North Dakota Legislative Council
Prepared for the Retirement Committee
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September 2021

(DRAFT - FOR COMMITTEE REVIEW)

REQUEST FOR PROPOSAL DRAFT - PUBLIC EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS STUDY

This memorandum provides information regarding items to include in a potential request for proposal to hire a consultant to provide information related to the Retirement Committee's directive to develop a plan for new hires under the Public Employees Retirement System to participate in the defined contribution plan and to close the defined benefit plan to new entries effective January 1, 2024.

As provided for in Section 1 of House Bill No. 1209 (2021), the directive is to develop a plan for new hires under the Public Employees Retirement System to participate in the defined contribution plan and to close the defined benefit plan to new entries effective January 1, 2024. Specific areas the consultant should address include:

1. Actuarial estimates, including:
   a. The unfunded liability of the plan as it currently exists, identifying the state's share of the unfunded liability and each participating political subdivision's share of the unfunded liability;
   b. The unfunded liability if the plan is closed to new hires effective January 1, 2024, and new hires participate in the state's existing or modified defined contribution plan, identifying the state's share of the unfunded liability, and each participating political subdivision's share of the unfunded liability; and
   c. The amount of a lump sum cash deposit into the plan on July 1, 2025, to enable the plan to be 100 percent funded in 20 years for:
      (1) The plan as it currently exists, identifying the cash infusion necessary for the state's portion of the plan and the cash infusion necessary for the political subdivision's portion of the plan; and
      (2) The plan if closed to new hires effective January 1, 2024, identifying the cash infusion necessary for the state's portion of the plan and the cash infusion necessary for each political subdivision's portion of the plan.
2. Consultation regarding:
   a. Any federal provisions that affect the ability of a proposal to "carve out" the local plan or to keep the defined benefit plan open for political subdivision new hires while closing the plan to state new hires;
   b. Options to address employees who have both state and local contributions and employees who leave state or local employment and return to the state or local employment later;
   c. Options for political subdivisions to transfer their assets and liabilities from the existing plan to another program to avoid closure;
   d. Options for administration of the plan;
   e. Options for modification of the plan;
   f. Estimated cost to implement changes; and
   g. Potential impacts to bond ratings of the state and political subdivisions if unfunded liabilities increase.

The resulting contract will require periodic reports to the Retirement Committee on the status of the project and on tentative findings, participation at committee meetings, and recommendations with the final written report due by April 1, 2022, (or other date identified by the committee).