

**2025 HOUSE GOVERNMENT AND VETERANS AFFAIRS**

**HB 1113**

## **2025 HOUSE STANDING COMMITTEE MINUTES**

### **GOVERNMENT VETERANS AFFAIRS COMMITTEE**

PIONEER ROOM, STATE CAPITOL

HB 1113

1/9/2025

Relating to payment of administrative expenses for the public employees retirement system deferred compensation plan
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12:04 p.m. Chairman Schauer called the meeting to order.

Members present: Chairman Schauer, Vice Chairman Satrom, Representatives Bahl, Brown, Christy, Grindberg, Karls, McLeod, Rohr, Schneider, Steiner, VanWinkle, Vetter, Wolff

#### **Discussion Topics:**

- FICA savings

12:05 p.m. Derrick Hohbein, COO, CFO, of NDPERS, testified in favor and submitted testimony #28094.

12:18 p.m. Chairman Schauer closed the hearing.

*Jackson Toman, Committee Clerk*

## **TESTIMONY OF DERRICK HOHBEIN**

### **House Bill 1113 – 457 Admin Fees**

Good Morning, Mr. Chairman, and members of the committee. My name is Derrick Hohbein and I am the Chief Operating/Financial Officer of the North Dakota Public Employees Retirement System, or NDPERS. I appreciate the committee taking the time to analyze House Bill 1113, which is intended to change the funding mechanism for the administration of the NDPERS Deferred Compensation plan. I am here today on behalf of the NDPERS Board to testify in support of House Bill 1113.

The NDPERS office has administered a supplemental retirement plan in accordance with Section 457 of the Internal Revenue Code since 1989. Currently there are roughly 11,000 members participating in the program across 13 different providers, including one (the Companion plan) that the Board has fiduciary oversight of the investment options provided to members.

NDPERS is a special funded agency and we receive the funding needed to administer the benefits of our office from the participants or employers of each plan; with the Deferred Compensation plan being the lone exception. Since the plan was launched back in 1989, a rather convoluted funding mechanism of the Deferred Compensation plan has existed.

The primary funding mechanism of the Deferred Compensation plan is excess FICA savings of the FlexComp program. One of the benefits of participating in the FlexComp Program is both the participant, and the employer, receive the benefit of FICA savings based on the election the participant makes. For employers participating in the NDPERS FlexComp Program, the FICA savings the employer would otherwise have recognized are redirected to our office, to offset our administrative expenses of the FlexComp Program. Any excess FICA savings above what is needed to administer the plan is first redirected to the Deferred Compensation Program, to offset that plan's administrative expenses.

If there is a shortfall in FICA savings, the secondary funding mechanism is to pull 50% of the shortfall from the Defined Benefit Program, prior to being deposited into the Trust and 50% from our Health Insurance Reserves.

The administrative expenses of the Deferred Compensation plan includes funding for 4.85 full time equivalent employees, representing 53% of the total expenses of the program. Consulting and legal services (19% of total spend), technological expenses

(18% of total spend), and equipment/office rent (6% of total spend) are the main categories of administrative expenses that our office incurs.

Below is a historical snap shot of the last twelve years of administrative expenses of the Deferred Compensation plan, and where the funding came from:

	Admin Expenses	Transfers from Flex	Transfers from Retirement	Transfers from Insurance
FY2024 \$	1,105,954	\$ 350,000	\$ 360,000	\$ 360,000
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FY2014	633,935	-	315,000	315,000
FY2013	603,831	200,000	212,500	212,500
FY2012	554,868	200,911	224,000	224,000

House Bill 1113 proposes to implement a direct way for the Public Employee Retirement System agency to pay for the administrative expenses of administering the state's Deferred Compensation plan under NDCC chapter 54-52.2 by charging the accounts of the participants that are part of the plan. The language in this bill is identical to the authority already granted to the Board to pay the costs of administering the Defined Contribution plan.

There are two major reasons why the PERS Board feels it is crucial to change the funding mechanism for the Deferred Compensation program.

1. The Main Defined Benefit plan was closed to new participants effective January 1, 2025. The funding mechanism in place today will one day no longer be available, and an alternate solution needs to be identified.
2. Some preliminary conversations have taken place with Higher Ed on potentially bringing the administration of Higher Ed's FlexComp program under the NDPERS umbrella. The goal of this initiative would be lower costs of the FlexComp program across the state, while offering a more seamless onboarding of Higher Ed's new hires who currently have to make benefit elections with PERS and FlexComp elections on Higher Ed's platform.

In order to make this opportunity cost effective for the State, we'd need to keep the FICA savings currently being redirected to the Deferred Compensation program in the FlexComp program. NDPERS would then be able to potentially

introduce a bill next session to change the funding mechanism of the FlexComp program to move away from the FICA savings concept to a flat per participant fee that we'd charge employers, at a reduced cost to every state employer.

NDPERS is hoping to pull the fees from participants on a quarterly basis, and would equate to roughly \$10 a member per quarter.

Mr. Chairman, House Bill 1113 was given a favorable recommendation by the Employee Benefits Programs Committee during the interim, and is being introduced by the PERS Board to both solve a current problem as well as to try and lay a foundational component that will save the State money in the future. This concludes my testimony and I'd be happy to answer any questions you may have.

## 2025 HOUSE STANDING COMMITTEE MINUTES

### GOVERNMENT VETERANS AFFAIRS COMMITTEE

PIONEER ROOM, STATE CAPITOL

HB 1113

1/10/2025

Relating to payment of administrative expenses for the public employees retirement system deferred compensation plan

11:05 a.m. Chairman Schauer opened the hearing.

Members present: Chairman Schauer, Vice Chairman Satrom, Representatives Bahl, Brown, Christy, Grindberg, Karls, McLeod, Rohr, Schneider, Steiner, VanWinkle, Vetter, Wolff

#### Discussion Topics:

- Discussion and voting

11:07 a.m. Representative Vetter moved a Do Pass.

11:07 a.m. Representative Bahl seconded the motion.

Representatives	Vote
Representative Austen Schauer	Y
Representative Bernie Satrom	Y
Representative Landon Bahl	Y
Representative Collette Brown	Y
Representative Josh Christy	Y
Representative Karen Grindberg	Y
Representative Karen Karls	Y
Representative Carrie McLeod	Y
Representative Karen Rohr	Y
Representative Mary Schneider	Y
Representative Vicky Steiner	Y
Representative Lori VanWinkle	Y
Representative Steve Vetter	Y
Representative Christina Wolff	Y

11:07 a.m. Motion passed 14-0-0.

Representative Grindberg will carry the bill.

11:07 a.m. Chairman Schauer closed the hearing.

*Jackson Toman, Committee Clerk*

**REPORT OF STANDING COMMITTEE**  
**HB 1113 ([25.0116.01000](#))**

**Government and Veterans Affairs Committee (Rep. Schauer, Chairman)** recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1113 was placed on the Eleventh order on the calendar.

**2025 SENATE STATE AND LOCAL GOVERNMENT**

**HB 1113**



# 2025 SENATE STANDING COMMITTEE MINUTES

## State and Local Government Committee Room JW216, State Capitol

HB 1113  
3/6/2025

Relating to payment of administrative expenses for the public employees retirement system deferred compensation plan; and to provide a continuing appropriation.

9:15 a.m. Chair Roers called the hearing to order.

Members Present: Chairman Roers; Vice Chair Castaneda; Senators: Barta, Braunberger, Lee and Walen.

### Discussion Topics:

- Special funded agency
- FlexComp program
- Convoluted funding mechanism
- Nominal quarterly fee

9:15 a.m. Derrick Hohbein, Chief Operating/Financial Officer NDPERS, introduced the bill and submitted testimony #38414.

9:28 a.m. Senator Lee moved Do Pass.

9:28 a.m. Senator Walen seconded the motion.

Senators	Vote
Senator Kristin Roers	Y
Senator Jose L. Castaneda	Y
Senator Jeff Barta	Y
Senator Ryan Braunberger	Y
Senator Judy Lee	Y
Senator Chuck Walen	Y

Motion Passed 6-0-0

Senator Barta will carry the bill.

9:30 a.m. Chair Roers closed the hearing.

*Susan Helbling, Committee Clerk*

Reconsidered on 3/6/25 at 10:25 a.m. meeting.

## **TESTIMONY OF DERRICK HOHBEIN**

### **House Bill 1113 – 457 Admin Fees**

Good Morning, Madam Chair, and members of the committee. My name is Derrick Hohbein and I am the Chief Operating/Financial Officer of the North Dakota Public Employees Retirement System, or NDPERS. I appreciate the committee taking the time to analyze House Bill 1113, which is intended to change the funding mechanism for the administration of the NDPERS Deferred Compensation plan. I am here today on behalf of the NDPERS Board to testify in support of House Bill 1113.

The NDPERS office has administered a supplemental retirement plan in accordance with Section 457 of the Internal Revenue Code since 1989. Currently there are roughly 11,000 members participating in the program across 13 different providers, including one (the Companion plan) that the Board has fiduciary oversight of the investment options provided to members.

NDPERS is a special funded agency and we receive the funding needed to administer the benefits of our office from the participants or employers of each plan; with the Deferred Compensation plan being the lone exception. Since the plan was launched back in 1989, a rather convoluted funding mechanism of the Deferred Compensation plan has existed.

The primary funding mechanism of the Deferred Compensation plan is excess FICA savings of the FlexComp program. One of the benefits of participating in the FlexComp Program is both the participant, and the employer, receive the benefit of FICA savings based on the election the participant makes. For employers participating in the NDPERS FlexComp Program, the FICA savings the employer would otherwise have recognized are redirected to our office, to offset our administrative expenses of the FlexComp Program. Any excess FICA savings above what is needed to administer the plan is first redirected to the Deferred Compensation Program, to offset that plan's administrative expenses.

If there is a shortfall in FICA savings, the secondary funding mechanism is to pull 50% of the shortfall from the Defined Benefit Program, prior to being deposited into the Trust and 50% from our Health Insurance Reserves.

Below is a historical snap shot of the last twelve years of administrative expenses of the Deferred Compensation plan, and where the funding came from:

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There are two major reasons why the PERS Board feels it is crucial to change the funding mechanism for the Deferred Compensation program.

1. The Main Defined Benefit plan was closed to new participants effective January 1, 2025. The funding mechanism in place today will one day no longer be available, and an alternate solution needs to be identified.
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In order to make this opportunity cost effective for the State, we'd need to keep the FICA savings currently being redirected to the Deferred Compensation program in the FlexComp program. NDPERS would then be able to potentially

introduce a bill next session to change the funding mechanism of the FlexComp program to move away from the FICA savings concept to a flat per participant fee that we'd charge employers, at a reduced cost to every state employer.

NDPERS is hoping to pull the fees from participants on a quarterly basis, and would equate to roughly \$10 a member per quarter.

Madam Chair, House Bill 1113 was given a favorable recommendation by the Employee Benefits Programs Committee during the interim, and is being introduced by the PERS Board to both solve a current problem as well as to try and lay a foundational component that will save the State money in the future. This concludes my testimony and I'd be happy to answer any questions you may have.

# 2025 SENATE STANDING COMMITTEE MINUTES

## State and Local Government Committee Room JW216, State Capitol

HB 1113  
3/6/2025

Relating to payment of administrative expenses for the public employees retirement system deferred compensation plan; and to provide a continuing appropriation.

10:28 a.m. Chair Roers called the hearing to order.

Members Present: Chairman Roers; Vice Chair Castaneda; Senators: Barta, Braunberger, Lee and Walen.

### Discussion Topics:

- Committee Action

10:28 a.m. Senator Braunberger moved to reconsider HB 1113.

10:28 a.m. Senator Barta seconded the motion.

10:28 a.m. Voice vote - Motion passed.

10:28 a.m. Senator Castaneda moved Do Pass and rerefer to Appropriations.

10:28 a.m. Senator Walen seconded the motion.

Senators	Vote
Senator Kristin Roers	Y
Senator Jose L. Castaneda	Y
Senator Jeff Barta	Y
Senator Ryan Braunberger	Y
Senator Judy Lee	Y
Senator Chuck Walen	Y

Motion Passed 6-0-0

Senator Barta will carry the bill.

10:30 a.m. Chair Roers closed the hearing.

*Susan Helbling, Committee Clerk*

**REPORT OF STANDING COMMITTEE**  
**HB 1113 ([25.0116.01000](#))**

**State and Local Government Committee (Sen. Roers, Chairman)** recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). HB 1113 was rereferred to the **Appropriations Committee**. This bill does not affect workforce development.

**2025 SENATE APPROPRIATIONS**

**HB 1113**

# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Human Resources Division Harvest Room, State Capitol

HB 1113 8:29 a.m.  
3/20/2025

Relating to payment of administrative expenses for PERS deferred compensation plan; and to provide a continuing resolution.

8:29 a.m. Chairman Dever opened the hearing.

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

### Discussion Topics:

- Committee Action
- FICA Savings

8:29 a.m. Derrick Hohbein, Chief Operating/Financial Officer, North Dakota Public Employees Retirement System (ND PERS), testified in favor, answered committee questions and submitted testimony #43410.

8:49 a.m. Senator Davison moved Do Pass.

8:50 a.m. Senator Magrum seconded the motion.

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

Motion passed 4-0-1.

8:50 a.m. Senator Davison will carry the bill.

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

*Joan Bares, Committee Clerk*



## **TESTIMONY OF DERRICK HOHBEIN**

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# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations Committee Harvest Room, State Capitol

HB 1113  
3/20/2025

A BILL for an Act to create and enact a new section to chapter 54-52.2 of the North Dakota Century Code, relating to payment of administrative expenses for the public employees retirement system deferred compensation plan; and to provide a continuing appropriation.

3:32 p.m. Vice-Chairman Erbele opened the hearing.

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

Members Absent: Chairman Bekkedahl.

### Discussion Topics:

- Committee Action

3:32 p.m. Senator Davison introduced the bill.

3:34 p.m. Senator Davison moved a Do Pass.

3:34 p.m. Senator Dever 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	Y
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	Y
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 15-0-1.

Senator Barta will carry the bill.

3:37 p.m. Vice-Chairman Erbele closed the hearing.

*Elizabeth Reiten, Committee Clerk*

**REPORT OF STANDING COMMITTEE**  
**HB 1113 ([25.0116.01000](#))**

**Appropriations Committee (Sen. Bekkedahl, Chairman)** recommends **DO PASS** (15 YEAS, 0 NAYS, 1 ABSENT OR EXCUSED AND NOT VOTING). HB 1113 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.