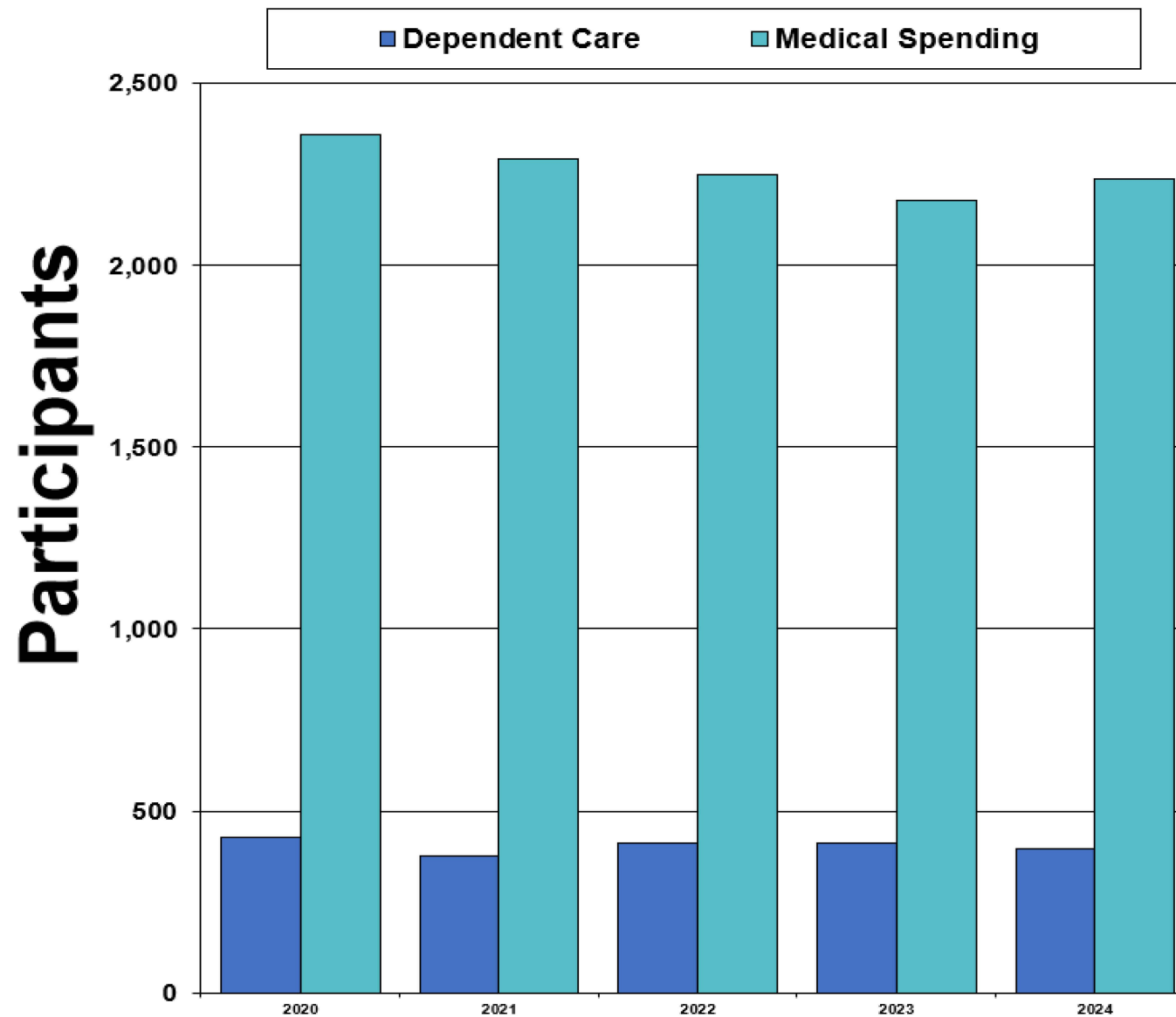


Dental & Vision Insurances Membership

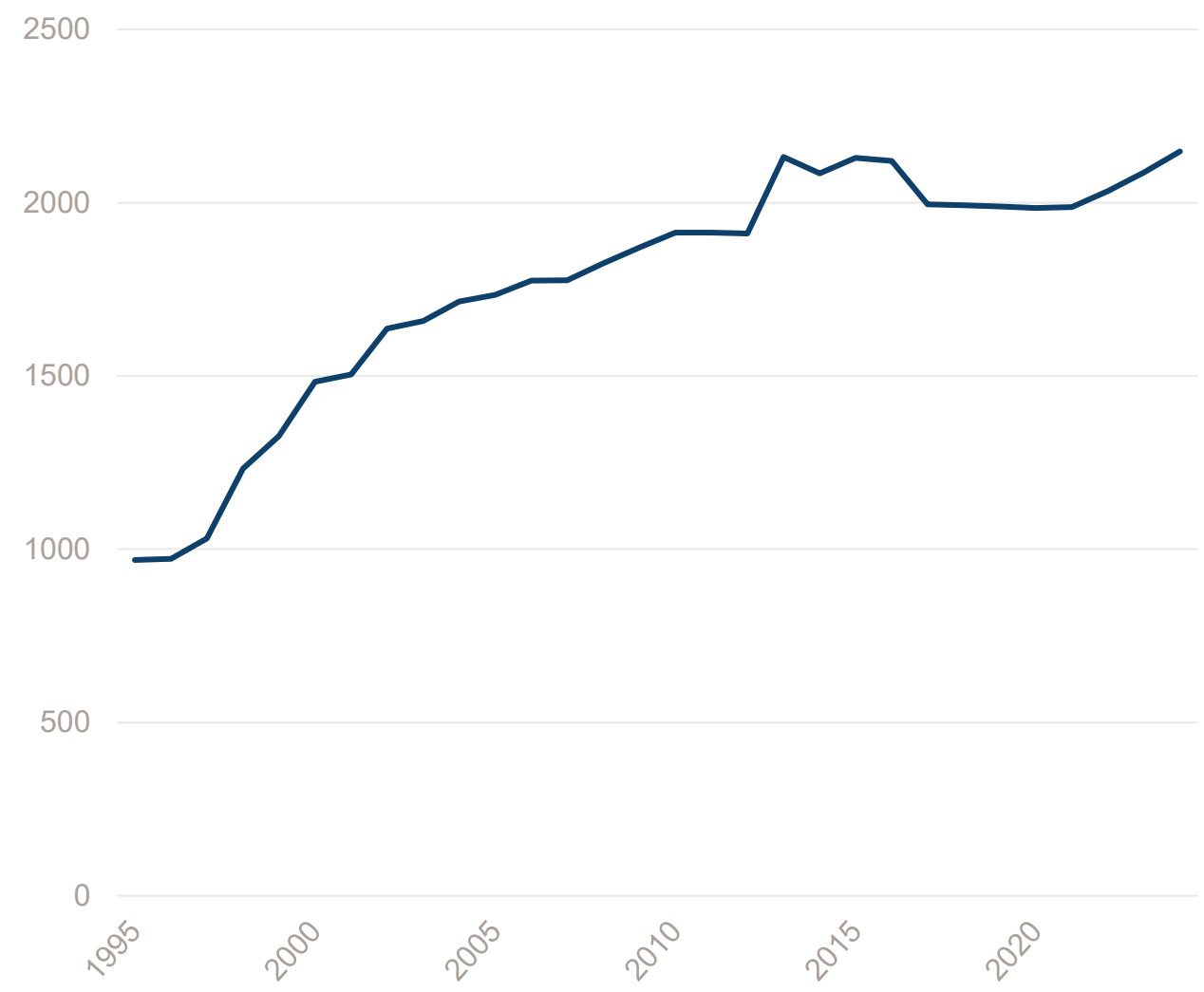


**1,933%
Increase**

NDPERS Flexcomp Participation



TOTAL Participating Employers in NDPERS Plans



Year	# of responses	Courtesy received from NDPERS Staff.	Promptness of NDPERS response.	Information was properly explained.	Information easy to understand.
2015	464	3.82	3.67	3.73	3.62
2016	478	3.83	3.73	3.75	3.62
2017	540	3.83	3.76	3.69	3.58
2018 Sent via email	1,084	3.76	3.59	3.63	3.56
2019	2,392	3.75	3.48	3.63	3.59
2020	2,066	3.76	3.51	3.66	3.62
2021	2,268	3.74	3.49	3.60	3.56
2022	2,017	3.72	3.48	3.59	3.53
2023	2,287	3.78	3.56	3.69	3.64
2024	2,259	3.77	3.60	3.67	3.63

MEMBER
EXPERIENCE

NDPERS' Three Year Strategic Plan

Goal	Division(s) Involved	2024	2025	2026	2027
Accuracy Improvement	All NDPERS Staff	In Process	X	X	X
Procedure Manual Documentation	All NDPERS Staff	In Process	X	X	X
Renewal/RFPs					
Vision			X		X
RHIC			X		X
Medicare Part D	Executive Director	DONE	In Process	X	X
EAP	Benefits		In Process		X
Consultant - Actuary	Research & Planning	DONE		X	
Consultant - Health Plan	COO/CFO		X		X
Health		DONE		X	
Dental		DONE		X	
457/DC Third Party Administrator	More staff involved and larger work effort for RFP process vs rebid.		X		X
Flexcomp Third Party Administrator		DONE		X	
Consultant - Dental, Vision, Life				X	
Consultant - Investment		DONE		X	
Life		DONE		X	
Education Campaign					
Employers		DONE	X	X	X
Legislators		DONE	X	X	X
Members		DONE	X	X	X
Succession Planning:					
Admin Services	All NDPERS Staff	In Process	X		
CFO		X	X		
CBO		X	X		
Educational Videos for Website	Communications/Benefits	In Process	X	X	X
Correspondence Embedding	Benefits & IT	In Process	X		
Electronic Records Cleanup	Admin Services/IT	In Process	X		
Develop an Employee Handbook	Admin Services	X	X		
Comprehensive Wizards	All NDPERS Staff	In Process	X		
System Enhancement Backlog	All NDPERS Staff	In Process	X	X	X
Workflow Redesign (BPM)	All NDPERS Staff	X	X	X	X
Lifecycle Training Recordings	All NDPERS Staff	In Process	X	X	
OCR for Scanning Efficiencies	Admin Services/IT	X	X		
Redefining Mission Statement	All NDPERS Staff	DONE			
Death Processing Accuracy Improvement	All NDPERS Staff	In Process	X		
Board Committee Charter & Bylaws Creation	All NDPERS Staff	DONE			
DB Closure Initiative	All NDPERS Staff	In Process	X		
Secure 2.0 & Roth 457 Provisions	All NDPERS Staff	X	X		
Create Board Operational Policies	All NDPERS Staff		X	X	

NDPERS BUDGET

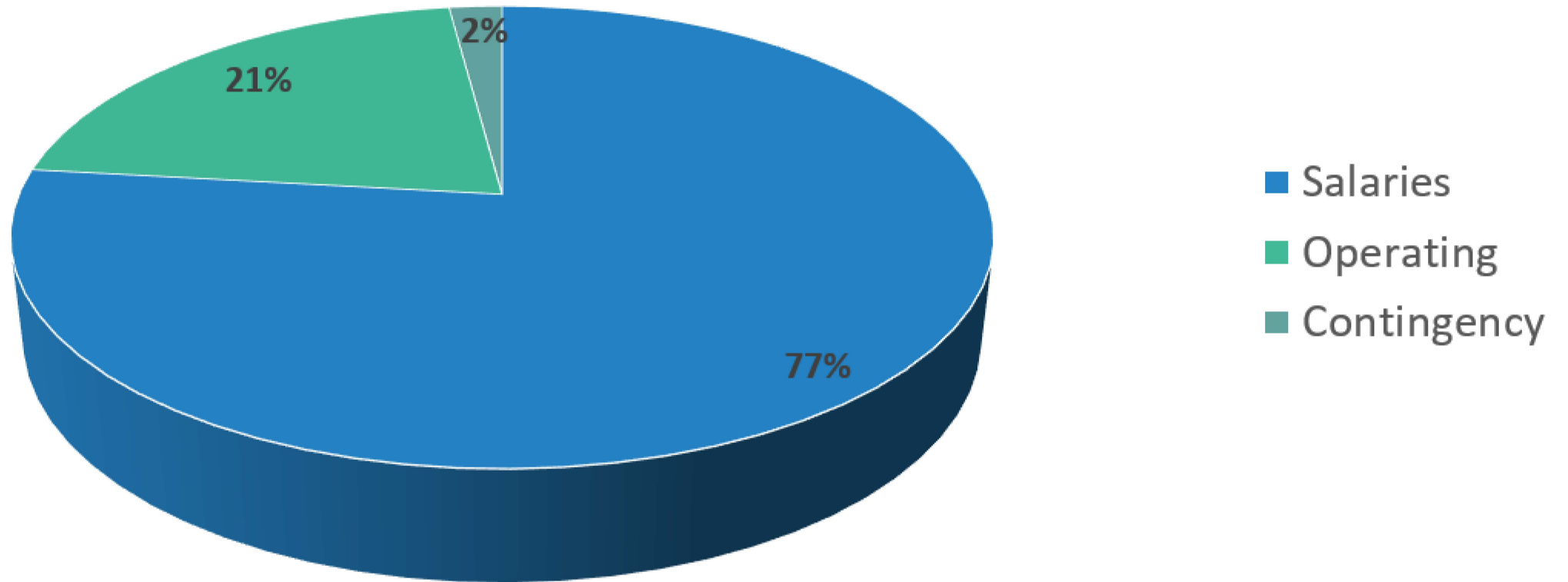


ONE-TIME FUNDING THIS BIENNIUM

Work Effort:	Spent to Date:	Addl. Spend to Biennium End:	Anticipated Total Spend:
Developer	\$ 93,750	\$ 31,250	\$ 125,000
HB 1040 Developer	93,750	31,250	125,000
HB 1040 Temp Salaries	7,641	30,228	37,869
HB 1040 Permanent Salaries	25,466	40,000	65,466

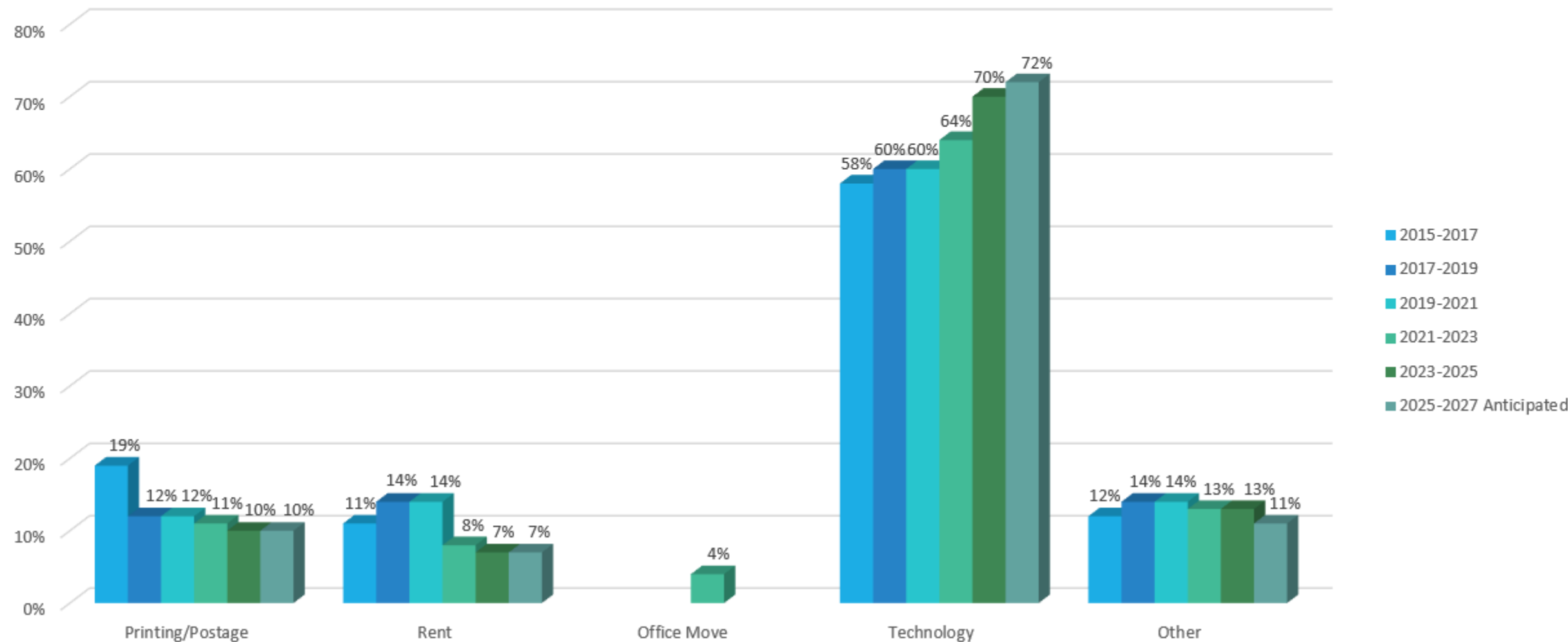
	2023-25 Appropriation	One-Time Expenditures	Adjustments	2025-27 Legislative Base Budget
Salaries & Wages	7,738,479	-	494,013	8,232,492
Operating Expenses	2,542,712	(128,000)	1,450	2,416,162
D.B. Plan Closure	372,027	(327,000)	(45,027)	-
Contingencies	250,000	-	-	250,000
Total Special Funds	10,903,218	(455,000)	450,436	10,898,654
FTE	40.5			40.5

NDPERS Budget Allocation



Budget: Operating Expenses

Biennium to Biennium Comparison



PROS	CONS
Streamline internal operations	Significant member disruption (~11,000 participants)
Increase “buying power” of the Companion Plan	Unknown participant impact
Ensures Fiduciary oversight of participant funds	Some are annuity products

Pros & Cons of 3% Reduced Budget Proposal

EXECUTIVE RECOMMENDATION

	2025-27 Legislative Base	Executive Recommendation Adjustments	2025-2027 Executive Recommendation	% Increase/ (Decrease)
Salaries & Wages	8,232,492	1,988,906	10,221,398	24.2%
Operating Expenses	2,416,162	850,501	3,266,663	35.2%
Contingencies	250,000	-	250,000	
Total Special Funds	10,898,654	2,839,407	13,738,061	26.1%
FTE	40.5	0.0	40.5	

SUMMARY OF EXECUTIVE RECOMMENDATION

Wages of \$1,988,906:

- FTE Pool Restoration - \$1,201,247
- Salary increases funded at 3% the first year, and 3% the second year - \$359,837
- Restore full temporary funding - \$130,600
- Health insurance premium increase - \$252,222
- Add intern & Legislator funding - \$45,000

Operating Expenses of \$850,501

- Cost to continue NDIT - \$64,617
- Cost to continue operational increases - \$246,289
- Sagitec Project Manager & Two Developers - \$539,595

HOUSE AMENDMENT

	2025-27 Legislative Base	House Adjustments	House Amendment	% Increase
Salaries & Wages	8,232,492	2,297,507	10,529,999	27.9%
Operating Expenses	2,416,162	858,001	3,274,163	35.5%
Contingencies	250,000	-	250,000	
Total Special Funds	10,898,654	3,155,508	14,054,162	29.0%
FTE	40.5	2.0	42.5	

SUMMARY OF HOUSE AMENDMENT

Wages of \$2,297,507:

- Existing FTE Pool restoration - \$1,201,247
- New & Vacant FTE Pool allocation - \$(134,061)
- Salary increases funded at 3% the first year, and 3% the second year - \$359,837
- Restore full temporary funding - \$130,600
- Health insurance premium increase - \$252,222
- Add intern & Legislator funding - \$45,000
- Accounting FTE - \$239,015
- Enrollment Specialist FTE - \$203,647

Operating Expenses of \$858,001

- Cost to continue NDIT - \$64,617
- Cost to continue operational increases - \$246,289
- Sagitec Project Manager & Two Developers - \$539,595
- NDIT costs for New FTE - \$7,500



QUESTIONS?

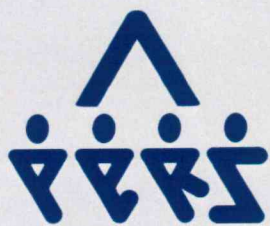


Public Employees Retirement System - Budget No. 192
Agency Worksheet - House Bill No. 1023

	Armstrong Budget				House Version				House Compared to Armstrong Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	40.50	\$0	\$10,898,654	\$10,898,654	40.50	\$0	\$10,898,654	\$10,898,654	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base payroll changes			(\$22,226)	(\$22,226)			(\$22,226)	(\$22,226)				\$0
Cost to continue salary increases			152,826	152,826			152,826	152,826				0
Salary increase			359,837	359,837			359,837	359,837				0
Health insurance increase			252,222	252,222			252,222	252,222				0
Adds funding for FTE positions			0	0	2.00		450,162	450,162	2.00		\$450,162	450,162
Adds funding to replace the 2023-25 new FTE pool			980,870	980,870			980,870	980,870				0
Adds funding to replace the 2023-25 vacant FTE pool			220,377	220,377			220,377	220,377				0
Adjusts funding for the 2025-27 new FTE pool			0	0			(44,266)	(44,266)			(44,266)	(44,266)
Adjusts funding for the 2025-27 vacant FTE pool			0	0			(89,795)	(89,795)			(89,795)	(89,795)
Adds funding for temporary salaries for an office intern position			45,000	45,000			45,000	45,000				0
Adds funding for the cost to continue IT increases			298,906	298,906			298,906	298,906				0
Adds funding for rent increase			12,000	12,000			12,000	12,000				0
Total ongoing funding changes	0.00	\$0	\$2,299,812	\$2,299,812	2.00	\$0	\$2,615,913	\$2,615,913	2.00	\$0	\$316,101	\$316,101
One-Time Funding Items												
Adds funding for IT contractual services to automate the PERSLink business system			\$539,595	\$539,595			\$539,595	\$539,595				\$0
Total one-time funding changes	0.00	\$0	\$539,595	\$539,595	0.00	\$0	\$539,595	\$539,595	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$0	\$2,839,407	\$2,839,407	2.00	\$0	\$3,155,508	\$3,155,508	2.00	\$0	\$316,101	\$316,101
2025-27 Total Funding	40.50	\$0	\$13,738,061	\$13,738,061	42.50	\$0	\$14,054,162	\$14,054,162	2.00	\$0	\$316,101	\$316,101
Federal funds included in other funds			\$0					\$0		\$0		
Total ongoing changes - Percentage of base level	0.0%	N/A	21.1%	21.1%	4.9%	N/A	24.0%	24.0%	N/A	N/A	N/A	N/A
Total changes - Percentage of base level	0.0%	N/A	26.1%	26.1%	4.9%	N/A	29.0%	29.0%	N/A	N/A	N/A	N/A

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

Section Description	Armstrong Budget	House Version
New and vacant FTE pool line item		Section 3 provides the Public Employees Retirement System cannot spend funds appropriated in the new and vacant FTE funding pool line item but may request the Office of Management and Budget to transfer funds to the salaries and wages line item.



**NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

WHO WE ARE

42

Full-time Team Members

1

Temporary Team Member

44

Business Partners



WHAT WE'RE ABOUT

Our Mission

Champion the health and financial security of our members by providing comprehensive, innovative retirement and insurance benefit solutions through collaboration and personalized support.

Proud to serve our members

NDPERS is one of only a handful of state agencies in the entire country that administers both retirement plans and insurance plans for the benefit of state and political subdivision employees and their families.

Dedicated to providing exceptional service, the agency offers nine retirement plans and a broad selection of insurance options for employers, participating members, and their families.

WHO WE SERVE

Retirement Plans

Almost 60,000 employees and retirees participate in the retirement plans we administer

Employer Participation

100 state agencies, 51 counties, 100 cities, 133 school districts, and 95 other political subdivisions in our retirement plans

Retirement Benefits

We make nearly \$240 million in retirement benefit payments every year to retirees living in every county in the state



Health Plans

Our health plans cover nearly 60,000 North Dakotans, including actives, retirees, and covered dependents

Employer Participation

101 state agencies, 26 counties, 28 cities, 14 school districts, and 51 other political subdivisions in our health plans

Health Plan Benefits

We provide our covered members with over \$370 million in health benefits every year



HOW WE DO IT

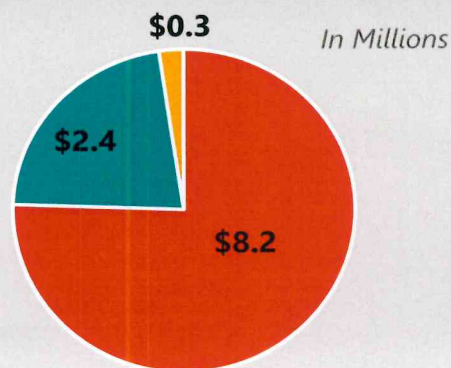
**Total Legislative
Base Budget:
\$10,898,654**

- All special funds

■ Salary

■ Operating

■ Contingency



NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM (NDPERS)

WHAT WE'RE PROUD OF

Remote Workforce

NDPERS was one of the first state agencies to recognize the long-term benefit of remote workers, and moved into new offices on state property in 2021, cutting our footprint and rent by 50%

Member Education

Our website and YouTube channel offer a wealth of information and educational resources, making it easier for employers and members to access valuable content

Improved Technology

Technological upgrades, including laptops for all employees and new benefit software, improves disaster recovery and our ability to serve our members

Retirement
Plan Funding
Stabilization

Expansive
Employee
Benefit
Program
Menu

Successfully
Implemented
House Bill
(HB) 1040

Implemented
Jr.
Management
Program for
Succession
Planning

WHAT WE DO



Retirement – Defined Benefit

The Defined Benefit/Hybrid retirement plan provides a modest yet secure retirement benefit to public employees.



Uniform Group Insurance

Including Health, Dental, Vision, Life, and EAP insurance options for our public employees.



Retirement – Defined Contribution

A 401(K)-like retirement option open to new employees starting January 1, 2025.



Retiree Health Insurance Credit

A monthly lifetime benefit eligible retirees can use as reimbursement for after-tax insurance premiums.



Retirement – Deferred Compensation

An optional, supplementary tax-deferred savings option for public employees.



Flexible Compensation

A pre-tax savings program that active employees can use to pay for medical and dependent care expenses.

HOW WE MEASURE SUCCESS

4-Point Customer Service Report Cards

- Courtesy – 3.76
- Promptness – 3.59
- Staff Explanation – 3.66
- Ease of Understanding – 3.61

Team ND Gallup Surveys

The HRMS Gallup Survey revealed that the Fully Paid Health Insurance Plan and the Retirement Plan ranked among the top three reasons employees value their roles with Team ND

Awards and Recognition

- GFOA Certificate of Achievement for Excellence in Financial Reporting
- Public Pension Coordinating Council Award for Administration

Clean Audit Opinion

Twenty-seven consecutive years of unmodified opinions from an independent audit firm



**NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

WHO WE SERVE

26,037

Active Members

14,274

Retired Members

18,698

Deferred Members

479

Participating Employers



KEY RETIREMENT FACTS

Opening its doors in July 1966, the Public Employees Retirement System has since grown to administer **nine retirement plans** for the State of North Dakota along with numerous insurance plans.

The breadth and complexity of the benefits that NDPERS administers make it one of the most unique state government agencies in the entire nation.

Historical Financial Breakdown as of July 2024

\$3.2 B

Contributions
received

\$3.5 B

Paid
benefits

\$4.3 B

Value of
Assets

NINE RETIREMENT PLANS ADMINISTERED BY NDPERS

EE represents Employee, ER represents Employer

Main Defined Benefit

Hybrid Plan – Three Benefit Tiers

Total Participants:	57,073
Current Funded Ratio:	66.3%
EE Contribution Rate:	7.00%
ER Contribution Rate:	8.52%

Public Safety

With Prior Service

Total Participants:	2,407
Current Funded Ratio:	68.6%
Pol Sub EE Contribution Rate:	5.5%
Pol Sub ER Contribution Rate:	11.4%
BCI EE Contribution Rate:	8.00%
BCI Employer Contribution:	22.26%

Public Safety

Without Prior Service

Total Participants:	490
Current Funded Ratio:	93%
EE Contribution Rate:	5.50%
ER Contribution Rate:	9.16%

Highway Patrol

Total Participants:	373
Current Funded Ratio:	68.6%
EE Contribution Rate:	15.3%
ER Contribution Rate:	21.7%

Judges

Total Participants:	128
Current Funded Ratio:	112.5%
EE Contribution Rate:	8.00%
ER Contribution Rate:	17.52%

Job Service

Total Participants:	164
Current Funded Ratio:	117.8%
EE Contribution Rate:	7%
ER Contribution Rate:	0%

457 Deferred Compensation

*Optional supplemental
retirement plan*

Current participants:	9,182
Market Value of Assets:	\$220.1M

Defined Contribution

Three Benefit Tiers

*Tier 3 is the primary retirement plan
for members first enrolled after 2024*

Current participants:	88
Market Value of Assets:	\$23.2M

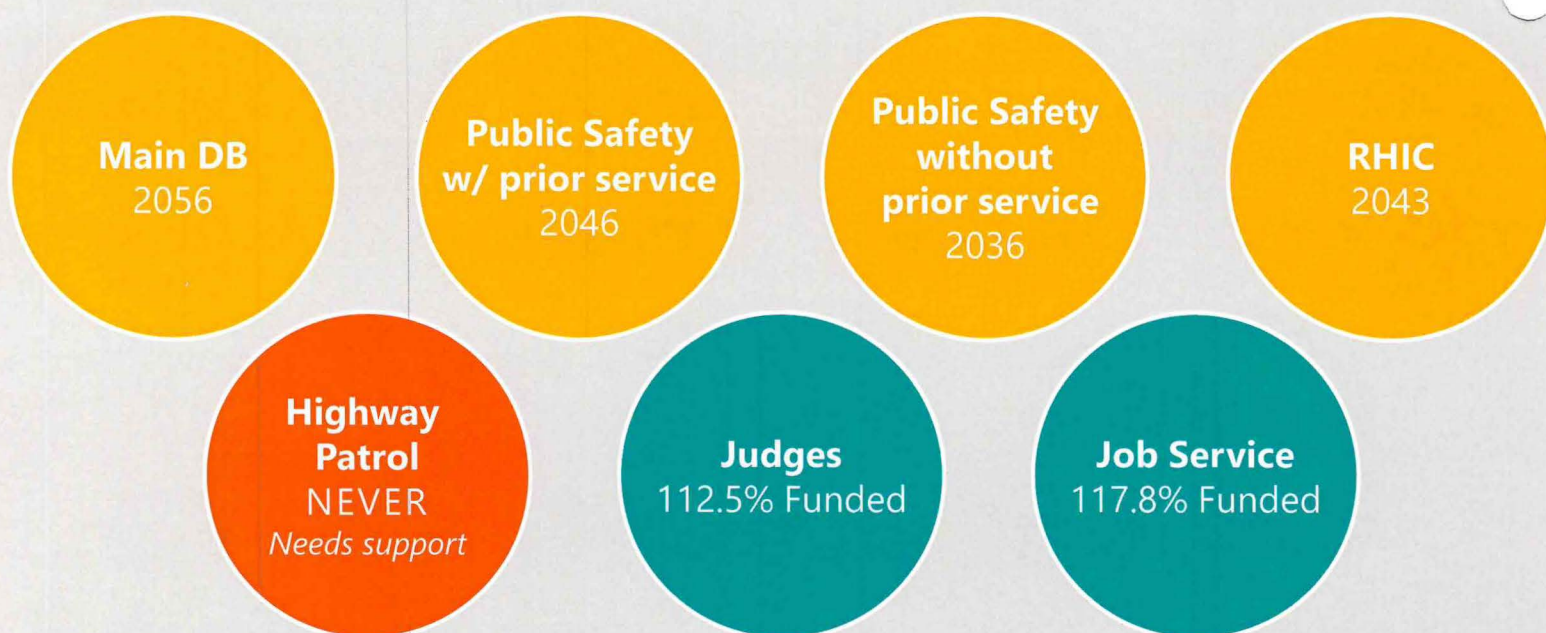
RHIC – Retiree Health Insurance Credit

*Eligible retirees receive \$5 in
monthly credit for each year they
earned service*

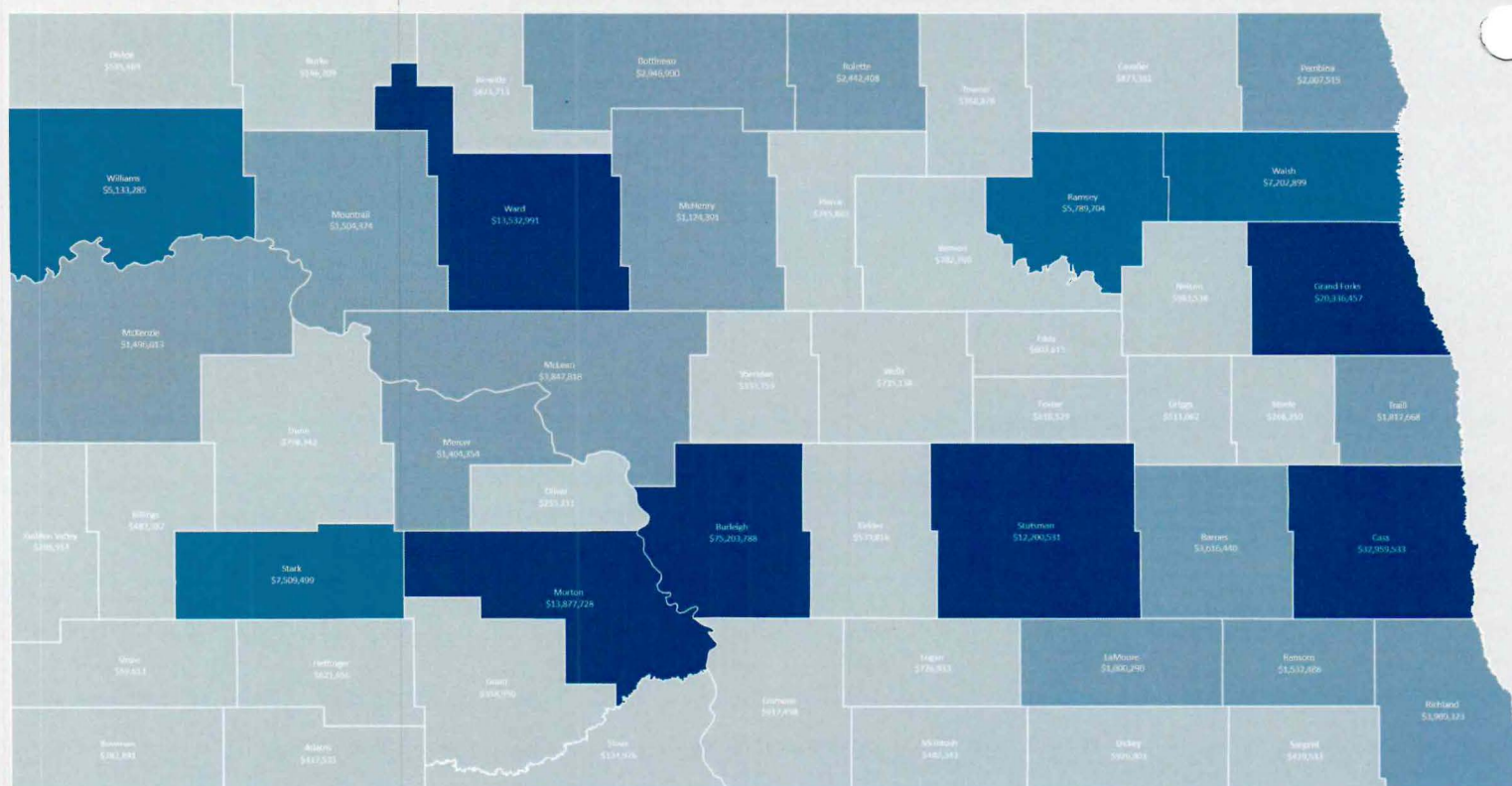
Total participants:	16,283
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NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

YEAR EACH PLAN IS PROJECTED TO BE FULLY FUNDED



ECONOMIC IMPACT ACROSS NORTH DAKOTA



Average Monthly Benefit

The average monthly per retiree is \$1,496



Total Payments in 2024

In-state paid benefits:	\$239,002,577
Out-of-state paid benefits:	\$279,238,745



**NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

WHO WE SERVE

18,293

Active Contracts

7,086

Retiree Contracts

58,763

Total Covered Lives

225

Participating Employers



KEY HEALTH INSURANCE FACTS

NDPERS administers six health insurance plans for eligible active employees, retirees, and their family members as part of the Dakota Plan.

The Dakota Plan, underwritten by Sanford Health Plan (SHP), was created to promote wellness, reduce personnel turnover, and offer an incentive to individuals to enter and remain in the service of state employment.

3

Active Member
Plans

1

Non-Medicare
Retiree Plan

2

Retiree Plans Bundled
With Medicare

SIX HEALTH INSURANCE PLANS

Grandfathered Plan

PPO/Basic

Total Contracts: 17,191

Total Participating Employers: 223

Non-Grandfathered Plan

PPO/Basic

Total Contracts: 334

Total Participating Employers: 2

High Deductible Health Plan

Health Savings Account Option

Total Contracts: 768

Total Participating Employers: 101

Dakota Retiree Plan

Bundled With Medicare Part D

Total Contracts: 7,039

Medicare Part D Prescription Drug Plan

Underwritten by Humana

Total Contracts: 9,115

Non-Medicare Retiree

Total Contracts: 47

HEALTH INSURANCE BENEFITS PAID

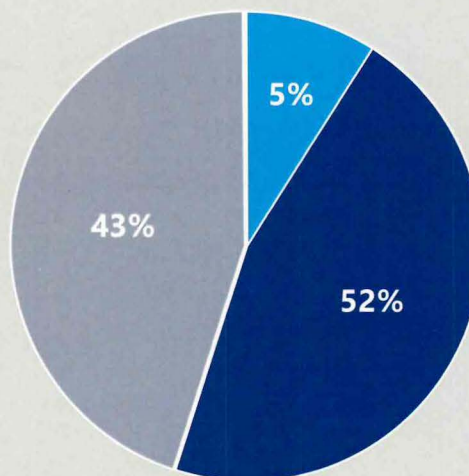


HEALTH INSURANCE PLAN FUNDING

HYBRID

Fully Insured/Self Insured Plan

- NDPERS receives the gains but has no risk for losses
- Reserves cover the administration fee shortage (roughly .01% of premium) and benefit enhancements, and buy down premiums when General Fund monies are not available



- Federal
- Special
- General Fund

OTHER WELLNESS BENEFITS

Diabetes Prevention and Management

NDPERS provides diabetes prevention and management programs, including Teladoc Health, through SHP, and About the Patient through the ND Pharmacy Association.

Healthy Pregnancy

SHP offers the Healthy Pregnancy Program as a free offering with tools and support for expecting parents to give their baby the healthiest start possible with up to \$850 in out-of-pocket savings.

Wellness Benefit

The NDPERS Dakota Wellness Program \$250 Benefit is available to all eligible members and their covered spouses participating in the NDPERS group health insurance plan.

ND Quits

NDPERS partners with the ND Department of Health & Human Services to promote the ND Quits program, which offers free counseling, Nicotine Replacement Therapy, and other resources.

OTHER INSURANCE PLANS ADMINISTERED BY NDPERS



Dental Insurance

Underwritten by Delta Dental of Minnesota with 14,375 current contracts.



Life Insurance

Underwritten by Voya Life Insurance with 22,714 current contracts.



Vision Insurance

Underwritten by Superior Vision with 14,513 current contracts.



Employee Assistance Program

Provides confidential, voluntary, short-term assessment and counseling sessions for employees and families.



Flexible Compensation

This benefit allows employees to pretax eligible insurance premiums and contribute to Flexible Spending Accounts.



Health Savings Accounts

Eligible members enrolled in the High Deductible Health Plan can benefit from a Health Savings Account (HSA).

17B1023
3-6-25

Revenue Sources to Fund Administrative Expenses

Defined Benefit Retirement & RHIC Programs

- Contributions - % of pay

Defined Contribution

- Administrative Fees - reduced from 6 bps to 1 bps 12/2021
- Unvested Employer Contribution Forfeitures

Group Insurance

- Administrative Fees - \$2.80 per health insurance contract
- Reserves

FlexComp

- FICA Savings – 7.65% (employer share of elective deferrals)
- Employee Forfeitures

457 Deferred Compensation

- Main Funding Source – FICA Savings
- Secondary Funding Source – DB Contributions & Insurance Reserves (50% each)

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Human Resources Division Harvest Room, State Capitol

HB 1023
3/14/2025

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

8:50 a.m. Chairman Dever opened the hearing.

Members present: Chairman Dever and Senators Cleary, Davison, Magrum and Mathern.

Discussion Topics: Bill Schedule

8:51 a.m. Senator Davison requests the committee wait for further testimony.

8:54 am Chairman Dever closed the hearing.

Joan Bares, Committee Clerk by Lynn Wolf, Chief Clerk

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Human Resources Division Harvest Room, State Capitol

HB 1023 9:06 a.m.
3/20/2025

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

9:06 a.m. Senator Dever opened hearing.

Members Present: Chairman Dever and Senators Cleary, Davison, Magrum and Mathern.

Discussion Topics:

- Committee Action

9:09 a.m. Senator Cleary moved Do Pass.

9:09 a.m. Senator Davison seconded the motion.

Senators	Vote
Senator Dick Dever	Y
Senator Sean Cleary	Y
Senator Kyle Davison	Y
Senator Jeffrey J. Magrum	N
Senator Tim Mathern	Y

Motion passed. 4-1-0

Senator Cleary will carry the bill.

9:11 a.m. Chairman Dever adjourned the meeting.

Joan Bares, Committee Clerk

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1023
3/20/2025

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

3:44 p.m. Vice-Chairman Erbele opened the hearing.

Members Present: Vice-Chairman Erbele, and Senators Burckhard, Cleary, Conley, Davison, Dwyer, Magrum, Mathern, Meyer, Schaible, Sickler, Sorvaag, Thomas, Wanzek.
Members Absent: Chairman Bekkedahl, Senator Dever.

Discussion Topics:

- Committee Action

3:44 p.m. Senator Cleary introduced the bill.

3:48 p.m. Senator Cleary moved a Do Pass.

3:48 p.m. Senator Davison seconded the motion.

Senators	Vote
Senator Brad Bekkedahl	A
Senator Robert Erbele	Y
Senator Randy A. Burckhard	Y
Senator Sean Cleary	Y
Senator Cole Conley	Y
Senator Kyle Davison	Y
Senator Dick Dever	A
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	N
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Donald Schaible	Y
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	Y
Senator Terry M. Wanzek	Y

Motion Passed 13-1-2.

Senator Cleary will carry the bill.

3:50 p.m. Vice-Chairman Erbele adjourned the meeting.

Senate Appropriations Committee

HB 1023

03/20/2025

Page 2

Elizabeth Reiten, Committee Clerk

**REPORT OF STANDING COMMITTEE
ENGROSSED HB 1023 ([25.0167.02000](#))**

Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **DO PASS** (13 YEAS, 1 NAY, 2 ABSENT OR EXCUSED AND NOT VOTING). HB 1023 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.