

2025 SENATE STATE AND LOCAL GOVERNMENT

SB 2120

2025 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee Room JW216, State Capitol

SB 2120
1/16/2025

Relating to Highway Patrol Troopers' retirement system fund.
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10:12 a.m. Chair Roers called the meeting to order.

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

Discussion Topics:

- Funding stability

10:13 a.m. Derrick, Chief Operating Financial Officer NDPERS, testified in favor and submitted testimony #28986.

10:21 a.m. Captain Derek Arndt, Administrative Service Commander ND Highway Patrol, testified in favor and submitted testimony #29850.

10:25 a.m. Chair Roers closed the hearing.

10:26 a.m. Senator Castaneda moved to Do Pass and rerefer to Appropriations.

10:26 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 Lee will carry the bill.

10:27 a.m. Chair Roers closed the meeting.

Susan Helbling, Committee Clerk

REPORT OF STANDING COMMITTEE
SB 2120 ([25.0120.01000](#))

State and Local Government Committee (Sen. Roers, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2120 was rereferred to the **Appropriations Committee**. This bill does not affect workforce development.

TESTIMONY OF DERRICK HOHBEIN

Senate Bill 2120 – HP Cash Infusion

Good Morning, Madam 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 Senate Bill 2120, which is intended to help fund a critical benefit within the State. I am here today on behalf of the NDPERS Board to testify in support of Senate Bill 2120.

The Highway Patrol Defined Benefit Plan (the Plan) is the primary retirement benefit to 147 retirees, and also includes 167 active employees. As of January 2025, employees contribute 15.3% (the employer picks up 4% of this contribution), and the employer contributes 21.7% of pay into the Plan. The average monthly benefit paid to retirees is \$4,346. Employees of the Highway Patrol do not participate in Social Security, and for many this is the only source of income at retirement.

The NDPERS Board submitted Senate Bill 2120 on behalf of the Highway Patrol to provide funding stability to the Plan by inserting a lump sum deposit of \$35.7 million into the trust. Our actuary has calculated this as the amount the Plan would need to receive on July 1, 2025 to be 90% funded by January 1, 2026.

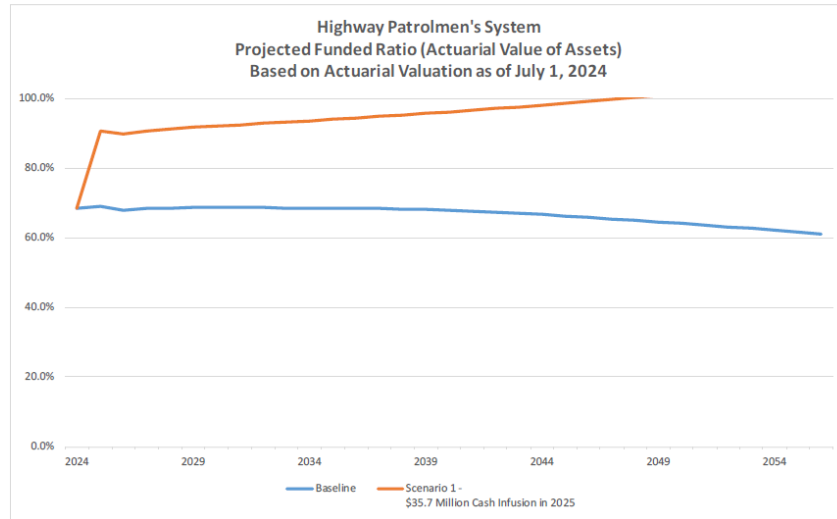
Working in coordination with the Legislative Assembly over the last two sessions, progress has been made to try and help stabilize this plan. In 2021, Senate Bill 2043 was passed, which established gradual retirement contribution increases to the Plan. The statutory employer and employee contributions each increased by 0.5 percent of pay every year from January 1, 2022 to January 1, 2025, ultimately increasing both by 2.0 percent of pay. In addition, after last session the Plan received a one-time cash infusion of \$3 million.

Despite these efforts to try and stabilize the funding of this benefit, the Plan is never expected to reach a 100 percent funded status. In fact, the Plan currently is in danger of running out of money by 2109.

Getting the Plan to 90 percent funding by January 1, 2026 will put the Plan on a trajectory to be fully funded in roughly 25 years.

The following charts show the actuarial analysis of the bill, comparing the plan as it sits today (baseline) as well as the trajectory if the \$35.7 million is received by the Plan.

**Projected Funded Ratios under Baseline and Scenario With Cash Infusion
Based on July 1, 2024 Actuarial Valuation**



**Projected Funded Ratios under Baseline and Scenario
With Cash Infusion During 2025-2027 Biennium
Based on July 1, 2024 Actuarial Valuation**

Year	Baseline Scenario	One-Time Infusion During 2025-2027 Biennium 90% Funded Ratio in 2026
2024	68.6%	68.6%
2025	69.1%	90.8%
2026	67.9%	90.0%
2027	68.4%	90.8%
2028	68.6%	91.4%
2029	68.7%	91.8%
2030	68.7%	92.1%
2031	68.7%	92.5%
2032	68.7%	92.9%
2033	68.6%	93.3%
2034	68.6%	93.7%
2035	68.6%	94.1%
2036	68.5%	94.5%
2037	68.4%	94.9%
2038	68.3%	95.4%
2039	68.1%	95.8%
2040	67.9%	96.2%
2041	67.7%	96.7%
2042	67.4%	97.1%
2043	67.1%	97.6%
2044	66.8%	98.1%
2045	66.4%	98.6%
2046	65.9%	99.1%
2047	65.5%	99.7%
2048	65.0%	100.3%
2049	64.6%	100.9%
2050	64.1%	101.5%
2051	63.6%	102.1%
2052	63.2%	102.8%
2053	62.7%	103.5%
2054	62.2%	104.2%
2055	61.7%	104.9%
2056	61.2%	105.6%
Cash Infusion Amount		\$35,712,457

In previous discussions with the Highway Patrol, they are also interested in having the PERS Board set the contribution levels on a biennial basis based on the Actuarially Determined Employer Contribution, or ADEC, similar to how the Public Safety Plan contribution rates are set. This would help ensure the plan is never at risk of underfunding in the future. In order for an ADEC arrangement to be a possibility, however, the funding status of the plan needs to be increased so the contribution adjustments set by the Board are not so varied from where the contributions sit today.

Please note that Senate Bill 2120 was submitted by the PERS Board to get the conversation started on the proper way to fund the Highway Patrol Plan. In our eyes, the earlier you address the issue at hand the less expensive it will be in the long run. So our Board chose January 1, 2026, as that was the earliest realistic option to shoot for after session ends. The 90% funding level was chosen, knowing the Highway Patrol office is interested in moving to an ADEC funding arrangement, so we never have to worry about the stability of this plan ever again. The arrangement also lines up with becoming fully funded around the same time the Main plans will be funded. Finally, we do not have insight into the proper funding source of this lump sum deposit, but the SIIF Fund was chosen since that is where our funds received some money after last session. If there is an alternative source the Legislature is interested in, of course the Board would be amenable to changing the source.

During the interim, the Employee Benefits Programs Committee reviewed the draft bill and gave the bill a favorable recommendation. In addition, they requested our actuary perform some additional analysis on differing levels of funding, in the event an alternate arrangement may be desired (please note this analysis was based off the July 1, 2023 valuation, and the \$35.7 lump sum deposit request in the bill is based off the July 1, 2024 valuation):

- Scenario 1: what amount per biennium would result in 100% funding in 20 years?
- Scenario 2: what one-time contribution would result in 100% funding in 20 years?
- Scenario 3: what amount per biennium would result in 100% funding in 30 years?
- Scenario 4: what one-time contribution would result in 100% funding in 30 years?

Scenario	Years to Achieve 100% Funding	Amount	Year of Initial Payment	Total Number of Payments
1	20	\$6,563,000	2025	10
2	20	\$39,710,000	2025	1
3	30	\$4,899,000	2025	15
4	30	\$35,132,000	2025	1

Madam Chair, I appreciate you taking the time this morning to learn more about this crucial benefit and the challenges it currently faces. This concludes my testimony, and I'd be happy to answer any questions the committee may have.



June 7, 2024

Representative Austen Schauer, Chair
Legislative Employee Benefits Programs Committee
North Dakota State Government

Re: North Dakota Public Employees Retirement System Legislative Studies

Dear Representative Schauer:

In accordance with your request, we have analyzed the impact of Bill No. 25.0120.01000 on the North Dakota Public Employees Retirement System (NDPERS). Our review is actuarial in nature; we are not attorneys and cannot provide legal advice.

Systems Affected

North Dakota Highway Patrolmen's Retirement System (HPRS).

Summary

Bill No. 25.0120.01000

A Bill for an Act to establish an amount to be transferred to the Highway Patrolmen's Retirement Fund during the biennium beginning July 1, 2025 and ending June 30, 2027 so that the funded ratio of the Fund as of January 1, 2026 is 90 percent.

Actuarial Impact of Bill 0120 on NDPERS

Based on the valuation projection as of July 1, 2023 which assumes (1) continuation of the current statutory employee and employer contribution rates (including scheduled increases in 2024 and 2025), (2) no changes to benefit provisions, and (3) no gains or losses and all actuarial assumptions from the 2023 valuation are realized, the Highway Patrolmen's System is never expected to reach 100 percent funded.

Based on the Alternate Scenario projections of the Highway Patrolmen's System results as of July 1, 2023, with the provisions proposed in the bill, which assumes (1) on July 1, 2025, an additional contribution of \$34.3 million, (2) no changes to benefit provisions, and (3) no gains or losses and all actuarial assumptions from the 2023 valuation are realized, the funded ratio of the Highway Patrolmen's System is projected to improve to 90 percent in 2026 and reach a 100 percent funded ratio in 2055.



This analysis is based on information as of July 1, 2023 and does not reflect actual investment performance since the most recent measurement date. Investment performance that is higher or lower than the assumed rate of 6.50 percent will impact the additional contribution needed to achieve a 90 percent funded ratio in 2026.

The following graphs and exhibits provide additional information on the projected funded ratio for the Highway Patrolmen's System:

- Graph I: Comparison of Projected Funded Ratios for the Highway Patrolmen's System under Baseline Scenario and the scenario with the additional cash infusion
- Table I: Funded Ratio Projection Results under the Baseline and the scenario with the additional cash infusion from 2023 to 2056

Projected funded ratios are based on the actuarial value of assets.

Policy Issue Analysis

Benefits Policy Issues

- Adequacy of Retirement Benefits

No Impact.
- Competitiveness

No Impact.
- Benefits Equity and Group Integrity

No Impact.
- Purchasing Power

No impact.
- Preservation of Benefits

Increased funding to the Highway Patrolmen's System in the form of a cash infusion of \$34.3 million is expected to prevent the funded status of the Highway Patrolmen's System from declining and the fund potentially becoming insolvent. By requiring additional funding, the Highway Patrolmen's System will achieve financial stability and the members' promised benefits will be more secure than without the additional funding.



- Portability

No impact.

- Ancillary Benefits

No impact.

- Social Security

No impact

Funding Policy Issues

- Actuarial Impacts

As previously noted, the additional cash infusion required by the bill will have a positive actuarial impact on the funded status of the Highway Patrolmen's System.

- Investment Impacts

- Cash Flow: The change required by the bill is expected to have a positive impact on the net cash flow of the System in the year the cash infusion is received.
- Asset Allocation: The asset allocation may need to be reviewed based on the significant increase in funding that is expected to be achieved.

Administration Issues

- Implementation Issues

No impact.

- Administrative Costs

No impact.

- Needed Authority

The Bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to implement the changes made by the Bill.



- Integration

No impact.

- Employee Communications

No impact.

Disclosures and Additional Information

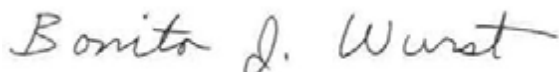
We have reviewed the bill and provided an actuarial impact analysis as well as a policy issue analysis. However, the policy issue analysis should not be considered to be comprehensive and there may be additional benefits policy or administration issues that are not discussed in this letter.

The signing actuaries are independent of the North Dakota Public Employees Retirement System.

Bonita J. Wurst and Abra D. Hill are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Please let us know if you have any questions or would like to discuss the results of this analysis further.

Sincerely,
Gabriel, Roeder, Smith & Company



Bonita J. Wurst, ASA, EA, MAAA, FCA
Senior Consultant

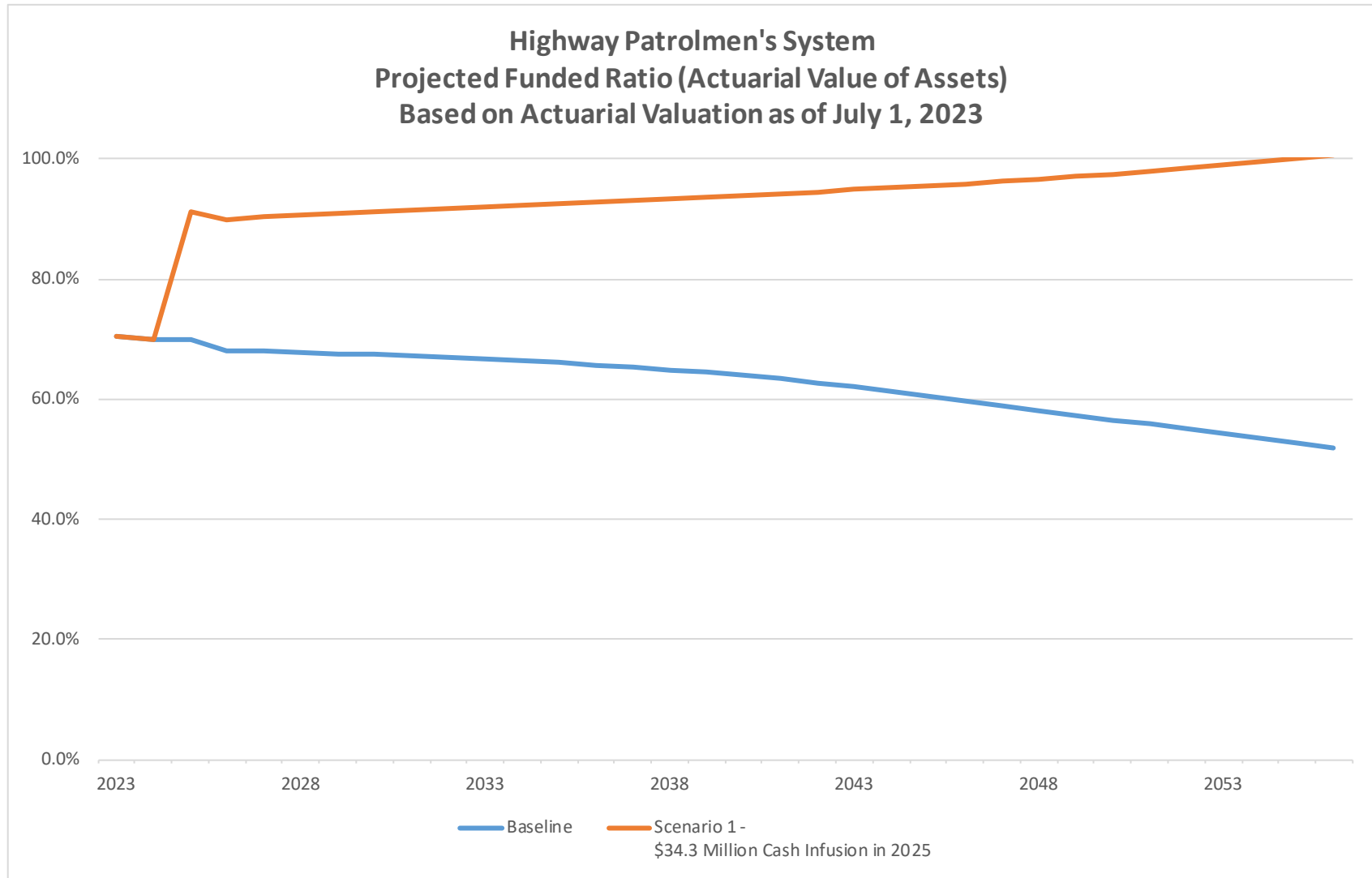


Abra D. Hill, ASA, MAAA, FCA
Consultant

cc: Ms. Rebecca Fricke, NDPERS
Joshua Murner, GRS



Projected Funded Ratios under Baseline and Scenario With Cash Infusion Based on July 1, 2023 Actuarial Valuation



Projected Funded Ratios under Baseline and Scenario With Cash Infusion During 2025-2027 Biennium Based on July 1, 2023 Actuarial Valuation

Year	Baseline Scenario	One-Time Infusion During 2025-2027 Biennium 90% Funded Ratio in 2026
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2025	69.8%	91.3%
2026	68.1%	90.0%
2027	68.0%	90.4%
2028	67.8%	90.6%
2029	67.6%	90.9%
2030	67.4%	91.1%
2031	67.1%	91.4%
2032	66.9%	91.6%
2033	66.6%	91.9%
2034	66.3%	92.2%
2035	66.0%	92.5%
2036	65.7%	92.8%
2037	65.3%	93.0%
2038	64.9%	93.3%
2039	64.5%	93.6%
2040	64.0%	93.9%
2041	63.4%	94.2%
2042	62.8%	94.5%
2043	62.1%	94.9%
2044	61.3%	95.2%
2045	60.5%	95.5%
2046	59.7%	95.9%
2047	58.9%	96.3%
2048	58.1%	96.7%
2049	57.4%	97.1%
2050	56.6%	97.5%
2051	55.8%	98.0%
2052	55.1%	98.5%
2053	54.3%	99.0%
2054	53.5%	99.5%
2055	52.8%	100.0%
2056	52.0%	100.5%
Cash Infusion Amount		\$34,330,843

Derek Arndt

1/16/25

#SB 2120 NORTH

Dakota

Highway Patrol

IN FAVOR

Be Legendary.

69th Legislative Assembly

Testimony in Support of

Senate Bill No. 2120

State and Local Government Committee

January 16th, 2025

TESTIMONY OF

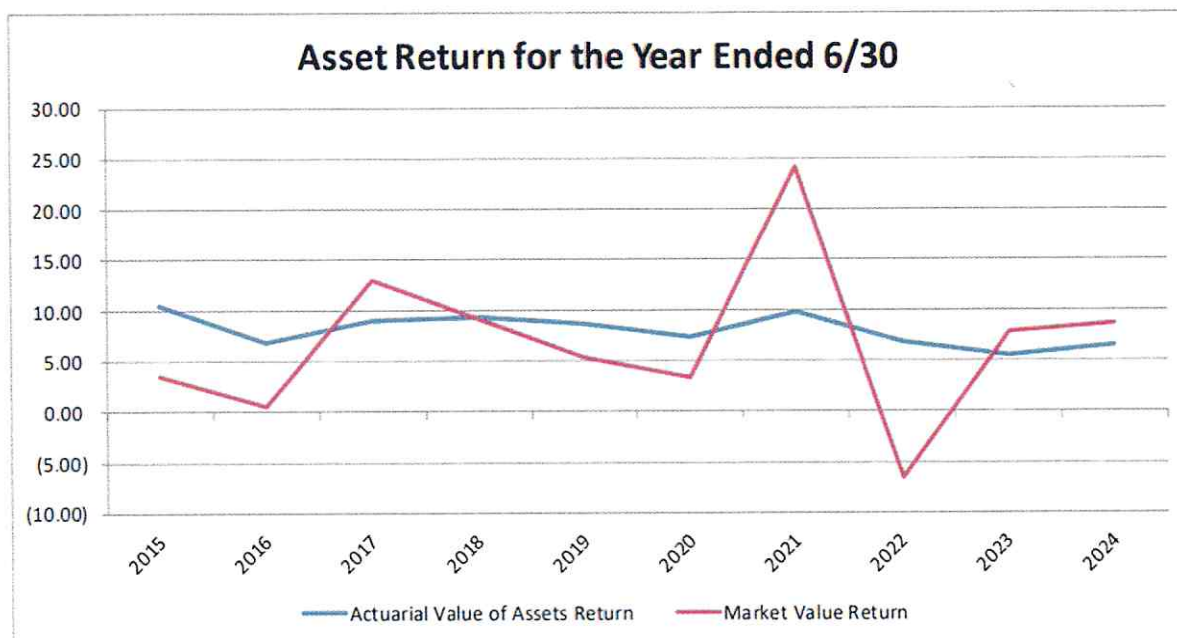
CAPTAIN DEREK ARNDT, ADMINISTRATIVE SERVICES COMMANDER

Hello, Madam Chair and members of the Committee. My name is Captain Derek Arndt, and I serve as the Administrative Services Commander of the North Dakota Highway Patrol. We are supportive of Senate Bill 2120 which includes a cash infusion to bring the highway patrol's retirement system to a funded ratio of 90% by January of 2026.

We, as an agency, have been following this bill closely as it is a large component of our agency's recruitment and retention efforts. The guaranteed monthly benefit, along with the disability and death benefits from the plan, ensure financial security for our employees and their families, making our organization a more attractive and stable place to work while also enhancing long-term employee well-being. As troopers do not pay into Social Security nor do they earn Social Security service credits while working for the North Dakota Highway Patrol, this further underscores the importance of a robust and sustainable defined benefit plan to provide retirement security.

Related to the funds expected rate of return on investments, the most recent adjustment to the investment return assumption was a reduction from 7% to 6.5% effective July 1, 2022. This rate was previously lowered from 7.5% to 7% effective July 1, 2020.

The actual rate of return has fluctuated, and the actuary factors a five-year smoothing average. The current five-year rate is 6.5%. The chart below from the last actuarial valuation indicates actual returns compared to the smoothing average.



There have been changes implemented to help improve the funded ratio. During the 2021 legislative session, 0.5% employee and employer contribution increases were authorized over a four-year period for a total increase of 4% by January of 2025.

The actuary for PERS noted that contribution increases don't have much of an impact due to the low number of members in the plan. For example, the 2023 actuarial valuation indicated 144 active members, and the 2024 report indicated 167 active members.

During the 2023 legislative session, a \$3 million cash infusion from the motor carrier electronic permit fund was authorized. This was all special funding and has been factored into recent actuarial reports.

This bill was initially approved by PERS and was supported by the PERS Board. The Employee Benefits Programs Committee took jurisdiction of the bill during the interim. The goal is for the highway patrol to become self-funded. In the future, the actuarially determined employer contribution rate could be used to adjust rates up or down to ensure the fund remains fully funded.

I appreciate the committee's consideration of this bill, and I am happy to answer any questions you may have.

2025 SENATE APPROPRIATIONS

SB 2120

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2120
1/27/2025

A BILL for an Act to provide for a transfer to the highway patrol troopers' retirement system fund.

10:45 a.m. Chairman Wanzek opened the meeting.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- ND Highway Patrol Defined Benefit Plan
- Pension reform
- Compliance with Actuarially Determined Employer Contribution (ADEC)
- Cost of living adjustment
- Individual Retirement Account (IRA)
- Unfunded liability
- Retirement age
- Workforce recruitment

10:46 Derrick Hohbein, Chief Operating/Financial Officer of ND Public Employees Retirement System, testified in favor and provided testimony #31127.

10:58 a.m. Rebecca Fricke, Executive Director of ND Public Employees Retirement System, testified in favor.

11:09 a.m. Derek Arndt, Administrative Service Commander of ND Highway Patrol, testified in favor.

11:18 a.m. Senator Dwyer moved a Do Pass for SB 2120.
Senator Burckhard seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 5-0-0

11:20 a.m. Chairman Wanzek closed the hearing.

Carol Thompson, Committee Clerk

TESTIMONY OF DERRICK HOHBEIN

Senate Bill 2120 – HP Cash Infusion

Good Morning, Madam 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 Senate Bill 2120, which is intended to help fund a critical benefit within the State. I am here today on behalf of the NDPERS Board to testify in support of Senate Bill 2120.

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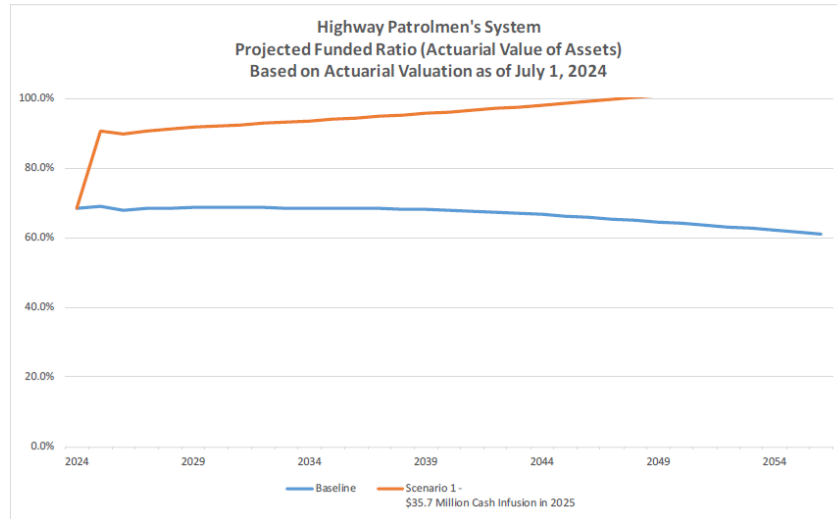
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June 7, 2024

Representative Austen Schauer, Chair
Legislative Employee Benefits Programs Committee
North Dakota State Government

Re: North Dakota Public Employees Retirement System Legislative Studies

Dear Representative Schauer:

In accordance with your request, we have analyzed the impact of Bill No. 25.0120.01000 on the North Dakota Public Employees Retirement System (NDPERS). Our review is actuarial in nature; we are not attorneys and cannot provide legal advice.

Systems Affected

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Summary

Bill No. 25.0120.01000

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Actuarial Impact of Bill 0120 on NDPERS

Based on the valuation projection as of July 1, 2023 which assumes (1) continuation of the current statutory employee and employer contribution rates (including scheduled increases in 2024 and 2025), (2) no changes to benefit provisions, and (3) no gains or losses and all actuarial assumptions from the 2023 valuation are realized, the Highway Patrolmen's System is never expected to reach 100 percent funded.

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- Social Security

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- Actuarial Impacts

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- Asset Allocation: The asset allocation may need to be reviewed based on the significant increase in funding that is expected to be achieved.

Administration Issues

- Implementation Issues

No impact.

- Administrative Costs

No impact.

- Needed Authority

The Bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to implement the changes made by the Bill.



- Integration

No impact.

- Employee Communications

No impact.

Disclosures and Additional Information

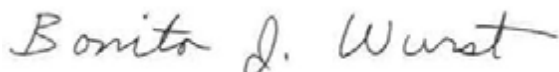
We have reviewed the bill and provided an actuarial impact analysis as well as a policy issue analysis. However, the policy issue analysis should not be considered to be comprehensive and there may be additional benefits policy or administration issues that are not discussed in this letter.

The signing actuaries are independent of the North Dakota Public Employees Retirement System.

Bonita J. Wurst and Abra D. Hill are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Please let us know if you have any questions or would like to discuss the results of this analysis further.

Sincerely,
Gabriel, Roeder, Smith & Company



Bonita J. Wurst, ASA, EA, MAAA, FCA
Senior Consultant

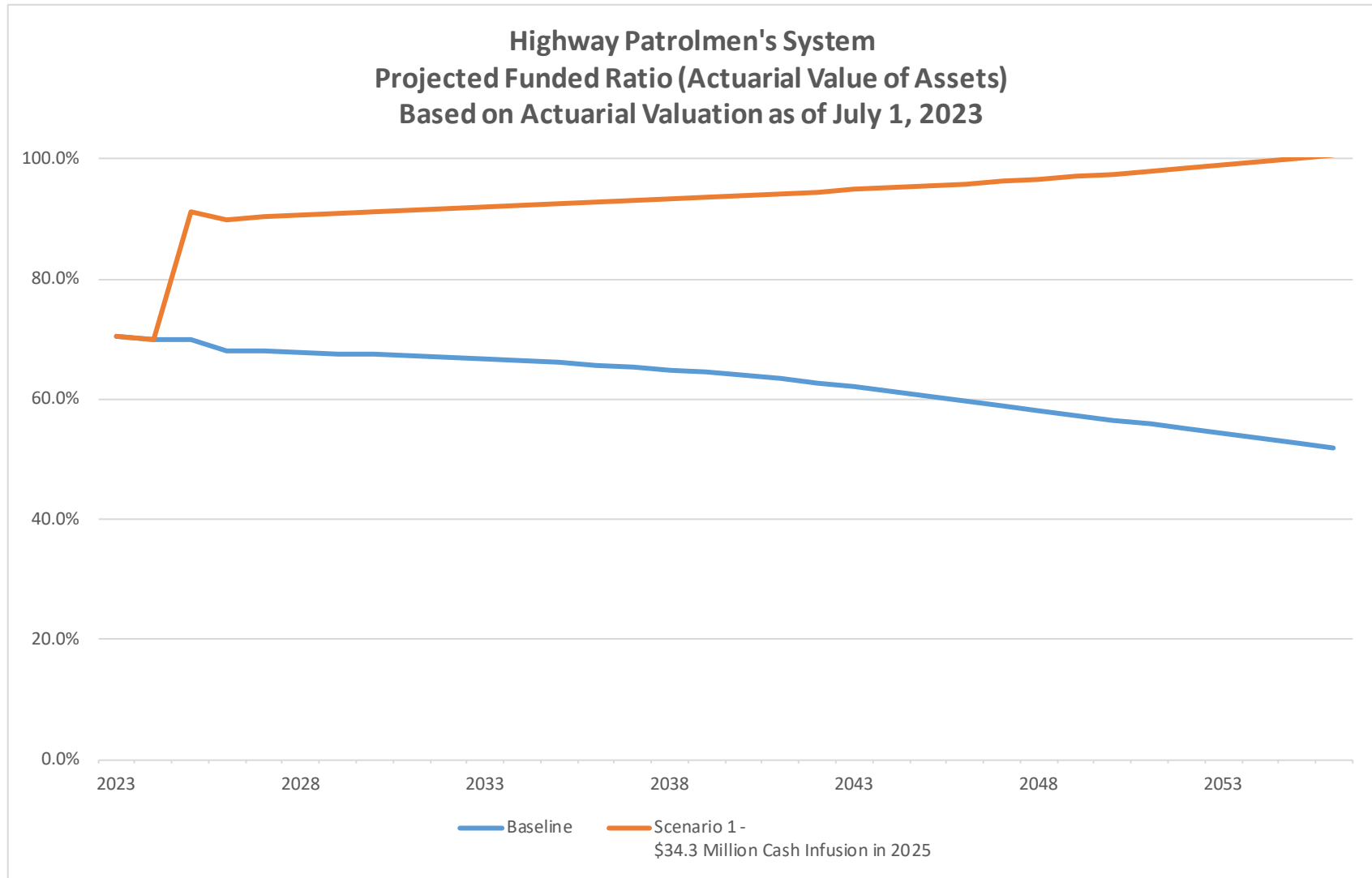


Abra D. Hill, ASA, MAAA, FCA
Consultant

cc: Ms. Rebecca Fricke, NDPERS
Joshua Murner, GRS



Projected Funded Ratios under Baseline and Scenario With Cash Infusion Based on July 1, 2023 Actuarial Valuation



Projected Funded Ratios under Baseline and Scenario With Cash Infusion During 2025-2027 Biennium Based on July 1, 2023 Actuarial Valuation

Year	Baseline Scenario	One-Time Infusion During 2025-2027 Biennium 90% Funded Ratio in 2026
2023	70.5%	70.5%
2024	69.9%	69.9%
2025	69.8%	91.3%
2026	68.1%	90.0%
2027	68.0%	90.4%
2028	67.8%	90.6%
2029	67.6%	90.9%
2030	67.4%	91.1%
2031	67.1%	91.4%
2032	66.9%	91.6%
2033	66.6%	91.9%
2034	66.3%	92.2%
2035	66.0%	92.5%
2036	65.7%	92.8%
2037	65.3%	93.0%
2038	64.9%	93.3%
2039	64.5%	93.6%
2040	64.0%	93.9%
2041	63.4%	94.2%
2042	62.8%	94.5%
2043	62.1%	94.9%
2044	61.3%	95.2%
2045	60.5%	95.5%
2046	59.7%	95.9%
2047	58.9%	96.3%
2048	58.1%	96.7%
2049	57.4%	97.1%
2050	56.6%	97.5%
2051	55.8%	98.0%
2052	55.1%	98.5%
2053	54.3%	99.0%
2054	53.5%	99.5%
2055	52.8%	100.0%
2056	52.0%	100.5%
Cash Infusion Amount		\$34,330,843

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2120
1/30/2025

A BILL for an Act to provide for a transfer to the highway patrol troopers' retirement system fund.

8:44 a.m. Chairman Bekkedahl opened the hearing.

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

Members Absent: Senator Meyer.

Discussion Topics:

- Committee Action
- PERS Assets

8:45 a.m. Senator Dwyer introduced the bill.

8:48 a.m. Senator Dwyer moved a Do Pass.

8:48 a.m. Senator Burckhard seconded the motion.

Senators	Vote
Senator Brad Bekkedahl	Y
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	A
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 Roers will carry the bill.

Senate Appropriations Committee

SB 2120

01/30/2025

Page 2

8:49 a.m. Chairman Bekkedahl closed the hearing.

Elizabeth Reiten, Committee Clerk

REPORT OF STANDING COMMITTEE
SB 2120 ([25.0120.01000](#))

Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **DO PASS** (15 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2120 was placed on the Eleventh order on the calendar. This bill does not affect workforce development.

2025 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2120

2025 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

SB 2120
3/7/2025

A BILL for an Act to provide for a transfer to the highway patrol troopers' retirement system fund.

8:45 a.m. Vice Chairman Satrom opened the hearing.

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

Discussion Topics:

- Funding for the highway patrol retirement funds

8:45 a.m. Derrick Hohbein, Chief Financial Officer and Chief Operating Officer of NDPERS, testified in favor and submitted testimony, #38420.

9:01 a.m. Rebecca Fricke, Executive Director of NDPERS, testified and answered questions.

9:09 a.m. Captain Derek Arndt, Administrative Services Commander of the North Dakota Highway Patrol, testified in favor and submitted testimony, #39323.

9:10 a.m. Vice Chairman Satrom closed the hearing.

9:12 a.m. Representative Steiner moved a Do Pass.

9:12 a.m. Representative VanWinkle seconded the motion.

Representatives	Vote
Representative Austen Schauer	AB
Representative Bernie Satrom	Y
Representative Landon Bahl	AB
Representative Collette Brown	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	AB
Representative Christina Wolff	Y

9:13 a.m. Motion passed 10-0-3.

Representative Steiner will carry the bill.

9:14 a.m. Representative Steiner moved to rerefer to appropriations.

9:14 a.m. Representative VanWinkle seconded the motion.

9:14 a.m. Voice vote passed.

9:15 a.m. Vice-Chairman Satrom closed the meeting.

Jackson Toman, Committee Clerk

REPORT OF STANDING COMMITTEE
SB 2120 ([25.0120.01000](#))

Government and Veterans Affairs Committee (Rep. Schauer, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (10 YEAS, 0 NAYS, 3 ABSENT OR EXCUSED AND NOT VOTING). SB 2120 was rereferred to the **Appropriations Committee**.

TESTIMONY OF DERRICK HOHBEIN

Senate Bill 2120 – HP Cash Infusion

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 Senate Bill 2120, which is intended to help fund a critical benefit within the State. I am here today on behalf of the NDPERS Board to testify in support of Senate Bill 2120.

The Highway Patrol Defined Benefit Plan (the Plan) is the primary retirement benefit to 147 retirees, and also includes 167 active employees. As of January 2025, employees contribute 15.3% (the employer picks up 4% of this contribution), and the employer contributes 21.7% of pay into the Plan. The average monthly benefit paid to retirees is \$4,346. Employees of the Highway Patrol do not participate in Social Security, and for many this is the only source of income at retirement.

The NDPERS Board submitted Senate Bill 2120 on behalf of the Highway Patrol to provide funding stability to the Plan by inserting a lump sum deposit of \$35.7 million into the trust. Our actuary has calculated this as the amount the Plan would need to receive on July 1, 2025 to be 90% funded by January 1, 2026.

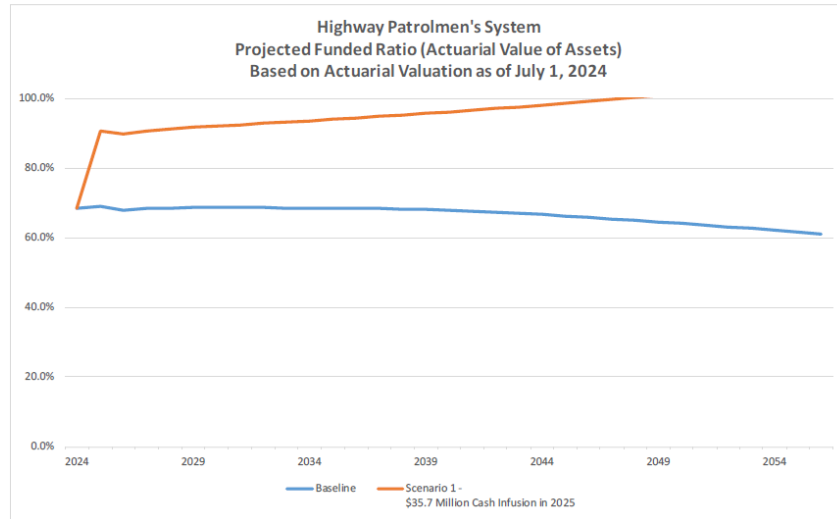
Working in coordination with the Legislative Assembly over the last two sessions, progress has been made to try and help stabilize this plan. In 2021, Senate Bill 2043 was passed, which established gradual retirement contribution increases to the Plan. The statutory employer and employee contributions each increased by 0.5 percent of pay every year from January 1, 2022 to January 1, 2025, ultimately increasing both by 2.0 percent of pay. In addition, after last session the Plan received a one-time cash infusion of \$3 million.

Despite these efforts to try and stabilize the funding of this benefit, the Plan is never expected to reach a 100 percent funded status. In fact, the Plan currently is in danger of running out of money by 2109.

Getting the Plan to 90 percent funding by January 1, 2026 will put the Plan on a trajectory to be fully funded in roughly 25 years.

The following charts show the actuarial analysis of the bill, comparing the plan as it sits today (baseline) as well as the trajectory if the \$35.7 million is received by the Plan.

**Projected Funded Ratios under Baseline and Scenario With Cash Infusion
Based on July 1, 2024 Actuarial Valuation**



**Projected Funded Ratios under Baseline and Scenario
With Cash Infusion During 2025-2027 Biennium
Based on July 1, 2024 Actuarial Valuation**

Year	Baseline Scenario	One-Time Infusion During 2025-2027 Biennium 90% Funded Ratio in 2026
2024	68.6%	68.6%
2025	69.1%	90.8%
2026	67.9%	90.0%
2027	68.4%	90.8%
2028	68.6%	91.4%
2029	68.7%	91.8%
2030	68.7%	92.1%
2031	68.7%	92.5%
2032	68.7%	92.9%
2033	68.6%	93.3%
2034	68.6%	93.7%
2035	68.6%	94.1%
2036	68.5%	94.5%
2037	68.4%	94.9%
2038	68.3%	95.4%
2039	68.1%	95.8%
2040	67.9%	96.2%
2041	67.7%	96.7%
2042	67.4%	97.1%
2043	67.1%	97.6%
2044	66.8%	98.1%
2045	66.4%	98.6%
2046	65.9%	99.1%
2047	65.5%	99.7%
2048	65.0%	100.3%
2049	64.6%	100.9%
2050	64.1%	101.5%
2051	63.6%	102.1%
2052	63.2%	102.8%
2053	62.7%	103.5%
2054	62.2%	104.2%
2055	61.7%	104.9%
2056	61.2%	105.6%
Cash Infusion Amount		\$35,712,457

In previous discussions with the Highway Patrol, they are also interested in having the PERS Board set the contribution levels on a biennial basis based on the Actuarially Determined Employer Contribution, or ADEC, similar to how the Public Safety Plan contribution rates are set. This would help ensure the plan is never at risk of underfunding in the future. In order for an ADEC arrangement to be a possibility, however, the funding status of the plan needs to be increased so the contribution adjustments set by the Board are not so varied from where the contributions sit today.

Please note that Senate Bill 2120 was submitted by the PERS Board to get the conversation started on the proper way to fund the Highway Patrol Plan. In our eyes, the earlier you address the issue at hand the less expensive it will be in the long run. So our Board chose January 1, 2026, as that was the earliest realistic option to shoot for after session ends. The 90% funding level was chosen, knowing the Highway Patrol office is interested in moving to an ADEC funding arrangement, so we never have to worry about the stability of this plan ever again. The arrangement also lines up with becoming fully funded around the same time the Main plans will be funded. Finally, we do not have insight into the proper funding source of this lump sum deposit, but the SIIF Fund was chosen since that is where our funds received some money after last session. If there is an alternative source the Legislature is interested in, of course the Board would be amenable to changing the source.

During the interim, the Employee Benefits Programs Committee reviewed the draft bill and gave the bill a favorable recommendation. In addition, they requested our actuary perform some additional analysis on differing levels of funding, in the event an alternate arrangement may be desired (please note this analysis was based off the July 1, 2023 valuation, and the \$35.7 lump sum deposit request in the bill is based off the July 1, 2024 valuation):

- Scenario 1: what amount per biennium would result in 100% funding in 20 years?
- Scenario 2: what one-time contribution would result in 100% funding in 20 years?
- Scenario 3: what amount per biennium would result in 100% funding in 30 years?
- Scenario 4: what one-time contribution would result in 100% funding in 30 years?

Scenario	Years to Achieve 100% Funding	Amount	Year of Initial Payment	Total Number of Payments
1	20	\$6,563,000	2025	10
2	20	\$39,710,000	2025	1
3	30	\$4,899,000	2025	15
4	30	\$35,132,000	2025	1

Mr. Chairman, I appreciate you taking the time this morning to learn more about this crucial benefit and the challenges it currently faces. This concludes my testimony, and I'd be happy to answer any questions the committee may have.



June 7, 2024

Representative Austen Schauer, Chair
Legislative Employee Benefits Programs Committee
North Dakota State Government

Re: North Dakota Public Employees Retirement System Legislative Studies

Dear Representative Schauer:

In accordance with your request, we have analyzed the impact of Bill No. 25.0120.01000 on the North Dakota Public Employees Retirement System (NDPERS). Our review is actuarial in nature; we are not attorneys and cannot provide legal advice.

Systems Affected

North Dakota Highway Patrolmen's Retirement System (HPRS).

Summary

Bill No. 25.0120.01000

A Bill for an Act to establish an amount to be transferred to the Highway Patrolmen's Retirement Fund during the biennium beginning July 1, 2025 and ending June 30, 2027 so that the funded ratio of the Fund as of January 1, 2026 is 90 percent.

Actuarial Impact of Bill 0120 on NDPERS

Based on the valuation projection as of July 1, 2023 which assumes (1) continuation of the current statutory employee and employer contribution rates (including scheduled increases in 2024 and 2025), (2) no changes to benefit provisions, and (3) no gains or losses and all actuarial assumptions from the 2023 valuation are realized, the Highway Patrolmen's System is never expected to reach 100 percent funded.

Based on the Alternate Scenario projections of the Highway Patrolmen's System results as of July 1, 2023, with the provisions proposed in the bill, which assumes (1) on July 1, 2025, an additional contribution of \$34.3 million, (2) no changes to benefit provisions, and (3) no gains or losses and all actuarial assumptions from the 2023 valuation are realized, the funded ratio of the Highway Patrolmen's System is projected to improve to 90 percent in 2026 and reach a 100 percent funded ratio in 2055.



This analysis is based on information as of July 1, 2023 and does not reflect actual investment performance since the most recent measurement date. Investment performance that is higher or lower than the assumed rate of 6.50 percent will impact the additional contribution needed to achieve a 90 percent funded ratio in 2026.

The following graphs and exhibits provide additional information on the projected funded ratio for the Highway Patrolmen's System:

- Graph I: Comparison of Projected Funded Ratios for the Highway Patrolmen's System under Baseline Scenario and the scenario with the additional cash infusion
- Table I: Funded Ratio Projection Results under the Baseline and the scenario with the additional cash infusion from 2023 to 2056

Projected funded ratios are based on the actuarial value of assets.

Policy Issue Analysis

Benefits Policy Issues

- Adequacy of Retirement Benefits

No Impact.
- Competitiveness

No Impact.
- Benefits Equity and Group Integrity

No Impact.
- Purchasing Power

No impact.
- Preservation of Benefits

Increased funding to the Highway Patrolmen's System in the form of a cash infusion of \$34.3 million is expected to prevent the funded status of the Highway Patrolmen's System from declining and the fund potentially becoming insolvent. By requiring additional funding, the Highway Patrolmen's System will achieve financial stability and the members' promised benefits will be more secure than without the additional funding.



- Portability

No impact.

- Ancillary Benefits

No impact.

- Social Security

No impact

Funding Policy Issues

- Actuarial Impacts

As previously noted, the additional cash infusion required by the bill will have a positive actuarial impact on the funded status of the Highway Patrolmen's System.

- Investment Impacts

- Cash Flow: The change required by the bill is expected to have a positive impact on the net cash flow of the System in the year the cash infusion is received.
- Asset Allocation: The asset allocation may need to be reviewed based on the significant increase in funding that is expected to be achieved.

Administration Issues

- Implementation Issues

No impact.

- Administrative Costs

No impact.

- Needed Authority

The Bill appears to provide appropriate levels of administrative and governance authority to the PERS Board to implement the changes made by the Bill.



- Integration

No impact.

- Employee Communications

No impact.

Disclosures and Additional Information

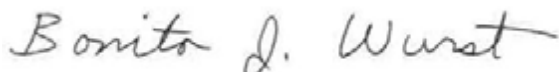
We have reviewed the bill and provided an actuarial impact analysis as well as a policy issue analysis. However, the policy issue analysis should not be considered to be comprehensive and there may be additional benefits policy or administration issues that are not discussed in this letter.

The signing actuaries are independent of the North Dakota Public Employees Retirement System.

Bonita J. Wurst and Abra D. Hill are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Please let us know if you have any questions or would like to discuss the results of this analysis further.

Sincerely,
Gabriel, Roeder, Smith & Company



Bonita J. Wurst, ASA, EA, MAAA, FCA
Senior Consultant

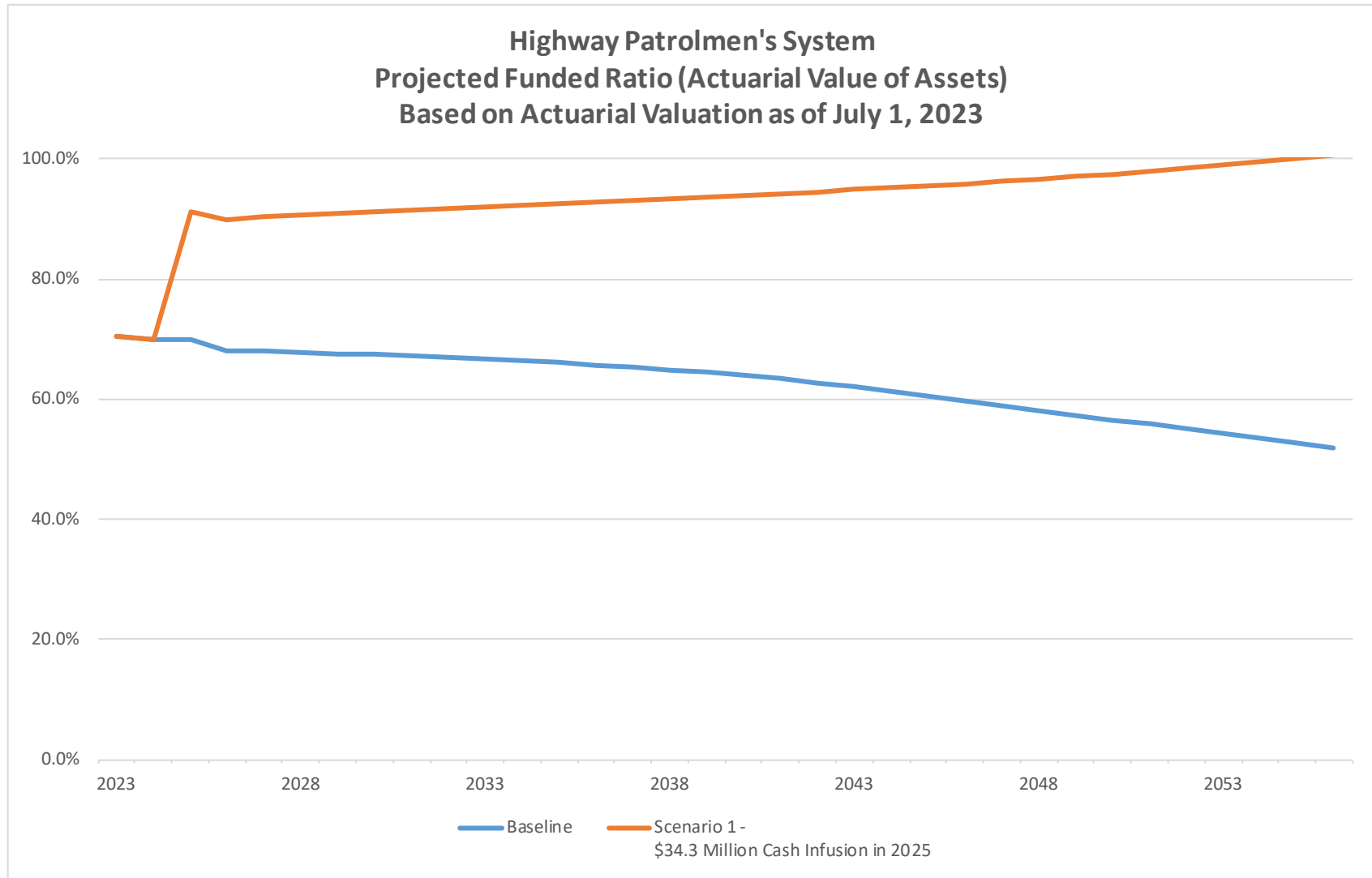


Abra D. Hill, ASA, MAAA, FCA
Consultant

cc: Ms. Rebecca Fricke, NDPERS
Joshua Murner, GRS



Projected Funded Ratios under Baseline and Scenario With Cash Infusion Based on July 1, 2023 Actuarial Valuation



Projected Funded Ratios under Baseline and Scenario With Cash Infusion During 2025-2027 Biennium Based on July 1, 2023 Actuarial Valuation

Year	Baseline Scenario	One-Time Infusion During 2025-2027 Biennium 90% Funded Ratio in 2026
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2028	67.8%	90.6%
2029	67.6%	90.9%
2030	67.4%	91.1%
2031	67.1%	91.4%
2032	66.9%	91.6%
2033	66.6%	91.9%
2034	66.3%	92.2%
2035	66.0%	92.5%
2036	65.7%	92.8%
2037	65.3%	93.0%
2038	64.9%	93.3%
2039	64.5%	93.6%
2040	64.0%	93.9%
2041	63.4%	94.2%
2042	62.8%	94.5%
2043	62.1%	94.9%
2044	61.3%	95.2%
2045	60.5%	95.5%
2046	59.7%	95.9%
2047	58.9%	96.3%
2048	58.1%	96.7%
2049	57.4%	97.1%
2050	56.6%	97.5%
2051	55.8%	98.0%
2052	55.1%	98.5%
2053	54.3%	99.0%
2054	53.5%	99.5%
2055	52.8%	100.0%
2056	52.0%	100.5%
Cash Infusion Amount		\$34,330,843

69th Legislative AssemblyTestimony in **Support of**
Senate Bill No. 2120**Government and Veterans Affairs Committee**

March 7th, 2025

TESTIMONY OF

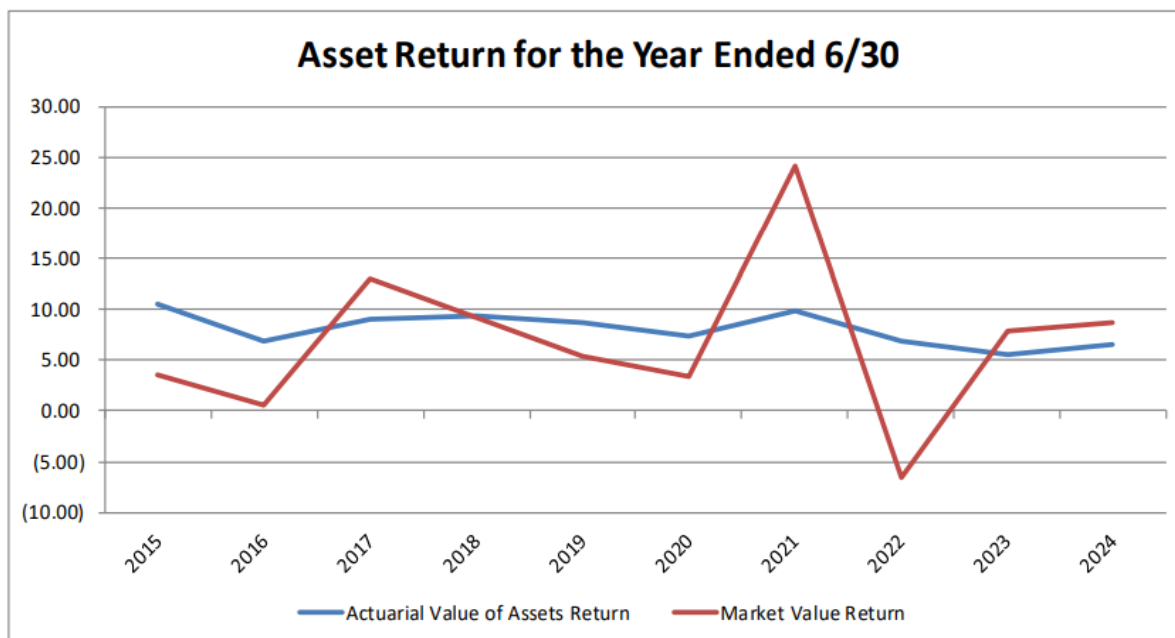
CAPTAIN DEREK ARNDT, ADMINISTRATIVE SERVICES COMMANDER

Hello, Chairman Schauer and members of the Committee. My name is Captain Derek Arndt, and I serve as the Administrative Services Commander of the North Dakota Highway Patrol. We are supportive of Senate Bill 2120 which includes a cash infusion to bring the highway patrol's retirement system to a funded ratio of 90% by January of 2026.

We, as an agency, have been following this bill closely as it is a large component of our agency's recruitment and retention efforts. The guaranteed monthly benefit, along with the disability and death benefits from the plan, ensure financial security for our employees and their families, making our organization a more attractive and stable place to work while also enhancing long-term employee well-being. As troopers do not pay into Social Security nor do they earn Social Security service credits while working for the North Dakota Highway Patrol, this further underscores the importance of a robust and sustainable defined benefit plan to provide retirement security.

Related to the funds expected rate of return on investments, the most recent adjustment to the investment return assumption was a reduction from 7% to 6.5% effective July 1, 2022. This rate was previously lowered from 7.5% to 7% effective July 1, 2020.

The actual rate of return has fluctuated, and the actuary factors a five-year smoothing average. The current five-year rate is 6.5%. The chart below from the last actuarial valuation indicates actual returns compared to the smoothing average.



There have been changes implemented to help improve the funded ratio. During the 2021 legislative session, 0.5% employee and employer contribution increases were authorized over a four-year period for a total increase of 4% by January of 2025.

The actuary for PERS noted that contribution increases don't have much of an impact due to the low number of members in the plan. For example, the 2023 actuarial valuation indicated 144 active members, and the 2024 report indicated 167 active members.

During the 2023 legislative session, a \$3 million cash infusion from the motor carrier electronic permit fund was authorized. This was all special funding and has been factored into recent actuarial reports.

This bill was initially approved by PERS and was supported by the PERS Board. The Employee Benefits Programs Committee took jurisdiction of the bill during the interim. The goal is for the highway patrol to become self-funded. In the future, the actuarially determined employer contribution rate could be used to adjust rates up or down to ensure the fund remains fully funded.

I appreciate the committee's consideration of this bill, and I am happy to answer any questions you may have.

2025 HOUSE APPROPRIATIONS

SB 2120

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2120
3/17/2025

A BILL for an Act to provide for a transfer to the highway patrol troopers' retirement system fund.

9:01 a.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

Member absent: Vice Chairman Kempenich

Discussion Topics:

- Highway Patrol Pension

9:02 a.m. Representative Schauer, District 13, introduced the bill and testified in favor #42240.

9:06 a.m. Derek Holbein, Chief Operating and Financial Officer, Public Employees Retirement System (PERS), answered questions.

9:23 a.m. Derek Arndt, Captain, ND Highway Patrol testified in favor and answered questions.

9:25 a.m. Chairman Vigesaa closed the meeting.

Krystal Eberle, Committee Clerk

Good morning, Chairman Vigesaa and members of the House Appropriations Committee.

My name is Austen Schauer, District 13, West Fargo.

Senate Bill 2120 was submitted by the **NDPERS** Board to provide funding stability to the **Highway Patrol Defined Benefit Plan** by providing a cash infusion of **\$35.7 million dollars**.

The Highway Patrol **DB** Plan is the primary retirement benefit to **147 retirees**, and **167 active employees**.

As of January 2025, employees contribute **15.3%** and the employer contributes **21.7%** of pay into the plan. The average monthly benefit paid to retirees is **\$4,346**.

Employees of the Highway Patrol **do not** participate in Social Security, and for many, this is the only source of retirement income.

With this cash infusion, the **NDPERS** actuary calculates the Highway **DB** plan will be **90% funded** by January 1, 2026.

Over the last two sessions, the legislature has tried to make progress to put this plan on track to full funding, avoiding what happened to the Main DB Plan.

In 2021, **Senate Bill 2043** established gradual retirement contribution increases to the Plan. The statutory employer and employee contributions each increased by **0.5 percent** of pay every year from January 1, 2022, to January 1, 2025, ultimately increasing both by **2.0 percent** of pay.

Last session, the Plan received a one-time cash infusion of \$3 million.

Despite these efforts to stabilize the funding of the Plan, it was never expected to reach a 100 percent funded status.

Getting the Plan to **90 percent funding** by January 1, 2026, will put it on a trajectory to be fully funded in roughly 25 years.

NDPERS has charts to show the actuarial analysis of the bill comparing the plan as it sits today versus the trajectory if \$35.7 million is approved.

The Highway Patrol has told the **NDPERS Board** it is interested in the Board setting the contribution levels on a biennial basis based on the Actuarially Determined Employer Contribution, or ADEC, similar to how the Public Safety Plan contribution rates are set.

This would ensure the plan will **not be** underfunded in the future.

For an **ADEC** arrangement to be a possibility, however, the funding status of the plan needs to be increased so the contribution adjustments set by the Board can be as reasonable as the contributions are today.

Your **GVA** Committee believes the **NDPERS Board**, and the **Senate** are correct in addressing the Highway Patrol **DB** Plan now to offset a major financial issue in the future.

The combination of 90% funding level by January 1, 2026, (based on this cash infusion), along with Highway Patrol **ADEC** funding arrangement, will give this plan **financial stability** and **peace of mind** for these peacekeepers.

The **NDPERS Board** is asking for the cash infusion to come from the **SIIF Fund** but is open to alternative sources.

In the interim, the Employee Benefits Programs Committee gave the bill a favorable recommendation. It has also received full backing from the Senate.

Mr. Chairman and members of the House Appropriations committee, we now seek your support of **SB 2120**.

The **NDPERS** experts are here to address any technical question you may.

Thank you for your time.

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2120
3/27/2025

A BILL for an Act to provide for a transfer to the highway patrol troopers' retirement system fund.

10:51 a.m. Chairman Vigesaa opened the meeting.

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

Discussion Topics:

- Committee Action

10:51 a.m. Chairman Vigesaa proposed amendment LC #25.0120.01001, #44310.

10:52 a.m. Representative O'Brien moved Amendment LC #25.0120.01001.

10:52 a.m. Representative Monson seconded the motion.

10:52 a.m. Roll Call Vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glenn 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	Y
Representative Mark Sanford	Y
Representative Gregory Stemen	Y

Representative Steve Swiontek	Y
Representative Scott Wagner	Y

10:52 a.m. Motion passed 23-0-0.

10:53 a.m. Representative O'Brien moved Do Pass as Amended.

10:53 a.m. Representative Monson seconded the motion.

10:54 a.m. Roll Call Vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glenn 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	Y
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

10:54 a.m. Motion passed 23-0-0.

10:54 a.m. Representative Stemen will carry the bill.

10:54 a.m. Chairman Vigesaa closed the meeting.

Krystal Eberle, Committee Clerk

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

VC 3/28/25
1 of 1

SENATE BILL NO. 2120

Introduced by

State and Local Government Committee

(North Dakota Public Employees Retirement System)

1 A BILL for an Act to provide for a transfer to the highway patrol troopers' retirement system fund.

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

3 **SECTION 1. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO**
4 **HIGHWAY PATROL TROOPERS' RETIREMENT SYSTEM FUND.** The office of management
5 and budget shall transfer the sum of ~~\$35,700,000~~ \$15,000,000 from the strategic investment and
6 improvements fund to the highway patrol troopers' retirement system fund, for the purpose of
7 increasing the funded liability of the highway patrol troopers' retirement plan ~~to ninety percent as~~
8 ~~of January 1, 2026,~~ during the biennium beginning July 1, 2025, and ending June 30, 2027.

**REPORT OF STANDING COMMITTEE
SB 2120**

Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS** ([25.0120.01001](#)) and when so amended, recommends **DO PASS** (23 YEAS, 0 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). SB 2120 was placed on the Sixth order on the calendar.

25.0120.01001
Title.

Prepared by the Legislative Council
staff for Representative Vigesaa
March 25, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

SENATE BILL NO. 2120

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State and Local Government Committee

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7 increasing the funded liability of the highway patrol troopers' retirement plan ~~to ninety percent as~~
8 ~~of January 1, 2026,~~ during the biennium beginning July 1, 2025, and ending June 30, 2027.