EMPLOYEE BENEFITS PROGRAMS COMMITTEE

The Employee Benefits Programs Committee is a statutory committee created under North Dakota Century Code Section 54-35-02.3. The committee's statutory responsibilities under Section 54-35-02.4 include considering and reporting on legislative proposals and measures over which the committee takes jurisdiction and which fiscally impact the retirement programs, and health and retiree health plans, of state employees or employees of any political subdivision.

In addition to its duties under Section 54-35-02.4, the committee has the following statutory responsibilities to:

- Receive an annual report from the Teachers' Fund for Retirement (TFFR) Board regarding the annual test of actuarial adequacy of the statutory contribution rate, pursuant to Section 15-39.1-10.11.
- Receive an annual report from the Public Employees Retirement System (PERS) Board regarding the contributions necessary, as determined by the actuarial study, to maintain the retirement fund's actuarial soundness, pursuant to Section 54-52-06.
- Approve terminology adopted by the TFFR Board to comply with applicable federal statutes or rules, pursuant to Section 15-39.1-35.
- Approve terminology adopted by the PERS Board to comply with applicable federal statutes or rules, pursuant to Sections 39-03.1-29, 54-52-23, 54-52.1-08.2, and 54-52.6-23.
- Receive an annual report from the PERS Board regarding the status of the defined contribution (DC) retirement plan under Chapter 54-52.6, pursuant to Section 54-52.6-22.
- Receive notice from the TFFR Board of necessary or desirable changes in statutes relating to the administration of the TFFR, pursuant to Section 15-39.1-05.2.
- Receive notice from the firefighters relief associations of the association's intent to provide a substitute monthly service pension, pursuant to Section 18-11-15.

The Legislative Management assigned the committee the responsibility to receive the following four reports and complete one directive:

- Periodic reports from Human Resource Management Services on the implementation, progress, and bonuses provided by state agency programs to recruit or retain employees in hard-to-fill positions, pursuant to Section 54-06-31.
- A biennial report from the Office of Management and Budget (OMB) summarizing reports of state agencies providing service awards to employees in the classified service, pursuant to Section 54-06-32.
- A biennial report from OMB summarizing reports of state agencies providing employer-paid costs of training or educational courses to employees in the classified service, pursuant to Section 54-06-33.
- A biennial report from OMB summarizing reports of executive branch state agencies paying employee membership dues for professional organizations and membership dues for service clubs when required to do business or if the membership is primarily for the benefit of the state, pursuant to Section 54-06-34.
- A directive to adopt a procedure for identifying measures and proposed measures mandating health insurance coverage of services or payments for specified providers of services, pursuant to Section 54-03-28(1).

The committee was assigned two studies:

- Section 1 of House Bill 1580 (2025) directed a study of the classified state employee total rewards compensation system, including a review of the development and determination of pay grade, classifications, and health care benefits.
- Section 2 of Senate Bill 2280 (2025) directed a study of the prior authorization requirements imposed by PERS Uniform Group Insurance Program health plans under Chapter 54-52.1 and the impact on patient care and health care costs.

Committee members were Senators Sean Cleary (Chairman), Brad Bekkedahl, Claire Cory, Kyle Davison, and Kristin Roers and Representatives Landon Bahl, Karen Grindberg, Jorin Johnson, Mitch Ostlie, Austen Schauer, Steve Vetter, and Jonathan Warrey.

Senator Josh Boschee served on the committee until his resignation from the Legislative Assembly on August 4, 2026.

BACKGROUND

The committee has statutory jurisdiction over legislative measures that affect retirement, health insurance, and retiree health insurance programs of public employees. Under Section 54-35-02.4, the committee is required to consider and report on legislative measures and proposals over which it takes jurisdiction and which fiscally impact retirement programs and health and retiree health plans of public employees. Section 54-35-02.4 also requires the committee to take jurisdiction over any measure or proposal that authorizes an automatic increase or other change in benefits beyond the ensuing biennium which would not require legislative approval and to include in the report of the committee a statement the proposal would allow future changes without legislative involvement.

Section 54-35-02.4 requires the committee, during the interim, to review and make recommendations on proposed legislative measures that affect retirement or health benefits programs. The committee is inactive during the legislative session. However, the committee's Chairman and Vice Chairman continue to meet to request actuarial reports on legislation introduced without a report and on amendments that affect retirement system or health benefits programs. An actuarial report requested by the Chairman or Vice Chairman must be provided to the standing committee to which the measure is referred.

Under Section 54-35-02.4, the committee may retain actuarial assistance to prepare an actuarial report on a legislative measure or proposal. The impacted program is required to pay for any actuarial reports required by the committee or the committee Chairman or Vice Chairman; therefore, much or all of the actuarial costs involved in the review of legislative measures and proposals is paid by the retirement, insurance, or retiree health insurance program affected by each proposal. In practice, when jurisdiction is taken over a legislative proposal or measure, the affected program obtains an actuarial report for the proposal from its consulting actuary.

A copy of the committee's report must accompany any measure or amendment affecting a public employee's retirement program, health plan, or retiree health plan which is introduced during a legislative session. Historically, the committee's reports have identified the sponsor of the proposal, summarized the proposal and its actuarial analysis, and included the committee's recommendation.

Teachers' Fund for Retirement

Background

The Teachers' Fund for Retirement was established in 1971 with the enactment of Chapter 15-39.1, and is a qualified defined benefit (DB) retirement plan that provides retirement benefits to eligible state public school teachers. The plan is governed by the TFFR Board, with the State Investment Board responsible for investing trust assets and the Retirement and Investment Office (RIO) serving as the plan's administrative agency.

All certified public school teachers in the state participate in TFFR, including supervisors, principals, and administrators. Noncertified employees, such as instructional aides, facility maintenance, secretaries, and drivers, are not allowed to participate in TFFR. Eligible employees become members on the date of employment.

Retirement Contributions

The district or other employer that employs a member contributes a percentage of the member's salary. This percentage consists of a base percentage of 7.75 percent, plus additions. Effective July 1, 2008, the employer contribution rate became 8.25 percent; effective July 1, 2010, the employer contribution rate became 8.75 percent; effective July 1, 2012, the employer contribution rate became 10.75 percent; and effective July 1, 2014, the employer contribution rate became 12.75 percent. However, the employer contribution rate will revert to 7.75 percent when TFFR is 100 percent funded on an actuarial basis. The contribution rate will not increase automatically if the funded ratio later falls below 100 percent.

Before July 1, 2012, all active members contributed 7.75 percent of their salary per year to TFFR. The employer may "pick up" the member's contributions under the provisions of Internal Revenue Code Section 414(h). The member contribution rate was increased from 7.75 to 9.75 percent effective July 1, 2012, and increased to 11.75 percent effective July 1, 2014. The 4 percent added to the member contribution rate will remain in effect until TFFR is 100 percent funded on an actuarial basis. At that point, the member contribution rate will revert to 7.75 percent. The member's total earnings are used for salary purposes, including overtime and nontaxable wages under a Section 125 plan, but excluding certain extraordinary compensation, such as fringe benefits or unused sick or vacation leave.

Retirement Benefits

Members who joined TFFR by June 30, 2008, are Tier 1 members, while members who join after that date are Tier 2 members. Final average compensation, for purposes of determining retirement benefits, is the average of the member's highest 3 plan-year salaries for Tier 1 members or 5 plan-year salaries for Tier 2 members. Monthly benefits are based on one-twelfth of this amount. Tier 1 members are eligible for a normal service retirement benefit at age 65 with credit for 3 years of service, or earlier, if the sum of the member's age and years of service is at least 85. Effective June 30,

2013, Tier 1 members who are at least age 55 and vested with 3 years of service, or if the sum of the member's age and service is at least 65, are eligible for normal service retirement benefits and are grandfathered. Those who do not meet these criteria as of June 30, 2013, may retire upon normal retirement on or after age 65 with credit for 3 years of service, or earlier, if the sum of the member's age and years of service is at least 90, with a minimum age of 60. A Tier 2 member may retire upon normal retirement on or after age 65 with credit for 5 years of service, or earlier, if the sum of the member's age and years of service is at least 90. Effective July 1, 2013, Tier 2 members may retire upon normal retirement on or after age 65 with credit for 5 years of service, or earlier, if the sum of the member's age and years of service is at least 90, with the added requirement that the member has reached a minimum age of 60.

The monthly retirement benefit is 2 percent of final average monthly compensation times years of service. Benefits are paid as a monthly life annuity, with a guarantee if the payments made do not exceed the member's contributions plus interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's beneficiary.

To receive a death benefit, death must occur while being an active, inactive, or a nonretired member. Upon the death of a nonvested member, a refund of the member's contributions and interest is paid. Upon the death of a vested member, the beneficiary may elect the refund benefit or a life annuity of the normal retirement benefit "popping-up" to the original life annuity based on final average compensation and service as of the date of death, but without applying any reduction for the member's age at death.

A Tier 1 member leaving covered employment with less than 3 years of service and a Tier 2 member leaving covered employment with less than 5 years of service is eligible to withdraw or receive a refund benefit. Optionally, a vested member may withdraw the member's contributions plus interest in lieu of the deferred benefit otherwise due. A member who withdraws receives a lump sum payment of the member's employee contributions plus interest credited on these contributions. Interest is credited at 6 percent per year.

At times, statutory amendments have provided postretirement benefit increases for TFFR retirees. However, TFFR does not provide automatic cost-of-living adjustments.

Public Employees Retirement System

The Public Employees Retirement System is governed primarily by Chapters 39-03.1, 54-52, 54-52.1, 54-52.2, 54-52.3, and 54-52.6. The PERS retirement plans include DB retirement plans, DC retirement plans, the retiree health insurance credit (RHIC), and the deferred compensation plan. The PERS Uniform Group Insurance Program plans include health insurance for active and retired members, life insurance, dental insurance, vision insurance, an employee assistance program, and a flexible compensation plan.

The Public Employees Retirement System is directed by the PERS Board. All state departments, boards, institutions, commissions, and agencies, the Garrison Diversion Conservancy District, district health units, the Supreme Court, and the district courts are required to participate in the PERS retirement plans. A political subdivision may, on behalf of its permanent employees, enter an agreement with the PERS Board to participate in the PERS retirement plans.

The DB retirement plans administered by the PERS Board include the main system retirement plan, the judges' retirement plan, the public safety system with prior PERS main system service, the public safety system without prior PERS main system service, the Highway Patrol Troopers' retirement plan, and the Job Service North Dakota retirement plan. The PERS DB retirement plans are funded through employer contributions, employee contributions, and investment earnings. Contributions are calculated as a percentage of gross pay. The PERS main system, judges' retirement system, and public safety systems with and without prior PERS main system service are included in the same actuarial valuation. The Highway Patrol Troopers' retirement system, Job Service retirement plan, and the RHIC Program are addressed in separate actuarial valuations.

Retirement Tiers

Receipt of retirement benefits is based on two dates establishing three tiers of retirement benefits for members under the combined PERS system: January 1, 2016, and January 1, 2020. The three retirement benefits that vary based on the date of initial hire are the normal retirement age, final average salary multiplier, and receipt of the RHIC.

There are two normal retirement ages for retirement plan members:

- **Rule of 85** - Members of the PERS main system and judges' retirement system are eligible for a normal service retirement benefit at age 65 or when age plus years of service is equal to at least 85. Members of the public safety retirement system, except for peace officers employed by the Bureau of Criminal Investigation and first enrolled after July 31, 2023, who must complete 10 eligible years of service, are eligible for a normal service retirement benefit at age 55 and 3 eligible years of service or when age plus service is equal to at least 85.

- **Rule of 90 and minimum age of 60** - Members of the PERS main system first enrolled after December 31, 2015, are eligible for a normal service retirement benefit at age 65 or when age plus years of service is equal to at least 90 and the member attains a minimum age of 60.

The final average salary multipliers used to determine retirement plan benefits for members are as follows:

- Members of the PERS main and public safety systems enrolled before January 1, 2020, have a retirement benefit calculated based on 2 percent of final average salary multiplied by years of service.
- Members of the PERS main and public safety systems enrolled after December 31, 2019, have a retirement benefit calculated based on 1.75 percent of final average salary multiplied by years of service.
- The retirement benefit for a member of the judges' retirement system is 3.5 percent of final average salary multiplied by years of service for the first 10 years of service, 2.8 percent for each of the next 10 years of service, and 1.25 percent for service in excess of 20 years.
- The retirement benefit for a peace officer employed by the Bureau of Criminal Investigation is 3 percent of final average salary multiplied by years of service for the first 20 years of service and 1.75 percent for service in excess of 20 years.

Surviving Spouse Retirement Benefits

The surviving spouse of a PERS member may be eligible for benefits under the retirement system. The surviving spouse who is the sole refund beneficiary of a deceased member of the PERS main or public safety systems who accumulated at least 3 years of service before normal retirement is entitled to elect one of four forms of preretirement death benefits. If the surviving spouse is not the sole refund beneficiary, the refund beneficiary only may choose a lump sum distribution of the accumulated balance. The preretirement death benefit may be a lump sum payment of the member's accumulated contributions with interest; 50 percent of the member's accrued benefit, not reduced on account of age, payable for the surviving spouse's lifetime; a continuation portion of a 100 percent joint and survivor annuity, only available if the participant was eligible for normal retirement; or a partial lump sum payment in addition to one of the annuity options. The surviving spouse of a deceased member of the judges' retirement system who had accumulated at least 5 years of service is entitled to elect one of two forms of preretirement death benefits. The preretirement death benefit may be a lump sum payment of the member's accumulated contribution with interest or 100 percent of the member's accrued benefit, not reduced on account of age, payable for the spouse's lifetime. For members who are neither vested nor have a surviving spouse, the benefit is a lump sum payment of the member's accumulated contributions with interest.

Retirement Contributions

Except for the employer contribution rate for the public safety system plans, contribution rates are specified by statute. The main system DB retirement plan is funded from employer contributions, employee contributions, and investment earnings. A history of the rates of employer and employee contributions, calculated as a percentage of gross pay, is shown below.

1989 Through December 31, 2011		Effective January 1, 2012		Effective January 1, 2013		Effective January 1, 2014		Effective January 1, 2024	
Employer	**Employee**	**Employer**	**Employee**	**Employer**	**Employee**	**Employer**	**Employee**	**Employer**	**Employee**
4.12%	4.00%[1]	5.12%	5.00%[1]	6.12%	6.00%[1]	7.12%[2]	7.00%[1]	8.12%	7.00%[1]

[1]The state pays 4 percent of the employee share of retirement contributions.

[2]Senate Bill 2046 (2019) reallocated the 1.14 percent employer contribution for the RHIC to the main system DB retirement plan for employees hired after December 31, 2019, resulting in a total employer contribution rate of 8.26 percent for employees hired after December 31, 2019, and 9.26 percent for employees hired after December 31, 2023.

Beginning January 1, 2026, the employer contribution rate for state governmental units that receive budgetary approval from the Legislative Assembly was adjusted to the actuarially determined employer contribution rate, to begin paying the unfunded liability of the plan over a closed period of 31.5 years. In lieu of each state governmental unit that receives budgetary approval from the Legislative Assembly contributing to the actuarially determined employer contribution rate, the Legislative Assembly may authorize a transfer to the PERS Fund in an amount equal to or greater than the actuarially determined amount as most recently published by the board for the succeeding biennium. The employer contribution rate for political subdivisions and state governmental units that do not receive budgetary approval from the Legislative Assembly remains at 8.12 percent.

Defined Contribution Retirement Plan

The DC retirement plan has three tiers with different contribution structures. Tier 1 members first enrolled in the DC retirement plan before January 1, 2020, have a contribution rate of 7 percent for employees and 7.12 percent for employers, and a 1.14 percent employer RHIC contribution. Tier 2 members first enrolled in the plan between January 1,

2020, and December 31, 2024, have a contribution rate of 7 percent for employees and 8.26 percent for employers. Tier 2 is referred to as the DC 2020 plan. Tier 1 and Tier 2 are referred to collectively as the legacy DC plan.

Tier 3 members are those who first enrolled in the DC retirement plan on or after January 1, 2025. Tier 3 is referred to as the DC 2025 plan. House Bill 1040 (2023) established the DC 2025 plan, generally closed the main system DB retirement plan to new employees, and required employees beginning employment after December 31, 2024, to be enrolled in the DC 2025 plan.

The mandatory employee contribution rate under the DC 2025 Plan is 4 percent and the mandatory employer contribution is 5.26 percent. An employee may make an irrevocable election to contribute up to an additional 3 percent within 30 days of beginning employment. Employers must match the additional employee contribution up to 3 percent. If an employee in the DC 2025 plan elects to contribute less than the optional 3 percent to the DC retirement plan and participates in the PERS deferred compensation plan, the employer must match employee contributions to the deferred compensation plan up to the remaining balance of the optional 3 percent contribution. The deferred compensation plan option is not available for an employee of a political subdivision that does not participate in the deferred compensation plan.

Section 54-52.6-02.2 permitted state employees who had been participating members of the main system DB retirement plan for no more than 5 years to elect to transfer to the legacy DC plan beginning January 1, 2025, through March 31, 2025. Employees who elected to transfer and remain employed by the state are eligible for an additional annual employer contribution of $3,333 in January of 2026, 2027, and 2028.

Retiree Health Insurance Credit Fund

The 1989 Legislative Assembly established an RHIC Fund for the purpose of prefunding hospital benefits coverage; medical benefits coverage; prescription drug coverage under any health insurance program; and dental, vision, and long-term care benefits coverage under the Uniform Group Insurance Program for certain retired members of PERS and the Highway Patrol Troopers' retirement system. The fund provides a monthly credit for health insurance benefits of $5 multiplied by the retired members' years of service.

The employer contribution under PERS was reduced by 1 percent of the monthly salaries or wages of participating members, including participating judges, and the money was redirected to the RHIC Fund. The 2009 Legislative Assembly increased the employer contribution to 1.14 percent of the monthly salaries or wages of participating members. The 2019 Legislative Assembly closed the program for new members of the main system DB retirement plan after December 31, 2019.

CONSIDERATION OF RETIREMENT AND HEALTH PLAN LEGISLATIVE PROPOSALS

The committee established April 1, 2026, as the deadline for legislators, Legislative Management interim committees, and state agencies with bill introduction privileges to submit to the Legislative Council legislative proposals that affect retirement system and health benefit programs. The deadline is intended to provide the committee and the consulting actuary of each affected retirement, health, or retiree health program sufficient time to discuss and evaluate the proposals. The committee reviewed each submitted proposal and received testimony from interested persons.

Under Section 54-35-02.4, each retirement, insurance, or retiree insurance program is required to pay, from its retirement, insurance, or retiree health benefits fund, as appropriate, and without the need for a prior appropriation, the cost of any actuarial report required by the committee which relates to that program. The committee referred the submitted legislative proposals to the affected retirement or insurance program and requested the program authorize the preparation of actuarial reports. For technical comments, PERS used the actuarial services of Gabriel, Roeder, Smith & Company Holdings, Inc., to evaluate proposals that affected retirement programs, Ice Miller, LLP, for proposals with federal tax components, and Deloitte Consulting, LLP, to evaluate proposals that affected the public employees health benefits program. For technical comments in evaluating proposals that affect TFFR, the actuarial services of Gabriel, Roeder, Smith & Company Holdings, Inc., were used.

The committee obtained written actuarial information on proposals over which the committee took jurisdiction. In evaluating each proposal, the committee considered the proposal's actuarial cost impact; testimony by retirement and health insurance program administrators and interested persons; the impact on the General Fund or special funds and on the affected retirement program; and other consequences of the proposal or alternatives to the proposal. Based on these factors, the committee makes a favorable recommendation, unfavorable recommendation, or no recommendation on each proposal.

A copy of the actuarial evaluation and the committee's report on each proposal will be appended to each proposal introduced. Each sponsor is responsible for securing introduction of the proposal in the 70th Legislative Assembly.

Teachers' Fund for Retirement

The following is a summary of the proposal affecting TFFR over which the committee took jurisdiction and received an actuarial report, a summary of the actuarial analysis, and the committee's action on the proposal:

Bill Draft No. 119
Sponsor: Senator Enget

Proposal: Allows Tier 1 nongrandfathered members of TFFR to transfer to a newly created Tier 3, which restores eligibility for normal retirement benefits from the Rule of 90 to the Rule of 85 and restores early reduced retirement benefits, with a 6 percent annual reduction. Provides a $50 monthly postretirement adjustment for TFFR retirees receiving benefits on June 30, 2027, funded by a transfer from the General Fund.

Actuarial analysis:

- The actuarial analysis estimates that creating Tier 3 would increase the unfunded actuarially accrued liability by $119.5 million and increase the normal cost rate by 0.31 percent of pay.
- The actuarially determined contribution rate would increase by 1.34 percent of pay.
- The time to full funding would increase from 17 to 20 years.
- The estimated lump sum funding required is $143.2 million as of July 1, 2027, or $170.8 million as of July 1, 2029.
- The postretirement adjustment is anticipated to have no actuarial impact on TFFR because the amount transferred to the fund is expected to equal the amount paid in benefits.
- The estimated cost of the postretirement adjustment is $46.7 million for a July 1, 2025, transfer; $53.6 million for a July 1, 2027, transfer; and $61.6 million for a July 1, 2029, transfer.

Committee report: Favorable.

Public Employees Retirement System

The following is a summary of the proposals affecting PERS over which the committee took jurisdiction and received an actuarial report, a summary of the actuarial analysis, and the committee's action on each proposal:

Bill Draft No. 33
Sponsor: Senator Boehm

Proposal: Requires automatic renewal of pretax benefit elections for dental and vision insurance plans administered by PERS.

Actuarial analysis: The change is estimated to have no financial impact on PERS.

Committee report: Favorable.

Bill Draft No. 43
Sponsor: Representative Grueneich

Proposal: Creates the volunteer first responder retirement plan and an income tax deduction for benefit payments.

Actuarial analysis:

- Creates an initial unfunded liability of approximately $25.5 million.
- The actuarially determined contribution for the first biennium is approximately $6.8 million.

Committee report: No recommendation.

Bill Draft No. 56
Sponsor: Representative Karls

Proposal: Provides PERS health benefits coverage may not impose cost-sharing requirements for diagnostic or supplemental breast examination services.

Actuarial analysis: The change is estimated to have a financial impact of $910,000 in the 2027-29 biennium or a 0.1 percent increase of total plan costs, based upon current utilization.

Committee report: Favorable.

Bill Draft No. 66
Sponsor: Senator Mathern

Proposal: Provides for PERS health benefits coverage of orthotic and prosthetic devices.

Actuarial analysis: The change is estimated to have a financial impact of $290,000 in the 2027-29 biennium or 0.03 percent of total plan costs, based on an expected increase in utilization.

Committee report: Favorable.

Bill Draft No. 87
Sponsor: Senator Davison

Proposal: Requires PERS to transition state employees and pre-Medicare retirees covered under the Uniform Group Insurance Program's grandfathered health plan to a large-employer nongrandfathered health plan that complies with the federal Patient Protection and Affordable Care Act and retains the benefits provided under the grandfathered plan, effective January 1, 2029.

Actuarial analysis:

- For the 6-month period from January 1, 2029, through June 30, 2029, the change is estimated to increase total plan costs by $4.8 million, or 0.5 percent of total estimated plan costs for the 2027-29 biennium.
- The change is estimated to result in a 2.6 percent increase in premiums.

Committee report: Favorable.

Bill Draft No. 104
Sponsor: Representative Porter

Proposal: Expands eligibility for the public safety retirement plan to include emergency medical services professionals employed by the state.

Actuarial analysis:

- Transfer of the four eligible state employees from the main system to the public safety system would increase the unfunded actuarial accrued liability of the public safety system.
- Transfer of the four state employees would not impact the actuarially determined employer contribution rate for the public safety with prior main system service.

Committee report: Favorable.

Bill Draft No. 106
Sponsor: PERS

Proposal: Provides for a transfer to the Highway Patrol Troopers' retirement system fund to increase the funded liability.

Actuarial analysis:

- Assumes a $21.7 million cash infusion on July 1, 2027.
- The change is estimated to have a positive impact on the system and actuarial valuation, resulting in a 91 percent funding ratio for the Highway Patrol Troopers' retirement plan by 2027, and a 100 percent funding ratio by 2047.

Committee report: Favorable.

Bill Draft No. 109
Sponsor: PERS

Proposal: Changes requirements related to county elected officials' participation in PERS retirement plans to resolve a conflict between state and federal law and allows affected members to request inservice benefit distributions before August 1, 2027.

Actuarial analysis:

- Changes to the participation requirements are expected to have an immaterial positive actuarial impact on PERS.
- Allowing inservice distributions for the limited group of affected members is expected to have a de minimis actuarial impact on PERS.

Committee report: Favorable.

Bill Draft No. 110
Sponsor: PERS

Proposal: Provides for PERS administrative changes and technical corrections.

Actuarial analysis: The change is estimated to have no financial impact on PERS.

Committee report: Favorable**.**

Bill Draft No. 113
Sponsor: Representative Hauck

Proposal: Creates a new subgroup under the PERS Uniform Group Insurance Program for pre-Medicare retired peace officers who retire after July 31, 2027, and meet specified eligibility requirements. Requires the PERS Board to pay the premium for up to 120 months at no cost to the retired peace officer.

Actuarial analysis:

- The change is estimated to increase total plan costs by $507,000, or 0.05 percent of total estimated plan costs, in the 2027-29 biennium and $949,000, or 0.08 percent of total estimated plan costs, in the 2029-31 biennium.
- The number of eligible retired peace officers is expected to grow for the next four to five bienniums and eventually stabilize as retired peace officers exit and enter the subgroup at similar rates.

Committee report: Favorable.

Bill Draft No. 117
Sponsor: Representative Schauer

Proposal: Requires PERS to offer, by January 1, 2028, an enhanced coverage option for eligible state employees enrolled in the Uniform Group Insurance Program, which consists of a large-employer nongrandfathered health plan that complies with the federal Patient Protection and Affordable Care Act and includes the benefits provided under the program's grandfathered plan. State employees who elect the enhanced coverage option must pay the difference between the monthly premium of the enhanced coverage option and the grandfathered plan.

Actuarial analysis:

- The financial impact on the Uniform Group Insurance Program will depend on how many employees choose the enhanced coverage option.
- The additional premium for the enhanced coverage option is estimated to be 2.6 percent, or $56 per month.

Committee report: Favorable.

Bill Draft No. 120
Sponsor: Representative Brandenburg

Proposal: Provides for PERS health benefits coverage of fertility treatment.

Actuarial analysis: The change is estimated to have a financial impact of $410,000 in the 2027-29 biennium or a 0.04 percent increase of total plan costs, based on current utilization.

Committee report: No recommendation.

Bill Draft No. 121
Sponsor: Representative Brandenburg

Proposal: Provides for PERS health benefits coverage of fertility preservation services.

Actuarial analysis: The change is estimated to have a financial impact of $200,000 in the 2027-29 biennium or a 0.02 percent increase of total plan costs, based on an expected increase in utilization.

Committee report: No recommendation.

Bill Draft No. 190
Sponsor: Representative Vetter

Proposal: Increases the benefit multiplier for the public safety retirement plan to 2.25 percent for members retiring after December 31, 2027, funded by a lump sum transfer from the General Fund and an employee contribution increase to cover the increased liability associated with the benefit enhancement. Increases the vesting schedule from 3 to 5 years of service for members first enrolled after December 31, 2027.

Actuarial analysis:

- The lump sum required to fund the benefit enhancement is $35.9 million for the public safety plan with prior main system service and $3.6 million for the public safety plan without prior main system service, for a total of $39.5 million, assuming the transfer occurs on January 1, 2028.
- For the public safety plan with prior main system service, the current statutory contribution rates are sufficient.
- For the public safety plan without prior main system service, the employee contribution rate will increase by 1.32 percent.
- The change is expected to delay full funding of the public safety plan with prior main system service by 8 years.
- The funded ratio of the public safety plan without prior main system service will remain approximately 100 percent.

Committee report: No recommendation.

Bill Draft No. 191
Sponsor: Representative Vetter

Proposal: Increases the benefit multiplier for the public safety retirement plan to 2.5 percent for benefits accrued on or after January 1, 2028, for members retiring after December 31, 2027, and allows members to elect to apply the increased multiplier to eligible prior service by making an additional actuarially determined contribution. Requires an increase in employee contributions to fund the enhanced benefits. Increases the vesting schedule from 3 to 5 years of service for members first enrolled after December 31, 2027.

Actuarial analysis:

- For the public safety plan with prior main system service, the employee contribution rate will increase by 2.36 percent.
- For the public safety plan without prior main system service, the employee contribution rate will increase by 3.64 percent.
- The increase in the employee contribution rate is less than the value of the benefit increase due to a portion of the cost of the benefit increase being covered by the current contribution surplus.
- The change is expected to delay full funding of the public safety plan with prior main system service by 16 years.
- The funded ratio of the public safety plan without prior main system service is expected to gradually decrease.
- When new hires are reflected, the plans are not expected to reach full funding within 20 years.

- To reach full funding within 20 years, the employer contribution rate for the public safety plan with prior main system service would need to increase by 0.97 percent beginning in fiscal year 2027.
- To reach full funding within 20 years, the employer contribution rate for the public safety plan without prior main system service would need to increase by 0.91 percent beginning in fiscal year 2027.

Committee report: No recommendation.

The committee took jurisdiction of one additional bill draft the committee determined fiscally impacts PERS. The Chairman and Vice Chairman of the committee will receive an actuarial report on the bill draft and will continue to take jurisdiction of legislative measures throughout the legislative session.

ACTUARIAL REPORTS

Teachers' Fund for Retirement

The committee received information related to the annual actuarial valuation reports for TFFR dated July 1, 2025, and July 1, 2026. The primary purposes of the valuation report are to determine the actuarially determined employer contribution rate, analyze changes in this rate, and determine the sufficiency of statutory contribution rates. Valuations are prepared annually, as of July 1 of each year, the first day of TFFR's plan and fiscal year.

Effective with the July 1, 2013, actuarial valuation, the TFFR Board adopted an actuarial funding policy that provides direction on how to calculate an actuarially determined contribution. To determine the adequacy of the 12.75 percent statutory employer contribution rate, the rate is compared to the actuarially determined contribution. The actuarially determined contribution is equal to the sum of the employer normal cost rate and the level percentage of pay required to amortize the unfunded actuarial accrued liability over a 30-year closed period that began July 1, 2013. For this calculation, payroll is assumed to increase 3.25 percent per year. As of July 1, 2026, the actuarially determined contribution is 12.16 percent of payroll, compared to 12.10 percent on July 1, 2025. Therefore, the statutory employer contribution rate of 12.75 percent resulted in a contribution margin of 0.59 percent of payroll as of July 1, 2026.

As of July 1, 2026, the actuarial value of assets was $3.8 billion, representing 92.8 percent of the fair value of assets of $4.09 billion. The actuarial value of 92.8 percent falls within the 20 percent corridor, so no further adjustment to the actuarial value of assets was necessary. Guidelines in Actuarial Standard of Practice Statement No. 44, Selection and Use of Asset Valuation Methods for Pension Valuations, recommends asset values fall within a reasonable range around the corresponding market value. The actuarial asset method complies with these guidelines.

As of July 1, 2026, the consulting actuary reported an investment return of 14.4 percent on a fair value basis and 7.1 percent on an actuarial value of assets basis, compared to the assumed rate of 7.15 percent. Based on the actuarial value of assets, the funded ratio increased to 74.7 percent as of July 1, 2026, compared to 73.4 percent as of July 1, 2025. The unfunded liability based on the fair value of assets decreased from $1.28 billion as of July 1, 2025, to $0.99 billion as of July 1, 2026. The fund's net cashflow (contributions minus benefit payments, refunds, and administrative expenses) as a percentage of the fair value of assets was -2 percent as of July 1, 2025, and -1.8 percent as of July 1, 2026.

As of July 1, 2026, the fund had 11,953 active members and 9,727 retirees and beneficiaries. Plan costs are affected by the age, years of service, and compensation of active members. The average age of active members was 41.8 years, and active members have 11.9 average years of service. Average annual compensation for active members was $73,504. As of July 1, 2026, the average monthly benefit amount for retirees and beneficiaries was $2,383.

Public Employees Retirement System

The committee received information related to the annual actuarial valuation reports as of July 1, 2025, and July 1, 2026, on the following PERS retirement systems:

- Combined PERS systems:
  - PERS main system;
  - Judges' retirement fund;
  - Public safety system with prior PERS main system service; and
  - Public safety system without prior PERS main system service;
- Highway Patrol Troopers' retirement system;
- RHIC Fund; and
- Job Service.

The actuarial valuations are performed to determine whether the assets and statutory contributions are anticipated to be sufficient to provide the prescribed benefits. The purpose of the actuarial valuations is to determine whether the contribution is sufficient to meet the long-term obligations to the members covered by the funds in accordance with the benefit provisions of the funds.

Plan Funding

Section 31 of House Bill 1040 (2023) amended Section 57-51.1-07.5 to provide $65 million of the state share of oil and gas tax revenues will be deposited in the PERS Fund for the main system DB retirement plan each biennium that revenues are available. The plan received $65 million in October 2024 and an additional $65 million in October 2026.

Section 54-52-06(1)(a) requires each state governmental unit that receives budgetary approval from the Legislative Assembly to contribute an amount sufficient to cover the normal cost of the PERS main system DB plan and amortize the plan's unfunded accrued liability over a closed period of 30.5 years, beginning January 1, 2026, and ending June 30, 2056. The PERS Board is required to publish the contribution rate necessary to meet these requirements by November 15 of each even-numbered year and to report annually to the committee on the contributions necessary to maintain the fund's actuarial soundness. In lieu of each state governmental unit contributing the additional actuarially determined rate, the Legislative Assembly may authorize a transfer to the PERS main system fund in an amount equal to or greater than the actuarially determined amount as most recently published by the PERS Board for the succeeding biennium.

Section 54-52-06(1)(b) requires each participating political subdivision and state governmental unit that does not receive budgetary approval from the Legislative Assembly to contribute 8.12 percent of the monthly salary or wage of a participating member.

For the 2027-29 biennium, the additional state contribution is estimated at $78 million. After accounting for the $65 million payment, the remaining required state contribution is $13 million, equivalent to 0.91 percent of total state payroll.

Unlike the employer contribution, which is actuarially determined, Section 54-52-05(2) establishes the employee contribution rate for the PERS main system at 7 percent of monthly salary or wages.

The statutory or approved employer and employee contribution rates for fiscal year 2027 are:

	Employee Rate	Employer Rate
Judges' retirement system	8.00%	17.52%
Public safety system with prior PERS main system service	5.72%[1]	13.75%[2]
Public safety system without prior PERS main system service	5.50%	8.81%
Highway Patrol Troopers' retirement system[3]	15.30%	21.70%
RHIC	0%	1.14%
Job Service	7.00%	0%

[1]The employee contribution rate for public safety with prior main system service is 5.5 percent, for Bureau of Criminal Investigation is 8 percent, and for state public safety employees is 6 percent.

[2]The employer contribution rate for public safety with prior main system service is 12.63 percent, for Bureau of Criminal Investigation is 23.49 percent, and for state public safety employees is 15.69 percent.

[3]Highway Patrol employer and employee contribution rates are to increase by 0.5 percentage points annually beginning on January 1, 2022, with the last increase occurring on January 1, 2025.

The comparison of total employer and employee statutory or approved contribution rates and the total actuarial contribution rates for fiscal year 2027 are:

	Actuarial Contribution Rate	Statutory/Approved Contribution Rate	Statutory Rate Excess - Deficiency
Judges' retirement system	16.11%	25.52%	9.41%
Public safety system with prior PERS main system service	17.30%	19.47%	2.17%
Public safety system without prior PERS main system service	12.73%	14.31%	1.58%
Highway Patrol Troopers' retirement system	46.47%	37.00%	(9.47%)
RHIC	1.17%	1.14%	(0.03%)

The following is a comparison of this year's total actuarial contribution rates to last year's rates:

	Fiscal Year 2026	Fiscal Year 2027
PERS main system	19.79%	17.44%
Judges' retirement system	17.55%	16.11%
Public safety system with prior PERS main system service	16.36%	17.31%
Public safety system without prior PERS main system service	12.99%	12.73%
Highway Patrol Troopers' retirement system	52.34%	46.47%
RHIC	1.25%	1.17%

Demographics

The following demographic data was reported for active members as of July 1, 2026:

Category	Year Beginning July 1, 2026
PERS main system	
Number of active members	19,821
Average age	47.4
Average service credit	10.5
Total compensation	$1,232,613,766
Average compensation	$62,187
Judges' retirement system	
Number of active members	59
Average age	55.5
Average service credit	9.4
Total compensation	$11,044,954
Average compensation	$187,203
Public safety system with prior PERS main system service	
Number of active members	2,579
Average age	38.4
Average service credit	7.5
Total compensation	$185,577,700
Average compensation	$71,957
Public safety system without prior PERS main system service	
Number of active members	309
Average age	37.4
Average service credit	5.3
Total compensation	$21,486,439
Average compensation	$69,535
Combined PERS Fund	
Number of active members	22,769
Average age	46.3
Average service credit	10.1
Total compensation	$1,450,722,859
Average compensation	$63,718
Highway Patrol Troopers' retirement system	
Number of active members	166
Average age	38.8
Average service credit	11.5
Total compensation	$16,041,955
Average compensation	$96,638
Job Service	
Number of active members	1
Average age	69.7
Average service credit	50.3
Total compensation	$67,692
Average compensation	$67,692
RHIC	
Number of active members	14,962
Average age	48.5
Average service credit	13.7
Total compensation	$1,053,305,158
Average compensation	$70,399

Funding Ratio

The following is a comparison of this year's actuarial funded ratio to last year's ratio:

	July 1, 2025		July 1, 2026	
	Unfunded Actuarial Liability	Funded Ratio	Unfunded Actuarial Liability	Funded Ratio
PERS main system	$1,731,660,250	71.3%	$1,671,478,527	73.1%
Judges' retirement system	($10,838,705)	116.8%	($13,383,051)	120.1%
Public safety system with prior PERS main system service	$84,401,242	73.1%	$137,590,071	66.8%
Public safety system without prior PERS main system service	($266,039)	101.0%	($590,017)	101.8%
Highway Patrol Troopers' retirement system	$51,180,642	69.2%	$38,899,466	78.1%
RHIC	$78,442,226	71.3%	$69,049,374	74.9%
Job Service	($15,025,774)	122.7%	($14,906,014)	123.4%

ADDITIONAL COMMITTEE RESPONSIBILITIES

Federal Requirements

Teachers' Fund for Retirement

The TFFR Board did not report to the committee under Section 15-39.1-35 regarding any federal requirement necessitating changes to the laws relating to TFFR.

Public Employees Retirement System

The PERS Board reported action by the committee was required under Sections 54-52-23 and 54-52.6-23 to resolve a conflict between the Internal Revenue Code and Sections 54-52-02.11 and 54-52.6-02.1, which allow elected county officials to enroll in PERS retirement plans at their individual election at the start of a new term. To resolve this conflict, the PERS Board adopted policies governing county elected officials' participation in the PERS retirement plans, directed staff to enact emergency administrative rules codifying the board's adopted policies, and directed staff to request committee approval of the language in the rules. The committee approved the requested terminology change adopted by the PERS Board. The PERS Board notified the committee of its intention to introduce legislation to comply with the Internal Revenue Code.

Teachers' Fund for Retirement Legislation

The TFFR Board did not submit to the committee under Section 15-39.1-05.2(5) any necessary or desirable changes in statutes relating to the administration of the TFFR.

Firefighters Relief Associations

The committee was not notified by a firefighters relief association of an alternate schedule of monthly service pensions benefits implemented for members of the association, as required by Section 18-11-15(5).

Health Insurance Mandate Procedure

House Bill 1248 (2025) amended Section 54-03-28 and made several changes to the procedural requirements for health insurance mandates, including that a cost-benefit analysis must be appended to a measure that includes a health insurance mandate only after the measure has completed the process in Section 54-03-28(2), commonly referred to as the PERS pilot period. Section 54-35-02.4(4) and (5) require a report of the committee or an actuarial report to be appended to a measure that includes a health insurance mandate applicable to the health plans of state employees.

Under Section 54-03-28(1), which requires the Legislative Management to adopt a procedure for identifying measures including health insurance mandates, the committee considered issues of timing, equity, and analysis relating to setting a deadline for submission of bills or bill drafts providing for health insurance mandates. The committee recognized the importance of allowing newly elected legislators the opportunity to introduce legislation providing for a health insurance mandate and receiving the required report or cost-benefit analysis before the deadline to report bills out of committee.

Recommendation

The committee recommended retaining the existing Joint Rule 211 deadline, under which legislators who plan to introduce a legislative measure that provides for a health insurance mandate under Section 54-03-28 must provide to the Legislative Council a copy of the proposed legislative measure by the close of business on the second Friday following adjournment of the organizational session. The committee further recommended that Joint Rule 211 be amended to clarify the purpose of the deadline is to allow time for submission of the report or cost-benefit analysis required under Sections 54-03-28 and 54-35-02.4. The Legislative Procedure and Arrangements Committee approved the proposed amendment for recommendation to the Legislative Management.

REPORTS

Defined Contribution Retirement Plan

Pursuant to Section 54-52.6-22, the committee received annual reports from the PERS Board on the status of the DC plan as of September 30, 2025, and June 30, 2026.

A representative of PERS reported, as of December 31, 2024, the legacy DC plan had 191 members. Of the more than 4,000 members eligible to elect to transfer from the main system DB retirement plan to the legacy DC plan between January 1, 2025, and March 31, 2025, 144 members, or approximately 3.5 percent, elected to transfer. Each member who elected to transfer is eligible to receive approximately $10,000 in additional employer contributions to the DC retirement plan payable in three installments in January 2026, 2027, and 2028.

As of September 30, 2025, the DC retirement plan had 2,598 members, including 191 legacy DC plan members, 144 special-election transfers, and 2,485 new hires enrolled in the 2025 DC plan, less 222 withdrawn accounts. As of June 30, 2026, total enrollment had increased to 4,823 members, reflecting 191 legacy DC plan members, 144 special-election transfers, 5,184 new hires enrolled in the 2025 DC plan, and 696 withdrawn accounts.

As of September 30, 2025, approximately 74 percent of new members enrolled in the 2025 DC plan had made an active election regarding the optional additional up to 3 percent contribution and 194 members remained eligible to make an election within the 30-day election period. As of June 30, 2026, approximately 75 percent of new members enrolled in the 2025 DC plan had made an active election or remained eligible to make an election.

Recruitment and Retention Bonuses

Pursuant to Section 54-06-31, the committee received periodic reports from the OMB Human Resource Management Services Division on the implementation, progress, and bonuses provided under state agency bonus programs to recruit or retain employees in hard-to-fill positions. A representative of the OMB Human Resource Management Services Division reported, for the 2023-25 biennium, 17 agencies made 874 recruitment bonus payments totaling $2,207,939; 4 agencies made 397 referral bonus payments totaling $472,200; and 23 agencies made 983 retention bonus payments totaling $4,703,047 after adjusting for retention bonus repayments.

The following provides information from the 2023-25 biennium:

Agency	2023-25 Agency Authorized FTE Positions	July 1, 2023, to June 30, 2025 (Biennium Total)					
		Recruit		Referral		Retain	
		Number	Amount	Number	Amount	Number	Amount
Adjutant General	233.00	50	$33,645			5	($4,998)
Aeronautics Commission	7.00					1	5,000
Department of Agriculture	80.00					1	20,000
Attorney General	266.00	1	5,000			10	75,000
Bank of North Dakota	187.00	3	26,000			16	152,718
Department of Commerce	65.80	4	3,375			2	2,000
Corn Utilization Council	0.00					2	11,700
Department of Corrections and Rehabilitation	929.79	466	276,900	129	$310,000	393	854,613
Department of Environmental Quality	173.00					1	(417)
Department of Financial Institutions	35.00	1	500	1	500		
Governor's office	19.00	1	1,200				
Department of Health and Human Services	2483.83	254	1,633,409	252	147,700	415	2,757,845
Highway Patrol	205.00	49	122,500	15	14,000		
Information Technology Department	507.00	5	9,500				
Commission on Legal Counsel for Indigents	41.00					1	6,500
Department of Mineral Resources	108.00	1	5,000			95	663,308
Office of Management and Budget	110.00					3	(4,792)
Department of Public Instruction	86.25					5	13,889
Retirement and Investment Office	34.00	3	40,000			2	22,400
State Auditor's office	65.00	1	2,860			21	80,527
State Library	26.75					1	14,040
Tax Commissioner	117.00	2	1,500			1	2,500
Department of Trust Lands	33.00					2	12,500
Department of Veterans' Affairs	9.00					1	6,923
Veterans' Home	114.79	23	29,622			2	1,750
Department of Water Resources	93.00	1	1,500			1	5,000
Workforce Safety and Insurance	260.14	9	15,427			2	5,040
Total		874	$2,207,939	397	$472,200	983	$4,703,047

A representative of the OMB Human Resource Management Services Division reported, for first year of the 2025-27 biennium, 11 agencies made 274 recruitment bonus payments totaling $988,981; 6 agencies made 90 referral bonus payments totaling $119,183; and 9 agencies made 222 retention bonus payments totaling $860,359.

The following provides information for the first year of the 2025-27 biennium:

Agency	2025-27 Agency Authorized FTE Positions	July 1, 2025, to June 30, 2026 (Fiscal Year Total)					
		Recruit		Referral		Retain	
		Number	Amount	Number	Amount	Number	Amount
Adjutant General	235.00	20	$17,524				
Attorney General	270.00					2	$10,000
Bank of North Dakota	187.00	1	9,167			27	186,934
Department of Corrections and Rehabilitation	965.29	120	100,667	29	$65,000	24	13,392
Department of Financial Institutions	0.00			2	1,000	2	5,195
Department of Health and Human Services	2688.35	114	803,051	52	48,000	52	218,639
Highway Patrol	205.00	6	15,000	4	3,000		
Insurance Department	509.00	2	2,250				
Information Technology Department	60.00	1	(972)				
Commission on Legal Counsel for Indigents	43.00					1	8,304
Department of Mineral Resources	113.00	1	5,000			97	334,396
Retirement and Investment Office	35.00	4	25,000				
State Auditor's office	59.00					16	76,000
Department of Trust Lands	34.00					1	7,500
Veterans' Home	114.79	1	1,500	1	1,184		
Workforce Safety and Insurance	260.14	4	10,794	2	1,000		
Total		274	$988,981	90	$119,183	222	$860,359

Service Awards, Tuition, and Professional Organizations

In accordance with Sections 54-06-32, 54-06-33, and 54-06-34, the OMB Human Resource Management Services Division reported on state employee service awards; employer-paid costs of training or educational courses, including tuition and fees; and employer-paid professional organization membership and service club dues for individuals for the 2023-25 biennium.

The following is a summary of the information presented:

Agency	2023-25 Authorized FTE Positions	State Employee Service Awards	Employer-Paid Costs of Training or Educational Courses, Including Tuition and Fees	Employer-Paid Professional Organization Membership and Service Club Dues for Individuals
101 - Governor's office	19.00		$935.00	$1,604.17
108 - Secretary of State	35.00	$1,696.00	$4,815.00	$17,017.75
110 - Office of Management and Budget	110.00	$4,727.60	$14,840.78	$8,933.23
112 - Information Technology Department	507.00	$25,868.00	$494,430.93	$105,247.17
117 - State Auditor's office	65.00	$3,213.00		$225.00
120 - State Treasurer	7.00	$425.82	$661.50	$18,275.00
125 - Attorney General	266.00			$37,450.95
127 - Tax Commissioner	117.00	$6,322.00	$17,343.36	$3,495.00
140 - Office of Administrative Hearings	5.00	$559.95		
180 - Judicial branch	383.00	$14,083.60	$208,329.62	$363,600.48
188 - Commission on Legal Counsel for Indigents	41.00		$10,041.00	$17,752.21
190 - Retirement and Investment Office	34.00	$1,753.00	$68,713.07	$35,010.42
192 - Public Employees Retirement System	40.50	$1,980.00	$24,171.25	$29,922.50
195 - Ethics Commission	3.00	$143.00		
201 - Department of Public Instruction	86.25			$69,886.99
204 - Center for Distance Education	30.80		$400.00	
226 - Department of Trust Lands	33.00	$1,944.39	$5,684.00	$19,461.40
250 - State Library	26.75	$1,765.89		
253 - North Dakota Vision Services - School for the Blind	27.75	$1,204.00	$4,141.00	
270 - Department of Career and Technical Education	23.50	$905.48		$5,948.75
303 - Department of Environmental Quality	173.00	$9,593.00	$80,222.81	$6,989.53
313 - Veterans' Home	114.79		$13,197.76	
325 - Department of Health and Human Services	2,483.83	$144,293.00	$580,972.22	$205,695.51

Agency	2023-25 Authorized FTE Positions	State Employee Service Awards	Employer-Paid Costs of Training or Educational Courses, Including Tuition and Fees	Employer-Paid Professional Organization Membership and Service Club Dues for Individuals
360 - Protection and Advocacy Project	28.50	$1,294.75		
380 - Job Service North Dakota	158.61	$10,474.00	$12,085.00	
401 - Insurance Department	47.00	$1,075.00	$16,102.93	$12,582.77
405 - Industrial Commission	9.75	$63.00		
406 - Department of Labor and Human Rights	13.00	$633.17		
408 - Public Service Commission	45.00	$3,065.00	$2,244.00	$2,917.00
413 - Department of Financial Institutions	35.00			$125.00
414 - Securities Department	10.00	$225.00		$5,840.00
474 - Department of Mineral Resources	108.00	$4,235.00	$13,355.36	
485 - Workforce Safety and Insurance	260.14	$22,275.92	$203,973.28	$86,804.77
504 - Highway Patrol	205.00		$280,747.45	$39,841.00
530 - Department of Corrections and Rehabilitation	929.79	$60,842.45	$409,408.46	$201,699.83
540 - Adjutant General	233.00	$17,241.02	$43,755.51	$49,298.25
601 - Department of Commerce	65.80	$3,168.00	$12,242.50	$620.00
602 - Agriculture Commissioner	80.00	$4,586.00	$420.00	$60,381.86
607 - Milk Marketing Board	0.00	$350.00		
608 - Oilseed Council	0.00	$232.10		
616 - State Seed Department	0.00			$200.00
701 - State Historical Society	83.50	$4,423.00	$3,853.20	$35.00
720 - Game and Fish Department	170.00	$30,084.22	$3,903.87	$95,963.00
750 - Parks and Recreation Department	65.00	$10,147.35	$4,852.44	
770 - Department of Water Resources	93.00	$6,734.00	$94,693.58	$12,953.58
801 - Department of Transportation	1,001.00	$66,943.00	$796,505.59	$36,849.43

Retirement and Investment Office

The committee received periodic reports from RIO, including:

- An overview of RIO; and
- The status of the new TFFR pension administration system.

The committee received the following information regarding the investment performance of the TFFR, PERS, Legacy, and Budget Stabilization Funds as of June 30, 2025:

	TFFR	PERS	Legacy Fund	Budget Stabilization Fund
Total fund - Year-to-date	7.4%	7.8%	8.3%	3.0%
Total fund - 1 year	11.4%	12.0%	12.7%	6.6%
Total fund - 3 year	9.0%	9.6%	10.6%	5.6%
Total fund - 5 year	8.9%	9.4%	8.3%	2.9%
Total fund - 10 year	7.6%	7.8%	7.1%	2.4%
Total fund - Risk (5 year)	8.1%	8.7%	9.3%	2.0%

Public Employees Retirement System

During the interim, the committee received periodic reports from PERS, including:

- An overview of the PERS agency;
- An overview of the PERS retirement plans and group insurance plans; and
- The status of 2025 legislation implementation relating to PERS.

STATE EMPLOYEE COMPENSATION STUDY

Section 1 of House Bill 1580 (2025) directed a study of the classified state employee total rewards compensation system, including a review of the development and determination of pay grade, classifications, and health care benefits. The study required a review of the history of changes to classification and pay grade levels; comparisons among state employees across all departments and between state employee compensation levels to similar private sector jobs; the use of equity funding and bonuses to retain employees; the payment of prevailing wages on state projects; wage levels in awarding contracts for state projects; and the impact of changes to health plan benefits; and premium rate structures for single and family coverage and the impact of any proposed changes.

Background

Recent Classification System Changes

The classification system was developed in 1982 by the OMB Human Resource Management Services Division. The factors used to determine the job classes include knowledge and skills required, complexity, responsibilities, and working condition hazards.

Effective July 1, 2020, OMB changed the job classification system for classified state employees. Before the change, the job classification system established a standard salary range for classified employees with similar job titles in multiple state agencies. The current job classification system replaced the 22 letter grades with 10 number grades with the intention of providing agencies additional salary flexibility for high-performing state employees without needing to reclassify the employee's salary grade and position. The current job classification system combined more than 850 job titles into 100 standardized job titles within 16 job families, such as administrative and office services, education services, human services, and trade services.

Compensation Philosophy Statement

House Bill 1031 (2011) created Section 54-44.3-01.2, which established a compensation philosophy for the compensation program for classified state employees. The program must be designed to recruit, retain, and motivate a quality workforce for the purpose of providing efficient and effective services to the citizens of North Dakota. The Office of Management and Budget must develop and administer the compensation program and ensure state agencies adhere to the state's compensation philosophy. The Office of Management and Budget also must regularly conduct compensation comparisons to ensure the state's compensation levels are competitive with relevant labor markets.

Classified Service Exemptions

Section 54-44.3-20 provides certain positions in state government are exempt from the classified state employee system, including elected officials and employees of boards and commissions, the legislative and judicial branches, institutions of higher education, the Mill and Elevator Association, and the Bank of North Dakota.

Health Insurance

The Public Employees Retirement System provides for a preferred provider organization basic grandfathered health insurance plan. A state employee is eligible for the grandfathered health plan if the individual is at least 18 years of age, works at least 20 hours per week for 20 or more weeks per year, and holds a position that is regularly funded.

The Public Employees Retirement System also provides for a high-deductible health insurance plan that includes a health savings account. Permanent state employees may participate in the plan, but temporary state employees and employees of political subdivisions are not eligible.

The Legislative Assembly continued to provide funding for the cost of health insurance premiums for state employees for the 2025-27 biennium. The appropriations provide $1,893.30 per month for employee health insurance, an increase of $250.22, or 15.23 percent, compared to the 2023-25 biennium premium rate of $1,643.08 per month.

Retirement - Main System Defined Benefit Plan

House Bill 1040 (2023) closed the main system DB retirement plan to new hires beginning January 1, 2025. The bill increased employer contributions by 1 percent beginning January 1, 2024, resulting in total employer contributions of 8.12 percent for employees hired on or before December 31, 2019. For employees hired after December 31, 2019, the employer contribution rate is 9.26 percent, which includes the 1.14 percent that was reallocated from the RHIC beginning in the 2019-21 biennium. Employee contributions remain at 7 percent, of which 4 percent is paid by the state on behalf of employees.

Beginning January 1, 2026, the employer contribution rate for state agencies changed to the actuarially determined employer contribution rate to begin paying the unfunded liability of the main system DB retirement plan over a closed period of 31.5 years. The state will pay for the political subdivision portion of the unfunded liability.

Retirement - Defined Contribution Plan

House Bill 1040 (2023) provided employees hired after December 31, 2024, be enrolled in the 2025 DC plan. The default employee contribution rate of the 2025 DC plan is 4 percent; however, the employee may elect to contribute up to an additional 3 percent. The employer is required to match the employee contribution up to 7 percent. If a state employee in the 2025 DC plan contributes less than 7 percent but participates in the PERS deferred compensation plan, the state employer is required to match contributions from the deferred compensation plan up to a total of 7 percent. The deferred compensation plan option is not available for employees of a political subdivision that does not participate in the deferred compensation plan. For employees enrolled in the legacy DC plan, the employee contribution rate remains at 7 percent and the employer contribution rate remains at 7.12 percent with a 1.14 percent RHIC contribution for employees enrolled before January 1, 2020, and 8.26 percent for members enrolled between January 1, 2020, and December 31, 2024.

Testimony

Office of Management and Budget

The committee received information from OMB regarding the history of changes to classification and pay grade levels, recent use of equity funding and bonuses to retain employees, state employee compensation comparisons, leave and tuition benefits, recommended changes to state health plan benefits, the payment of prevailing wages on state projects, the consideration of wage levels when awarding contracts for state projects, and the results of recent compensation and benefits surveys. The committee was informed:

- As of October 1, 2025, there were 8,506 permanent state employees and 1,159 temporary employees, including classified and unclassified employees but excluding higher education employees.
- 10 percent of state employees are eligible for retirement and 25 percent will be eligible within 5 years.
- The state employee turnover rate in 2025 was 11 percent, a decrease from 12 percent in 2024, 13 percent in 2023, and 14 percent in 2022.
- Employee leave policies offered to state employees include annual, sick, funeral, family and medical, military, new hire, and a leave sharing program.
- Tuition reimbursement benefits help attract job candidates, enhance employees' skills and professional development, provide potential tax advantages, increase employee engagement, and improve retention of high-performing employees.
- OMB's State Procurement Office awards contracts based on total project costs, and while federal regulations establish prevailing wage requirements for certain government projects, there are no state requirements governing prevailing wages for contractor employees on state projects.
- Based on responses to a 2026 total rewards survey, employees indicated that health insurance, the state retirement plans, and increased salary are the most important benefits for state employees, while competitive pay, more time off, and better health insurance were cited as the top benefit changes desired.
- National and local labor market comparisons conducted in 2026 indicated North Dakota state employee salaries were approximately 2 to 12 percent below private market salaries for comparable occupations.

Public Employees Retirement System

The committee received information from PERS regarding the history, benefits, contracts, and premium structures of state health plan benefits. The committee was informed:

- Permanent state employees are eligible to enroll in either a grandfathered preferred provider organization basic health plan or a nongrandfathered high-deductible health plan that includes a health savings account.
- Beginning in 1993, employers participating in the grandfathered basic health plan were charged a blended premium rate rather than separate single and family rates based on each employee's plan election. The monthly premium rates are $911 for single coverage, $2,198 for family coverage, and a blended rate of $1,893 for the 2025-27 biennium.
- PERS solicits bids for the state health insurance contract every 6 years, with renewal options every 2 years. The contract with Sanford Health Plan became effective during the 2021-23 biennium and was renewed for the 2023-25 and 2025-27 bienniums.
- PERS anticipates a new contract will be awarded in late 2026.

Job Service North Dakota

The committee received information from Job Service North Dakota regarding the state labor market, including salary comparisons with other states. The committee was informed:

- As of June 2026, the state unemployment rate was 2.8 percent, which is 1.5 percentage points less than the national unemployment rate.
- North Dakota's labor force participation rate is among the highest in the nation at 69.6 percent.
- As of fall 2025, the average state employee wage in North Dakota was $69,570, compared to $63,408 in Montana, $67,339 in South Dakota, $84,068 in Minnesota, and $80,773 nationally.

Committee Considerations

The committee discussed state employee compensation and benefits, including salary and wage levels across state agencies and in comparison with the private sector; health insurance and retirement benefits; vacation and family leave policies; bonuses and equity funding; and other benefits. The committee also discussed voluntary and involuntary state employee turnover and considered which benefits are most valued by state employees.

Conclusion

The committee makes no recommendation regarding the state employee compensation study.

PUBLIC EMPLOYEES RETIREMENT SYSTEM PRIOR AUTHORIZATION STUDY

Section 2 of Senate Bill 2280 (2025) directed a study of the prior authorization requirements imposed by PERS Uniform Group Insurance Program health plans under Chapter 54-52.1 and the impact on patient care and health care costs. The study required consideration of input from stakeholders, including patients, providers, and commercial insurance plans. The study required insurance plans to submit to the Insurance Commissioner by July 1, 2025, for the immediately preceding calendar year for each commercial product certain information relating to prior authorization requests. The Insurance Commissioner was required to aggregate this data into a report and submit the report to the committee by November 1, 2025.

Background

Prior authorization is the review conducted before the delivery of a health care service to evaluate the necessity, appropriateness, and efficacy of the use of health care services, procedures, and facilities, by a person other than the attending health care professional, for the purpose of determining the medical necessity of the health care services or admission. Prior authorization includes a review conducted after the admission of the enrollee and in situations in which the enrollee is unconscious or otherwise unable to provide advance notification.

Senate Bill 2280 (2025) created Chapter 26.1-36.12, which establishes requirements and procedures for prior authorization review organizations relating to the disclosure and review of prior authorization requests, decision deadlines, adverse determinations, appeal review, nonurgent circumstances, urgent health care services, and emergency medical conditions. The bill excluded PERS Uniform Group Insurance Program health plans under Chapter 54-52.1, dental insurance plans, and medical assistance from being subject to the newly established prior authorization requirements and procedures. Testimony in support of the bill stressed the need for an interim study to determine whether the prior authorization provisions in the bill should be extended to PERS Uniform Group Insurance Program health plans.

Uniform Group Insurance Program

The 1971 Legislative Assembly established the Uniform Group Insurance Program, codified as Chapter 54-52.1, which offers public employees health insurance benefits. Section 54-52.1-02 provides the purpose of the Uniform Group Insurance Program is 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. The uniform group must be composed of eligible and retired employees and be formed to provide hospital benefits coverage, medical benefits coverage, and life insurance benefits coverage. Eligible employees include permanent employees who are employed by a governmental unit, members of the Legislative Assembly, judges of the Supreme Court, full-time employees of political subdivisions, elective state officers, disabled permanent employees who are receiving compensation from the North Dakota Workforce Safety and Insurance Fund, and paid members of state or political subdivision boards, commissions, or associations. The PERS Board is responsible for administering the Uniform Group Insurance Program.

The Public Employees Retirement System offers three health plans to active members: the preferred provider organization basic grandfathered plan, the preferred provider organization basic nongrandfathered plan, and the high-deductible health plan. All three health plans are provided by the same insurance carrier, and all have the same prior authorization procedures and requirements.

The Public Employees Retirement System offers two health plans to retired members: the Dakota Retiree Plan (Medicare) bundled with the Medicare Part D Prescription Drug Plan and the Dakota Retiree Plan (non-Medicare).

Testimony

The committee received a report and information from a representative of the insurance carrier for the PERS health plans on the data submitted to the Insurance Commissioner for the 2024 calendar year regarding prior authorization requirements imposed by the Uniform Group Insurance Program. The committee was informed that, in 2024, the insurance carrier processed 612,211 claims for the PERS health plans, of which only 8,378 required prior authorization. Of the claims requiring prior authorization, 72 percent were approved and 28 percent were denied.

A representative of the insurance carrier reported that a total of 3,215 prior authorization requests were pharmacy-related and 5,163 were related to medical services. Of the 3,215 pharmacy-related requests, 42 percent were approved and 58 percent were denied. In comparison, 90 percent of the 5,163 medical service requests were approved and 10 percent were denied. Of the 2,386 denied requests, 552, or approximately 23 percent, were appealed. The testimony indicated 364 denials were reversed through internal review and 24 were reversed through external review.

The report categorized the 2,386 prior authorization denials into 14 health care service categories and identified the number of denials in each category, the number appealed, and the number reversed on appeal. The representative of the insurance carrier reported that the category with the most denials was prescription drug pharmacy benefits, with 1,645 denials, of which 365 were appealed and 227 were reversed on appeal. The categories with the next three highest numbers of denials were prescription drug medical benefits, radiology, and genetic testing. For prescription drug medical benefits, there were 217 denials, of which 110 were appealed and 84 were reversed. For radiology, there were 146 denials, of which 7 were appealed and 4 were reversed. For genetic testing, there were 137 denials, of which 16 were appealed and 9 were reversed. The remaining categories were outpatient surgery, outpatient procedures, durable medical equipment, oncology, inpatient admissions, dental, applied behavior analysis therapy, home health visits, out-of-network outpatient surgery, and Rx-Synagis.

The representative of the insurance carrier identified 14 reasons for prior authorization denials. The most common reasons include prescription drug policy criteria not being met (919 denials), administrative benefit denials (521 denials), nonformulary medications when formulary alternatives were available (248 denials), medical policy criteria not being met (204 denials), and failure to complete step therapy requirements (198 denials). Other reasons include high-end imaging not meeting criteria (142 denials), experimental or investigational services (86 denials), prescription quantities exceeding level limits (31 denials), services deemed not medically necessary (17 denials), failure to meet opioid management program criteria (15 denials), lack of information received (2 denials), out-of-network services deemed not medically necessary (2 denials), and prescription drugs not covered by the plan (1 denial).

The testimony indicated the PERS health plans cover GLP-1 medications for members with a diabetes diagnosis but exclude coverage for the use of GLP-1 medications for weight loss. The insurance carrier received a high volume of prior authorization requests for GLP-1 medications for weight loss in 2024 and those requests were denied as administrative benefit denials.

Testimony from a health care provider emphasized the importance of prior authorization reform in reducing barriers to timely, appropriate patient care. The testimony indicated prior authorization requirements can delay necessary care and have unintended consequences for patient health.

Committee Considerations

The committee considered the role of prior authorization in health care delivery for members of the Uniform Group Insurance Program, including the frequency and reasons for denials, the use of internal and external appeals, and the extent to which denials are reversed on appeal. The committee also considered concerns raised by a health care provider regarding delays in receiving appropriate care and the potential effects of prior authorization requirements on patient health.

Conclusion

The committee makes no recommendation regarding the Uniform Group Insurance Program prior authorization requirements study.